0000879101 KIMCO REALTY CORP false --12-31 Q1 2021 2,727,002 2,717,114 1.00 1.00 7,054,000 7,054,000 19,580 19,580 19,580 19,580 489,500 489,500 0.01 0.01 750,000,000 750,000,000 433,448,386 433,448,386 432,518,743 432,518,743 4.7 4.7 1 0.3 0 Representing 95 property interests and 21.3 million square feet of GLA, as of March 31, 2021, and 97 property interests and 21.2 million square feet of GLA, as of December 31, 2020. Before noncontrolling interests of $3.0 million and taxes of $1.0 million for the three months ended March 31, 2021. The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income available to the Company’s common shareholders per share. Accordingly, the impact of such conversions has not been included in the determination of diluted earnings per share calculations. Additionally, there were 0.8 million and 1.2 million stock options that were not dilutive as of March 31, 2021 and 2020, respectively. Includes minimum base rents, expense reimbursements, ancillary income and straight-line rent adjustments. Includes extension options Includes non-recourse liabilities of consolidated VIEs at March 31, 2021 and December 31, 2020 of $96,660 and $62,076, respectively. See Footnote 10 of the Notes to Condensed Consolidated Financial Statements. Includes minimum base rents, expense reimbursements, percentage rent, lease termination fee income and ancillary income. Gross leasable area ("GLA") The Company manages these joint venture investments and, where applicable, earns property management fees, construction management fees, property acquisition and disposition fees, leasing management fees and asset management fees. The Company determined that the valuation of its Senior Unsecured Notes were classified within Level 2 of the fair value hierarchy and its unsecured revolving credit facility was classified within Level 3 of the fair value hierarchy. The estimated fair value amounts classified as Level 2, as of March 31, 2021 and December 31, 2020, were $5.3 billion and $5.5 billion, respectively. During January 2021, KIM RDC, LLC (“KIM RDC”), a wholly owned subsidiary of the Company, and KP Lancewood LLC (“KPR Member”) entered into a joint venture agreement wherein KIM RDC has a 100% controlling interest and KPR Member is entitled to a profit participation. The joint venture acquired two operating properties for a gross fair value of $104.0 million (see Footnote 3 to the Notes to the Company’s Condensed Consolidated Financial Statements). This joint venture is accounted for as a consolidated VIE (see Footnote 11 to the Notes to the Company’s Condensed Consolidated Financial Statements). The Company determined that its valuation of its mortgages loan were classified within Level 3 of the fair value hierarchy. Consists of the fair value of the assets acquired which exceeded the purchase price upon closing. The transaction was a sale leaseback with the seller which resulted in the recognition of a prepayment of rent of $17.7 million in accordance with ASC 842, Leases at closing. The prepayment of rent will be amortized through Revenues from rental properties, net over the initial term of the lease. See Footnote 10 to the Notes to the Company’s Condensed Consolidated Financial Statements for additional discussion regarding fair value allocation of partnership interest for noncontrolling interests. Includes restricted assets of consolidated variable interest entities (“VIEs”) at March 31, 2021 and December 31, 2020 of $101,947 and $102,482, respectively. See Footnote 10 of the Notes to Condensed Consolidated Financial Statements. 00008791012021-01-012021-03-31 0000879101us-gaap:CommonStockMember2021-01-012021-03-31 0000879101kim:ClassLCumulativeRedeemablePreferredStockMember2021-01-012021-03-31 0000879101kim:ClassMCumulativeRedeemablePreferredStockMember2021-01-012021-03-31 xbrli:shares 00008791012021-04-21 thunderdome:item iso4217:USD 00008791012021-03-31 00008791012020-12-31 0000879101kim:RealEstateUnderDevelopmentMember2021-03-31 0000879101kim:RealEstateUnderDevelopmentMember2020-12-31 0000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2021-03-31 0000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2020-12-31 0000879101kim:OtherRealEstateInvestmentsMember2021-03-31 0000879101kim:OtherRealEstateInvestmentsMember2020-12-31 iso4217:USDxbrli:shares 00008791012020-01-012020-03-31 0000879101kim:JointVenturesMember2021-01-012021-03-31 0000879101kim:JointVenturesMember2020-01-012020-03-31 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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C.**  **20549**

**FORM 10-Q**

|  |  |
| --- | --- |
| ☒ | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

**For the quarterly period ended March 31, 2021**

or

|  |  |
| --- | --- |
| ☐ | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

For the transition period from                 to

Commission File Number:   1-10899

**Kimco Realty Corporation**

(Exact name of registrant as specified in its charter)

|  |  |  |
| --- | --- | --- |
| **Maryland** |  | **13-2744380** |
| (State or other jurisdiction of incorporation or organization) |  | (I.R.S. Employer Identification No.) |

**500 North Broadway, Suite 201, Jericho, NY 11753**

(Address of principal executive offices) (Zip Code)

**(516) 869-9000**

(Registrant’s telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |
| --- | --- | --- |
| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
| Common Stock, par value $.01 per share. | KIM | New York Stock Exchange |
| Depositary Shares, each representing one-thousandth of a share of 5.125% Class L Cumulative Redeemable, Preferred Stock, $1.00 par value per share. | KIMprL | New York Stock Exchange |
| Depositary Shares, each representing one-thousandth of a share of 5.250% Class M Cumulative Redeemable, Preferred Stock, $1.00 par value per share. | KIMprM | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   Yes ☒   No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes ☒   No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12-b-2 of the Exchange Act.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Large accelerated filer | ☒ | Accelerated filer | ☐ |  | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ |  |  |  |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 21, 2021, the registrant had 433,459,202 shares of common stock outstanding.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share information)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31, 2021** | |  |  | **December 31, 2020** | |  |
| Assets: |  |  |  |  |  |  |  |  |
| Real estate, net of accumulated depreciation and amortization of $2,727,002 and $2,717,114, respectively |  | $ | 9,410,039 |  |  | $ | 9,346,041 |  |
| Real estate under development |  |  | 5,672 |  |  |  | 5,672 |  |
| Investments in and advances to real estate joint ventures |  |  | 592,791 |  |  |  | 590,694 |  |
| Other real estate investments |  |  | 117,437 |  |  |  | 117,140 |  |
| Cash and cash equivalents |  |  | 253,852 |  |  |  | 293,188 |  |
| Marketable securities |  |  | 767,989 |  |  |  | 706,954 |  |
| Accounts and notes receivable, net |  |  | 200,655 |  |  |  | 219,248 |  |
| Operating lease right-of-use assets, net |  |  | 101,433 |  |  |  | 102,369 |  |
| Other assets |  |  | 249,835 |  |  |  | 233,192 |  |
| Total assets (1) |  | $ | 11,699,703 |  |  | $ | 11,614,498 |  |
|  |  |  |  |  |  |  |  |  |
| Liabilities: |  |  |  |  |  |  |  |  |
| Notes payable, net |  | $ | 5,045,868 |  |  | $ | 5,044,208 |  |
| Mortgages payable, net |  |  | 295,613 |  |  |  | 311,272 |  |
| Dividends payable |  |  | 5,366 |  |  |  | 5,366 |  |
| Operating lease liabilities |  |  | 95,833 |  |  |  | 96,619 |  |
| Other liabilities |  |  | 510,704 |  |  |  | 470,995 |  |
| Total liabilities (2) |  |  | 5,953,384 |  |  |  | 5,928,460 |  |
| Redeemable noncontrolling interests |  |  | 17,852 |  |  |  | 15,784 |  |
|  |  |  |  |  |  |  |  |  |
| Commitments and Contingencies |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Stockholders' equity: |  |  |  |  |  |  |  |  |
| Preferred stock, $1.00 par value, authorized 7,054,000 shares; Issued and outstanding (in series) 19,580 shares; Aggregate liquidation preference $489,500 |  |  | 20 |  |  |  | 20 |  |
| Common stock, $.01 par value, authorized 750,000,000 shares; Issued and outstanding 433,448,386 and 432,518,743 shares, respectively |  |  | 4,334 |  |  |  | 4,325 |  |
| Paid-in capital |  |  | 5,763,868 |  |  |  | 5,766,511 |  |
| Cumulative distributions in excess of net income |  |  | (104,909 | ) |  |  | (162,812 | ) |
| Total stockholders' equity |  |  | 5,663,313 |  |  |  | 5,608,044 |  |
| Noncontrolling interests |  |  | 65,154 |  |  |  | 62,210 |  |
| Total equity |  |  | 5,728,467 |  |  |  | 5,670,254 |  |
| Total liabilities and equity |  | $ | 11,699,703 |  |  | $ | 11,614,498 |  |

|  |  |
| --- | --- |
| (1) | Includes restricted assets of consolidated variable interest entities (“VIEs”) at March 31, 2021 and December 31, 2020 of $101,947 and $102,482, respectively.  See Footnote 11 of the Notes to Condensed Consolidated Financial Statements. |
| (2) | Includes non-recourse liabilities of consolidated VIEs at March 31, 2021 and December 31, 2020 of $96,660 and $62,076, respectively.  See Footnote 11 of the Notes to Condensed Consolidated Financial Statements. |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
|  |  |  |  |  |  |  |  |  |
| Revenues |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net |  | $ | 278,871 |  |  | $ | 286,004 |  |
| Management and other fee income |  |  | 3,437 |  |  |  | 3,740 |  |
| Total revenues |  |  | 282,308 |  |  |  | 289,744 |  |
|  |  |  |  |  |  |  |  |  |
| Operating expenses |  |  |  |  |  |  |  |  |
| Rent |  |  | (3,035 | ) |  |  | (2,835 | ) |
| Real estate taxes |  |  | (38,936 | ) |  |  | (39,652 | ) |
| Operating and maintenance |  |  | (46,520 | ) |  |  | (42,408 | ) |
| General and administrative |  |  | (24,478 | ) |  |  | (21,017 | ) |
| Impairment charges |  |  | - |  |  |  | (2,974 | ) |
| Depreciation and amortization |  |  | (74,876 | ) |  |  | (69,397 | ) |
| Total operating expenses |  |  | (187,845 | ) |  |  | (178,283 | ) |
|  |  |  |  |  |  |  |  |  |
| Gain on sale of properties |  |  | 10,005 |  |  |  | 3,847 |  |
|  |  |  |  |  |  |  |  |  |
| Operating income |  |  | 104,468 |  |  |  | 115,308 |  |
|  |  |  |  |  |  |  |  |  |
| Other income/(expense) |  |  |  |  |  |  |  |  |
| Other income, net |  |  | 3,357 |  |  |  | 1,245 |  |
| Gain/(loss) on marketable securities, net |  |  | 61,085 |  |  |  | (4,667 | ) |
| Interest expense |  |  | (47,716 | ) |  |  | (46,060 | ) |
| Income before income taxes, net, equity in income of joint ventures, net, and equity in income from other real estate investments, net |  |  | 121,194 |  |  |  | 65,826 |  |
|  |  |  |  |  |  |  |  |  |
| Provision for income taxes, net |  |  | (1,308 | ) |  |  | (43 | ) |
| Equity in income of joint ventures, net |  |  | 17,752 |  |  |  | 13,648 |  |
| Equity in income of other real estate investments, net |  |  | 3,787 |  |  |  | 10,958 |  |
|  |  |  |  |  |  |  |  |  |
| Net income |  |  | 141,425 |  |  |  | 90,389 |  |
|  |  |  |  |  |  |  |  |  |
| Net income attributable to noncontrolling interests |  |  | (3,483 | ) |  |  | (289 | ) |
|  |  |  |  |  |  |  |  |  |
| Net income attributable to the Company |  |  | 137,942 |  |  |  | 90,100 |  |
|  |  |  |  |  |  |  |  |  |
| Preferred dividends |  |  | (6,354 | ) |  |  | (6,354 | ) |
|  |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders |  | $ | 131,588 |  |  | $ | 83,746 |  |
|  |  |  |  |  |  |  |  |  |
| Per common share: |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders: |  |  |  |  |  |  |  |  |
| -Basic |  | $ | 0.30 |  |  | $ | 0.19 |  |
| -Diluted |  | $ | 0.30 |  |  | $ | 0.19 |  |
|  |  |  |  |  |  |  |  |  |
| Weighted average shares: |  |  |  |  |  |  |  |  |
| -Basic |  |  | 430,524 |  |  |  | 429,735 |  |
| -Diluted |  |  | 432,264 |  |  |  | 430,505 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2021 and 2020

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Cumulative Distributions in Excess** | |  |  | **Preferred Stock** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Paid-in** | |  |  | **Total**  **Stockholders'** | |  |  | **Noncontrolling** | |  |  | **Total** | |  |
|  |  | **of Net Income** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Equity** | |  |  | **Interests** | |  |  | **Equity** | |  |
| Balance at January 1, 2020 |  | $ | (904,679 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 431,815 |  |  | $ | 4,318 |  |  | $ | 5,765,233 |  |  | $ | 4,864,892 |  |  | $ | 64,015 |  |  | $ | 4,928,907 |  |
| Net income |  |  | 90,100 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 90,100 |  |  |  | 289 |  |  |  | 90,389 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (262 | ) |  |  | (262 | ) |
| Dividends declared to common and preferred shares |  |  | (127,452 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (127,452 | ) |  |  | - |  |  |  | (127,452 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (555 | ) |  |  | (555 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 921 |  |  |  | 9 |  |  |  | (9 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (274 | ) |  |  | (3 | ) |  |  | (5,156 | ) |  |  | (5,159 | ) |  |  | - |  |  |  | (5,159 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 63 |  |  |  | 1 |  |  |  | 980 |  |  |  | 981 |  |  |  | - |  |  |  | 981 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 5,729 |  |  |  | 5,729 |  |  |  | - |  |  |  | 5,729 |  |
| Acquisition of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (19,500 | ) |  |  | (19,500 | ) |  |  | (609 | ) |  |  | (20,109 | ) |
| Balance at March 31, 2020 |  | $ | (942,031 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 432,525 |  |  | $ | 4,325 |  |  | $ | 5,747,277 |  |  | $ | 4,809,591 |  |  | $ | 62,878 |  |  | $ | 4,872,469 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at January 1, 2021 |  | $ | (162,812 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 432,519 |  |  | $ | 4,325 |  |  | $ | 5,766,511 |  |  | $ | 5,608,044 |  |  | $ | 62,210 |  |  | $ | 5,670,254 |  |
| Net income |  |  | 137,942 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 137,942 |  |  |  | 3,483 |  |  |  | 141,425 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (169 | ) |  |  | (169 | ) |
| Dividends declared to common and preferred shares |  |  | (80,039 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (80,039 | ) |  |  | - |  |  |  | (80,039 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (370 | ) |  |  | (370 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 1,442 |  |  |  | 14 |  |  |  | (14 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (521 | ) |  |  | (5 | ) |  |  | (9,087 | ) |  |  | (9,092 | ) |  |  | - |  |  |  | (9,092 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 8 |  |  |  | - |  |  |  | 160 |  |  |  | 160 |  |  |  | - |  |  |  | 160 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 6,298 |  |  |  | 6,298 |  |  |  | - |  |  |  | 6,298 |  |
| Balance at March 31, 2021 |  | $ | (104,909 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 433,448 |  |  | $ | 4,334 |  |  | $ | 5,763,868 |  |  | $ | 5,663,313 |  |  | $ | 65,154 |  |  | $ | 5,728,467 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from operating activities: |  |  |  |  |  |  |  |  |
| Net income |  | $ | 141,425 |  |  | $ | 90,389 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 74,876 |  |  |  | 69,397 |  |
| Impairment charges |  |  | - |  |  |  | 2,974 |  |
| Equity award expense |  |  | 6,457 |  |  |  | 5,905 |  |
| Gain on sale of properties |  |  | (10,005 | ) |  |  | (3,847 | ) |
| (Gain)/loss on marketable securities, net |  |  | (61,085 | ) |  |  | 4,667 |  |
| Equity in income of joint ventures, net |  |  | (17,752 | ) |  |  | (13,648 | ) |
| Equity in income of other real estate investments, net |  |  | (3,787 | ) |  |  | (10,958 | ) |
| Distributions from joint ventures and other real estate investments |  |  | 19,198 |  |  |  | 35,894 |  |
| Change in accounts and notes receivable, net |  |  | 18,593 |  |  |  | (1,526 | ) |
| Change in accounts payable and accrued expenses |  |  | 15,387 |  |  |  | 5,456 |  |
| Change in other operating assets and liabilities, net |  |  | (34,936 | ) |  |  | (29,454 | ) |
| Net cash flow provided by operating activities |  |  | 148,371 |  |  |  | 155,249 |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from investing activities: |  |  |  |  |  |  |  |  |
| Acquisition of operating real estate |  |  | (84,312 | ) |  |  | (7,073 | ) |
| Improvements to operating real estate |  |  | (20,569 | ) |  |  | (54,973 | ) |
| Improvements to real estate under development |  |  | - |  |  |  | (16,578 | ) |
| Proceeds from sale of marketable securities |  |  | 50 |  |  |  | 163 |  |
| Investments in and advances to real estate joint ventures |  |  | (1,805 | ) |  |  | (5,282 | ) |
| Reimbursements of investments in and advances to real estate joint ventures |  |  | 967 |  |  |  | 1,914 |  |
| Investments in and advances to other real estate investments |  |  | (419 | ) |  |  | (478 | ) |
| Reimbursements of investments in and advances to other real estate investments |  |  | 343 |  |  |  | - |  |
| Investment in other financing receivable |  |  | (397 | ) |  |  | - |  |
| Collection of mortgage loans receivable |  |  | 37 |  |  |  | 40 |  |
| Proceeds from sale of properties |  |  | 22,181 |  |  |  | 13,264 |  |
| Proceeds from insurance casualty claims |  |  | - |  |  |  | 2,450 |  |
| Net cash flow used for investing activities |  |  | (83,924 | ) |  |  | (66,553 | ) |
|  |  |  |  |  |  |  |  |  |
| Cash flow from financing activities: |  |  |  |  |  |  |  |  |
| Principal payments on debt, excluding normal amortization of rental property debt |  |  | (12,272 | ) |  |  | (75,681 | ) |
| Principal payments on rental property debt |  |  | (2,661 | ) |  |  | (2,742 | ) |
| Proceeds from the unsecured revolving credit facility, net |  |  | - |  |  |  | 475,000 |  |
| Financing origination costs |  |  | - |  |  |  | (5,145 | ) |
| Redemption/distribution of noncontrolling interests |  |  | (539 | ) |  |  | (20,926 | ) |
| Dividends paid |  |  | (80,039 | ) |  |  | (127,255 | ) |
| Proceeds from issuance of stock, net |  |  | 160 |  |  |  | 981 |  |
| Shares repurchased for employee tax withholding on equity awards |  |  | (9,082 | ) |  |  | (5,149 | ) |
| Change in tenants' security deposits |  |  | 650 |  |  |  | 70 |  |
| Net cash flow (used for)/provided by financing activities |  |  | (103,783 | ) |  |  | 239,153 |  |
|  |  |  |  |  |  |  |  |  |
| Net change in cash and cash equivalents |  |  | (39,336 | ) |  |  | 327,849 |  |
| Cash and cash equivalents, beginning of the period |  |  | 293,188 |  |  |  | 123,947 |  |
| Cash and cash equivalents, end of the period |  | $ | 253,852 |  |  | $ | 451,796 |  |
|  |  |  |  |  |  |  |  |  |
| Interest paid during the period (net of capitalized interest of $296 and $4,364, respectively) |  | $ | 29,383 |  |  | $ | 25,383 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

Kimco Realty Corporation, a Maryland corporation, is one of North America’s largest publicly traded owners and operators of open-air, grocery-anchored shopping centers and mixed-use assets.  The terms “Kimco,” the “Company,” “we,” “our” and “us” each refers to Kimco Realty Corporation and our subsidiaries, unless the context indicates otherwise. The Company, its affiliates and related real estate joint ventures are engaged principally in the ownership, management, development and operation of open-air shopping centers, which are anchored generally by grocery stores, off-price retailers, home improvement centers, discounters and/or service-oriented tenants. Additionally, the Company provides complementary services that capitalize on the Company’s established retail real estate expertise.

The Company elected status as a Real Estate Investment Trust (a “REIT”) for federal income tax purposes beginning in its taxable year ended December 31, 1991 and operates in a manner that enables the Company to maintain its status as a REIT.  As a REIT, with respect to each taxable year, the Company must distribute at least 90 percent of its taxable income (excluding capital gain) and does not pay federal income taxes on the amount distributed to its shareholders.  The Company is not generally subject to federal income taxes if it distributes 100 percent of its taxable income.  Most states where the Company holds investments in real estate conform to the federal rules recognizing REITs.  Certain subsidiaries have made a joint election with the Company to be treated as taxable REIT subsidiaries (“TRSs”), which permit the Company to engage in certain business activities which the REIT may not conduct directly.  A TRS is subject to federal and state income taxes on its income, and the Company includes, when applicable, a provision for taxes in its condensed consolidated financial statements.  The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. These investments are held by the Company at the REIT level and not in the Company’s taxable REIT subsidiaries. Accordingly, the Company does not expect a U.S. income tax impact associated with the repatriation of undistributed earnings from the Company’s foreign subsidiaries.

*COVID-*19 *Pandemic* –

The coronavirus disease 2019 (“COVID-19”) pandemic has and continues to impact the retail real estate industry for both landlords and tenants.  The extent to which the COVID-19 pandemic impacts the Company’s financial condition, results of operations and cash flows, in the near term, will continue to depend on future developments, which are highly uncertain and cannot be predicted at this time. The Company’s business, operations and financial results will depend on numerous evolving factors that the Company is not able to predict at this time, including the duration and scope of the pandemic, governmental, business and individual actions that have been and continue to be, taken in response to the pandemic, the distribution and effectiveness of vaccines, the impact on economic activity from the pandemic and actions taken in response, the effect on the Company’s tenants and their businesses, the ability of tenants to make their rental payments, additional closures of tenants’ businesses and the impact of opening and reclosing of communities in response to the resurgence of COVID-19. Any of these events could materially adversely impact the Company’s business, financial condition, results of operations or stock price. The Company will continue to monitor the economic, financial, and social conditions resulting from the COVID-19 pandemic and will assess its asset portfolio for any impairment indicators. In addition, the Company will continue to monitor for any material or adverse effects resulting from the COVID-19 pandemic. If the Company has determined that any of its assets are impaired, the Company would be required to take impairment charges, and such amounts could be material.

Since the outbreak of the COVID-19 pandemic, the Company’s shopping centers have remained open; however, a substantial number of tenants had or continue to have temporarily or permanently closed their businesses. Others had, or continue to have, shortened their operating hours or offered reduced services. The Company has, and continues to have, worked with tenants to grant rent deferrals or forgiveness of rent on a tenant-by-tenant basis. The development and distribution of COVID vaccines throughout the country have assisted in allowing many restrictions to be lifted, providing a path to recovery.  There have been additional improvements to the real estate industry as the pandemic continues to redefine the needs of consumers across the country.  There has been an increase in demand for warehouse space to satisfy fulfilment and distribution needs as well as certain retail spaces, which provide essential goods such as grocers and pharmacies.

The Company continues to see an increase in collections of rental payments, however, the effects COVID-19 has had on its tenants is still heavily considered when evaluating the adequacy of the collectability of the lessee’s total accounts receivable balance, including the corresponding straight-line rent receivable. Management’s estimate of the collectability of accrued rents and accounts receivable is based on the best information available to management at the time of evaluation.

2. Summary of Significant Accounting Policies

*Principles of Consolidation -*

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company. The Company’s subsidiaries include subsidiaries which are wholly-owned or which the Company has a controlling interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity (“VIE”) in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). All inter-company balances and transactions have been eliminated in consolidation. The information presented in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.  These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Report on Form 10-K for the year ended December 31, 2020 (the “10-K”), as certain disclosures in this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

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*Reclassifications* -

Certain amounts in the prior period have been reclassified in order to conform to the current period’s presentation.  For comparative purposes, the Company reclassified $4.7 million of loss on marketable securities, net from Other income, net to Gain/(loss) on marketable securities, net on the Company’s Condensed Consolidated Statements of Income for the three months ended March 31, 2020. On the Company’s Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020, the Company reclassified (i) $5.1 million of Cash flows used for Change in other financing liabilities to Cash flows used for Shares repurchased for employee tax withholdings on equity awards of $5.1 million and Cash flows provided by Change in tenant’s security deposits of $0.1 million and (ii) $4.7 million in Change in other operating assets and liabilities to (Gain)/loss on marketable securities, net, for comparative purposes.

*Subsequent Events -*

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in its Condensed Consolidated Financial Statements (see Footnote 17 of the Company’s Condensed Consolidated Financial Statements).

*New Accounting Pronouncements* –

The following ASU to the FASB’s ASC have been adopted by the Company as of the date listed:

|  |  |  |  |
| --- | --- | --- | --- |
| **ASU** | **Description** | **Adoption**  **Date** | **Effect on the financial**  **statements or other**  **significant matters** |
| ASU 2020-01, Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force) | The amendments clarify the interaction between the accounting for equity securities, equity method investments, and certain derivative instruments. This ASU, among other things, clarifies that an entity should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323 for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. | January 1, 2021 | The adoption of this ASU did not have a material impact on the Company’s financial position and/or results of operations. |

|  |
| --- |
|  |

3. Real Estate

*Acquisitions of Operating Properties -*

During the three months ended March 31, 2021, the Company acquired the following operating properties, through direct asset purchases (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Purchase Price** | | | | | | | | | |  |  |  |  |  |
| **Property Name** | **Location** | **Month Acquired** |  | **Cash** | |  |  | **Other Consideration\*\*** | |  |  | **Total** | |  |  | **GLA\*** | |  |
| Distribution Center #1 | Lancaster, CA | Jan-21 |  | $ | 58,723 |  |  | $ | 11,277 |  |  | $ | 70,000 |  |  |  | 927 |  |
| Distribution Center #2 | Woodland, CA | Jan-21 |  |  | 27,589 |  |  |  | 6,411 |  |  |  | 34,000 |  |  |  | 508 |  |
|  |  |  |  | **$** | **86,312** |  |  | **$** | **17,688** |  |  | **$** | **104,000** |  |  |  | **1,435** |  |

\* Gross leasable area ("GLA")

\*\* Consists of the fair value of the assets acquired which exceeded the purchase price upon closing.  The transaction was a sale-leaseback with the seller which resulted in the recognition of a prepayment of rent of $17.7 million in accordance with ASC 842, *Leases* at closing.  The prepayment of rent will be amortized over the initial term of the lease through Revenues from rental properties, net on the Company's Condensed Consolidated Statements of Income.  See Footnote 10 of the Company’s Condensed Consolidated Financial Statements for additional discussion regarding fair value allocation of partnership interest for noncontrolling interests.

Included in the Company's Condensed Consolidated Statements of Income is $1.6 million in total revenues from the date of acquisition through March 31, 2021 for operating properties acquired during the year.

*Purchase Price Allocation -*

The purchase price for these acquisitions is allocated to real estate and related intangible assets acquired, as applicable, in accordance with our accounting policies for asset acquisitions. The purchase price allocation for properties acquired during the three months ended March 31, 2021, is as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Allocation as of**  **March 31, 2021** | |  |  | **Weighted Average Amortization Period (in Years)** | |  |
| Land |  | $ | 19,527 |  |  |  | n/a |  |
| Building |  |  | 87,691 |  |  |  | 50.0 |  |
| Building improvements |  |  | 6,251 |  |  |  | 45.0 |  |
| Tenant improvements |  |  | 711 |  |  |  | 20.0 |  |
| In-place leases |  |  | 11,120 |  |  |  | 20.0 |  |
| Below-market leases |  |  | (21,300 | ) |  |  | 60.0 |  |
| **Net assets acquired** |  | **$** | **104,000** |  |  |  |  |  |

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*Dispositions -*

The table below summarizes the Company’s disposition activity relating to consolidated operating properties and parcels (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Aggregate sales price |  | $ | 23.0 |  |  | $ | 13.5 |  |
| Gain on sale of properties (1) |  | $ | 10.0 |  |  | $ | 3.8 |  |
| Number of properties sold |  |  | 1 |  |  |  | 1 |  |
| Number of parcels sold |  |  | 4 |  |  |  | - |  |

|  |  |
| --- | --- |
| (1) | Before noncontrolling interests of $3.0 million and taxes of $1.0 million for the three months ended March 31, 2021. |

4. Investments in and Advances to Real Estate Joint Ventures

The Company has investments in and advances to various real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting.

The table below presents joint venture investments for which the Company held an ownership interest at March 31, 2021 and December 31, 2020 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ownership** | |  |  | **The Company’s Investment** | | | | | |  |
| **Joint Venture** |  | **Interest** | |  |  | **March 31, 2021** | |  |  | **December 31, 2020** | |  |
| Prudential Investment Program (1) |  |  | 15.0% |  |  | $ | 175.7 |  |  | $ | 175.1 |  |
| Kimco Income Opportunity Portfolio (“KIR”) (1) |  |  | 48.6% |  |  |  | 179.0 |  |  |  | 177.4 |  |
| Canada Pension Plan Investment Board (“CPP”) (1) |  |  | 55.0% |  |  |  | 161.7 |  |  |  | 159.7 |  |
| Other Joint Venture Programs |  |  | Various |  |  |  | 76.4 |  |  |  | 78.5 |  |
| **Total\*** |  |  |  |  |  | **$** | **592.8** |  |  | **$** | **590.7** |  |

|  |  |  |
| --- | --- | --- |
|  | \* | Representing 95 property interests and 21.3 million square feet of GLA, as of March 31, 2021, and 97 property interests and 21.2 million square feet of GLA, as of December 31, 2020. |

|  |  |  |
| --- | --- | --- |
|  | (1) | The Company manages these joint venture investments and, where applicable, earns property management fees, construction management fees, property acquisition and disposition fees, leasing management fees and asset management fees. |

The table below presents the Company’s share of net income for the above investments which is included in Equity in income of joint ventures, net on the Company’s Condensed Consolidated Statements of Income for the three months ended March 31, 2021 and 2020 (in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended**  **March 31,** | | | | | |  |
| **Joint Venture** |  | **2021** | |  |  | **2020** | |  |
| Prudential Investment Program |  | $ | 2.6 |  |  | $ | 2.6 |  |
| KIR |  |  | 8.7 |  |  |  | 9.8 |  |
| CPP |  |  | 2.1 |  |  |  | 1.0 |  |
| Other Joint Venture Programs |  |  | 4.4 |  |  |  | 0.2 |  |
| **Total** |  | **$** | **17.8** |  |  | **$** | **13.6** |  |

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During the three months ended March 31, 2021, certain of the Company’s real estate joint ventures disposed of two properties, in separate transactions, for an aggregate sales price of $53.7 million. These transactions resulted in an aggregate net gain to the Company of $4.2 million for the three months ended March 31, 2021.

The table below presents debt balances within the Company’s unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at March 31, 2021 and December 31, 2020 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of March 31, 2021** | | | | | | | | | |  |  | **As of December 31, 2020** | | | | | | | | | |  |
| **Joint Venture** |  | **Mortgages and**  **Notes Payable, Net** | |  |  | **Weighted**  **Average**  **Interest Rate** | |  |  | **Weighted**  **Average**  **Remaining**  **Term (months)\*** | |  |  | **Mortgages**  **and**  **Notes**  **Payable, Net** | |  |  | **Weighted**  **Average**  **Interest**  **Rate** | |  |  | **Weighted**  **Average**  **Remaining**  **Term (months)\*** | |  |
| Prudential Investment Program |  | $ | 494.6 |  |  |  | 2.03 | % |  |  | 34.2 |  |  | $ | 495.8 |  |  |  | 2.05 | % |  |  | 37.2 |  |
| KIR |  |  | 524.3 |  |  |  | 3.27 | % |  |  | 28.9 |  |  |  | 536.9 |  |  |  | 3.87 | % |  |  | 25.3 |  |
| CPP |  |  | 85.0 |  |  |  | 3.25 | % |  |  | 27.0 |  |  |  | 84.9 |  |  |  | 3.25 | % |  |  | 30.0 |  |
| Other Joint Venture Programs |  |  | 382.7 |  |  |  | 3.59 | % |  |  | 89.8 |  |  |  | 423.4 |  |  |  | 3.41 | % |  |  | 86.7 |  |
| **Total** |  | **$** | **1,486.6** |  |  |  |  |  |  |  |  |  |  | **$** | **1,541.0** |  |  |  |  |  |  |  |  |  |

\* Includes extension options

The Company will continue to monitor the economic, financial, and social conditions resulting from the COVID-19 pandemic and will assess its joint venture portfolio for any impairment indicators. If the Company has determined that any of its assets are impaired, the Company would be required to take impairment charges, and such amounts could be material.

5. Other Real Estate Investments

The Company has provided capital to owners and developers of real estate properties and loans through its Preferred Equity Program. The Company’s maximum exposure to losses associated with its preferred equity investments is primarily limited to its net investment. As of March 31, 2021, the Company’s net investment under the Preferred Equity Program was $99.4 million relating to 111 properties, including 101 net leased properties.  During the three months ended March 31, 2021, the Company recognized income of $3.2 million from its preferred equity investments. During the three months ended March 31, 2020, the Company recognized income of $11.1 million from its preferred equity investments, including profit participation of $6.3 million. These amounts are included in Equity in income of other real estate investments, net on the Company’s Condensed Consolidated Statements of Income.

6. Marketable Securities

The amortized cost and unrealized gains, net of marketable securities as of March 31, 2021 and December 31, 2020, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of March 31, 2021** | |  |  | **As of December 31, 2020** | |  |
| Marketable securities: |  |  |  |  |  |  |  |  |
| Amortized cost |  | $ | 114,480 |  |  | $ | 114,531 |  |
| Unrealized gains, net |  |  | 653,509 |  |  |  | 592,423 |  |
| Total fair value |  | $ | 767,989 |  |  | $ | 706,954 |  |

During the three months ended March 31, 2021 and 2020, there were net unrealized gains on marketable securities of $61.1 million and net unrealized losses on marketable securities of $4.7 million, respectively. These net unrealized gains and losses are included in Gain/(loss) on marketable securities, net on the Company’s Condensed Consolidated Statements of Income. See Footnote 12 of the Company’s Condensed Consolidated Financial Statements for fair value disclosure.

7. Accounts and Notes Receivable

The components of accounts and notes receivable, net of potentially uncollectible amounts as of March 31, 2021 and December 31, 2020, are as follows (in thousands):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31, 2021** | |  | **December 31, 2020** | |
| Billed tenant receivables |  | $ | 24,219 |  | $ | 25,428 |
| Unbilled CAM, insurance and tax reimbursements |  |  | 25,052 |  |  | 35,982 |
| Deferred rent receivables |  |  | 9,995 |  |  | 17,328 |
| Other receivables |  |  | 5,120 |  |  | 4,880 |
| Straight-line rent receivables |  |  | 136,269 |  |  | 135,630 |
| Total accounts and notes receivable, net |  | $ | 200,655 |  | $ | 219,248 |

8. Leases

*Lessor Leases*

The Company’s primary source of revenues is derived from lease agreements, which includes rental income and expense reimbursement. The Company’s lease income is comprised of minimum base rent, expense reimbursements, percentage rent, lease termination fee income, ancillary income, amortization of above-market and below-market rent adjustments and straight-line rent adjustments.

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The disaggregation of the Company’s lease income, which is included in Revenues from rental properties on the Company’s Condensed Consolidated Statements of Income, as either fixed or variable lease income based on the criteria specified in ASC 842, for the three months ended March 31, 2021 and 2020, is as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Lease income: |  |  |  |  |  |  |  |  |
| Fixed lease income (1) |  | $ | 212,393 |  |  | $ | 218,873 |  |
| Variable lease income (2) |  |  | 60,776 |  |  |  | 57,189 |  |
| Above-market and below-market leases amortization, net |  |  | 5,702 |  |  |  | 9,942 |  |
| Total lease income |  | $ | 278,871 |  |  | $ | 286,004 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Includes minimum base rents, expense reimbursements, ancillary income and straight-line rent adjustments. |

|  |  |  |
| --- | --- | --- |
|  | (2) | Includes minimum base rents, expense reimbursements, percentage rent, lease termination fee income and ancillary income. |

*Lessee Leases*

The Company currently leases real estate space under non-cancelable operating lease agreements for ground leases and administrative office leases. The Company’s leases have remaining lease terms ranging from less than one year to 64.8 years, some of which include options to extend the terms for up to an additional 75 years. The Company does not include any of its renewal options in its lease terms for calculating its lease liability as the renewal options allow the Company to maintain operational flexibility and the Company is not reasonably certain it will exercise these renewal options at this time. At March 31, 2021, the weighted average remaining non-cancelable lease term for the Company’s operating leases was 20.5 years and the weighted average discount rate was 6.54%. The Company’s operating lease liabilities are determined based on the estimated present value of the Company’s minimum lease payments under its lease agreements. The discount rate used to determine the lease liabilities is based on the estimated incremental borrowing rate on a lease by lease basis. When calculating the incremental borrowing rates, the Company utilized data from (i) its recent debt issuances, (ii) publicly available data for instruments with similar characteristics, (iii) observable mortgage rates and (iv) unlevered property yields and discount rates. The Company then applied adjustments to account for considerations related to term and security that may not be fully incorporated by the data sets.

The components of the Company’s lease expense, which are included in rent expense and general and administrative expense on the Company’s Condensed Consolidated Statements of Income for the three months ended March 31, 2021 and 2020, were as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Lease cost: |  |  |  |  |  |  |  |  |
| Operating lease cost |  | $ | 2,830 |  |  | $ | 2,598 |  |
| Variable lease cost |  |  | 683 |  |  |  | 727 |  |
| Total lease cost |  | $ | 3,513 |  |  | $ | 3,325 |  |

9. Notes and Mortgages Payable

*Notes Payable* –

In February 2020, the Company obtained a $2.0 billion unsecured revolving credit facility (the “Credit Facility”) with a group of banks. The Credit Facility is scheduled to expire in March 2024, with two additional six-month options to extend the maturity date, at the Company’s discretion, to March 2025. The Credit Facility is a green credit facility tied to sustainability metric targets, as described in the agreement. The Company achieved such targets, which effectively reduced the rate on the Credit Facility by one basis point. The Credit Facility, which accrues interest at a rate of LIBOR plus 76.5 basis points (0.88% as of March 31, 2021), can be increased to $2.75 billion through an accordion feature. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum indebtedness ratios and (ii) minimum interest and fixed charge coverage ratios. As of March 31, 2021, the Credit Facility had no outstanding balance, $0.3 million appropriated for letters of credit and the Company was in compliance with its covenants.

*Mortgages Payable -*

During the three months ended March 31, 2021, the Company repaid $12.3 million of mortgage debt (including fair market value adjustment of $0.1 million) that encumbered an operating property.

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10. Noncontrolling Interests

Noncontrolling interests represent the portion of equity that the Company does not own in entities it consolidates as a result of having a controlling interest or determining that the Company was the primary beneficiary of a VIE in accordance with the provisions of the FASB’s Consolidation guidance.  The Company accounts and reports for noncontrolling interests in accordance with the Consolidation guidance and the Distinguishing Liabilities from Equity guidance issued by the FASB. The Company identifies its noncontrolling interests separately within the equity section on the Company’s Condensed Consolidated Balance Sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented separately on the Company’s Condensed Consolidated Statements of Income.

Included within noncontrolling interests are units that were determined to be contingently redeemable that are classified as Redeemable noncontrolling interests and presented in the mezzanine section between Total liabilities and Stockholder’s equity on the Company’s Condensed Consolidated Balance Sheets.

The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the three months ended March 31, 2021 and 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Balance at January 1, |  | $ | 15,784 |  |  | $ | 17,943 |  |
| Fair value allocation to partnership interest (1) |  |  | 2,068 |  |  |  | - |  |
| Income |  |  | 169 |  |  |  | 262 |  |
| Distributions |  |  | (169 | ) |  |  | (262 | ) |
| Balance at March 31, |  | **$** | **17,852** |  |  | **$** | **17,943** |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | During January 2021, KIM RDC, LLC (“KIM RDC”), a wholly owned subsidiary of the Company, and KP Lancewood LLC (“KPR Member”) entered into a joint venture agreement wherein KIM RDC has a 100% controlling interest and KPR Member is entitled to a profit participation. The joint venture acquired two operating properties for a gross fair value of $104.0 million (see Footnote 3 of the Company’s Condensed Consolidated Financial Statements). This joint venture is accounted for as a consolidated VIE (see Footnote 11 of the Company’s Condensed Consolidated Financial Statements). |

11. Variable Interest Entities (“VIE”)

Included within the Company’s consolidated operating properties at both March 31, 2021 and December 31, 2020, are 23 and 22 consolidated entities, respectively, that are VIEs, for which the Company is the primary beneficiary. These entities have been established to own and operate real estate property. The Company’s involvement with these entities is through its majority ownership and management of the properties. The entities were deemed VIEs primarily because the unrelated investors do not have substantive kick-out rights to remove the general or managing partner by a vote of a simple majority or less, and they do not have substantive participating rights. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest. At March 31, 2021, total assets of these VIEs were $1.1 billion and total liabilities were $96.7 million. At December 31, 2020, total assets of these VIEs were $1.0 billion and total liabilities were $62.1 million.

The majority of the operations of these VIEs are funded with cash flows generated from the properties. The Company has not provided financial support to any of these VIEs that it was not previously contractually required to provide, which consists primarily of funding any capital expenditures, including tenant improvements, which are deemed necessary to continue to operate the entity and any operating cash shortfalls the entity may experience.

All liabilities of these consolidated VIEs are non-recourse to the Company (“VIE Liabilities”). The assets of the unencumbered VIEs are not restricted for use to settle only the obligations of these VIEs. The remaining VIE assets are encumbered by third party non-recourse mortgage debt. The assets associated with these encumbered VIEs (“Restricted Assets”) are collateral under the respective mortgages and are therefore restricted and can only be used to settle the corresponding liabilities of the VIE. The table below summarizes the consolidated VIEs and the classification of the Restricted Assets and VIE Liabilities on the Company’s Condensed Consolidated Balance Sheets as follows (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of March 31, 2021** | |  |  | **As of December 31, 2020** | |  |
| Number of unencumbered VIEs |  |  | 20 |  |  |  | 19 |  |
| Number of encumbered VIEs |  |  | 3 |  |  |  | 3 |  |
| Total number of consolidated VIEs |  |  | 23 |  |  |  | 22 |  |
|  |  |  |  |  |  |  |  |  |
| Restricted Assets: |  |  |  |  |  |  |  |  |
| Real estate, net |  | $ | 97.1 |  |  | $ | 97.7 |  |
| Cash and cash equivalents |  |  | 1.6 |  |  |  | 1.8 |  |
| Accounts and notes receivable, net |  |  | 1.6 |  |  |  | 1.9 |  |
| Other assets |  |  | 1.6 |  |  |  | 1.1 |  |
| Total Restricted Assets |  | $ | 101.9 |  |  | $ | 102.5 |  |
|  |  |  |  |  |  |  |  |  |
| VIE Liabilities: |  |  |  |  |  |  |  |  |
| Mortgages payable, net |  | $ | 36.2 |  |  | $ | 36.5 |  |
| Operating lease liabilities |  |  | 5.5 |  |  |  | 5.5 |  |
| Other liabilities |  |  | 55.0 |  |  |  | 20.1 |  |
| Total VIE Liabilities |  | $ | 96.7 |  |  | $ | 62.1 |  |

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12. Fair Value Measurements

All financial instruments of the Company are reflected in the accompanying Condensed Consolidated Balance Sheets at amounts which, in management’s estimation, based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are disclosed. The valuation method used to estimate fair value for fixed-rate and variable-rate debt is based on discounted cash flow analyses, with assumptions that include credit spreads, market yield curves, trading activity, loan amounts and debt maturities. The fair values for marketable securities are based on published values, securities dealers’ estimated market values or comparable market sales. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition.

As a basis for considering market participant assumptions in fair value measurements, the FASB’s Fair Value Measurements and Disclosures guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The following are financial instruments for which the Company’s estimated fair value differs from the carrying value (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31, 2021** | | | | | |  |  | **December 31, 2020** | | | | | |  |
|  |  | **Carrying Value** | |  |  | **Fair Value** | |  |  | **Carrying Value** | |  |  | **Fair Value** | |  |
| Notes payable, net (1) |  | $ | 5,045,868 |  |  | $ | 5,306,905 |  |  | $ | 5,044,208 |  |  | $ | 5,486,953 |  |
| Mortgages payable, net (2) |  | $ | 295,613 |  |  | $ | 297,860 |  |  | $ | 311,272 |  |  | $ | 312,933 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | The Company determined that the valuation of its Senior Unsecured Notes were classified within Level 2 of the fair value hierarchy and its unsecured revolving credit facility was classified within Level 3 of the fair value hierarchy. The estimated fair value amounts classified as Level 2, as of March 31, 2021 and December 31, 2020, were $5.3 billion and $5.5 billion, respectively. |

|  |  |  |
| --- | --- | --- |
|  | (2) | The Company determined that its valuation of its mortgages loan were classified within Level 3 of the fair value hierarchy. |

The Company has certain financial instruments that must be measured under the FASB’s Fair Value Measurements and Disclosures guidance, including available for sale securities. The Company currently does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

The tables below present the Company’s financial assets measured at fair value on a recurring basis at  March 31, 2021 and December 31, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **March 31, 2021** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketable equity securities |  | $ | 767,989 |  |  | $ | 767,989 |  |  | $ | - |  |  | $ | - |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **December 31, 2020** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketable equity securities |  | $ | 706,954 |  |  | $ | 706,954 |  |  | $ | - |  |  | $ | - |  |

Assets measured at fair value on a non-recurring basis at December 31, 2020 are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **December 31, 2020** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate |  | $ | 24,899 |  |  | $ | - |  |  | $ | - |  |  | $ | 24,899 |  |
| Other real estate investments |  | $ | 5,464 |  |  | $ | - |  |  | $ | - |  |  | $ | 5,464 |  |

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The Company’s estimated fair values of these properties were primarily based upon estimated sales prices, which were less than the carrying value of the assets, from signed contracts or letters of intent from third party offers. The Company does not have access to the unobservable inputs used to determine the estimated fair values of third party offers. Based on these inputs, the Company determined that its valuation of these investments was classified within Level 3 of the fair value hierarchy.

13. Incentive Plans

In May 2020, the Company’s stockholders approved the 2020 Equity Participation Plan (the “2020 Plan”), which is a successor to the Restated Kimco Realty Corporation 2010 Equity Participation Plan that expired in March 2020.  The 2020 Plan provides for a maximum of 10,000,000 shares of the Company’s common stock to be reserved for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, stock payments and deferred stock awards.  At March 31, 2021, the Company had 8.5 million shares of common stock available for issuance under the 2020 Plan.

The Company accounts for equity awards in accordance with FASB’s Compensation – Stock Compensation guidance which requires that all share-based payments to employees, including restricted stock and performance shares, be recognized in the Condensed Consolidated Statements of Income over the service period based on their fair values. Fair value of performance awards are determined using the Monte Carlo method which is intended to estimate the fair value of the awards at the grant date. Fair value of restricted shares is calculated based on the price on the date of grant.

The Company recognized expenses associated with its equity awards of $6.5 million and $5.9 million for the three months ended March 31, 2021 and 2020, respectively.  As of March 31, 2021, the Company had $53.9 million of total unrecognized compensation cost related to unvested stock compensation granted under the Plans.  That cost is expected to be recognized over a weighted average period of approximately 3.2 years.

14. Earnings Per Share

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| *Computation of Basic and Diluted Earnings Per Share:* |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders |  | $ | 131,588 |  |  | $ | 83,746 |  |
| Earnings attributable to participating securities |  |  | (792 | ) |  |  | (686 | ) |
| Net income available to the Company’s common shareholders for basic earnings per share |  |  | 130,796 |  |  |  | 83,060 |  |
| Distributions on convertible units |  |  | 9 |  |  |  | - |  |
| Net income available to the Company’s common shareholders for diluted earnings per share |  | $ | 130,805 |  |  | $ | 83,060 |  |
|  |  |  |  |  |  |  |  |  |
| Weighted average common shares outstanding – basic |  |  | 430,524 |  |  |  | 429,735 |  |
| Effect of dilutive securities (1): |  |  |  |  |  |  |  |  |
| Equity awards |  |  | 1,606 |  |  |  | 717 |  |
| Assumed conversion of convertible units |  |  | 134 |  |  |  | 53 |  |
| Weighted average common shares outstanding – diluted |  |  | 432,264 |  |  |  | 430,505 |  |
|  |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders: |  |  |  |  |  |  |  |  |
| Basic earnings per share |  | $ | 0.30 |  |  | $ | 0.19 |  |
| Diluted earnings per share |  | $ | 0.30 |  |  | $ | 0.19 |  |

|  |  |
| --- | --- |
| (1) | The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income available to the Company’s common shareholders per share. Accordingly, the impact of such conversions has not been included in the determination of diluted earnings per share calculations. Additionally, there were 0.8 million and 1.2 million stock options that were not dilutive as of March 31, 2021 and 2020, respectively. |

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

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15. Stockholders’ Equity

*Preferred Stock -*

The Company’s outstanding Preferred Stock is detailed below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As of March 31, 2021 and December 31, 2020** | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Class of**  **Preferred**  **Stock** |  | **Shares**  **Authorized** | |  |  | **Shares**  **Issued and**  **Outstanding** | |  |  | **Liquidation**  **Preference**  **(in thousands)** | |  |  | **Dividend**  **Rate** | |  |  | **Annual**  **Dividend per**  **Depositary**  **Share** | |  |  | **Par**  **Value** | |  | **Optional**  **Redemption**  **Date** |
| Class L |  |  | 10,350 |  |  |  | 9,000 |  |  | $ | 225,000 |  |  |  | 5.125 | % |  | $ | 1.28125 |  |  | $ | 1.00 |  | 8/16/2022 |
| Class M |  |  | 10,580 |  |  |  | 10,580 |  |  |  | 264,500 |  |  |  | 5.250 | % |  | $ | 1.31250 |  |  | $ | 1.00 |  | 12/20/2022 |
|  |  |  |  |  |  |  | 19,580 |  |  | $ | 489,500 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*Common Stock -*

During February 2020, the Company extended its share repurchase program for a term of two years, which will expire in February 2022, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the three months ended March 31, 2021. As of March 31, 2021, the Company had $224.9 million available under this share repurchase program.

*Dividends Declared -*

The following table provides a summary of the dividends declared per share:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Common Shares |  | $ | 0.17000 |  |  | $ | 0.28000 |  |
| Class L Depositary Shares |  | $ | 0.32031 |  |  | $ | 0.32031 |  |
| Class M Depositary Shares |  | $ | 0.32813 |  |  | $ | 0.32813 |  |

16. Supplemental Schedule of Non-Cash Investing / Financing Activities

The following schedule summarizes the non-cash investing and financing activities of the Company for the three months ended March 31, 2021 and 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Surrender of restricted common stock |  | $ | 9,092 |  |  | $ | 5,159 |  |
| Declaration of dividends paid in succeeding period |  | $ | 5,366 |  |  | $ | 126,473 |  |
| Capital expenditures accrual |  | $ | 36,062 |  |  | $ | 47,533 |  |
| Lease liabilities arising from obtaining right-of-use assets |  | $ | 553 |  |  | $ | - |  |
| Allocation of fair value to noncontrollling interests |  | $ | 2,068 |  |  | $ | - |  |
| Purchase price fair value adjustment to prepaid rent |  | $ | 15,620 |  |  | $ | - |  |

17. Subsequent Events

*Pending Merger with Weingarten Realty Investors*

On April 15, 2021, the Company and Weingarten Realty Investors (“Weingarten”) announced that they have entered into a definitive merger agreement under which Weingarten will merge with and into the Company, with the Company continuing as the surviving public company. The parties currently expect the transaction to close during the second half of 2021, subject to customary closing conditions, including the approval of both the Company and Weingarten shareholders.  This strategic transaction was unanimously approved by the Board of Directors of the Company and the Board of Trust Managers of Weingarten.  Under the terms of the merger agreement, each Weingarten common share will be converted into 1.408 newly issued shares of the Company’s common stock plus $2.89 in cash. Based on the closing stock price for the Company on April 14, 2021, this represents a total consideration of approximately $30.32 per Weingarten share.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by Kimco Realty Corporation (the “Company”) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with the safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “will,” “target,” “forecast” or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company’s control and could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general adverse economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt or other sources of financing or refinancing on favorable terms to the Company, (iv) the Company’s ability to raise capital by selling its assets, (v) changes in governmental laws and regulations and management’s ability to estimate the impact of such changes, (vi) the level and volatility of interest rates and management’s ability to estimate the impact thereof, (vii) pandemics or other health crises, such as coronavirus disease 2019 (“COVID-19”), (viii) the availability of suitable acquisition, disposition, development and redevelopment opportunities, and risks related to acquisitions not performing in accordance with our expectations, (ix) risks and uncertainties associated with the Company’s and Weingarten Realty Investor’s (“Weingarten”), ability to complete the acquisition on the proposed terms or on the anticipated timeline, or at all, including risks and uncertainties related to securing the necessary shareholder approvals and satisfaction of other closing conditions to consummate the acquisition; (x) the occurrence of any event, change or other circumstance that could give rise to the termination of the definitive transaction agreement relating to the proposed transaction, (xi) risks related to diverting the attention of the Company and Weingarten management from ongoing business operations; failure to realize the expected benefits of the acquisition, (xii) significant transaction costs and/or unknown or inestimable liabilities, (xiii) the risk of shareholder litigation in connection with the proposed transaction, including resulting expense or delay; the risk that Weingarten’s business will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected, (xiv) the Company’s ability to obtain the expected financing to consummate the acquisition, (xv) risks related to future opportunities and plans for the combined company, including the uncertainty of expected future financial performance and results of the combined company following completion of the acquisition, (xvi) effects relating to the announcement of the acquisition or any further announcements or the consummation of the acquisition on the market price of the Company’s common stock or Weingarten’s common shares, (xvii) the possibility that, if the Company does not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated by financial analysts or investors, the market price of the Company’s common stock could decline, (xviii) valuation and risks related to the Company’s joint venture and preferred equity investments, (xix) valuation of marketable securities and other investments, including the shares of Albertsons Companies, Inc. common stock held by the Company, (xx) increases in operating costs, (xxi) changes in the dividend policy for the Company’s common and preferred stock and the Company’s ability to pay dividends at current levels, (xxii) the reduction in the Company’s income in the event of multiple lease terminations by tenants or a failure by multiple tenants to occupy their premises in a shopping center, (xxiii) impairment charges, (xxiv) unanticipated changes in the Company’s intention or ability to prepay certain debt prior to maturity and/or hold certain securities until maturity and (xxv) the risks and uncertainties identified under Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year-ended December 31, 2020. Accordingly, there is no assurance that the Company’s expectations will be realized.  The Company disclaims any intention or obligation to update the forward-looking statements, whether as a result of new information, future events or otherwise.  You are advised to refer to any further disclosures the Company makes or related subjects in the Company’s Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that the Company files with the Securities and Exchange Commission (“SEC”).

The following discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes thereto.  These unaudited financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

Executive Overview

Kimco Realty Corporation, a Maryland corporation, is one of North America’s largest publicly traded owners and operators of open-air, grocery-anchored shopping centers and mixed-use assets in the U.S. The terms “Kimco,” the “Company,” “we,” “our” and “us” each refers to Kimco Realty Corporation and our subsidiaries, unless the context indicates otherwise.  The Company’s mission is to create destinations for everyday living that inspire a sense of community and deliver value to our many stakeholders.

The Company is a self-administered real estate investment trust (“REIT”) and has owned and operated open-air shopping centers for over 60 years.  The Company has not engaged, nor does it expect to retain, any REIT advisors in connection with the operation of its properties. As of March 31, 2021, the Company had interests in 398 U.S. shopping center properties, aggregating 69.8 million square feet of gross leasable area (“GLA”), located in 27 states. In addition, the Company had 122 other property interests, primarily through the Company’s preferred equity investments and other real estate investments, totaling 6.7 million square feet of GLA. The Company’s ownership interests in real estate consist of its consolidated portfolio and portfolios where the Company owns an economic interest, such as properties in the Company’s investment real estate management programs, where the Company partners with institutional investors and also retains management.

The Company’s primary business objective is to be the premier owner and operators of open-air, grocery-anchored shopping centers and mixed-use assets in the U.S. The Company believes it can achieve this objective by:

|  |  |  |
| --- | --- | --- |
|  | ● | increasing the value of its existing portfolio of properties and generating higher levels of portfolio growth; |

|  |  |  |
| --- | --- | --- |
|  | ● | increasing cash flows for reinvestment and/or for distribution to shareholders; |

|  |  |  |
| --- | --- | --- |
|  | ● | continuing growth in desirable demographic areas with successful retailers; and |

|  |  |  |
| --- | --- | --- |
|  | ● | increasing capital appreciation. |

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The Company further concentrated its business objectives to three main areas:

|  |  |  |
| --- | --- | --- |
|  | ● | Sustainable Growth – Delivering consistent growth from a portfolio of well-located, essential-anchored shopping centers and mixed-use assets. |

|  |  |  |
| --- | --- | --- |
|  | ● | Financial Strength – Maintaining a strong balance sheet that will sustain dividend growth, with liquidity to be an opportunistic investor during periods of disruption. |

|  |  |  |
| --- | --- | --- |
|  | ● | Opportunistic Investment – Generating additional internal and external growth through accretive acquisitions, redevelopments and investments opportunities with retailers who have significant real estate holdings. |

Pending Merger with Weingarten Realty Investors

On April 15, 2021, the Company and Weingarten Realty Investors (“Weingarten”) announced that they have entered into a definitive merger agreement (the "Merger Agreement") under which Weingarten will merge with and into the Company, with the Company continuing as the surviving public company (the “Merger”).  The Merger brings together two industry-leading retail real estate platforms with highly complementary portfolios, creating the preeminent open-air shopping center and mixed-use real estate owner in the country.  The increased scale in targeted growth markets, coupled with a broader pipeline of redevelopment opportunities, positions the combined company to create significant value for its shareholders.

Under the terms of the Merger Agreement, each Weingarten common share will be converted into 1.408 newly issued shares of the Company’s common stock plus $2.89 in cash.  Based on the closing stock price for the Company on April 14, 2021, this represents a total consideration of approximately $30.32 per Weingarten share.  The parties currently expect the transaction to close during the second half of 2021, subject to customary closing conditions, including the approval of both the Company and Weingarten shareholders.  This strategic transaction was unanimously approved by the Board of Directors of the Company and the Board of Trust Managers of Weingarten.

The Merger will create a national operating portfolio of 559 open-air grocery-anchored shopping centers and mixed-use assets comprising approximately 100 million square feet of gross leasable area.  These properties are primarily concentrated in the top major metropolitan markets in the United States.  The combined company is expected to benefit from increased scale and density in key Sun Belt markets, enhanced asset quality, tenant diversity, a larger redevelopment pipeline and a deleveraged balance sheet. As a result, the combined company should be uniquely positioned to drive further sustained growth in net operating income and asset value creation through continued strategic leasing and asset management.

COVID-19 Pandemic

The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected businesses, economies and financial markets worldwide, and has caused significant volatility in U.S. and international debt and equity markets. The COVID-19 pandemic has significantly impacted the retail sector in which the Company operates. The majority of the Company’s tenants and their operations have been impacted, and may continue to be impacted.  Through the duration of the pandemic, a substantial number of tenants have had to temporarily or permanently close their business, shortened their operating hours or offer reduced services for some period of time.

The extent to which the COVID-19 pandemic impacts the Company’s financial condition, results of operations and cash flows, in the near term, will continue to depend on future developments, which continue to be highly uncertain and cannot be predicted at this time, including new information that may emerge concerning the severity of COVID-19, the success of governmental, business and individual actions that have been, and continue to be, taken in response to COVID-19, the distribution and effectiveness of vaccines, the impact of COVID-19 on economic activity, the effect of COVID-19 on the Company’s tenants and their businesses, the ability of tenants to make their rental payments and any additional closures of tenants’ businesses.

The Company continues to monitor the impact of COVID-19 on the Company’s business, tenants and industry as a whole.  The magnitude and duration of the COVID-19 pandemic and its impact on the Company’s operations and liquidity remains uncertain as this pandemic continues to evolve globally and within the United States. Management cannot, at this point, estimate ultimate losses related to the COVID-19 pandemic. The Company will continue to monitor the economic, financial, and social conditions resulting from the COVID-19 pandemic and will assess its asset portfolio for any impairment indicators. If the Company determines that any of its assets are impaired, the Company would be required to take impairment charges, and such amounts could be material.

Since the outbreak of the COVID-19 pandemic, the Company’s shopping centers have remained open; however, as noted above, a substantial number of tenants had, or continue to have, temporarily or permanently closed their businesses. Others had, or continue to have, shortened their operating hours or offered reduced services. The Company has, and continues to have, worked with tenants to grant rent deferrals or forgiveness of rent on a tenant-by-tenant basis. The development and distribution of COVID vaccines throughout the country have assisted in allowing many restrictions to be lifted, providing a path to recovery. There have been additional improvements to the real estate industry as the pandemic continues to redefine the needs of consumers across the country.  There has been an increase in demand for warehouse space to satisfy fulfilment and distribution needs as well as certain retail spaces which provide essential goods such as grocers and pharmacies.

The Company continues to see an increase in collections of rental payments, however, the effects COVID-19 has had on its tenants is still heavily considered when evaluating the adequacy of the collectability of the lessee’s total accounts receivable balance, including the corresponding straight-line rent receivable. As of March 31, 2021, the Company’s consolidated accounts receivable balance was 50% potentially uncollectible, including receivables from tenants that are being accounted for on a cash basis, and 15% of the Company’s straight-line rent receivables were potentially uncollectible, also inclusive of tenants that are being accounted for on a cash basis.  These elevated reserves are primarily attributable to the impact from the COVID-19 pandemic. Management’s estimate of the collectability of accrued rents and accounts receivable is based on the best information available to management at the time of evaluation.  The Company will continue to monitor the economic, financial, and social conditions resulting from the COVID-19 pandemic and will continue to assess the collectability of its tenant accounts receivables.  As such, the Company may determine that further adjustments to its accounts receivable may be required in the future, and such amounts may be material.

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Results of Operations

*Comparison of the three months ended March 31, 2021 and 2020*

The following table presents the comparative results from the Company’s Condensed Consolidated Statements of Income for the three months ended March 31, 2021, as compared to the corresponding period in 2020 (in thousands, except per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **Change** | |  |
| Revenues |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net |  | $ | 278,871 |  |  | $ | 286,004 |  |  | $ | (7,133 | ) |
| Management and other fee income |  |  | 3,437 |  |  |  | 3,740 |  |  |  | (303 | ) |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |  |  |
| Rent (1) |  |  | (3,035 | ) |  |  | (2,835 | ) |  |  | (200 | ) |
| Real estate taxes |  |  | (38,936 | ) |  |  | (39,652 | ) |  |  | 716 |  |
| Operating and maintenance (2) |  |  | (46,520 | ) |  |  | (42,408 | ) |  |  | (4,112 | ) |
| General and administrative (3) |  |  | (24,478 | ) |  |  | (21,017 | ) |  |  | (3,461 | ) |
| Impairment charges |  |  | - |  |  |  | (2,974 | ) |  |  | 2,974 |  |
| Depreciation and amortization |  |  | (74,876 | ) |  |  | (69,397 | ) |  |  | (5,479 | ) |
| Gain on sale of properties |  |  | 10,005 |  |  |  | 3,847 |  |  |  | 6,158 |  |
| Other income/(expense) |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income, net |  |  | 3,357 |  |  |  | 1,245 |  |  |  | 2,112 |  |
| Gain/(loss) on marketable securities, net |  |  | 61,085 |  |  |  | (4,667 | ) |  |  | 65,752 |  |
| Interest expense |  |  | (47,716 | ) |  |  | (46,060 | ) |  |  | (1,656 | ) |
| Provision for income taxes, net |  |  | (1,308 | ) |  |  | (43 | ) |  |  | (1,265 | ) |
| Equity in income of joint ventures, net |  |  | 17,752 |  |  |  | 13,648 |  |  |  | 4,104 |  |
| Equity in income of other real estate investments, net |  |  | 3,787 |  |  |  | 10,958 |  |  |  | (7,171 | ) |
| Net income attributable to noncontrolling interests |  |  | (3,483 | ) |  |  | (289 | ) |  |  | (3,194 | ) |
| Preferred dividends |  |  | (6,354 | ) |  |  | (6,354 | ) |  |  | - |  |
| Net (loss)/income available to the Company's common shareholders |  | $ | 131,588 |  |  | $ | 83,746 |  |  | $ | 47,842 |  |
| Net (loss)/income available to the Company's common shareholders: |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted per common share |  | $ | 0.30 |  |  | $ | 0.19 |  |  | $ | 0.11 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Rent expense relates to ground lease payments for which the Company is the lessee. |
|  | (2) | Operating and maintenance expense consists of property related costs including repairs and maintenance costs, roof repair, landscaping, parking lot repair, snow removal, utilities, property insurance costs, security and various other property related expenses. |
|  | (3) | General and administrative expense includes employee-related expenses (including salaries, bonuses, equity awards, benefits, severance costs and payroll taxes), professional fees, office rent, travel and entertainment costs and other company-specific expenses. |

Net income available to the Company’s common shareholders was $131.6 million for the three months ended March 31, 2021, as compared to $83.7 million for the comparable period in 2020. On a diluted per common share basis, net income available to the Company for the three months ended March 31, 2021 was $0.30 as compared to $0.19 for the comparable period in 2020.

The following describes the changes of certain line items included on the Company’s Condensed Consolidated Statements of Income, that the Company believes changed significantly and affected Net income available to the Company's common shareholders during the three months ended March 31, 2021, as compared to the corresponding period in 2020:

*Revenues from rental properties, net* –

The decrease in Revenues from rental properties, net of $7.1 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily from (i) a net decrease in revenues from tenants, including straight-line rental income, primarily due to rent relief provided in association with the COVID-19 pandemic and tenant vacancies for the three months ended March 31, 2021 of $12.9 million, as compared to the corresponding period in 2020 and (ii) a decrease in revenues of $0.6 million due to properties sold during 2021 and 2020, partially offset by (iii) an increase in lease termination fee income for the three months ended March 31, 2021 of $4.8 million, as compared to the corresponding period in 2020 and (iv) an increase in revenues of $1.6 million due to property acquisitions during 2021.

*Operating and maintenance* –

The increase in Operating and maintenance expense of $4.1 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to an increase in snow removal costs and security and property maintenance services.

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*General and administrative* –

The increase in General and administrative expense of $3.5 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to (i) a decrease of $1.6 million in payroll capitalization due to less active development and redevelopment projects during the three months ended March 31, 2021, as compared to the corresponding period in 2020 and (ii) an increase of $1.9 million due to the fluctuations in value of various directors’ deferred stock.

*Impairment charges* –

During the three months ended March 31, 2020, the Company recognized impairment charges related to adjustments to property carrying values of $3.0 million, for which the Company’s estimated fair values were primarily based upon signed contracts or letters of intent from third party offers. These adjustments to property carrying values were recognized in connection with the Company’s efforts to market certain properties and management’s assessment as to the likelihood and timing of such potential transactions. Certain of the calculations to determine fair values utilized unobservable inputs and, as such, were classified as Level 3 of the FASB’s fair value hierarchy.

*Depreciation and amortization* –

The increase in Depreciation and amortization of $5.5 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase of $2.7 million due to depreciation commencing on certain development and redevelopment projects that were placed into service during 2021 and 2020, (ii) an increase of $2.2 million in write-offs of depreciable assets primarily due to tenant vacates during the three months ended March 31, 2021, as compared to the corresponding period in 2020 and (iii) an increase of $0.6 million resulting from property acquisitions during 2021.

*Gain on sale of properties* –

During the three months ended March 31, 2021, the Company disposed of an operating property and four parcels, in separate transactions, for an aggregate sales price of $23.0 million, which resulted in aggregate gains of $10.0 million. During the three months ended March 31, 2020, the Company disposed of an operating property for a sales price of $13.5 million, which resulted in a gain of $3.8 million.

*Gain/(loss) on marketable securities, net* –

The gain on marketable securities, net of $61.1 million for the three months ended March 31, 2021, as compared to the loss on marketable securities, net of $4.7 million for corresponding period in 2020, is primarily the result of the mark-to-market fluctuations of the Company’s Albertsons Companies, Inc. (“ACI”) investment, which had its initial public offering (“IPO”) in June 2020. This offering resulted in the Company changing the classification of its ACI investment from a cost method investment to a marketable security.

*Equity in income of joint ventures, net* –

The increase in Equity in income of joint ventures, net of $4.1 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in net gains of $4.7 million resulting from the sale of properties within various joint venture investments during the three months ending March 31, 2021, as compared to the corresponding period in 2020, partially offset by (ii) lower equity in income of $0.6 million within various joint venture investments during 2021, as compared to the corresponding period in 2020, primarily resulting from the sale of properties within various joint venture investments during 2021 and 2020.

*Equity in income of other real estate investments, net* –

The decrease in Equity in income of other real estate investments, net of $7.2 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to a decrease in profit participation from the sale of properties within the Company’s Preferred Equity Program during 2021, as compared to the corresponding period in 2020.

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*Net income attributable to noncontrolling interests* –

The increase in Net income attributable to noncontrolling interests of $3.2 million for the three months ended March 31, 2021, as compared to the corresponding period in 2020, is primarily due to an increase in net gain on sale of properties during the three months ended March 31, 2021, as compared to the corresponding period in 2020.

Tenant Concentration

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties and a large tenant base. As of March 31, 2021, the Company had interests in 398 U.S. shopping center properties, aggregating 69.8 million square feet of gross leasable area (“GLA”), located in 27 states.  At March 31, 2021, the Company’s five largest tenants were TJX Companies, Home Depot, Ahold Delhaize USA, Albertsons and PetSmart, which represented 4.0%, 2.6%, 2.1%, 2.0% and 2.0%, respectively, of the Company’s annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

Liquidity and Capital Resources

The Company’s capital resources include accessing the public debt and equity capital markets, unsecured term loans, mortgages and construction loan financing, and immediate access to the Company’s unsecured revolving credit facility (the “Credit Facility”) with bank commitments of $2.0 billion which can be increased to $2.75 billion through an accordion feature. In addition, the Company holds 39.8 million shares of ACI, which are subject to certain contractual lock-up provisions.

The Company’s cash flow activities are summarized as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Cash and cash equivalents, beginning of the period |  | $ | 293,188 |  |  | $ | 123,947 |  |
| Net cash flow provided by operating activities |  |  | 148,371 |  |  |  | 155,249 |  |
| Net cash flow used for investing activities |  |  | (83,924 | ) |  |  | (66,553 | ) |
| Net cash flow (used for)/provided by financing activities |  |  | (103,783 | ) |  |  | 239,153 |  |
| Net change in cash and cash equivalents |  |  | (39,336 | ) |  |  | 327,849 |  |
| Cash and cash equivalents, end of the period |  | $ | 253,852 |  |  | $ | 451,796 |  |

*Operating Activities*

The Company anticipates that cash on hand, net cash flow provided by operating activities, borrowings under its Credit Facility and the issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company. The Company will continue to evaluate its capital requirements for both its short-term and long-term liquidity needs, all of which are highly uncertain and cannot be predicted, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic.

Net cash flow provided by operating activities for the three months ended March 31, 2021 was $148.4 million, as compared to $155.2 million for the comparable period in 2020. The decrease of $6.8 million is primarily attributable to:

|  |  |  |
| --- | --- | --- |
|  | ● | a decrease in distributions from the Company’s joint ventures programs; |
|  | ● | rent relief provided to tenants as a result of the COVID-19 pandemic; and |
|  | ● | the disposition of operating properties in 2021 and 2020; partially offset by |
|  | ● | new leasing, expansion and re-tenanting of core portfolio properties; |
|  | ● | changes in operating assets and liabilities due to timing of receipts and payments; and |
|  | ● | the acquisition of operating properties during 2021 and 2020. |

*Investing Activities*

Net cash flow used for investing activities was $83.9 million for the three months ended March 31, 2021, as compared to net cash flow used for investing activities of $66.6 million for the comparable period in 2020.

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Investing activities during the three months ended March 31, 2021 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $22.2 million in proceeds from the sale of a consolidated operating property and four parcels.. |

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $84.3 million for the acquisition of two consolidated operating properties; |

|  |  |  |
| --- | --- | --- |
|  | ● | $20.6 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline; and |
|  | ● | $2.2 million for investments in and advances to real estate joint ventures, primarily related to a redevelopment project within the Company's joint venture portfolio, and investments in other real estate investments, primarily related to repayment of a mortgage within the Company's Preferred Equity Program. |

Investing activities during the three months ended March 31, 2020 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $13.3 million in proceeds from the sale of a consolidated operating property; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $2.5 million in proceeds from insurance casualty claims. |

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $71.6 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline and improvements to real estate under development; |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.1 million for the acquisition of operating real estate; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $5.8 million for investments in and advances to real estate joint ventures, primarily related to a redevelopment project within the Company’s joint venture portfolio, and investments in other real estate investments, primarily related to repayment of a mortgage within the Company’s Preferred Equity Program. |

*Acquisition of Operating Real Estate* –

During the three months ended March 31, 2021 and 2020, the Company expended $84.3 million and $7.1 million, respectively, towards the acquisition of operating real estate properties. The Company anticipates spending approximately $25.0 million to $50.0 million towards the acquisition of operating properties for the remainder of 2021, excluding amounts expended in connection with the Merger (see Footnote 17 to the Notes to the Company’s Condensed Consolidated Financial Statements). The funding of these capital requirements will be provided by proceeds from property dispositions, net cash flow provided by operating activities and availability under the Company’s Credit Facility.

*Improvements to Operating Real Estate* –

During the three months ended March 31, 2021 and 2020, the Company expended $20.6 million and $55.0 million, respectively, towards improvements to operating real estate. These amounts consist of the following (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Redevelopment and renovations |  | $ | 12,908 |  |  | $ | 43,871 |  |
| Tenant improvements and tenant allowances |  |  | 7,661 |  |  |  | 11,102 |  |
| Total improvements (1) |  | $ | 20,569 |  |  | $ | 54,973 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | During the three months ended March 31, 2021 and 2020, the Company capitalized payroll of $1.5 million and $2.6 million, respectively, and capitalized interest of $0.3 million and $2.4 million, respectively, in connection with the Company’s improvements to operating real estate. |

The Company has an ongoing program to redevelop and re-tenant its properties to maintain or enhance its competitive position in the marketplace. The Company is actively pursuing redevelopment opportunities within its operating portfolio which it believes will increase the overall value by bringing in new tenants and improving the assets’ value. The Company has identified three categories of redevelopment: (i) large scale redevelopment, which involves demolishing and building new square footage; (ii) value creation redevelopment, which includes the subdivision of large anchor spaces into multiple tenant layouts; and (iii) creation of out-parcels and pads located in the front of the shopping center properties.

The Company anticipates its capital commitment toward these redevelopment projects and re-tenanting efforts for the remainder of 2021 will be approximately $75.0 million to $125.0 million, which does not include any amounts that may result from the Merger (see Footnote 17 to the Notes to the Company’s Condensed Consolidated Financial Statements). The funding of these capital requirements will be provided by proceeds from property dispositions, net cash flow provided by operating activities and availability under the Company’s Credit Facility.

*Financing Activities*

Net cash flow used for financing activities was $103.8 million for the three months ended March 31, 2021, as compared to $239.2 million for the comparable period in 2020.

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Financing activities during the three months ended March 31, 2021 primarily consisted of:

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $80.0 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $14.9 million in principal payment on debt, including normal amortization of rental property debt; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $9.1 million in shares repurchased for employee tax withholding on equity awards. |

Financing activities during the three months ended March 31, 2020 primarily consisted of:

 ‐

*Cash inflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $475.0 million in proceeds from borrowings under the Company’s unsecured revolving Credit Facility, net. |

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $127.3 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $78.4 million for principal payments on debt (primarily related to the repayment of debt on an encumbered property and the payoff of a construction loan), including normal amortization on rental property debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | $20.9 million for the redemption/distribution of noncontrolling interests, primarily related to the redemption of certain partnership interests by consolidated subsidiaries; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $5.1 million for financing origination costs, primarily related to the new unsecured revolving credit facility. |

The Company continually evaluates its debt maturities, and, based on management’s current assessment, believes it has viable financing and refinancing alternatives that will not materially adversely impact its expected financial results. The Company continues to pursue borrowing opportunities with large commercial U.S. and global banks, select life insurance companies and certain regional and local banks.

Debt maturities for the remainder of 2021 consist of: $125.7 million of consolidated debt; $54.9 million of unconsolidated joint venture debt and $19.9 million of debt included in the Company’s Preferred Equity Program, assuming the utilization of extension options where available. The 2021 consolidated debt maturities are anticipated to be repaid with operating cash flows and borrowings from the Credit Facility.  The 2021 debt maturities on properties in the Company’s unconsolidated joint ventures and Preferred Equity Program are anticipated to be repaid through operating cash flows, debt refinancing, unsecured credit facilities, proceeds from sales and partner capital contributions, as deemed appropriate.

The Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintain or improve its unsecured debt ratings.  The Company may, from time to time, seek to obtain funds through additional common and preferred equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other capital alternatives.

Since the completion of the Company’s IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over $15.6 billion.  Proceeds from public capital market activities have been used for the purposes of, among other things, repaying indebtedness, acquiring interests in open-air, grocery-anchored shopping centers and mixed-use assets, funding real estate under development projects, expanding and improving properties in the portfolio and other investments.

During February 2021, the Company filed a shelf registration statement on Form S-3, which is effective for a term of three years, for the future unlimited offerings, from time to time, of debt securities, preferred stock, depositary shares, common stock and common stock warrants. The Company, pursuant to this shelf registration statement may, from time to time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company’s debt maturities.

*Common Stock* –

During February 2020, the Company extended its share repurchase program for a term of two years, which will expire in February 2022, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the three months ended March 31, 2021. As of March 31, 2021, the Company had $224.9 million available under this share repurchase program.

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*Senior Notes* –

The Company’s supplemental indenture governing its senior notes contains the following covenants, all of which the Company is compliant with:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Covenant** |  | **Must Be** |  | **As of March 31, 2021** |  |
| Consolidated Indebtedness to Total Assets |  | <65% |  | 38% |  |
| Consolidated Secured Indebtedness to Total Assets |  | <40% |  | 2% |  |
| Consolidated Income Available for Debt Service to Maximum Annual Service Charge |  | >1.50x |  | 8.3x |  |
| Unencumbered Total Asset Value to Consolidated Unsecured Indebtedness |  | >1.50x |  | 2.6x |  |

For a full description of the various indenture covenants, refer to the Indenture dated September 1, 1993; the First Supplemental Indenture dated August 4, 1994; the Second Supplemental Indenture dated April 7, 1995; the Third Supplemental Indenture dated June 2, 2006; the Fourth Supplemental Indenture dated April 26, 2007; the Fifth Supplemental Indenture dated as of September 24, 2009; the Sixth Supplemental Indenture dated as of May 23, 2013; and the Seventh Supplemental Indenture dated as of April 24, 2014, each as filed with the SEC. See the Exhibits Index to our Annual Report on Form 10-K for the year ended December 31, 2020 for specific filing information.

*Credit Facility* –

In February 2020, the Company obtained a $2.0 billion Credit Facility with a group of banks. The Credit Facility is scheduled to expire in March 2024, with two additional six-month options to extend the maturity date, at the Company’s discretion, to March 2025. The Credit Facility is a green credit facility tied to sustainability metric targets, as described in the agreement. The Company achieved such targets, which effectively reduced the rate on the Credit Facility by one basis point. The Credit Facility, which accrues interest at a rate of LIBOR plus 76.5 basis points (0.88% as of March 31, 2021), can be increased to $2.75 billion through an accordion feature. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum indebtedness ratios and (ii) minimum interest and fixed charge coverage ratios. As of March 31, 2021, the Credit Facility had no outstanding balance, $0.3 million appropriated for letters of credit and the Company was in compliance with its covenants.

Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to maintenance of various covenants. The Company is currently in compliance with these covenants. The financial covenants for the Credit Facility are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Covenant** |  | **Must Be** |  | **As of March 31, 2021** |  |
| Total Indebtedness to Gross Asset Value (“GAV”) |  | <60% |  | 46% |  |
| Total Priority Indebtedness to GAV |  | <35% |  | 1% |  |
| Unencumbered Asset Net Operating Income to Total Unsecured Interest Expense |  | >1.75x |  | 3.6x |  |
| Fixed Charge Total Adjusted EBITDA to Total Debt Service |  | >1.50x |  | 3.3x |  |

For a full description of the Credit Facility’s covenants, refer to the Amended and Restated Credit Agreement dated as of February 27, 2020, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K dated February 28, 2020.

*Mortgages and Construction Loan Payable* –

During the three months ended March 31, 2021, the Company repaid $12.3 million of mortgage debt (including fair market value adjustment of $0.1 million) that encumbered an operating property.

In addition to the public equity and debt markets as capital sources, the Company may, from time to time, obtain mortgage financing on selected properties and construction loan financing to partially fund the capital needs of its real estate development projects. As of March 31, 2021, the Company had over 330 unencumbered property interests in its portfolio.

*COVID-19* –

As the COVID-19 pandemic continues to evolve, an uncertainty remains in relation to the long-term economic impact it will have. As a result, the Company has focused on creating a strong liquidity position, including, but not limited to, maintaining availability under its Credit Facility, cash and cash equivalents on hand and having access to unencumbered property interests.

The Company continues to monitor the impact of COVID-19 on the Company’s business, tenants and industry as a whole. The magnitude and duration of the COVID-19 pandemic and its impact on the Company’s operations and liquidity is uncertain as of the filing date of this Quarterly Report on Form 10-Q as this pandemic continues to evolve globally and within the United States. However, if the COVID-19 pandemic continues, such impacts could grow, become material and materially disrupt the Company’s business operations and materially adversely affect the Company’s liquidity.

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*Dividends* –

The Company’s Board of Directors will continue to evaluate the Company’s dividend policy on a quarterly basis as they monitor sources of capital and evaluate the impact of the economy and capital markets availability on operating fundamentals.  Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a dividend payout ratio that reserves such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate.  Cash dividends paid for common and preferred issuances of stock for the three months ended March 31, 2021 and 2020 were $80.0 million and $127.3 million, respectively.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments. The Company’s Board of Directors will continue to monitor the impact the COVID-19 pandemic has on the Company's financial performance and economic outlook. The Company’s objective is to establish a dividend level which maintains compliance with the Company’s REIT taxable income distribution requirements. On February 22, 2021, the Company’s Board of Directors declared a quarterly cash dividend of $0.17 per common share payable to shareholders of record on March 10, 2021, which was paid on March 24, 2021. On April 27, 2021, the Company’s Board of Directors declared a quarterly cash dividend of $0.17 per common share payable to shareholders of record on June 9, 2021, which is scheduled to be paid on June 23, 2021.

The Company’s Board of Directors declared quarterly dividends with respect to the Company’s classes of cumulative redeemable preferred shares (Classes L and M). All dividends on preferred shares were paid on April 15, 2021, to shareholders of record on April 1, 2021. Additionally, the Company’s Board of Directors declared quarterly dividends with respect to the Company’s classes of cumulative redeemable preferred shares (Classes L and M). All dividends on the preferred shares are scheduled to be paid on July 15, 2021, to shareholders of record on July 1, 2021.

Funds From Operations

Funds From Operations (“FFO”) is a supplemental non-GAAP financial measure utilized to evaluate the operating performance of real estate companies. NAREIT defines FFO as net income/(loss) available to the Company’s common shareholders computed in accordance with generally accepted accounting principles in the United States (“GAAP”), excluding (i) depreciation and amortization related to real estate, (ii) gains or losses from sales of certain real estate assets, (iii) gains and losses from change in control, (iv) impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity and (v) after adjustments for unconsolidated partnerships and joint ventures calculated to reflect FFO on the same basis. The Company also made an election to exclude from its calculation of FFO (i) gains and losses on the sale of assets and impairments of assets incidental to its main business and (ii) mark-to-market changes in the value of its equity securities. As such, the Company does not include gains/impairments on land parcels, gains/losses (realized or unrealized) from marketable securities, allowance for credit losses on mortgage receivables or gains/impairments on preferred equity participations in NAREIT defined FFO. As a result of this election, the Company will no longer disclose FFO available to the Company’s common shareholders as adjusted (“FFO as adjusted”) as an additional supplemental measure. The incidental adjustments noted above which were previously excluded from NAREIT FFO and used to determine FFO as adjusted are now included in NAREIT FFO and therefore the Company believes FFO as adjusted is no longer necessary.

The Company presents FFO available to the Company’s common shareholders as it considers it an important supplemental measure of our operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO available to the Company’s common shareholders when reporting results. Comparison of our presentation of FFO available to the Company’s common shareholders to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

FFO is a supplemental non-GAAP financial measure of real estate companies’ operating performances, which does not represent cash generated from operating activities in accordance with GAAP and therefore, should not be considered an alternative for net income or cash flows from operations as a measure of liquidity.  Our method of calculating FFO available to the Company’s common shareholders may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The Company’s reconciliation of net income available to the Company’s common shareholders to FFO available to the Company’s common shareholders is reflected in the table below (in thousands, except per share data).

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| **Net income available to the Company**’**s common shareholders** |  | **$** | **131,588** |  |  | **$** | **83,746** |  |
| Gain on sale of properties |  |  | (10,005 | ) |  |  | (3,847 | ) |
| Gain on sale of joint venture properties |  |  | (5,283 | ) |  |  | (18 | ) |
| Depreciation and amortization - real estate related |  |  | 74,113 |  |  |  | 68,707 |  |
| Depreciation and amortization - real estate joint ventures |  |  | 10,007 |  |  |  | 10,564 |  |
| Impairment charges |  |  | 1,068 |  |  |  | 3,441 |  |
| Profit participation from other real estate investments, net |  |  | 195 |  |  |  | (6,283 | ) |
| (Gain)/loss on marketable securities, net |  |  | (61,085 | ) |  |  | 4,667 |  |
| Provision for income taxes (1) |  |  | 1,046 |  |  |  | 1 |  |
| Noncontrolling interests (1) |  |  | 2,626 |  |  |  | (505 | ) |
| **FFO available to the Company**’**s common shareholders** |  | **$** | **144,270** |  |  | **$** | **160,473** |  |
| Weighted average shares outstanding for FFO calculations: |  |  |  |  |  |  |  |  |
| Basic |  |  | 430,524 |  |  |  | 429,735 |  |
| Units |  |  | 654 |  |  |  | 638 |  |
| Dilutive effect of equity awards |  |  | 1,606 |  |  |  | 717 |  |
| Diluted (2) |  |  | 432,784 |  |  |  | 431,090 |  |
|  |  |  |  |  |  |  |  |  |
| **FFO per common share** – **basic** |  | $ | 0.34 |  |  | $ | 0.37 |  |
| **FFO per common share** – **diluted** (2) |  | $ | 0.33 |  |  | $ | 0.37 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Related to gains, impairments, and depreciation on properties, where applicable. |

|  |  |  |
| --- | --- | --- |
|  | (2) | Reflects the potential impact if certain units were converted to common stock at the beginning of the period, which would have a dilutive effect on FFO available to the Company’s common shareholders. FFO available to the Company’s common shareholders would be increased by $97 and $160 for the three months ended March 31, 2021 and 2020, respectively. The effect of other certain convertible units would have an anti-dilutive effect upon the calculation of FFO available to the Company’s common shareholders per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations. |

Same Property Net Operating Income (“Same property NOI”)

Same property NOI is a supplemental non-GAAP financial measure of real estate companies’ operating performance and should not be considered an alternative to net income in accordance with GAAP or cash flows from operations as a measure of liquidity. The Company considers Same property NOI as an important operating performance measure because it is frequently used by securities analysts and investors to measure only the net operating income of properties that have been owned by the Company for the entire current and prior year reporting periods. It excludes properties under redevelopment, development and pending stabilization; properties are deemed stabilized at the earlier of (i) reaching 90% leased or (ii) one year following a project’s inclusion in operating real estate. Same property NOI assists in eliminating disparities in net income due to the development, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the Company's properties.

Same property NOI is calculated using revenues from rental properties (excluding straight-line rent adjustments, lease termination fees, TIFs and amortization of above/below market rents) less charges for bad debt, operating and maintenance expense, real estate taxes and rent expense plus the Company’s proportionate share of Same property NOI from unconsolidated real estate joint ventures, calculated on the same basis. The Company’s method of calculating Same property NOI available to the Company’s common shareholders may differ from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The following is a reconciliation of Net income available to the Company’s common shareholders to Same property NOI (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| **Net income available to the Company**’**s common shareholders** |  | **$** | **131,588** |  |  | **$** | **83,746** |  |
| Adjustments: |  |  |  |  |  |  |  |  |
| Management and other fee income |  |  | (3,437 | ) |  |  | (3,740 | ) |
| General and administrative |  |  | 24,478 |  |  |  | 21,017 |  |
| Impairment charges |  |  | - |  |  |  | 2,974 |  |
| Depreciation and amortization |  |  | 74,876 |  |  |  | 69,397 |  |
| Gain on sale of properties |  |  | (10,005 | ) |  |  | (3,847 | ) |
| Interest and other expense, net |  |  | 44,359 |  |  |  | 44,815 |  |
| (Gain)/loss on marketable securities, net |  |  | (61,085 | ) |  |  | 4,667 |  |
| Provision for income taxes, net |  |  | 1,308 |  |  |  | 43 |  |
| Equity in income of other real estate investments, net |  |  | (3,787 | ) |  |  | (10,958 | ) |
| Net income attributable to noncontrolling interests |  |  | 3,483 |  |  |  | 289 |  |
| Preferred dividends |  |  | 6,354 |  |  |  | 6,354 |  |
| Non same property net operating income |  |  | (15,039 | ) |  |  | (16,282 | ) |
| Non-operational expense from joint ventures, net |  |  | 11,963 |  |  |  | 19,014 |  |
| **Same property NOI** |  | **$** | **205,056** |  |  | **$** | **217,489** |  |

Same property NOI decreased by $12.4 million or 5.7% for the three months ended March 31, 2021, as compared to the corresponding period in 2020. This change is primarily the result of a reduction of revenue associated with rent waivers, potentially uncollectible revenues and disputed amounts.

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Leasing Activity

During the three months ended March 31, 2021, the Company executed 262 leases totaling over 2.3 million square feet in the Company’s consolidated operating portfolio comprised of 96 new leases and 166 renewals and options. The leasing costs associated with these new leases are estimated to aggregate $18.9 million or $34.22 per square foot. These costs include $13.9 million of tenant improvements and $5.0 million of external leasing commissions. The average rent per square foot for (i) new leases was $22.18 and (ii) renewals and options was $14.99.

Tenant Lease Expirations

At March 31, 2021, the Company has a total of 5,264 leases in its consolidated operating portfolio. The following table sets forth the aggregate lease expirations for each of the next ten years, assuming no renewal options are exercised. For purposes of the table, the Total Annual Base Rent Expiring represents annualized rental revenue, excluding the impact of straight-line rent, for each lease that expires during the respective year. Amounts in thousands, except for number of lease data:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending**  **December 31,** |  |  | **Number of Leases**  **Expiring** | |  |  | **Square Feet**  **Expiring** | |  |  | **Total Annual Base**  **Rent Expiring** | |  |  | **% of Gross**  **Annual Rent** | |  |
| (1) |  |  |  | 175 |  |  |  | 504 |  |  | $ | 11,487 |  |  |  | 1.4 | % |
| 2021 |  |  |  | 413 |  |  |  | 2,196 |  |  | $ | 38,140 |  |  |  | 4.7 | % |
| 2022 |  |  |  | 802 |  |  |  | 5,204 |  |  | $ | 93,466 |  |  |  | 11.5 | % |
| 2023 |  |  |  | 738 |  |  |  | 5,766 |  |  | $ | 98,818 |  |  |  | 12.1 | % |
| 2024 |  |  |  | 673 |  |  |  | 5,109 |  |  | $ | 94,217 |  |  |  | 11.6 | % |
| 2025 |  |  |  | 625 |  |  |  | 5,255 |  |  | $ | 94,322 |  |  |  | 11.6 | % |
| 2026 |  |  |  | 470 |  |  |  | 6,256 |  |  | $ | 89,401 |  |  |  | 11.0 | % |
| 2027 |  |  |  | 270 |  |  |  | 3,741 |  |  | $ | 56,674 |  |  |  | 7.0 | % |
| 2028 |  |  |  | 320 |  |  |  | 3,383 |  |  | $ | 61,164 |  |  |  | 7.5 | % |
| 2029 |  |  |  | 251 |  |  |  | 2,679 |  |  | $ | 47,301 |  |  |  | 5.8 | % |
| 2030 |  |  |  | 206 |  |  |  | 1,708 |  |  | $ | 33,119 |  |  |  | 4.1 | % |
| 2031 |  |  |  | 160 |  |  |  | 1,215 |  |  | $ | 25,487 |  |  |  | 3.1 | % |

|  |  |  |
| --- | --- | --- |
|  | (1) | Leases currently under month-to-month lease or in process of renewal. |

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company’s primary market risk exposure is interest rate risk. The Company periodically evaluates its exposure to short-term interest rates and will, from time-to-time, enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt. The Company has not entered, and does not plan to enter, into any derivative financial instruments for trading or speculative purposes. The following table presents the Company’s aggregate fixed rate and variable rate debt obligations outstanding, including fair market value adjustments and unamortized deferred financing costs, as of March 31, 2021, with corresponding weighted average interest rates sorted by maturity date. The Company had no variable rate debt outstanding at March 31, 2021. The table does not include extension options where available (amounts in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2021** | |  |  | **2022** | |  |  | **2023** | |  |  | **2024** | |  |  | **2025** | |  |  | **Thereafter** | |  |  | **Total** | |  |  | **Fair Value** | |  |
| **Secured Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed Rate |  | $ | 125.7 |  |  | $ | 145.8 |  |  | $ | 12.0 |  |  | $ | 7.8 |  |  | $ | - |  |  | $ | 4.3 |  |  | $ | 295.6 |  |  | $ | 297.9 |  |
| Average Interest Rate |  |  | 5.42 | % |  |  | 4.05 | % |  |  | 3.23 | % |  |  | 6.73 | % |  |  | - |  |  |  | 7.08 | % |  |  | 4.71 | % |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Unsecured Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed Rate |  | $ | - |  |  | $ | 498.3 |  |  | $ | 348.9 |  |  | $ | 398.0 |  |  | $ | 497.6 |  |  | $ | 3,303.1 |  |  | $ | 5,045.9 |  |  | $ | 5,306.9 |  |
| Average Interest Rate |  |  | - |  |  |  | 3.40 | % |  |  | 3.13 | % |  |  | 2.70 | % |  |  | 3.30 | % |  |  | 3.42 | % |  |  | 3.33 | % |  |  |  |  |

**Item 4.**  **Controls and Procedures.**

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective.

There have not been any changes in the Company’s internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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**PART II**

**OTHER INFORMATION**

**Item 1.**  **Legal Proceedings.**

The following information supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

The Company is not presently involved in any litigation nor, to its knowledge, is any litigation threatened against the Company or its subsidiaries that, in management's opinion, would result in any material adverse effect on the Company's ownership, management or operation of its properties taken as a whole, or which is not covered by the Company's liability insurance.

**Item 1A.**  **Risk Factors.**

Except as set forth below, as of the date of this report, there are no material changes to our risk factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

**Risks Relating to the Merger**

**The Merger may not be completed on the terms or timeline currently contemplated, or at all.**

Although the Company and Weingarten have entered into a definitive Merger Agreement on April 15, 2021 under which Weingarten will merge with and into the Company, the completion of the Merger is subject to certain conditions, including:

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| --- | --- | --- |
|  | (1) | approval of the Company's stockholders and Weingarten's stockholders of the Merger in separate stockholder meetings; |

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| --- | --- | --- |
|  | (2) | approval for listing on the NYSE of the common stock of the Company to be issued in connection with the Merger; |

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| --- | --- | --- |
|  | (3) | effectiveness of the registration statement for our shares being issued pursuant to the Merger and such registration statement not being the subject of any stop order or proceeding seeking a stop order; |

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| --- | --- | --- |
|  | (4) | no injunction or law prohibiting the Merger; |

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| --- | --- | --- |
|  | (5) | accuracy of each party’s representations, subject in most cases to materiality or material adverse effect qualifications; |

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| --- | --- | --- |
|  | (6) | material compliance with each party’s covenants; and |

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| --- | --- | --- |
|  | (7) | receipt by each of Weingarten and the Company of an opinion to the effect that the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code and of an opinion that each of Weingarten and the Company qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Neither Weingarten nor the Company can provide assurances that the Merger will be consummated on the terms or timeline currently contemplated, or at all. |

**Our stockholders may be diluted by the Merger.**

The Merger may dilute the ownership position of our stockholders. Upon completion of the Merger, our legacy stockholders will own approximately 71% of the issued and outstanding shares of our common stock, and legacy Weingarten stockholders will own approximately 29% of the issued and outstanding shares of our common stock. Consequently, our stockholders may have less influence over our management and policies after the effective time of the Merger than they currently exercise over our management and policies.

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**Failure to complete the Merger could adversely affect our stock price and our future business and financial results.**

If the Merger is not completed, our ongoing businesses may be adversely affected and we will be subject to numerous risks, including the following:

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| --- | --- | --- |
|  | ● | upon termination of the Merger Agreement under specified circumstances, Weingarten may be required to pay the Company a termination fee of $115.0 million; |

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| --- | --- | --- |
|  | ● | we are paying substantial costs relating to the Merger, such as legal, accounting, financial advisor, filing, printing and mailing fees and integration preparation costs that have already been incurred or will continue to be incurred until the closing of the Merger; |

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| --- | --- | --- |
|  | ● | our management focusing on the Merger instead of on pursuing other opportunities that could be beneficial to the Company without realizing any of the benefits of having the Merger completed; and |

|  |  |  |
| --- | --- | --- |
|  | ● | reputational harm due to the adverse perception of any failure to successfully complete the Merger. |

If the Merger is not completed, we cannot assure our stockholders that these risks will not materialize or will not materially affect the business, financial results and our stock prices.

**The pendency of the Merger could adversely affect the business and operations of the Company and Weingarten.**

In connection with the pending Merger, some of our and Weingarten’s tenants or vendors may delay or defer decisions, which could adversely affect the revenues, earnings, funds from operations, cash flows and expenses of the Company and Weingarten, regardless of whether the Merger is completed. Similarly, current and prospective employees of the Company and Weingarten may experience uncertainty about their future roles with the Company following the Merger, which may materially adversely affect our and Weingarten’s ability to attract and retain key personnel during the pendency of the Merger. In addition, due to interim operating covenants in the Merger Agreement, we and Weingarten may be unable (without the other party’s prior written consent), during the pendency of the Merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial.

**Risks Relating to the Company after Completion of the Merger**

**We expect to incur substantial expenses related to the Merger.**

We expect to incur substantial expenses in completing the Merger and integrating the business, operations, networks, systems, technologies, policies and procedures of the Company and Weingarten. There are a large number of processes that must be integrated in the merger, including leasing, billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. While we and Weingarten have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of integration expenses.

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**Our stockholders may be diluted by the Merger and the trading price of shares of the combined company may be affected by factors different from those affecting the price of shares of our common stock before the Merger**

The Merger may dilute the ownership position of our stockholders. Upon completion of the Merger, our legacy stockholders will own approximately 71% of the issued and outstanding shares of our common stock, and legacy Weingarten stockholders will own approximately 29% of the issued and outstanding shares of our common stock. Consequently, our stockholders may have less influence over our management and policies after the effective time of the Merger than they currently exercise over our management and policies. The results of our operations and the trading price of our common stock after the Merger may also be affected by factors different from those currently affecting our results of operations and the trading prices of our common stock. For example, some of our and Weingarten’s existing institutional investors may elect to decrease their ownership in the combined company. Accordingly, the historical trading prices and financial results of the Company and Weingarten may not be indicative of these matters for the combined company after the Merger.

**Following the Merger, we may be unable to integrate the business of Weingarten successfully or realize the anticipated synergies and related benefits of the Merger or do so within the anticipated time frame.**

The Merger involves the combination of two companies which currently operate as independent public companies. We will be required to devote significant management attention and resources to integrating the business practices and operations of Weingarten. Potential difficulties we may encounter in the integration process include the following:

|  |  |  |
| --- | --- | --- |
|  | ● | the inability to successfully combine the businesses of the Company and Weingarten in a manner that permits the Company to achieve the cost savings anticipated to result from the Merger, which would result in some anticipated benefits of the Merger not being realized in the time frame currently anticipated, or at all; |

|  |  |  |
| --- | --- | --- |
|  | ● | the inability to successfully realize the anticipated value from some of Weingarten’s assets, particularly from the redevelopment projects; |

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| --- | --- | --- |
|  | ● | lost sales and tenants as a result of certain tenants of either of the Company or Weingarten deciding not to continue to do business with the combined company; |

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| --- | --- | --- |
|  | ● | the complexities associated with integrating personnel from the two companies; |

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| --- | --- | --- |
|  | ● | the additional complexities of combining two companies with different histories, cultures, markets, strategies and customer bases; |

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| --- | --- | --- |
|  | ● | the failure by the Company to retain key employees of either of the two companies; |

|  |  |  |
| --- | --- | --- |
|  | ● | potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and |

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| --- | --- | --- |
|  | ● | performance shortfalls at one or both of the two companies as a result of the diversion of management’s attention caused by completing the Merger and integrating the companies’ operations. |

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our services, standards, controls, procedures and policies, any of which could adversely affect the ability of the Company to maintain relationships with tenants, vendors and employees or to achieve the anticipated benefits of the Merger, or could otherwise adversely affect our business and financial results.

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**Following the Merger, we will have a substantial amount of indebtedness and may need to incur more in the future.**

We have substantial indebtedness and, in connection with the Merger, will incur additional indebtedness. The incurrence of new indebtedness could have adverse consequences on our business following the Merger, such as:

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| --- | --- | --- |
|  | ● | requiring the Company to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, capital expenditures, development projects, and other general corporate purposes and reduce cash for distributions; |

|  |  |  |
| --- | --- | --- |
|  | ● | limiting our ability to obtain additional financing to fund our working capital needs, acquisitions, capital expenditures, or other debt service requirements or for other purposes; |

|  |  |  |
| --- | --- | --- |
|  | ● | increasing our costs of incurring additional debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | increasing our exposure to floating interest rates; |

|  |  |  |
| --- | --- | --- |
|  | ● | limiting our ability to compete with other companies that are not as highly leveraged, as we may be less capable of responding to adverse economic and industry conditions; |

|  |  |  |
| --- | --- | --- |
|  | ● | restricting the Company from making strategic acquisitions, developing properties, or exploiting business opportunities; |

|  |  |  |
| --- | --- | --- |
|  | ● | restricting the way in which we conduct our business because of financial and operating covenants in the agreements governing our existing and future indebtedness; |

|  |  |  |
| --- | --- | --- |
|  | ● | exposing the Company to potential events of default (if not cured or waived) under covenants contained in our debt instruments that could have a material adverse effect on our business, financial condition, and operating results; |

|  |  |  |
| --- | --- | --- |
|  | ● | increasing our vulnerability to a downturn in general economic conditions; and |

|  |  |  |
| --- | --- | --- |
|  | ● | limiting our ability to react to changing market conditions in its industry. |

The impact of any of these potential adverse consequences could have a material adverse effect on our results of operations, financial condition, and liquidity.

**Counterparties to certain agreements with the Company or Weingarten may exercise their contractual rights under such agreements in connection with the Merger.**

We and Weingarten are each party to certain agreements that give the counterparty certain rights following a “change in control,” including in some cases the right to terminate such agreements. Under some such agreements, for example certain debt obligations, the Merger may constitute a change in control and therefore the counterparty may exercise certain rights under the agreement upon the closing of the Merger. Any such counterparty may request modifications of its respective agreements as a condition to granting a waiver or consent under its agreement. There is no assurance that such counterparties will not exercise their rights under the agreements, including termination rights where available, that the exercise of any such rights will not result in a material adverse effect or that any modifications of such agreements will not result in a material adverse effect to the combined company.

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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Issuer Purchases of Equity Securities

During the three months ended March 31, 2021, the Company repurchased 519,127 shares for an aggregate purchase price of $9.1 million (weighted average price of $17.50 per share) in connection with common shares surrendered or deemed surrendered to the Company to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock awards under the Company’s equity-based compensation plans.

During February 2020, the Company extended its share repurchase program for a term of two years, which will expire in February 2022, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the three months ended March 31, 2021. As of March 31, 2021, the Company had $224.9 million available under this share repurchase program.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period** |  | **Total Number**  **of Shares**  **Purchased** | |  |  | **Average**  **Price Paid**  **per Share** | |  |  | **Total Number of**  **Shares Purchased**  **as Part of Publicly**  **Announced Plans**  **or Programs** | |  |  | **Approximate Dollar**  **Value of Shares that May**  **Yet Be Purchased Under**  **the Plans or Programs**  **(in millions)** | |  |
| January 1, 2021 – January 31, 2021 |  |  | 75,847 |  |  | $ | 15.16 |  |  |  | - |  |  | $ | 224.9 |  |
| February 1, 2021 – February 28, 2021 |  |  | 441,944 |  |  |  | 17.89 |  |  |  | - |  |  |  | 224.9 |  |
| March 1, 2021 – March 31, 2021 |  |  | 1,336 |  |  |  | 19.13 |  |  |  | - |  |  |  | 224.9 |  |
| **Total** |  |  | **519,127** |  |  | **$** | **17.50** |  |  |  | **-** |  |  |  |  |  |

**Item 3.**  **Defaults Upon Senior Securities.**

None.

**Item 4.**  **Mine Safety Disclosures.**

Not applicable.

**Item 5.**  **Other Information.**

None.

**Item 6.**  **Exhibits.**

Exhibits –

4.1 Agreement to File Instruments

Kimco Realty Corporation (the “Registrant”) hereby agrees to file with the Securities and Exchange Commission, upon request of the Commission, all instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries, and for any of its unconsolidated subsidiaries for which financial statements are required to be filed, and for which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis.

|  |  |
| --- | --- |
| 31.1 | [Certification of the Company’s Chief Executive Officer, Conor C. Flynn, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ex_241748.htm) |
| 31.2 | [Certification of the Company’s Chief Financial Officer, Glenn G. Cohen, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ex_241749.htm) |
| 32.1 | [Certification of the Company’s Chief Executive Officer, Conor C. Flynn, and the Company’s Chief Financial Officer, Glenn G. Cohen, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](ex_241750.htm) |
| 101.INS | Inline XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

|  |  |  |
| --- | --- | --- |
|  |  | KIMCO REALTY CORPORATION |
|  |  |  |
|  |  |  |
|  |  |  |
| April 30, 2021 |  | /s/ Conor C. Flynn |
| (Date) |  | Conor C. Flynn |
|  |  | Chief Executive Officer |
|  |  |  |
|  |  |  |
| April 30, 2021 |  | /s/ Glenn G. Cohen |
| (Date) |  | Glenn G. Cohen |
|  |  | Chief Financial Officer |

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