0000879101 KIMCO REALTY CORP false --12-31 Q3 2021 2,886,259 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 0.01 750,000,000 750,000,000 616,413,920 616,413,920 432,518,743 432,518,743 9 19,348 19,348 56,465 0 7,538 482 11,283 August 2, 2021 July 28, 2021 0 53.7 21.9 29.8 0.05 0.05 1 6 2 2 8 73,081 0.9 0.3 0.3 0 Includes non-recourse liabilities of consolidated VIEs at September 30, 2021 and December 31, 2020 of $122,475 and $62,076, respectively. See Footnote 13 of the Notes to Condensed Consolidated Financial Statements. The amounts represent adjustments associated with potentially uncollectible revenues and disputed amounts primarily due to the COVID-19 pandemic. The joint ventures assumed an aggregate $191.5 million of secured debt (including a fair market value adjustment of $0.8 million) in connection with the Merger. 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 September 30, 2021 and December 31, 2020, were $7.4 billion and $5.5 billion, respectively. During October 2021, the Company purchased its partner’s 70% remaining interest in a joint venture which is comprised of six property interests, for a gross purchase price of $425.8 million, which the Company now owns 100%. Subsequently in October 2021, the Company entered into a new 50/50 joint venture with a third party in which it contributed the six properties for a gross sales price of $425.8 million and will remain as manager. Includes minimum base rents, expense reimbursements, ancillary income and straight-line rent adjustments. 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 amortize over the initial term of the lease through Revenues from rental properties, net on the Company's Condensed Consolidated Statements of Operations. See Footnote 12 of the Company's Condensed Consolidated Financial Statements for additional discussion regarding fair value allocation of partnership interest for noncontrolling interests. Includes extension options The pro forma earnings for the three and nine months ended September 30, 2021 were adjusted to exclude $47.0 million and $50.2 million of merger costs, respectively, while the pro forma earnings for the nine months ended September 30, 2020 were adjusted to include $50.2 million of merger costs incurred. Includes minimum base rents, expense reimbursements, percentage rent, lease termination fee income and ancillary income. Gross leasable area ("GLA") In connection with the Merger, the Company acquired ownership in 9 unconsolidated joint ventures, which have a provisional fair market value of $586.2 million at the time of Merger. These joint ventures represent 30 property interests and 2.8 million square feet of GLA, as of September 30, 2021. Acquired in connection with the Merger Amounts include additional consideration of $39.1 million relating to reimbursements paid by Kimco to WRI at the closing of the Merger. The Company manages certain of 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 effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income/(loss) 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 0.5 million and 1.2 million stock options that were not dilutive as of September 30, 2021 and 2020, respectively, and 2.5 million shares of restricted stock that were not dilutive for the three months ended September 30, 2020. See Footnotes 1 and 3 of the Company's Condensed Consolidated Financial Statements for further details. 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 4 of the Company's Condensed Consolidated Financial Statements). This joint venture was accounted for as a consolidated VIE (see Footnote 13 of the Company's Condensed Consolidated Financial Statements). During June 2021, the two joint venture properties were sold for a combined sales price of $108.0 million of which the KPR Member received a distribution of $2.1 million. Relates to interest expense on finance lease liabilities, which were acquired in connection with the Merger. Representing 125 property interests and 25.3 million square feet of GLA, as of September 30, 2021, and 97 property interests and 21.2 million square feet of GLA, as of December 31, 2020. The Company determined that its valuation of its mortgages loan were classified within Level 3 of the fair value hierarchy. Includes restricted assets of consolidated variable interest entities ("VIEs") at September 30, 2021 and December 31, 2020 of $230,847 and $102,482, respectively. See Footnote 13 of the Notes to Condensed Consolidated Financial Statements. Before noncontrolling interests of $3.0 million and taxes of $2.2 million, after utilization of net operating loss carryforwards, for the nine months ended September 30, 2021. 00008791012021-01-012021-09-30 0000879101us-gaap:CommonStockMember2021-01-012021-09-30 0000879101kim:ClassLCumulativeRedeemablePreferredStockMember2021-01-012021-09-30 0000879101kim:ClassMCumulativeRedeemablePreferredStockMember2021-01-012021-09-30 xbrli:shares 00008791012021-10-27 thunderdome:item iso4217:USD 00008791012021-09-30 00008791012020-12-31 0000879101kim:RealEstateUnderDevelopmentMember2021-09-30 0000879101kim:RealEstateUnderDevelopmentMember2020-12-31 0000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2021-09-30 0000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2020-12-31 iso4217:USDxbrli:shares 00008791012021-07-012021-09-30 00008791012020-07-012020-09-30 00008791012020-01-012020-09-30 0000879101kim:JointVenturesMember2021-07-012021-09-30 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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 September 30, 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 October 27, 2021, the registrant had 616,428,058 shares of common stock outstanding.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share information)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |
| Assets: |  |  |  |  |  |  |  |  |
| Real estate, net of accumulated depreciation and amortization of $2,886,259 and $2,717,114, respectively |  | $ | 14,778,312 |  |  | $ | 9,346,041 |  |
| Real estate under development |  |  | 5,672 |  |  |  | 5,672 |  |
| Investments in and advances to real estate joint ventures |  |  | 1,178,511 |  |  |  | 590,694 |  |
| Other investments |  |  | 130,470 |  |  |  | 117,140 |  |
| Cash and cash equivalents |  |  | 483,471 |  |  |  | 293,188 |  |
| Marketable securities |  |  | 1,249,125 |  |  |  | 706,954 |  |
| Accounts and notes receivable, net |  |  | 235,082 |  |  |  | 219,248 |  |
| Operating lease right-of-use assets, net |  |  | 149,203 |  |  |  | 102,369 |  |
| Other assets |  |  | 380,675 |  |  |  | 233,192 |  |
| Total assets (1) |  | $ | 18,590,521 |  |  | $ | 11,614,498 |  |
|  |  |  |  |  |  |  |  |  |
| Liabilities: |  |  |  |  |  |  |  |  |
| Notes payable, net |  | $ | 7,034,047 |  |  | $ | 5,044,208 |  |
| Mortgages payable, net |  |  | 482,634 |  |  |  | 311,272 |  |
| Dividends payable |  |  | 5,366 |  |  |  | 5,366 |  |
| Operating lease liabilities |  |  | 125,015 |  |  |  | 96,619 |  |
| Other liabilities |  |  | 772,251 |  |  |  | 470,995 |  |
| Total liabilities (2) |  |  | 8,419,313 |  |  |  | 5,928,460 |  |
| Redeemable noncontrolling interests |  |  | 15,784 |  |  |  | 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 616,413,920 and 432,518,743 shares, respectively |  |  | 6,164 |  |  |  | 4,325 |  |
| Paid-in capital |  |  | 9,579,517 |  |  |  | 5,766,511 |  |
| Retained earnings/(cumulative distributions in excess of net income) |  |  | 328,609 |  |  |  | (162,812 | ) |
| Total stockholders' equity |  |  | 9,914,310 |  |  |  | 5,608,044 |  |
| Noncontrolling interests |  |  | 241,114 |  |  |  | 62,210 |  |
| Total equity |  |  | 10,155,424 |  |  |  | 5,670,254 |  |
| Total liabilities and equity |  | $ | 18,590,521 |  |  | $ | 11,614,498 |  |

|  |  |
| --- | --- |
| (1) | Includes restricted assets of consolidated variable interest entities (“VIEs”) at September 30, 2021 and December 31, 2020 of $230,847 and $102,482, respectively.  See Footnote 13 of the Notes to Condensed Consolidated Financial Statements. |

|  |  |
| --- | --- |
| (2) | Includes non-recourse liabilities of consolidated VIEs at September 30, 2021 and December 31, 2020 of $122,475 and $62,076, respectively.  See Footnote 13 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 OPERATIONS

(Unaudited)

(in thousands, except per share data)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net |  | $ | 364,694 |  |  | $ | 256,607 |  |  | $ | 929,297 |  |  | $ | 778,572 |  |
| Management and other fee income |  |  | 3,913 |  |  |  | 3,185 |  |  |  | 10,634 |  |  |  | 9,880 |  |
| Total revenues |  |  | 368,607 |  |  |  | 259,792 |  |  |  | 939,931 |  |  |  | 788,452 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rent |  |  | (3,678 | ) |  |  | (2,767 | ) |  |  | (9,706 | ) |  |  | (8,429 | ) |
| Real estate taxes |  |  | (50,594 | ) |  |  | (40,403 | ) |  |  | (129,124 | ) |  |  | (118,733 | ) |
| Operating and maintenance |  |  | (52,063 | ) |  |  | (42,844 | ) |  |  | (145,480 | ) |  |  | (124,192 | ) |
| General and administrative |  |  | (25,904 | ) |  |  | (28,795 | ) |  |  | (75,136 | ) |  |  | (72,316 | ) |
| Impairment charges |  |  | (850 | ) |  |  | (397 | ) |  |  | (954 | ) |  |  | (3,509 | ) |
| Merger charges |  |  | (46,998 | ) |  |  | - |  |  |  | (50,191 | ) |  |  | - |  |
| Depreciation and amortization |  |  | (114,238 | ) |  |  | (71,704 | ) |  |  | (261,687 | ) |  |  | (214,660 | ) |
| Total operating expenses |  |  | (294,325 | ) |  |  | (186,910 | ) |  |  | (672,278 | ) |  |  | (541,839 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gain on sale of properties |  |  | 1,975 |  |  |  | - |  |  |  | 30,841 |  |  |  | 5,697 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating income |  |  | 76,257 |  |  |  | 72,882 |  |  |  | 298,494 |  |  |  | 252,310 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income/(expense) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income/(expense), net |  |  | 6,696 |  |  |  | (900 | ) |  |  | 11,834 |  |  |  | 393 |  |
| Gain/(loss) on marketable securities, net |  |  | 457,127 |  |  |  | (76,931 | ) |  |  | 542,510 |  |  |  | 444,646 |  |
| Gain on sale of cost method investment |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 190,832 |  |
| Interest expense |  |  | (52,126 | ) |  |  | (46,942 | ) |  |  | (146,654 | ) |  |  | (141,017 | ) |
| Early extinguishment of debt charges |  |  | - |  |  |  | (7,538 | ) |  |  | - |  |  |  | (7,538 | ) |
| Income/(loss) before income taxes, net, equity in income of joint ventures, net, and equity in income from other investments, net |  |  | 487,954 |  |  |  | (59,429 | ) |  |  | 706,184 |  |  |  | 739,626 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Provision for income taxes, net |  |  | (314 | ) |  |  | (388 | ) |  |  | (2,897 | ) |  |  | (482 | ) |
| Equity in income of joint ventures, net |  |  | 20,025 |  |  |  | 11,233 |  |  |  | 54,095 |  |  |  | 35,039 |  |
| Equity in income of other investments, net |  |  | 1,539 |  |  |  | 11,155 |  |  |  | 10,365 |  |  |  | 26,895 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income/(loss) |  |  | 509,204 |  |  |  | (37,429 | ) |  |  | 767,747 |  |  |  | 801,078 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income attributable to noncontrolling interests |  |  | (1,465 | ) |  |  | (965 | ) |  |  | (5,369 | ) |  |  | (1,479 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income/(loss) attributable to the Company |  |  | 507,739 |  |  |  | (38,394 | ) |  |  | 762,378 |  |  |  | 799,599 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Preferred dividends |  |  | (6,354 | ) |  |  | (6,354 | ) |  |  | (19,062 | ) |  |  | (19,062 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income/(loss) available to the Company's common shareholders |  | $ | 501,385 |  |  | $ | (44,748 | ) |  | $ | 743,316 |  |  | $ | 780,537 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income/(loss) available to the Company's common shareholders: | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| -Basic |  | $ | 0.91 |  |  | $ | (0.10 | ) |  | $ | 1.57 |  |  | $ | 1.80 |  |
| -Diluted |  | $ | 0.91 |  |  | $ | (0.10 | ) |  | $ | 1.56 |  |  | $ | 1.80 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average shares: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| -Basic |  |  | 546,842 |  |  |  | 429,994 |  |  |  | 469,885 |  |  |  | 429,899 |  |
| -Diluted |  |  | 548,766 |  |  |  | 429,994 |  |  |  | 474,452 |  |  |  | 431,602 |  |

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 September 30, 2021 and 2020

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Retained Earnings/** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **(Cumulative** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Total** | |  |  |  |  |  |  |  |  |  |
|  |  | **Distributions in Excess** | |  |  | **Preferred Stock** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Paid-in** | |  |  | **Stockholders'** | |  |  | **Noncontrolling** | |  |  | **Total** | |  |
|  |  | **of Net Income)** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Equity** | |  |  | **Interests** | |  |  | **Equity** | |  |
| Balance at July 1, 2020 |  | $ | (200,492 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 432,504 |  |  | $ | 4,325 |  |  | $ | 5,752,658 |  |  | $ | 5,556,511 |  |  | $ | 61,863 |  |  | $ | 5,618,374 |  |
| Net (loss)/income |  |  | (38,394 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (38,394 | ) |  |  | 965 |  |  |  | (37,429 | ) |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (240 | ) |  |  | (240 | ) |
| Dividends declared to common and preferred shares |  |  | (49,605 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (49,605 | ) |  |  | - |  |  |  | (49,605 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (119 | ) |  |  | (119 | ) |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (2 | ) |  |  | - |  |  |  | (4 | ) |  |  | (4 | ) |  |  | - |  |  |  | (4 | ) |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 6,450 |  |  |  | 6,450 |  |  |  | - |  |  |  | 6,450 |  |
| Balance at September 30, 2020 |  | $ | (288,491 | ) |  | $ | 20 |  |  | $ | 20 |  |  | $ | 432,502 |  |  | $ | 4,325 |  |  | $ | 5,759,104 |  |  | $ | 5,474,958 |  |  | $ | 62,469 |  |  | $ | 5,537,427 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at July 1, 2021 |  | $ | (68,265 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 433,517 |  |  | $ | 4,335 |  |  | $ | 5,771,179 |  |  | $ | 5,707,269 |  |  | $ | 64,946 |  |  | $ | 5,772,215 |  |
| Net income |  |  | 507,739 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 507,739 |  |  |  | 1,465 |  |  |  | 509,204 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (353 | ) |  |  | (353 | ) |
| Dividends declared to common and preferred shares |  |  | (110,865 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (110,865 | ) |  |  | - |  |  |  | (110,865 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (887 | ) |  |  | (887 | ) |
| Issuance of common stock, net of issuance costs |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 3,516 |  |  |  | 35 |  |  |  | 76,893 |  |  |  | 76,928 |  |  |  | - |  |  |  | 76,928 |  |
| Issuance of common stock for merger (1) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 179,920 |  |  |  | 1,799 |  |  |  | 3,736,936 |  |  |  | 3,738,735 |  |  |  | - |  |  |  | 3,738,735 |  |
| Surrender of common stock for taxes |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (567 | ) |  |  | (5 | ) |  |  | (11,575 | ) |  |  | (11,580 | ) |  |  | - |  |  |  | (11,580 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 28 |  |  |  | - |  |  |  | 534 |  |  |  | 534 |  |  |  | - |  |  |  | 534 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 5,550 |  |  |  | 5,550 |  |  |  | - |  |  |  | 5,550 |  |
| Noncontrolling interests assumed from the merger (1) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 179,037 |  |  |  | 179,037 |  |
| Redemption/conversion of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,094 | ) |  |  | (3,094 | ) |
| Balance at September 30, 2021 |  | $ | 328,609 |  |  |  | 20 |  |  | $ | 20 |  |  |  | 616,414 |  |  | $ | 6,164 |  |  | $ | 9,579,517 |  |  | $ | 9,914,310 |  |  | $ | 241,114 |  |  | $ | 10,155,424 |  |

|  |  |
| --- | --- |
| (1) | See Footnotes 1 and 3 of the Notes to Condensed Consolidated Financial Statements for further details. |

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 Nine Months Ended September 30, 2021 and 2020

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Retained Earnings/** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **(Cumulative** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Total** | |  |  |  |  |  |  |  |  |  |
|  |  | **Distributions in Excess** | |  |  | **Preferred Stock** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Paid-in** | |  |  | **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 |  |
| Contributions from noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 109 |  |  |  | 109 |  |
| Net income |  |  | 799,599 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 799,599 |  |  |  | 1,479 |  |  |  | 801,078 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (845 | ) |  |  | (845 | ) |
| Dividends declared to common and preferred shares |  |  | (183,411 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (183,411 | ) |  |  | - |  |  |  | (183,411 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (1,018 | ) |  |  | (1,018 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 921 |  |  |  | 9 |  |  |  | (9 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (297 | ) |  |  | (3 | ) |  |  | (5,326 | ) |  |  | (5,329 | ) |  |  | - |  |  |  | (5,329 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 63 |  |  |  | 1 |  |  |  | 980 |  |  |  | 981 |  |  |  | - |  |  |  | 981 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 17,574 |  |  |  | 17,574 |  |  |  | - |  |  |  | 17,574 |  |
| Acquisition of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (19,348 | ) |  |  | (19,348 | ) |  |  | (1,271 | ) |  |  | (20,619 | ) |
| Balance at September 30, 2020 |  | $ | (288,491 | ) |  |  | 20 |  |  | $ | 20 |  |  |  | 432,502 |  |  | $ | 4,325 |  |  | $ | 5,759,104 |  |  | $ | 5,474,958 |  |  | $ | 62,469 |  |  | $ | 5,537,427 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 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 |  |  | 762,378 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 762,378 |  |  |  | 5,369 |  |  |  | 767,747 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (529 | ) |  |  | (529 | ) |
| Dividends declared to common and preferred shares |  |  | (270,957 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (270,957 | ) |  |  | - |  |  |  | (270,957 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (1,879 | ) |  |  | (1,879 | ) |
| Issuance of common stock, net of issuance costs |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 4,958 |  |  |  | 49 |  |  |  | 76,879 |  |  |  | 76,928 |  |  |  | - |  |  |  | 76,928 |  |
| Issuance of common stock for merger (1) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 179,920 |  |  |  | 1,799 |  |  |  | 3,736,936 |  |  |  | 3,738,735 |  |  |  | - |  |  |  | 3,738,735 |  |
| Surrender of common stock for taxes |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (1,115 | ) |  |  | (10 | ) |  |  | (20,816 | ) |  |  | (20,826 | ) |  |  | - |  |  |  | (20,826 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 132 |  |  |  | 1 |  |  |  | 2,503 |  |  |  | 2,504 |  |  |  | - |  |  |  | 2,504 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 17,504 |  |  |  | 17,504 |  |  |  | - |  |  |  | 17,504 |  |
| Noncontrolling interests assumed from the merger (1) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 179,037 |  |  |  | 179,037 |  |
| Redemption/conversion of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,094 | ) |  |  | (3,094 | ) |
| Balance at September 30, 2021 |  | $ | 328,609 |  |  |  | 20 |  |  | $ | 20 |  |  |  | 616,414 |  |  | $ | 6,164 |  |  | $ | 9,579,517 |  |  | $ | 9,914,310 |  |  | $ | 241,114 |  |  | $ | 10,155,424 |  |

|  |  |
| --- | --- |
| (1) | See Footnotes 1 and 3 of the Notes to Condensed Consolidated Financial Statements for further details. |

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)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from operating activities: |  |  |  |  |  |  |  |  |
| Net income |  | $ | 767,747 |  |  | $ | 801,078 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 261,687 |  |  |  | 214,660 |  |
| Impairment charges |  |  | 954 |  |  |  | 3,509 |  |
| Early extinguishment of debt charges |  |  | - |  |  |  | 7,538 |  |
| Equity award expense |  |  | 17,971 |  |  |  | 18,203 |  |
| Gain on sale of properties |  |  | (30,841 | ) |  |  | (5,697 | ) |
| Gain on marketable securities, net |  |  | (542,510 | ) |  |  | (444,646 | ) |
| Gain on sale of cost method investment |  |  | - |  |  |  | (190,832 | ) |
| Equity in income of joint ventures, net |  |  | (54,095 | ) |  |  | (35,039 | ) |
| Equity in income of other real estate investments, net |  |  | (10,365 | ) |  |  | (26,895 | ) |
| Distributions from joint ventures and other investments |  |  | 54,188 |  |  |  | 135,791 |  |
| Change in accounts and notes receivable, net |  |  | (3,644 | ) |  |  | (21,175 | ) |
| Change in accounts payable and accrued expenses |  |  | (55,569 | ) |  |  | 42,064 |  |
| Change in other operating assets and liabilities, net |  |  | 11,747 |  |  |  | (32,617 | ) |
| Net cash flow provided by operating activities |  |  | 417,270 |  |  |  | 465,942 |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from investing activities: |  |  |  |  |  |  |  |  |
| Acquisition of operating real estate |  |  | (102,682 | ) |  |  | (7,073 | ) |
| Improvements to operating real estate |  |  | (112,792 | ) |  |  | (164,366 | ) |
| Improvements to real estate under development |  |  | - |  |  |  | (22,358 | ) |
| Acquisition of Weingarten Realty Investors, net of cash acquired of $56,465 |  |  | (263,973 | ) |  |  | - |  |
| Proceeds from sale of marketable securities |  |  | 339 |  |  |  | 931 |  |
| Proceeds from sale of cost method investment |  |  | - |  |  |  | 227,325 |  |
| Investments in and advances to real estate joint ventures |  |  | (7,546 | ) |  |  | (14,640 | ) |
| Reimbursements of investments in and advances to real estate joint ventures |  |  | 9,113 |  |  |  | 4,400 |  |
| Investments in and advances to other investments |  |  | (59,504 | ) |  |  | (5,418 | ) |
| Reimbursements of investments in and advances to other investments |  |  | 48,420 |  |  |  | 297 |  |
| Investment in other financing receivable |  |  | (26,897 | ) |  |  | - |  |
| Collection of mortgage loans receivable |  |  | 3,742 |  |  |  | 114 |  |
| Proceeds from sale of properties |  |  | 154,017 |  |  |  | 21,718 |  |
| Proceeds from insurance casualty claims |  |  | - |  |  |  | 2,450 |  |
| Net cash flow (used for)/provided by investing activities |  |  | (357,763 | ) |  |  | 43,380 |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from financing activities: |  |  |  |  |  |  |  |  |
| Principal payments on debt, excluding normal amortization of rental property debt |  |  | (136,222 | ) |  |  | (158,556 | ) |
| Principal payments on rental property debt |  |  | (7,481 | ) |  |  | (8,036 | ) |
| Proceeds from issuance of unsecured term loan |  |  | - |  |  |  | 590,000 |  |
| Proceeds from issuance of unsecured notes |  |  | 500,000 |  |  |  | 900,000 |  |
| Repayments of unsecured revolving credit facility, net |  |  | - |  |  |  | (200,000 | ) |
| Repayments of unsecured term loan |  |  | - |  |  |  | (590,000 | ) |
| Repayments of unsecured notes |  |  | - |  |  |  | (484,905 | ) |
| Financing origination costs |  |  | (7,017 | ) |  |  | (17,851 | ) |
| Payment of early extinguishment of debt charges |  |  | - |  |  |  | (7,538 | ) |
| Contributions from noncontrolling interests |  |  | - |  |  |  | 109 |  |
| Redemption/distribution of noncontrolling interests |  |  | (7,558 | ) |  |  | (22,483 | ) |
| Dividends paid |  |  | (270,956 | ) |  |  | (304,320 | ) |
| Proceeds from issuance of stock, net |  |  | 79,433 |  |  |  | 981 |  |
| Shares repurchased for employee tax withholding on equity awards |  |  | (20,787 | ) |  |  | (5,313 | ) |
| Change in tenants' security deposits |  |  | 1,364 |  |  |  | (380 | ) |
| Net cash flow used for financing activities |  |  | 130,776 |  |  |  | (308,292 | ) |
|  |  |  |  |  |  |  |  |  |
| Net change in cash, cash equivalents and restricted cash |  |  | 190,283 |  |  |  | 201,030 |  |
| Cash, cash equivalents and restricted cash, beginning of the period |  |  | 293,188 |  |  |  | 123,947 |  |
| Cash, cash equivalents and restricted cash, end of the period |  | $ | 483,471 |  |  | $ | 324,977 |  |
|  |  |  |  |  |  |  |  |  |
| Interest paid during the period including payment of early extinguishment of debt charges of $0 and $7,538 (net of capitalized interest of $482 and $11,283, respectively) |  | $ | 122,297 |  |  | $ | 128,591 |  |

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 a publicly traded owner and operator 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.

*Weingarten Merger*

On August 3, 2021, Weingarten Realty Investors (“Weingarten”) merged with and into the Company, with the Company continuing as the surviving public company (the “Merger”), pursuant to the definitive merger agreement (the “Merger Agreement”) between the Company and Weingarten entered into on April 15, 2021. Under the terms of the Merger Agreement, each Weingarten common share was entitled to 1.408 newly issued shares of the Company’s common stock plus $2.89 in cash, subject to certain adjustments specified in the Merger Agreement.

On July 15, 2021, Weingarten’s Board of Trust Managers declared a special cash distribution of $0.69 per Weingarten common share (the “Special Distribution”) paid on August 2, 2021 to shareholders of record on July 28, 2021.  The Special Distribution was paid in connection with the Merger and to satisfy REIT taxable income distribution requirements.  Under the terms of the Merger Agreement, Weingarten’s payment of the Special Distribution adjusted the cash consideration paid by the Company at the closing of the Merger from $2.89 per Weingarten common share to $2.20 per Weingarten common share and had no impact on the payment of the common share consideration of 1.408 newly issued shares of Company common stock for each Weingarten common share owned immediately prior to the effective time of the Merger. During the nine months ended September 30, 2021, the Company incurred merger related expenses of $50.2 million associated with the Merger. These charges are primarily comprised of severance, professional fees and legal fees. See Footnote 3 of the Company’s Condensed Consolidated Financial Statements for further details.

*COVID-*19 *Pandemic*

The coronavirus disease 2019 (“COVID-19”) pandemic 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 uncertain at this time. The Company’s business, operations and financial results will depend on numerous evolving factors, 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, impacts on economic activity from the pandemic and actions taken in response, the effects of the pandemic on the Company’s tenants and their businesses, the ability of tenants to make their rental payments, additional closures of tenants’ businesses and impacts of opening and reclosing of communities in response to the increase in positive COVID-19 cases. 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.

The development and distribution of COVID-19 vaccines has assisted in allowing many restrictions to be lifted, providing a path to recovery. The U.S. economy continues to build upon the reopening trend as businesses reopen to full capacity and stimulus is flowing through to the consumer. The overall economy continues to recover but several issues including the lack of qualified employees, inflation risk, supply chain bottlenecks and COVID-19 variants have impacted the pace of the recovery.

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Although the Company continues to see an increase in collections of rental payments, the effects COVID-19 have had on its tenants are still heavily considered when evaluating the collectability of the tenant’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 September 30, 2021 that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

*Restricted Cash*

Restricted deposits are held or restricted for a specific use. The Company had restricted cash totaling $9.2 million and $0.2 million at September 30, 2021 and December 31, 2020, respectively, which is included in Cash and cash equivalents on the Company’s Condensed Consolidated Balance Sheets. This includes cash equivalents of $6.5 million that is held as collateral for letters of credit aggregating to $6.5 million at September 30, 2021.

*Other Assets*

In connection with the Merger, the Company acquired tax increment revenue bonds issued by an agency in connection with the development of a project in Sheridan, Colorado which mature on December 15, 2039. These Sheridan Redevelopment Agency issued Series B bonds have been classified as held to maturity and were recorded at estimated fair value upon the date of the Merger. The fair value estimates of the Company’s held to maturity tax increment revenue bonds, are based on discounted cash flow analysis, which are based on the expected future sales tax revenues of the project. This analysis reflects the contractual terms of the bonds, including the period to maturity, and uses observable market-based inputs, such as market discount rates and unobservable market-based inputs, such as future growth and inflation rates. Interest on these bonds is recorded at an effective interest rate while cash payments are received at the contractual interest rate.

The held to maturity bonds are evaluated for credit losses based on discounted estimated future cash flows. Any future receipts in excess of the amortized basis will be recognized as revenue when received. The credit risk associated with the amortized value of these bonds is low as the bonds are earmarked for repayments from sales and property taxes associated with a government entity. At September 30, 2021, no credit allowance has been recorded.

*Commitments and Contingencies*

In connection with the Merger, the Company now provides a guaranty for the payment of any debt service shortfalls on the Sheridan Redevelopment Agency issued Series A bonds which are tax increment revenue bonds issued in connection with a development project in Sheridan, Colorado. These tax increment revenue bonds have a balance of $53.7 million outstanding at September 30, 2021. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee ("PIF") to be assessed on current and future retail sales and, to the extent necessary, any amounts we may have to provide under a guaranty. The revenue generated from incremental sales, property taxes and PIF have satisfied the debt service requirements to date.  The incremental taxes and PIF are to remain intact until the earlier of the payment of the bond liability in full or 2040.

*Subsequent Events*

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in its Condensed Consolidated Financial Statements (see Footnote 5 of the Company’s Condensed Consolidated Financial Statements).

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*New Accounting Pronouncements*

The following table represents an Accounting Standards Update (“ASU”) to the FASB’s ASCs that, as of  September 30, 2021, are not yet effective for the Company and for which the Company has not elected early adoption, where permitted:

|  |  |  |  |
| --- | --- | --- | --- |
| **ASU** | **Description** | **Effective**  **Date** | **Effect on the financial**  **statements or other**  **significant matters** |
| ASU 2021-05, July 2021, Lessors – Certain Leases with Variable Lease Payments (Topic 842) | This ASU amends the lessor lease classification in ASC 842 for leases that include variable lease payments that are not based on an index or rate. Under the amended guidance, lessors will classify a lease with variable payments that do not depend on an index or rate as an operating lease if the lease would have been classified as a sales-type lease or a direct financing lease under the previous ASU 842 classification criteria and sales-type or direct financing lease classification would result in a Day 1 loss. | Effective for annual periods beginning after December 15, 2021 and interim periods therein. | We are currently evaluating the impact of the adoption of ASU 2021-05 on our consolidated financial statements, but do not believe the adoption of this standard will have a material impact on our condensed consolidated financial statements. |

The following ASU to the FASB’s ASC has 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. |

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3. Weingarten Merger

*Overview*

On August 3, 2021, the Company completed the Merger with Weingarten, under which Weingarten merged with and into the Company, with the Company continuing as the surviving public company. The total purchase price of the Merger was $4.1 billion, which consists primarily of shares of the Company’s common stock issued in exchange for Weingarten common shares, plus $281.1 million of cash consideration. The total purchase price was calculated based on the closing price of the Company’s common stock on August 3, 2021, which was $20.78 per share. At the effective time of the Merger, each Weingarten common share, issued and outstanding immediately prior to the effective time of the Merger (other than any shares owned directly by the Company or Weingarten and in each case not held on behalf of third parties) was converted into 1.408 shares of newly issued shares of the Company’s common stock.  The number of Weingarten common shares outstanding as of August 3, 2021 converted to shares of the Company’s common stock was determined as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Weingarten common shares outstanding as of August 3, 2021 |  |  | 127,784,006 |  |
| Exchange ratio |  |  | 1.408 |  |
| Kimco common stock issued |  |  | 179,919,880 |  |

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The following table presents the purchase price and the total value of stock consideration paid by Kimco at the close of the Merger (in thousands except share price of Kimco common stock):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Price of**  **Kimco**  **Common**  **Stock** | |  |  | **Equity**  **Consideration**  **Given (Kimco**  **Shares to be**  **Issued)** | |  |  | **Calculated**  **Value of Weingarten**  **Consideration** | |  |  | **Cash**  **Consideration**  **\*** | |  |  | **Total Value of**  **Consideration** | |  |
| As of August 3, 2021 |  | $ | 20.78 |  |  |  | 179,920 |  |  | $ | 3,738,735 |  |  | $ | 320,424 |  |  | $ | 4,059,159 |  |

\* Amounts include additional consideration of $39.1 million relating to reimbursements paid by the Company to Weingarten at the closing of the Merger for transaction costs incurred by Weingarten.

As a result of the Merger, Kimco acquired 149 properties, including 30 held through joint venture programs. The consolidated net assets and results of operations of Weingarten are included in the consolidated financial statements from the closing date, August 3, 2021.

*Provisional Purchase Price Allocation*

In accordance with *ASC* 805*-*10, *Business Combinations*, the Company accounted for the Merger as a business combination using the acquisition method of accounting. Based on the value of the common shares issued and cash consideration paid, the total fair value of the assets acquired and liabilities assumed in the Merger was $4.1 billion. The following table summarizes the provisional purchase price allocation based on the Company's initial valuation, including estimates and assumptions of the acquisition date fair value of the tangible and intangible assets acquired and liabilities assumed (in thousands):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Provisional Allocation**  **as of September 30,**  **2021** | |  |
| Land |  | $ | 1,166,922 |  |
| Building and improvements |  |  | 4,041,244 |  |
| In-place leases |  |  | 374,281 |  |
| Above-market leases |  |  | 42,260 |  |
| Real estate assets |  |  | 5,624,707 |  |
| Investments in and advances to real estate joint ventures |  |  | 586,248 |  |
| Cash, accounts receivable and other assets |  |  | 242,399 |  |
| Total assets acquired |  |  | 6,453,354 |  |
|  |  |  |  |  |
| Notes payable |  |  | (1,497,632 | ) |
| Mortgages payable |  |  | (317,671 | ) |
| Accounts payable and other liabilities |  |  | (279,414 | ) |
| Below-market leases |  |  | (120,441 | ) |
| Noncontrolling interests |  |  | (179,037 | ) |
| Total liabilities assumed |  |  | (2,394,195 | ) |
|  |  |  |  |  |
| Total purchase price |  | $ | 4,059,159 |  |

The provisional fair market value of the acquired properties is based upon a valuation prepared by the Company with assistance of a third-party valuation specialist. The Company and valuation specialist are still in the process of reviewing the inputs used by the third-party specialist to ensure reasonableness and that the procedures are performed in accordance with management's policy. Therefore, the final acquisition accounting adjustments, including the purchase price and its allocation, are not yet complete as of this filing. Once the purchase price and allocation are complete, an adjustment to the provisional purchase price or allocation may occur. Additionally, any excess purchase price, which could differ materially, may result in the recognition of goodwill, the amount of which may be significant.

The following table details the provisional weighted average amortization periods, in years, of the purchase price provisionally allocated to real estate and related intangible assets and liabilities acquired arising from the Merger:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Weighted Average Amortization Period (in Years)** | |  |
| Land |  |  | n/a |  |
| Building |  |  | 50.0 |  |
| Building improvements |  |  | 45.0 |  |
| Tenant improvements |  |  | 4.0 |  |
| Fixtures and leasehold improvements |  |  | 7.0 |  |
| In-place leases |  |  | 2.5 |  |
| Above-market leases |  |  | 5.2 |  |
| Below-market leases |  |  | 16.9 |  |
| Operating right-of-use intangible assets |  |  | 24.2 |  |
| Fair market value of debt adjustment |  |  | 3.8 |  |

Revenues from rental properties, net and Net income/(loss) available to the Company’s common shareholders in the Company’s Condensed Consolidated Statements of Operations includes revenues of $73.5 million and net income of $9.9 million (excluding $50.2 million of merger related charges), respectively, resulting from the Merger during the nine months ended September 30, 2021.

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*Pro forma Information*

The pro forma financial information set forth below is based upon the Company’s historical Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020, adjusted to give effect to these properties acquired as of January 1, 2020.  The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of income would have been, nor does it purport to represent the results of income for future periods. (Amounts presented in millions, except per share figures).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended**  **September 30,** | | | | |  | **Nine Months Ended**  **September 30,** | | | | | |  |
|  |  | **2021** |  |  |  | **2020** |  | **2021** | |  |  | **2020** | |  |
| Revenues from rental properties, net | $ | 401.4 |  |  | $ | 366.8 |  | $ | 1,186.4 |  |  | $ | 1,109.1 |  |
| Net income/(loss) (1) | $ | 561.4 |  |  | $ | (21.9) |  | $ | 854.3 |  |  | $ | 797.6 |  |
| Net income/(loss) available to the Company’s common shareholders | $ | 553.4 |  |  | $ | (29.8) |  | $ | 828.3 |  |  | $ | 775.1 |  |
| Net income/(loss) available to the Company’s common shareholders per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic (1) | $ | 0.91 |  |  | $ | (0.05) |  | $ | 1.35 |  |  | $ | 1.27 |  |
| Diluted (1) | $ | 0.90 |  |  | $ | (0.05) |  | $ | 1.34 |  |  | $ | 1.27 |  |

|  |
| --- |
| (1) The pro forma earnings for the three and nine months ended September 30, 2021 were adjusted to exclude $47.0 million and $50.2 million of merger costs, respectively, while the pro forma earnings for the nine months ended September 30, 2020 were adjusted to include $50.2 million of merger costs incurred. |

4. Real Estate

*Acquisitions*

During the nine months ended September 30, 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 was amortized over the initial term of the lease through Revenues from rental properties, net on the Company's Condensed Consolidated Statements of Operations. See Footnote 12 of the Company’s Condensed Consolidated Financial Statements for additional discussion regarding fair value allocation of partnership interest for noncontrolling interests.

The two distribution centers were purchased through a TRS of the Company during January 2021, and they were subsequently sold in June 2021 and are included in the *Dispositions* disclosure below. Included in the Company's Condensed Consolidated Statements of Operations is $3.2 million in total revenues from the date of acquisition through the date of disposition for these two operating properties.

The purchase price for these acquisitions was allocated to real estate and related intangible assets and liabilities acquired, as applicable, in accordance with our accounting policies for asset acquisitions. The purchase price allocation for properties acquired during the nine months ended September 30, 2021, is as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Allocation as of**  **September 30, 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):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Aggregate sales price |  | $ | 156.6 |  |  | $ | 22.6 |  |
| Gain on sale of properties (1) |  | $ | 30.8 |  |  | $ | 5.7 |  |
| Number of properties sold |  |  | 5 |  |  |  | 3 |  |
| Number of parcels sold |  |  | 9 |  |  |  | 1 |  |

|  |  |
| --- | --- |
| (1) | Before noncontrolling interests of $3.0 million and taxes of $2.2 million, after utilization of net operating loss carryforwards, for the nine months ended September 30, 2021. |

5. 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 September 30, 2021 and December 31, 2020 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ownership** | |  |  | **The Company’s Investment** | | | | | |  |
| **Joint Venture** |  | **Interest** | |  |  | **September 30, 2021** | |  |  | **December 31, 2020** | |  |
| Prudential Investment Program (1) |  |  | 15.0% |  |  | $ | 170.5 |  |  | $ | 175.1 |  |
| Kimco Income Opportunity Portfolio (“KIR”) (1) |  |  | 48.6% |  |  |  | 183.3 |  |  |  | 177.4 |  |
| Canada Pension Plan Investment Board (“CPP”) (1) |  |  | 55.0% |  |  |  | 162.4 |  |  |  | 159.7 |  |
| Other Institutional Joint Ventures (1) (2) |  |  | Various |  |  |  | 264.7 |  |  |  | - |  |
| Other Joint Venture Programs (1) (2) (3) |  |  | Various |  |  |  | 397.6 |  |  |  | 78.5 |  |
| **Total\*** |  |  |  |  |  | **$** | **1,178.5** |  |  | **$** | **590.7** |  |

\* Representing 125 property interests and 25.3 million square feet of GLA, as of September 30, 2021, and 97 property interests and 21.2 million square feet of GLA, as of December 31, 2020.

|  |  |
| --- | --- |
| (1) | The Company manages certain of 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. |

|  |  |
| --- | --- |
| (2) | In connection with the Merger, the Company acquired ownership in 9 unconsolidated joint ventures, which have a provisional fair market value of $586.2 million at the time of Merger. These joint ventures represent 30 property interests and 4.4 million square feet of GLA, as of September 30, 2021. |
| (3) | During October 2021, the Company purchased its partner’s 70% remaining interest in a joint venture which is comprised of six property interests, for a gross purchase price of $425.8 million, which the Company now owns 100%.  Subsequently in October 2021, the Company entered into a new 50/50 joint venture with a third party in which it contributed the six properties for a gross sales price of $425.8 million and will remain as manager. |

The table below presents the Company’s share of net income/(loss) for the above investments which is included in Equity in income of joint ventures, net on the Company’s Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | |  |  | **Nine Months Ended,** | | | | | |  |
|  |  | **September 30,** | | | | | |  |  | **September 30,** | | | | | |  |
| **Joint Venture** |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Prudential Investment Program |  | $ | 1.9 |  |  | $ | 2.3 |  |  | $ | 7.2 |  |  | $ | 6.8 |  |
| KIR |  |  | 9.4 |  |  |  | 8.2 |  |  |  | 27.2 |  |  |  | 22.9 |  |
| CPP |  |  | 2.6 |  |  |  | 0.9 |  |  |  | 6.7 |  |  |  | 3.6 |  |
| Other Institutional Joint Ventures |  |  | 0.9 |  |  |  | - |  |  |  | 0.9 |  |  |  | - |  |
| Other Joint Venture Programs |  |  | 5.2 |  |  |  | (0.2 | ) |  |  | 12.1 |  |  |  | 1.7 |  |
| **Total** |  | **$** | **20.0** |  |  | **$** | **11.2** |  |  | **$** | **54.1** |  |  | **$** | **35.0** |  |

During the nine months ended September 30, 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 nine months ended September 30, 2021.

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The table below presents debt balances within the Company’s unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at September 30, 2021 and December 31, 2020 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 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 |  | $ | 491.8 |  |  |  | 1.95 | % |  |  | 46.5 |  |  | $ | 495.8 |  |  |  | 2.05 | % |  |  | 37.2 |  |
| KIR |  |  | 508.4 |  |  |  | 3.11 | % |  |  | 24.9 |  |  |  | 536.9 |  |  |  | 3.87 | % |  |  | 25.3 |  |
| CPP |  |  | 84.5 |  |  |  | 1.83 | % |  |  | 58.1 |  |  |  | 84.9 |  |  |  | 3.25 | % |  |  | 30.0 |  |
| Other Institutional Joint Ventures (1) |  |  | 169.5 |  |  |  | 1.63 | % |  |  | 6.0 |  |  |  | - |  |  |  | - |  |  |  | - |  |
| Other Joint Venture Programs (1) |  |  | 402.9 |  |  |  | 3.58 | % |  |  | 86.0 |  |  |  | 423.4 |  |  |  | 3.41 | % |  |  | 86.7 |  |
| **Total** |  | **$** | **1,657.1** |  |  |  |  |  |  |  |  |  |  | **$** | **1,541.0** |  |  |  |  |  |  |  |  |  |

\* Includes extension options

|  |  |
| --- | --- |
| (1) | Includes an aggregate $191.5 million of secured debt (including a fair market value adjustment of $0.8 million) assumed in connection with the Merger. |

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.

6. Other 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 September 30, 2021, the Company’s net investment under the Preferred Equity Program was $108.3 million relating to 49 properties, including 38 net leased properties.  During the nine months ended September 30, 2021, the Company recognized net income of $8.5 million from its preferred equity investments, including net transactional losses of $1.2 million. During the nine months ended September 30, 2020, the Company recognized income of $26.8 million from its preferred equity investments, including net profit participation of $15.9 million. These amounts are included in Equity in income of other investments, net on the Company’s Condensed Consolidated Statements of Operations.

During September 2021, the Company entered into an equity investment commitment of up to $25 million with Fifth Wall’s Climate Technology Fund, of which $2.3 million has been funded as of September 30, 2021.  During October 2021, Mary Hogan Preusse, a member of the Company’s Board of Directors, joined Fifth Wall as a Senior Advisor.

During the nine months ended September 30, 2021, the Company invested $54.9 million in a new preferred equity investment in a property located in San Antonio, TX.

7. Marketable Securities

The amortized cost and unrealized gains, net of marketable securities as of September 30, 2021 and December 31, 2020, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2021** | |  |  | **As of December 31, 2020** | |  |
| Marketable securities: |  |  |  |  |  |  |  |  |
| Amortized cost |  | $ | 114,194 |  |  | $ | 114,531 |  |
| Unrealized gains, net |  |  | 1,134,931 |  |  |  | 592,423 |  |
| Total fair value |  | $ | 1,249,125 |  |  | $ | 706,954 |  |

During the three months ended September 30, 2021 and 2020, there were net unrealized gains on marketable securities of $457.1 million and net unrealized losses on marketable securities of $76.9 million, respectively. During the nine months ended September 30, 2021 and 2020, the net unrealized gains on marketable securities were $542.5 million and $444.6 million, respectively. These net unrealized gains are included in Gain/(loss) on marketable securities, net on the Company’s Condensed Consolidated Statements of Operations. See Footnote 14 of the Company’s Condensed Consolidated Financial Statements for fair value disclosure.

8. Accounts and Notes Receivable

The components of accounts and notes receivable, net of potentially uncollectible amounts as of September 30, 2021 and December 31, 2020, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2021** | |  |  | **As of December 31, 2020** | |  |
| Billed tenant receivables |  | $ | 11,651 |  |  | $ | 25,428 |  |
| Unbilled common area maintenance, insurance and tax reimbursements |  |  | 55,142 |  |  |  | 35,982 |  |
| Deferred rent receivables |  |  | 8,569 |  |  |  | 17,328 |  |
| Other receivables |  |  | 10,585 |  |  |  | 4,880 |  |
| Straight-line rent receivables |  |  | 149,135 |  |  |  | 135,630 |  |
| Total accounts and notes receivable, net |  | $ | 235,082 |  |  | $ | 219,248 |  |

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9. 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.

The disaggregation of the Company’s lease income, which is included in Revenues from rental properties, net on the Company’s Condensed Consolidated Statements of Operations, as either fixed or variable lease income based on the criteria specified in ASC 842, for the nine months ended September 30, 2021 and 2020, is as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Lease income: |  |  |  |  |  |  |  |  |
| Fixed lease income (1) |  | $ | 720,174 |  |  | $ | 659,913 |  |
| Variable lease income (2) |  |  | 181,980 |  |  |  | 173,216 |  |
| Above-market and below-market leases amortization, net |  |  | 11,915 |  |  |  | 17,500 |  |
| Adjustments for potentially uncollectible revenues and disputed amounts (3) |  |  | 15,228 |  |  |  | (72,057 | ) |
| Total lease income |  | $ | 929,297 |  |  | $ | 778,572 |  |

|  |  |  |
| --- | --- | --- |
|  | (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. |

|  |  |  |
| --- | --- | --- |
|  | (3) | The amounts represent adjustments associated with potentially uncollectible revenues and disputed amounts primarily due to the COVID-19 pandemic. |

*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 operating leases have remaining lease terms ranging from less than one year to 64.3 years, some of which include options to extend the terms for up to an additional 75 years. The Company does not typically 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 unless the Company is reasonably certain it will exercise these renewal options.

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.

In connection with the Merger, the Company obtained $32.6 million of operating right-of-use assets in exchange for new operating lease liabilities related to six properties under operating lease agreements for ground leases.  In addition, the Company acquired two properties under finance leasing arrangements that consists of variable lease payments with a bargain purchase option.  As a result, the Company obtained finance right-of-use assets of $23.8 million (which are included in Other assets on the Company’s Condensed Consolidated Balance Sheets) in exchange for new finance lease liabilities (which are included in Other liabilities on the Company’s Condensed Consolidated Balance Sheets).

The weighted-average remaining non-cancelable lease term and weighted-average discount rates for the Company’s operating and finance leases as of September 30, 2021 were as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Operating Leases** | |  |  | **Finance Leases** | |  |
| Weighted-average remaining lease term (in years) |  |  | 25.7 |  |  |  | 2.3 |  |
| Weighted-average discount rate |  |  | 6.62 | % |  |  | 4.44 | % |

The components of the Company’s lease expense, which are included in interest expense, rent expense and general and administrative expense on the Company’s Condensed Consolidated Statements of Operations for the nine months ended September 30, 2021 and 2020, were as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Lease cost: |  |  |  |  |  |  |  |  |
| Finance lease cost (1) |  | $ | 263 |  |  | $ | - |  |
| Operating lease cost |  |  | 8,562 |  |  |  | 7,782 |  |
| Variable lease cost |  |  | 2,520 |  |  |  | 2,104 |  |
| Total lease cost |  | $ | 11,345 |  |  | $ | 9,886 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Relates to interest expense on finance lease liabilities, which were acquired in connection with the Merger. |

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10. Other Assets

*Assets Held-For-Sale*

At September 30, 2021, the Company had a property classified as held-for-sale at a net carrying amount of $21.0 million (including accumulated depreciation and amortization of $0.2 million).

*Mortgages and Other Financing Receivables*

During the nine months ended September 30, 2021, the Company issued/acquired the following mortgage loans and other financing receivables (dollars in millions):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Date Issued/Acquired** |  | **Face Amount** |  | **Interest Rate** |  | **Maturity Date** |
| Sep-21 | $ | 21.5 |  | 12.50% |  | Sep-27 |
| Aug-21\* | $ | 10.0 |  | 5.00% |  | Jan-22 |
| Aug-21\* | $ | 3.4 |  | 7.00% |  | Oct-53 |
| Jul-21 | $ | 5.0 |  | 8.00% |  | Jun-22 |
| Mar-21 | $ | 0.4 |  | 7.00% |  | Mar-31 |

\* Acquired in connection with the Merger

In addition, during the nine months ended September 30, 2021, the Company received $3.6 million in full payment of a mortgage loan receivable which accrued interest at a rate of 4.00% and was scheduled to mature in November 2021.

11. 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 (0.85% as of September 30, 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 September 30, 2021, the Credit Facility had no outstanding balance, appropriations for letters of credit of $1.9 million and the Company was in compliance with its covenants.

In connection with the Merger, the Company assumed senior unsecured notes aggregating $1.5 billion (including fair market value adjustment of $95.6 million), which have scheduled maturity dates ranging from October 2022 to August 2028 and accrue interest at rates ranging from 3.25% to 6.88% per annum. The senior unsecured notes assumed during the Merger have covenants that are similar to the Company’s existing debt covenants for its senior unsecured notes.

In September 2021, the Company issued $500.0 million in senior unsecured notes, which are scheduled to mature in December 2031 and accrue interest at a rate of 2.25% per annum.

*Mortgages Payable*

During the nine months ended September 30, 2021, the Company repaid $137.2 million of mortgage debt (including fair market value adjustment of $1.0 million) that encumbered 16 operating properties.

In connection with the Merger, the Company assumed mortgage debt aggregating $317.7 million (including fair market value adjustment of $11.0 million) that encumber 16 operating properties, which have scheduled maturity dates ranging from April 2022 to August 2038 and accrue interest at rates ranging from 3.50% to 6.95% per annum.

12. 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 Operations.

In connection with the Merger, the Company acquired two consolidated joint ventures structured as DownREIT partnerships. These ventures allow the outside limited partners to redeem their interest in the partnership, and the Company has the option to redeem the interest in cash or shares of the Company's common stock. As of September 30, 2021, the aggregate redemption value of these noncontrolling interests was approximately $41.7 million.  In addition, the Company acquired ownership interests in eight consolidated joint ventures in connection with the Merger, which have noncontrolling interests of $134.3 million.

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 Stockholders equity on the Company’s Condensed Consolidated Balance Sheets.

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The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the nine months ended September 30, 2021 and 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Balance at January 1, |  | $ | 15,784 |  |  | $ | 17,943 |  |
| Fair value allocation to partnership interest (1) |  |  | 2,068 |  |  |  | - |  |
| Income |  |  | 529 |  |  |  | 845 |  |
| Distributions (1) |  |  | (2,597 | ) |  |  | (845 | ) |
| Balance at September 30, |  | $ | 15,784 |  |  | $ | 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 4 of the Company’s Condensed Consolidated Financial Statements). This joint venture was accounted for as a consolidated VIE (see Footnote 13 of the Company’s Condensed Consolidated Financial Statements). During June 2021, the two joint venture properties were sold for a combined sales price of $108.0 million of which the KPR Member received a distribution of $2.1 million. |

13. Variable Interest Entities (“VIE”)

Included within the Company’s consolidated operating properties at September 30, 2021 and December 31, 2020 are 34 and 22 consolidated entities, respectively, that are VIEs for which the Company is the primary beneficiary. In August 2021, the Company acquired 11 of these VIEs in conjunction with the Merger. 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 September 30, 2021, total assets of these VIEs were $1.4 billion and total liabilities were $122.5 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 September 30, 2021** | |  |  | **As of December 31, 2020** | |  |
| Number of unencumbered VIEs |  |  | 30 |  |  |  | 19 |  |
| Number of encumbered VIEs |  |  | 4 |  |  |  | 3 |  |
| Total number of consolidated VIEs |  |  | 34 |  |  |  | 22 |  |
|  |  |  |  |  |  |  |  |  |
| Restricted Assets: |  |  |  |  |  |  |  |  |
| Real estate, net |  | $ | 225.1 |  |  | $ | 97.7 |  |
| Cash and cash equivalents |  |  | 1.8 |  |  |  | 1.8 |  |
| Accounts and notes receivable, net |  |  | 2.0 |  |  |  | 1.9 |  |
| Other assets |  |  | 1.9 |  |  |  | 1.1 |  |
| Total Restricted Assets |  | $ | 230.8 |  |  | $ | 102.5 |  |
|  |  |  |  |  |  |  |  |  |
| VIE Liabilities: |  |  |  |  |  |  |  |  |
| Mortgages payable, net |  | $ | 79.7 |  |  | $ | 36.5 |  |
| Operating lease liabilities |  |  | 6.7 |  |  |  | 5.5 |  |
| Other liabilities |  |  | 36.1 |  |  |  | 20.1 |  |
| Total VIE Liabilities |  | $ | 122.5 |  |  | $ | 62.1 |  |

14. 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.

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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):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2021** | | | | | |  |  | **December 31, 2020** | | | | | |  |
|  |  | **Carrying Value** | |  |  | **Fair Value** | |  |  | **Carrying Value** | |  |  | **Fair Value** | |  |
| Notes payable, net (1) |  | $ | 7,034,047 |  |  | $ | 7,418,103 |  |  | $ | 5,044,208 |  |  | $ | 5,486,953 |  |
| Mortgages payable, net (2) |  | $ | 482,634 |  |  | $ | 484,699 |  |  | $ | 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 September 30, 2021 and December 31, 2020, were $7.4 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 table below presents the Company’s financial assets measured at fair value on a recurring basis at  September 30, 2021 and December 31, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **September 30, 2021** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketable equity securities |  | $ | 1,249,125 |  |  | $ | 1,249,125 |  |  | $ | - |  |  | $ | - |  |

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

The table below presents the Company’s assets measured at fair value on a non-recurring basis at September 30, 2021 and December 31, 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **September 30, 2021** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other investments |  | $ | 9,834 |  |  | $ | - |  |  | $ | - |  |  | $ | 9,834 |  |

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

The Company’s estimated fair values of these assets were primarily based upon estimated sales prices from signed contracts or letters of intent from third-party offers, which were less than the carrying value of the assets. 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.

15. 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 (together with the 2020 Plan, the “Plans”) 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 September 30, 2021, the Company had 8.5 million shares of common stock available for issuance under the 2020 Plan.

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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 Operations over the service period based on their fair values. Fair value of performance awards is 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 $18.0 million and $18.2 million for the nine months ended September 30, 2021 and 2020, respectively.  As of September 30, 2021, the Company had $41.9 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 2.8 years.

*Defined Benefit Plan*

As part of the Merger, the Company assumed sponsorship of Weingarten's noncontributory qualified cash balance retirement plan (“the Benefit Plan”).  At the date of the Merger, the Benefit Plan was frozen and as a result no new benefits will be offered to employees who were not already part of the Benefit Plan on the Merger date. The Benefit Plan is expected to be terminated by December 31, 2021.  The Benefit Plan maintains a separate account for each participant. Annual additions to each participant’s account included an interest credit of 4.5% as the service credit was suspended upon the freeze. The participant data used in determining the liabilities and costs for the Benefit Plan was collected as of January 1, 2021.

Upon the Merger, the Benefit Plan’s projected benefit obligation and plan assets were fair valued as of the Merger date. The projected benefit obligation, fair value of the plan assets and the Benefit Plan’s funded status at the Merger date were (in thousands):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Projected benefit obligation |  | $ | (73,081) |  |
| Fair value of plan assets |  |  | 74,025 |  |
| Funded status (included in Other assets) |  | $ | 944 |  |

The weighted-average assumptions used to determine the benefit obligation are shown below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Discount rate |  |  | 2.52 | % |
| Salary scale increases |  |  | 3.50 | % |
| Interest credit rate for cash balance plan |  |  | 4.50 | % |

The Benefit Plan’s investment policy is to address the long-term needs of the Benefit Plan and consider the risk tolerances of participants, to select appropriate investments to be offered by the Benefit Plan and to establish procedures for monitoring and evaluating the performance of the investments of the Benefit Plan. The Benefit Plan’s overall objectives for selecting and monitoring investment options are (i) to promote and optimize retirement wealth accumulation, (ii) to provide a full range of asset classes and investment options that are intended to help diversify the portfolio to maximize return within reasonable and prudent levels of risk, (iii) to control costs of administering the Benefit Plan and (iv) to manage the investments held by the Benefit Plan.

The selection of investment options is determined using criteria based on the following characteristics: fund history, relative performance, investment style, portfolio structure, manager tenure, minimum assets, expenses and operation considerations. Investment options selected for use in the Benefit Plan are reviewed at least on a semi-annual basis to evaluate material changes from the selection criteria. Asset allocation is used to determine how the investment portfolio should be split between stocks, bonds and cash. The asset allocation decision is influenced by investment time horizon; risk tolerance; and investment return objectives. The primary factor in establishing asset allocation is demographics of the Benefit Plan. A broad market diversification model is used in considering all these factors, and the percentage allocation to each investment category may also vary depending upon market conditions. Re-balancing of the allocation of the Benefit Plan’s assets occurs semi-annually.

The fair value of plan assets was determined based on publicly quoted market prices for identical assets as of the date of the Merger, which are all classified as Level 1 observable inputs. The fair value and allocation of the plan assets were as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Fair Value** | |  |  | **Asset Allocation** | |  |
| Cash and short-term investments |  | $ | 44,563 |  |  |  | 60 | % |
| Large company funds |  |  | 11,946 |  |  |  | 16 | % |
| Fixed income funds |  |  | 7,467 |  |  |  | 10 | % |
| International funds |  |  | 3,247 |  |  |  | 5 | % |
| Growth funds |  |  | 2,364 |  |  |  | 3 | % |
| Small company funds |  |  | 2,225 |  |  |  | 3 | % |
| Mid company funds |  |  | 2,213 |  |  |  | 3 | % |
| Total |  | $ | 74,025 |  |  |  | 100 | % |

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The components of net periodic benefit income include an expected return on plan assets of $0.9 million and an interest cost of $0.3 million for the three and nine months ended September 30, 2021, which are included in Other income/(expense), net in the Company’s Condensed Consolidated Statements of Operations.

No contributions are anticipated to be made to the Benefit Plan during the remainder of 2021.

16. 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**  **September 30,** | | | | | |  |  | **Nine Months Ended**  **September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| *Computation of Basic and Diluted Earnings Per Share:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income/(loss) available to the Company's common shareholders |  | $ | 501,385 |  |  | $ | (44,748 | ) |  | $ | 743,316 |  |  | $ | 780,537 |  |
| Earnings attributable to participating securities |  |  | (4,078 | ) |  |  | (251 | ) |  |  | (5,749 | ) |  |  | (5,259 | ) |
| Net income/(loss) available to the Company’s common shareholders for basic earnings per share |  |  | 497,307 |  |  |  | (44,999 | ) |  |  | 737,567 |  |  |  | 775,278 |  |
| Distributions on convertible units |  |  | 42 |  |  |  | - |  |  |  | 3,009 |  |  |  | 119 |  |
| Net income/(loss) available to the Company’s common shareholders for diluted earnings per share |  | $ | 497,349 |  |  | $ | (44,999 | ) |  | $ | 740,576 |  |  | $ | 775,397 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average common shares outstanding – basic |  |  | 546,842 |  |  |  | 429,994 |  |  |  | 469,885 |  |  |  | 429,899 |  |
| Effect of dilutive securities (1): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equity awards |  |  | 1,718 |  |  |  | - |  |  |  | 1,837 |  |  |  | 1,496 |  |
| Assumed conversion of convertible units |  |  | 206 |  |  |  | - |  |  |  | 2,730 |  |  |  | 207 |  |
| Weighted average common shares outstanding – diluted |  |  | 548,766 |  |  |  | 429,994 |  |  |  | 474,452 |  |  |  | 431,602 |  |
| Net income/(loss) available to the Company's common shareholders: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic earnings per share |  | $ | 0.91 |  |  | $ | (0.10 | ) |  | $ | 1.57 |  |  | $ | 1.80 |  |
| Diluted earnings per share |  | $ | 0.91 |  |  | $ | (0.10 | ) |  | $ | 1.56 |  |  | $ | 1.80 |  |

|  |  |
| --- | --- |
| (1) | The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income/(loss) 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 0.5 million and 1.2 million stock options that were not dilutive as of September 30, 2021 and 2020, respectively, and 2.5 million shares of restricted stock that were not dilutive for the three months ended September 30, 2020. |

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.

17. Stockholders’ Equity

*Preferred Stock*

The Company’s outstanding Preferred Stock is detailed below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As of September 30, 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 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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*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 nine months ended September 30, 2021. As of September 30, 2021, the Company had $224.9 million available under this share repurchase program.

During August 2021, the Company established an at-the-market continuous offering program (the “ATM program”) pursuant to which the Company may offer and sell from time-to-time shares of its common stock, par value $0.01 per share, with an aggregate gross sales price of up to $500.0 million through a consortium of banks acting as sales agents. Sales of the shares of common stock may be made, as needed, from time to time in “at the market” offerings as defined in Rule 415 of the Securities Act of 1933, including by means of ordinary brokers’ transactions on the New York Stock Exchange or otherwise (i) at market prices prevailing at the time of sale, (ii) at prices related to prevailing market prices or (iii) as otherwise agreed to with the applicable sales agent. In addition, the Company may from time to time enter into separate forward sale agreements with one or more banks. During 2021, the Company issued 3,515,500 shares and received net proceeds after commissions of $76.9 million. As of September 30, 2021, the Company had $422.4 million available under this ATM program.

In connection with the Merger, each Weingarten common share, issued and outstanding immediately prior to the effective time of the Merger, was converted into 1.408 shares of newly issued shares of Kimco common stock, resulting in approximately 179.9 million common shares being issued in connection with the Merger.

*Dividends Declared*

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| Common Shares |  | $ | 0.17000 |  |  | $ | 0.10000 |  |  | $ | 0.51000 |  |  | $ | 0.38000 |  |
| Class L Depositary Shares |  | $ | 0.32031 |  |  | $ | 0.32031 |  |  | $ | 0.96093 |  |  | $ | 0.96093 |  |
| Class M Depositary Shares |  | $ | 0.32813 |  |  | $ | 0.32813 |  |  | $ | 0.98439 |  |  | $ | 0.98439 |  |

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

The following schedule summarizes the non-cash investing and financing activities of the Company for the nine months ended September 30, 2021 and 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Surrender of common stock |  | $ | 20,826 |  |  | $ | 5,329 |  |
| Declaration of dividends paid in succeeding period |  | $ | 5,366 |  |  | $ | 5,366 |  |
| Capital expenditures accrual |  | $ | 35,451 |  |  | $ | 41,373 |  |
| Lease liabilities arising from obtaining operating right-of-use assets |  | $ | 553 |  |  | $ | - |  |
| Allocation of fair value to noncontrolling interests |  | $ | 2,068 |  |  | $ | - |  |
| Purchase price fair value adjustment to prepaid rent |  | $ | 15,620 |  |  | $ | - |  |
| Weingarten Merger: |  |  |  |  |  |  |  |  |
| Real estate assets |  | $ | 5,624,707 |  |  | $ | - |  |
| Investments in and advances to real estate joint ventures |  | $ | 586,248 |  |  | $ | - |  |
| Notes payable |  | $ | (1,497,632 | ) |  | $ | - |  |
| Mortgages payable |  | $ | (317,671 | ) |  | $ | - |  |
| Below-market leases |  | $ | (120,441 | ) |  | $ | - |  |
| Noncontrolling interests |  | $ | (179,037 | ) |  | $ | - |  |
| Other assets and liabilities, net |  | $ | (149,813 | ) |  | $ | - |  |
| Lease liabilities arising from obtaining operating right-of-use assets |  | $ | 32,569 |  |  | $ | - |  |
| Lease liabilities arising from obtaining financing right-of-use assets |  | $ | 23,778 |  |  | $ | - |  |
| Common stock issued in exchange for Weingarten shares |  | $ | (3,738,735 | ) |  | $ | - |  |

The following table provides a reconciliation of cash, cash equivalents and restricted cash recorded on the Company’s Condensed Consolidated Balance Sheets to the Company’s Condensed Consolidated Statements of Cash Flows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2021** | |  |  | **As of December 31, 2020** | |  |
| Cash and cash equivalents |  | $ | 474,260 |  |  | $ | 292,953 |  |
| Restricted cash |  |  | 9,211 |  |  |  | 235 |  |
| Total cash, cash equivalents and restricted cash |  | $ | 483,471 |  |  | $ | 293,188 |  |

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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, in some cases, are 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) the Company’s failure to realize the expected benefits of the Merger (as defined below), (x) significant transaction costs and/or unknown or inestimable liabilities related to the Merger, (xi) the risk of shareholder litigation in connection with the Merger, including any resulting expense, (xii) 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 the Merger, (xiii) the possibility that, if the Company does not achieve the perceived benefits of the Merger as rapidly or to the extent anticipated by financial analysts or investors, the market price of the Company’s common stock could decline, (xiv) valuation and risks related to the Company’s joint venture and preferred equity investments, (xv) valuation of marketable securities and other investments, including the shares of Albertsons Companies, Inc. common stock held by the Company, (xvi) increases in operating costs, (xvii) changes in the dividend policy for the Company’s common and preferred stock and the Company’s ability to pay dividends at current levels, (xviii) the reduction in the Company’s income in the event of multiple lease terminations by tenants or a failure of multiple tenants to occupy their premises in a shopping center, (xix) impairment charges, (xx) unanticipated changes in the Company’s intention or ability to prepay certain debt prior to maturity and/or hold certain securities until maturity and (xxi) the other risks and uncertainties identified under Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year-ended December 31, 2020, as supplemented by the risks and uncertainties identified under Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q. 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 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 North America’s largest publicly traded owner and operator 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 September 30, 2021, the Company had interests in 545 U.S. shopping center properties, aggregating 93.7 million square feet of gross leasable area (“GLA”), located in 29 states. In addition, the Company had 58 other property interests, primarily through the Company’s preferred equity investments and other investments, totaling 6.3 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.

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The Company’s primary business objective is to be the premier owner and operator 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. |

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 which have significant real estate holdings. |

Weingarten Merger

On August 3, 2021, Weingarten Realty Investors (“Weingarten”) merged with and into the Company, with the Company continuing as the surviving public company (the “Merger”), pursuant to the definitive merger agreement (the “Merger Agreement”) between the Company and Weingarten which was entered into on April 15, 2021.  The Merger brought together two industry-leading retail real estate platforms with highly complementary portfolios and created the preeminent open-air shopping center and mixed-use real estate owner in the country.  As a result of the Merger, the Company acquired 149 properties, including 30 held through joint venture programs.  The increased scale in targeted growth markets, coupled with a broader pipeline of redevelopment opportunities, has positioned the combined company to create significant value for its shareholders.  Under the terms of the Merger Agreement, each Weingarten common share was entitled to 1.408 newly issued shares of the Company’s common stock plus $2.89 in cash, subject to certain adjustments specified in the Merger Agreement.

On July 15, 2021, Weingarten’s Board of Trust Managers declared a special cash distribution of $0.69 per Weingarten common share (the “Special Distribution”) payable on August 2, 2021 to shareholders of record on July 28, 2021.  The Special Distribution was paid in connection with the Merger and to satisfy REIT taxable income distribution requirements.  Under the terms of the Merger Agreement, Weingarten’s payment of the Special Distribution adjusted the cash consideration paid by the Company at the closing of the Merger from $2.89 per Weingarten common share to $2.20 per Weingarten common share and had no impact on the payment of the share consideration of 1.408 newly issued shares of Company common stock for each Weingarten common share owned immediately prior to the effective time of the Merger. In connection with the Merger the Company issued 179.9 million shares of common stock.

COVID-19 Pandemic

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

The development and distribution of COVID-19 vaccines has assisted in allowing many restrictions to be lifted, providing a path to recovery. The U.S. economy continues to build upon the reopening trend as businesses reopen to full capacity and stimulus is flowing through to the consumer. The overall economy continues to recover but several issues including lack of qualified employees, inflation risk, supply chain bottlenecks and COVID-19 variants have impacted the pace of the recovery.

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 uncertain, including new information that may emerge concerning the severity of COVID-19, variants, the distribution and effectiveness as well as the willingness to take the 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 the pandemic continues to evolve globally and within the United States. 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 determines that any of its assets are impaired, the Company would be required to take impairment charges, and such amounts could be material.

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Although the Company continues to see an increase in collections of rental payments, the effects COVID-19 have had on its tenants are still heavily considered when evaluating the adequacy of the collectability of the tenant’s total accounts receivable balance, including the corresponding straight-line rent receivable. As of September 30, 2021, the Company’s consolidated accounts receivable balance was 43% potentially uncollectible, including receivables from tenants that are being accounted for on a cash basis, and 13% 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 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.

Cybersecurity

The Company’s Audit Committee receives quarterly briefings from the Company’s Chief Information Officer detailing any existing or emerging threats to the Company as well as the status of projects to strengthen the Company’s security systems and improve cyber readiness.

In addition, the Company has a Cyber Risk Committee (“Cyber Committee”) which reviews and reports on technology-based security issues.  The Cyber Committee is comprised of Senior Management from all business units within the Company and meets quarterly to review the controls and procedures in place to identify potential cyber security risks throughout the Company.  The Cyber Committee also develops strategies to mitigate risks and other potential breaches which could damage or harm the Company, its employees, data and systems.

The Company utilizes advanced endpoint protection, firewalls, intrusion detection and prevention, threat intelligence, security event logging and correlation, and 3rd party penetration testing, security monitoring and alerting to safeguard employees, data and systems. The Company has cybersecurity coverage incorporated in its insurance policies. The Company has not experienced any information security breaches over the last three years.

The Company requires all its employees to complete annual employee security awareness training and also conducts internal phishing exercises regularly to assess the effectiveness of the training and to identify where additional training is necessary.

Climate Change

The Company recognizes that climate change is one of the most significant stakeholder issues of our times, threatening the viability of economic and environmental systems globally. The scientific community has studied climate change and a consensus exists that warming is occurring outside the boundaries of historical planetary trends due in significant part to human activity. As a real estate portfolio owner, the Company monitors physical and transition risks as well as opportunities posed to its business by climate change. The Company’s Board of Directors (the “Board”) sets the Company’s overall Environmental, Social and Governance (“ESG”) program objectives and oversees enterprise risk management. The Nominating and Corporate Governance Committee of the Board is responsible for ESG program oversight and performance evaluation.

Climate risks and opportunities are evaluated at both the corporate and individual asset level. The following table summarizes relevant climate risks identified as a part of the Company’s ongoing risk assessment process.

|  |  |
| --- | --- |
| **Climate Risk** | **Description** |
| Physical |  |
| Windstorms | Increased frequency and intensity of windstorms, such as hurricanes, could lead to property damage, loss of property value and interruptions to business operations |
| Sea Level Rise | Rising sea levels could lead to storm surge and other potential impacts for low-lying coastal properties leading to damage, loss of property value and interruptions to business operations |
| Flooding | Change in rainfall conditions leading to increased frequency and severity of flooding could lead to property damage, loss of property value and interruptions to business operations |
| Wildfires | Change in fire potential could lead to permanent loss of property, stress on human health (air quality) and stress on ecosystem services |
| Heat and Water Stress | Increases in temperature could lead to droughts and decreased available water supply could lead to higher utility usage, supply interruptions and reputational issues in local communities |
| Transition |  |
| Regulation | Regulations at the federal, state and local levels could impose additional operating and capital costs associated with utilities, energy efficiency, building materials and building design |
| Reputation | Increased interest among retail tenants in building efficiency, sustainable design criteria and "green leases", which incorporate provisions intended to promote sustainability at the property, could result in decreased demand for outdated space |

The Company’s approach in mitigating these risks include but are not limited to (i) carrying additional insurance coverage relating to flooding and windstorms, (ii) maintaining a geographically diversified portfolio which assists in limiting exposure to event driven risks and (iii) creating a form “green lease” for its tenants which incorporates varied criteria that align landlord and tenant sustainability priorities as well as establishing green construction criteria.

Results of Operations

*Comparison of the three and nine months ended September 30, 2021 and 2020*

Results from operations for the three and nine months ended September 30, 2021 reflect the results of the Company’s Merger with Weingarten on August 3, 2021. Accordingly, our results of operations will reflect the combined operations for the entire period for future quarters, unlike the results of operations for the three and nine months ended September 30, 2021, which only reflects the combined operations for two months.  Therefore, our historical financial statements may not be indicative of future operating results.

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The following table presents the comparative results from the Company’s Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020 (in thousands, except per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  |  | **Nine Months Ended September 30,** | | | | | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **Change** | |  |  | **2021** | |  |  | **2020** | |  |  | **Change** | |  |
| Revenues |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net |  | $ | 364,694 |  |  | $ | 256,607 |  |  | $ | 108,087 |  |  | $ | 929,297 |  |  | $ | 778,572 |  |  | $ | 150,725 |  |
| Management and other fee income |  |  | 3,913 |  |  |  | 3,185 |  |  |  | 728 |  |  |  | 10,634 |  |  |  | 9,880 |  |  |  | 754 |  |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rent (1) |  |  | (3,678 | ) |  |  | (2,767 | ) |  |  | (911 | ) |  |  | (9,706 | ) |  |  | (8,429 | ) |  |  | (1,277 | ) |
| Real estate taxes |  |  | (50,594 | ) |  |  | (40,403 | ) |  |  | (10,191 | ) |  |  | (129,124 | ) |  |  | (118,733 | ) |  |  | (10,391 | ) |
| Operating and maintenance (2) |  |  | (52,063 | ) |  |  | (42,844 | ) |  |  | (9,219 | ) |  |  | (145,480 | ) |  |  | (124,192 | ) |  |  | (21,288 | ) |
| General and administrative (3) |  |  | (25,904 | ) |  |  | (28,795 | ) |  |  | 2,891 |  |  |  | (75,136 | ) |  |  | (72,316 | ) |  |  | (2,820 | ) |
| Impairment charges |  |  | (850 | ) |  |  | (397 | ) |  |  | (453 | ) |  |  | (954 | ) |  |  | (3,509 | ) |  |  | 2,555 |  |
| Merger charges |  |  | (46,998 | ) |  |  | - |  |  |  | (46,998 | ) |  |  | (50,191 | ) |  |  | - |  |  |  | (50,191 | ) |
| Depreciation and amortization |  |  | (114,238 | ) |  |  | (71,704 | ) |  |  | (42,534 | ) |  |  | (261,687 | ) |  |  | (214,660 | ) |  |  | (47,027 | ) |
| Gain on sale of properties |  |  | 1,975 |  |  |  | - |  |  |  | 1,975 |  |  |  | 30,841 |  |  |  | 5,697 |  |  |  | 25,144 |  |
| Other income/(expense) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income/(expense), net |  |  | 6,696 |  |  |  | (900 | ) |  |  | 7,596 |  |  |  | 11,834 |  |  |  | 393 |  |  |  | 11,441 |  |
| Gain/(loss) on marketable securities, net |  |  | 457,127 |  |  |  | (76,931 | ) |  |  | 534,058 |  |  |  | 542,510 |  |  |  | 444,646 |  |  |  | 97,864 |  |
| Gain on sale of cost method investment |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 190,832 |  |  |  | (190,832 | ) |
| Interest expense |  |  | (52,126 | ) |  |  | (46,942 | ) |  |  | (5,184 | ) |  |  | (146,654 | ) |  |  | (141,017 | ) |  |  | (5,637 | ) |
| Early extinguishment of debt charges |  |  | - |  |  |  | (7,538 | ) |  |  | 7,538 |  |  |  | - |  |  |  | (7,538 | ) |  |  | 7,538 |  |
| Provision for income taxes, net |  |  | (314 | ) |  |  | (388 | ) |  |  | 74 |  |  |  | (2,897 | ) |  |  | (482 | ) |  |  | (2,415 | ) |
| Equity in income of joint ventures, net |  |  | 20,025 |  |  |  | 11,233 |  |  |  | 8,792 |  |  |  | 54,095 |  |  |  | 35,039 |  |  |  | 19,056 |  |
| Equity in income of other investments, net |  |  | 1,539 |  |  |  | 11,155 |  |  |  | (9,616 | ) |  |  | 10,365 |  |  |  | 26,895 |  |  |  | (16,530 | ) |
| Net income attributable to noncontrolling interests |  |  | (1,465 | ) |  |  | (965 | ) |  |  | (500 | ) |  |  | (5,369 | ) |  |  | (1,479 | ) |  |  | (3,890 | ) |
| Preferred dividends |  |  | (6,354 | ) |  |  | (6,354 | ) |  |  | - |  |  |  | (19,062 | ) |  |  | (19,062 | ) |  |  | (0 | ) |
| Net income/(loss) available to the Company's common shareholders |  | $ | 501,385 |  |  | $ | (44,748 | ) |  | $ | 546,133 |  |  | $ | 743,316 |  |  | $ | 780,537 |  |  | $ | (37,221 | ) |
| Net income/(loss) available to the Company's common shareholders: | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted per common share |  | $ | 0.91 |  |  | $ | (0.10 | ) |  | $ | 1.01 |  |  | $ | 1.56 |  |  | $ | 1.80 |  |  | $ | (0.24 | ) |

|  |  |  |
| --- | --- | --- |
|  | (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 $501.4 million for the three months ended September 30, 2021, as compared to net loss available to the Company’s common shareholders of $44.7 million for the comparable period in 2020. On a diluted per common share basis, net income available to the Company’s common shareholders for the three months ended September 30, 2021 was $0.91, as compared to net loss available to the Company’s common shareholders of $0.10 for the comparable period in 2020.

Net income available to the Company’s common shareholders was $743.3 million for the nine months ended September 30, 2021, as compared to $780.5 million for the comparable period in 2020. On a diluted per common share basis, net income available to the Company’s common shareholders for the nine months ended September 30, 2021 was $1.56, as compared to $1.80 for the comparable period in 2020.

The following describes the changes of certain line items included on the Company’s Condensed Consolidated Statements of Operations that the Company believes changed significantly and affected Net income available to the Company's common shareholders during the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020:

*Revenues from rental properties, net* –

The increase in Revenues from rental properties, net of $108.1 million for the three months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily from (i) an increase in revenues of $71.5 million due to properties acquired through the Merger, (ii) a net decrease in credit losses from tenants of $26.0 million primarily due to increased collections, (iii) an increase in net straight-line rental income of $14.5 million primarily due to leasing activity at recently completed development and redevelopment projects and (iv) an increase in lease termination fee income of $2.0 million, partially offset by (v) a net decrease in revenues from tenants of $5.9 million, primarily due to tenant vacancies for the three months ended September 30, 2021, as compared to the corresponding period in 2020.

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The increase in Revenues from rental properties, net of $150.7 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily from (i) an increase in revenues of $74.1 million due to properties acquired, primarily resulting from the Merger, (ii) a net decrease in credit losses from tenants of $71.1 million primarily due to increased collections, (iii) an increase in net straight-line rental income of $22.1 million primarily due to leasing activity at recently completed development and redevelopment projects, and (iv) an increase in lease termination fee income of $9.5 million, partially offset by (vi) a net decrease in revenues from tenants of $26.1 million, primarily due to tenant vacancies for the nine months ended September 30, 2021, as compared to the corresponding period in 2020.

*Real estate taxes* –

The increase in Real estate taxes of $10.2 million and $10.4 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020, is primarily due to an increase in properties acquired through the Merger.

*Operating and maintenance* –

The increase in Operating and maintenance expense of $9.2 million for the three months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in operating expenses of $7.5 million due to properties acquired through the Merger and (ii) an increase in overall spending on properties primarily due to the reopening of markets throughout the country.

The increase in Operating and maintenance expense of $21.3 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in operating expenses of $7.5 million due to properties acquired through the Merger, (ii) an increase in snow removal costs of $5.3 million and (iii) an increase in overall spending on properties primarily due to the reopening of markets throughout the country.

*Impairment charges* –

During the nine months ended September 30, 2020, the Company recognized impairment charges related to adjustments to property carrying values of $3.5 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.

*Merger charges* –

During the nine months ended September 30, 2021, the Company incurred costs of $50.2 million associated with the Merger. These charges are primarily comprised of severance costs and professional and legal fees.

*Depreciation and amortization* –

The increase in Depreciation and amortization of $42.5 million for the three months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase of $42.1 million resulting from property acquisitions in connection with the Merger during 2021 and (ii) an increase of $2.1 million due to depreciation commencing on certain development and redevelopment projects that were placed into service during 2021 and 2020, partially offset by (iii) a decrease of $1.7 million due to write-offs of depreciable assets primarily due to tenant vacates during 2020 and 2021.

The increase in Depreciation and amortization of $47.0 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase of $43.2 million primarily resulting from property acquisitions in connection with the Merger during 2021 and (ii) an increase of $7.6 million due to depreciation commencing on certain development and redevelopment projects that were placed into service during 2021 and 2020, partially offset by (iii) a decrease of $3.8 million due to write-offs of depreciable assets primarily due to tenant vacates during 2020 and 2021.

*Gain on sale of properties* –

During the nine months ended September 30, 2021, the Company disposed of five operating properties and nine parcels, in separate transactions, for an aggregate sales price of $156.6 million, which resulted in aggregate gains of $30.8 million. During the nine months ended September 30, 2020, the Company disposed of three operating properties and a land parcel, in separate transactions, for an aggregate sales price of $22.6 million, which resulted in aggregate gains of $5.7 million.

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*Other income/(expense), net* –

The increase in Other income/(expense), net of $7.6 million for the three months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in dividend income of $4.0 million primarily from the shares of Albertsons Companies, Inc. (“ACI”) common stock held by the Company, (ii) an increase in mortgage and other financing income of $1.4 million primarily due to new loans issued during 2020 and 2021 and (iii) an increase of $0.6 million related to net periodic benefit income from the Company’s defined benefit plan assumed during the Merger for the three months ended September 30, 2021.

The increase in Other income/(expense), net of $11.4 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in dividend income of $12.0 million primarily from the shares of ACI common stock held by the Company, (ii) an increase in mortgage and other financing income of $2.8 million primarily due to new loans issued during 2020 and 2021 and (iii) an increase of $0.6 million related to net periodic benefit income from the Company’s defined benefit plan assumed during the Merger for the nine months ended September 30, 2021, partially offset by (iv) an increase of $2.9 million in costs associated with potential transactions for which the Company is no longer pursuing and (v) a decrease of $1.8 million related to insurance proceeds received during the nine months ended September 30, 2021 as compared to the corresponding period in 2020.

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

The increase in Gain/(loss) on marketable securities, net of $534.1 million and $97.9 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020, is primarily the result of mark-to-market fluctuations of the shares of ACI common stock held by the Company, which were obtained during ACI’s 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.

*Gain on sale of cost method investment* –

In June 2020, the Company recognized an aggregate gain of $190.8 million related to (i) a $131.6 million gain resulting from ACI’s partial repurchase of its common stock from existing shareholders in conjunction with its issuance of convertible preferred stock and (ii) a gain of $59.2 million in connection with the partial sale of the shares of ACI common stock held by the Company during ACI’s IPO.

*Interest expense* –

The increase in Interest expense of $5.2 million and $5.6 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020, is primarily due to increased levels of borrowings and assumptions of unsecured notes and mortgages in connection with the Merger.

*Early extinguishment of debt charges* –

During the three months ended September 30, 2020, the Company redeemed $484.9 million of its 3.20% senior unsecured notes outstanding, in separate transactions, which were scheduled to mature in May 2021. As a result, the Company incurred a prepayment charge of $7.5 million for the three months ended September 30, 2020.

*Equity in income of joint ventures, net* –

The increase in Equity in income of joint ventures, net of $8.8 million for the three months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in equity in income of $8.2 million within various joint venture investments during 2021, as compared to the corresponding period in 2020, primarily resulting from a decrease in credit losses due to collections from tenants, including straight-line rental income, (ii) an increase in equity in income of $1.4 million resulting from ownership interests acquired in unconsolidated joint ventures in connection with the Merger, partially offset by (iii) an increase in impairment charges of $0.8 million recognized during the three months ended September 30, 2021, as compared to the corresponding period in 2020.

The increase in Equity in income of joint ventures, net of $19.1 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in equity in income of $13.8 million within various joint venture investments during 2021, as compared to the corresponding period in 2020, primarily resulting from a decrease in credit losses due to collections from tenants, including straight-line rental income, (ii) an increase in net gains of $5.3 million resulting from the sale of properties within various joint venture investments during the nine months ending September 30, 2021, as compared to the corresponding period in 2020, and (iii) an increase in equity in income of $1.4 million resulting from ownership interests acquired in unconsolidated joint ventures in connection with the Merger, partially offset by (iv) an increase in impairment charges of $1.4 million recognized during the nine months ended September 30, 2021, as compared to the corresponding period in 2020.

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*Equity in income of other investments, net* –

The decrease in Equity in income of other investments, net of $9.6 million and $16.5 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods 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 periods in 2020.

*Net income attributable to noncontrolling interests* –

The increase in Net income attributable to noncontrolling interests of $3.9 million for the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily due to (i) an increase in net gain on sale of properties, within consolidated joint ventures, during the nine months ended September 30, 2021, as compared to the corresponding period in 2020 and (ii) an increase in net income attributable to noncontrolling interests recognized in connection with the Merger.

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 September 30, 2021, the Company had interests in 545 U.S. shopping center properties, aggregating 93.7 million square feet of gross leasable area (“GLA”), located in 27 states. At September 30, 2021, the Company’s five largest tenants were TJX Companies, The Home Depot, Albertsons, Amazon/Whole Foods and Ross Stores, which represented 3.7%, 2.2%, 2.0%, 1.9% and 1.9%, 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):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Cash, cash equivalents and restricted cash, beginning of the period |  | $ | 293,188 |  |  | $ | 123,947 |  |
| Net cash flow provided by operating activities |  |  | 417,270 |  |  |  | 465,942 |  |
| Net cash flow (used for)/provided by investing activities |  |  | (357,763 | ) |  |  | 43,380 |  |
| Net cash flow provided by/(used for) financing activities |  |  | 130,776 |  |  |  | (308,292 | ) |
| Net increase in cash, cash equivalents and restricted cash |  |  | 190,283 |  |  |  | 201,030 |  |
| Cash, cash equivalents and restricted cash, end of the period |  | $ | 483,471 |  |  | $ | 324,977 |  |

*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 nine months ended September 30, 2021 was $417.3 million, as compared to $465.9 million for the comparable period in 2020. The decrease of $48.6 million is primarily attributable to:

|  |  |  |
| --- | --- | --- |
|  | ● | a decrease in distributions from the Company’s joint ventures programs; |

|  |  |  |
| --- | --- | --- |
|  | ● | nonrecurring costs incurred in connection with the Merger during 2021; |

|  |  |  |
| --- | --- | --- |
|  | ● | 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, including those acquired during the Merger. |

*Investing Activities*

Net cash flow used for investing activities was $357.8 million for the nine months ended September 30, 2021, as compared to net cash flow provided by investing activities of $43.4 million for the comparable period in 2020.

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Investing activities during the nine months ended September 30, 2021 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $154.0 million in proceeds from the sale of five consolidated properties and nine parcels; |

|  |  |  |
| --- | --- | --- |
|  | ● | $57.5 million in reimbursements of investments in and advances to real estate joint ventures and other investments; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $3.7 million in collection of mortgage and other financing receivables. |

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $264.0 million net cash consideration paid in conjunction with the Merger; |

|  |  |  |
| --- | --- | --- |
|  | ● | $112.8 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline; |

|  |  |  |
| --- | --- | --- |
|  | ● | $102.7 million for the acquisition of two consolidated operating properties; |

|  |  |  |
| --- | --- | --- |
|  | ● | $67.1 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 investments, primarily related to the Company’s investment in a new preferred equity investment located in San Antonio, TX; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $26.9 million for investment in other financing receivables. |

Investing activities during the nine months ended September 30, 2020 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $227.3 million in proceeds from the partial sale of the Company’s ACI cost method investment prior to its IPO and the sale of 4.7 million shares of ACI common stock in its IPO; |

|  |  |  |
| --- | --- | --- |
|  | ● | $21.7 million in proceeds from the sale of properties; |

|  |  |  |
| --- | --- | --- |
|  | ● | $4.4 million in proceeds from reimbursements of investments in and advances to real estate joint ventures; and |

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

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $186.7 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline and improvements to real estate under development; |

|  |  |  |
| --- | --- | --- |
|  | ● | $19.6 million for investments in and advances to real estate joint ventures, primarily related to a redevelopment project and the repayment of a mortgage within the Company’s joint venture portfolio, and investments in other investments, primarily related to repayment of mortgages within the Company’s Preferred Equity Program; and |

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

*Acquisition of Operating Real Estate* –

During the nine months ended September 30, 2021 and 2020, the Company expended $366.7 million and $7.1 million, respectively, towards the acquisition of operating real estate properties, including the Merger in 2021.  The Company anticipates spending approximately $25.0 million to $75.0 million towards the acquisition of operating properties for the remainder of 2021. The funding of these capital requirements will be provided by proceeds from property dispositions, net cash flow provided by operating activities, availability under the Company’s Credit Facility and the issuance of equity and public debt.

*Improvements to Operating Real Estate* –

During the nine months ended September 30, 2021 and 2020, the Company expended $112.8 million and $164.4 million, respectively, towards improvements to operating real estate. These amounts consist of the following (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |
| Redevelopment and renovations |  | $ | 71,786 |  |  | $ | 135,694 |  |
| Tenant improvements and tenant allowances |  |  | 41,006 |  |  |  | 28,672 |  |
| Total improvements (1) |  | $ | 112,792 |  |  | $ | 164,366 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | During the nine months ended September 30, 2021 and 2020, the Company capitalized payroll of $3.7 million and $6.8 million, respectively, and capitalized interest of $0.5 million and $7.3 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.

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The Company anticipates its capital commitment toward these redevelopment projects and re-tenanting efforts for the remainder of 2021 will be approximately $25.0 million to $50.0 million. 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 provided by financing activities was $130.8 million for the nine months ended September 30, 2021, as compared to net cash flow used for financing activities of $308.3 million for the comparable period in 2020.

Financing activities during the nine months ended September 30, 2021 primarily consisted of:

*Cash inflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $500.0 million in proceeds from issuance of 2.25% senior unsecured notes due in 2031; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $79.4 million in proceeds from issuance of common stock, primarily related to the Company’s at-the-market continuous offering program. |

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $271.0 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $143.7 million in principal payment on debt, including normal amortization of rental property debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | $20.8 million in shares repurchased for employee tax withholding on equity awards; |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.6 million in redemption/distribution of noncontrolling interests; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.0 million in financing origination costs, in connection with the Company’s issuance of $500.0 million of senior unsecured notes. |

Financing activities during the nine months ended September 30, 2020 primarily consisted of:

*Cash inflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $590.0 million in proceeds from issuance of the Company’s unsecured term loan credit facility (the “Term Loan”); and |

|  |  |  |
| --- | --- | --- |
|  | ● | $900.0 million in proceeds from issuance of unsecured notes comprised of (i) $500.0 million from the Company’s unsecured 2.700% Notes due 2030, with an amount equal to the net proceeds from the offering allocated to finance or refinance Eligible Green Projects (the “Green Bond”) and (ii) $400.0 million from the Company's unsecured 1.900% Notes due 2028. |

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $590.0 million in repayments of the Company’s Term Loan; |

|  |  |  |
| --- | --- | --- |
|  | ● | $484.9 million in repayments of the Company’s 2021 unsecured notes; |

|  |  |  |
| --- | --- | --- |
|  | ● | $304.3 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $200.0 million in repayments under the Company’s Credit Facility, net; |

|  |  |  |
| --- | --- | --- |
|  | ● | $166.6 million in principal payment on debt, including normal amortization of rental property debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | $22.5 million for the redemption/distribution of noncontrolling interests, primarily related to the redemption of certain partnership interests by consolidated subsidiaries; |

|  |  |  |
| --- | --- | --- |
|  | ● | $17.9 million for financing origination costs, primarily related to the Credit Facility, Term Loan, Green Bond and unsecured notes; |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.5 million in payment of early extinguishment of debt charges; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $5.7 million in other financing related costs. |

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: $9.1 million of debt included in the Company’s Preferred Equity Program, assuming the utilization of extension options where available. These 2021 debt maturities are anticipated to be repaid through operating cash flows, debt refinancing, proceeds from property 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.

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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 $16.2 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 August 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 securities for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions and 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 nine months ended September 30, 2021. As of September 30, 2021, the Company had $224.9 million available under this share repurchase program.

During August 2021, the Company established an at-the-market continuous offering program (the “ATM program”) pursuant to which the Company may offer and sell from time to time shares of its common stock, par value $0.01 per share, with an aggregate gross sales price of up to $500.0 million through a consortium of banks acting as sales agents. Sales of the shares of common stock may be made, as needed, from time to time in “at the market” offerings as defined in Rule 415 of the Securities Act of 1933, including by means of ordinary brokers’ transactions on the New York Stock Exchange or otherwise (i) at market prices prevailing at the time of sale, (ii) at prices related to prevailing market prices or (iii) as otherwise agreed to with the applicable sales agent. In addition, the Company may from time to time enter into separate forward sale agreements with one or more banks.  During 2021, the Company issued 3,515,500 shares and received net proceeds after commissions of $76.9 million. As of September 30, 2021, the Company had $422.4 million available under this ATM program.

In connection with the Merger, each Weingarten common share, issued and outstanding immediately prior to the effective time of the Merger, was converted into 1.408 shares of newly issued shares of Kimco common stock, resulting in approximately 179.9 million common shares issued to effect the Merger.

*Senior Notes* –

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Covenant** |  | **Must Be** |  | **As of September 30, 2021** | |  |
| Consolidated Indebtedness to Total Assets |  | <60% |  |  | 39% |  |
| Consolidated Secured Indebtedness to Total Assets |  | <40% |  |  | 2% |  |
| Consolidated Income Available for Debt Service to Maximum Annual Service Charge |  | >1.50x |  |  | 4.0x |  |
| Unencumbered Total Asset Value to Consolidated Unsecured Indebtedness |  | >1.50x |  |  | 2.4x |  |

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.

In connection with the Merger, the Company assumed senior unsecured notes of $1.5 billion (including fair market value adjustment of $95.6 million), which have scheduled maturity dates ranging from October 2022 to August 2028 and accrue interest at rates ranging from 3.25% to 6.88% per annum.  The senior unsecured notes assumed during the Merger have covenants that are similar to the Company’s existing debt covenants for its senior unsecured notes. Please refer to the Indenture dated May 1, 1995 filed with Weingarten’s Form S-3 to the Registration Statement, with the Securities and Exchange Commission on May 1, 1995, First Supplemental Indenture, dated as of August 2, 2006 filed with Weingarten’s Current Report on Form 8-K dated August 2, 2006, Second Supplemental Indenture, dated as of October 9, 2012 filed with Weingarten’s Current Report on Form 8-K dated October 9, 2012.

In September 2021, the Company issued $500.0 million of senior unsecured notes, which are scheduled to mature in December 2031 and accrue interest at a rate of 2.25% per annum.

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*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 (0.85% as of September 30, 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 September 30, 2021, the Credit Facility had no outstanding balance and appropriations for letters of credit of $1.9 million.

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 September 30, 2021** | |  |
| Total Indebtedness to Gross Asset Value (“GAV”) |  | <60% |  |  | 38% |  |
| Total Priority Indebtedness to GAV |  | <35% |  |  | 1% |  |
| Unencumbered Asset Net Operating Income to Total Unsecured Interest Expense |  | >1.75x |  |  | 4.3x |  |
| Fixed Charge Total Adjusted EBITDA to Total Debt Service |  | >1.50x |  |  | 3.7x |  |

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 Payable* –

During the nine months ended September 30, 2021, the Company repaid $137.2 million of mortgage debt (including fair market value adjustment of $1.0 million) that encumbered 16 operating properties.

In connection with the Merger, the Company assumed mortgage debt of $317.7 million (including fair market value adjustment of $11.0 million) that encumber 16 operating properties, which have scheduled maturity dates ranging from April 2022 to August 2038 and accrue interest at rates ranging from 3.50% to 6.95% per annum.

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 September 30, 2021, the Company had over 480 unencumbered property interests in its portfolio.

*Commitments and Contingencies* –

In connection with the Merger, the Company now provides a guaranty for the payment of any debt service shortfalls on the Sheridan Redevelopment Agency issued Series A bonds which are tax increment revenue bonds issued in connection with a development project in Sheridan, Colorado. These tax increment revenue bonds have a balance of $53.7 million outstanding at September 30, 2021. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee ("PIF") to be assessed on current and future retail sales and, to the extent necessary, any amounts we may have to provide under a guaranty. The revenue generated from incremental sales, property taxes and PIF have satisfied the debt service requirements to date.  The incremental taxes and PIF are to remain intact until the earlier of the payment of the bond liability in full or 2040.

*COVID-19* –

As the COVID-19 pandemic continues to evolve, uncertainty remains regarding 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 nine months ended September 30, 2021 and 2020 were $271.0 million and $304.3 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 that maintains compliance with the Company’s REIT taxable income distribution requirements. On August 13, 2021, the Company’s Board of Directors declared a quarterly cash dividend of $0.17 per common share payable to shareholders of record on September 9, 2021, which was paid on September 23, 2021. Also, on July 27, 2021, the Company’s Board of Directors also declared quarterly dividends with respect to the Company’s classes of cumulative redeemable preferred shares (Classes L and M), which were paid on October 15, 2021, to shareholders of record on October 1, 2021.

On October 26, 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), which are scheduled to be paid on January 17, 2022, to shareholders of record on January 3, 2022.   Additionally, on October 26, 2021, the Company’s Board of Directors declared a quarterly cash dividend of $0.17 per common share, payable on December 23, 2021 to shareholders of record on December 9, 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/(loss) 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).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Net income/(loss) available to the Company**’**s common shareholders** |  | **$** | **501,385** |  |  | **$** | **(44,748** | **)** |  | **$** | **743,316** |  |  | **$** | **780,537** |  |
| Gain on sale of properties |  |  | (1,975 | ) |  |  | - |  |  |  | (30,841 | ) |  |  | (5,697 | ) |
| Gain on sale of joint venture properties |  |  | - |  |  |  | - |  |  |  | (5,283 | ) |  |  | (18 | ) |
| Depreciation and amortization - real estate related |  |  | 113,404 |  |  |  | 71,015 |  |  |  | 259,298 |  |  |  | 212,018 |  |
| Depreciation and amortization - real estate joint ventures |  |  | 15,365 |  |  |  | 9,932 |  |  |  | 35,605 |  |  |  | 30,673 |  |
| Impairment charges of depreciable real estate properties |  |  | 2,041 |  |  |  | 775 |  |  |  | 3,213 |  |  |  | 4,354 |  |
| Gain on sale of cost method investment |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (190,832 | ) |
| Profit participation from other investments, net |  |  | 2,380 |  |  |  | (8,406 | ) |  |  | 1,229 |  |  |  | (15,875 | ) |
| (Gain)/loss on marketable securities, net |  |  | (457,127 | ) |  |  | 76,931 |  |  |  | (542,510 | ) |  |  | (444,646 | ) |
| Provision for income taxes (1) |  |  | 35 |  |  |  | 1,500 |  |  |  | 2,177 |  |  |  | 1,501 |  |
| Noncontrolling interests (1) |  |  | (1,805 | ) |  |  | (310 | ) |  |  | 551 |  |  |  | (1,373 | ) |
| **FFO available to the Company**’**s common shareholders (3)** |  | **$** | **173,703** |  |  | **$** | **106,689** |  |  | **$** | **466,755** |  |  | **$** | **370,642** |  |
| Weighted average shares outstanding for FFO calculations: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 546,842 |  |  |  | 429,994 |  |  |  | 469,885 |  |  |  | 429,899 |  |
| Units |  |  | 2,626 |  |  |  | 658 |  |  |  | 2,642 |  |  |  | 639 |  |
| Dilutive effect of equity awards |  |  | 1,718 |  |  |  | 1,192 |  |  |  | 1,837 |  |  |  | 1,496 |  |
| Diluted (2) |  |  | 551,186 |  |  |  | 431,844 |  |  |  | 474,364 |  |  |  | 432,034 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **FFO per common share** – **basic** (3) |  | $ | 0.32 |  |  | $ | 0.25 |  |  | $ | 0.99 |  |  | $ | 0.86 |  |
| **FFO per common share** – **diluted** (2) (3) |  | $ | 0.32 |  |  | $ | 0.25 |  |  | $ | 0.99 |  |  | $ | 0.86 |  |

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|  |  |  |
| --- | --- | --- |
|  | (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 $435 and $57 for the three months ended September 30, 2021 and 2020, respectively, and $630 and $218 for the nine months ended September 30, 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. |

|  |  |  |
| --- | --- | --- |
|  | (3) | Includes Merger charges of $47.0 million and $50.2 million recognized during the three and nine months ended September 30, 2021, respectively, in connection with the Merger. |

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/(loss) available to the Company’s common shareholders to Same property NOI (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2021** | |  |  | **2020** | |  |  | **2021** | |  |  | **2020** | |  |
| **Net income/(loss) available to the Company**’**s common shareholders** |  | **$** | **501,385** |  |  | **$** | **(44,748** | **)** |  | **$** | **743,316** |  |  | **$** | **780,537** |  |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Management and other fee income |  |  | (3,913 | ) |  |  | (3,185 | ) |  |  | (10,634 | ) |  |  | (9,880 | ) |
| General and administrative |  |  | 25,904 |  |  |  | 28,795 |  |  |  | 75,136 |  |  |  | 72,316 |  |
| Impairment charges |  |  | 850 |  |  |  | 397 |  |  |  | 954 |  |  |  | 3,509 |  |
| Merger charges |  |  | 46,998 |  |  |  | - |  |  |  | 50,191 |  |  |  | - |  |
| Depreciation and amortization |  |  | 114,238 |  |  |  | 71,704 |  |  |  | 261,687 |  |  |  | 214,660 |  |
| Gain on sale of properties |  |  | (1,975 | ) |  |  | - |  |  |  | (30,841 | ) |  |  | (5,697 | ) |
| Interest and other expense, net |  |  | 45,430 |  |  |  | 55,380 |  |  |  | 134,820 |  |  |  | 148,162 |  |
| (Gain)/loss on marketable securities, net |  |  | (457,127 | ) |  |  | 76,931 |  |  |  | (542,510 | ) |  |  | (444,646 | ) |
| Gain on sale of cost method investment |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (190,832 | ) |
| Provision for income taxes, net |  |  | 314 |  |  |  | 388 |  |  |  | 2,897 |  |  |  | 482 |  |
| Equity in income of other investments, net |  |  | (1,539 | ) |  |  | (11,155 | ) |  |  | (10,365 | ) |  |  | (26,895 | ) |
| Net income attributable to noncontrolling interests |  |  | 1,465 |  |  |  | 965 |  |  |  | 5,369 |  |  |  | 1,479 |  |
| Preferred dividends |  |  | 6,354 |  |  |  | 6,354 |  |  |  | 19,062 |  |  |  | 19,062 |  |
| Non same property net operating income (1) |  |  | (76,304 | ) |  |  | (1,464 | ) |  |  | (104,893 | ) |  |  | (17,659 | ) |
| Non-operational expense from joint ventures, net |  |  | 18,658 |  |  |  | 16,494 |  |  |  | 45,227 |  |  |  | 52,272 |  |
| **Same property NOI** |  | **$** | **220,738** |  |  | **$** | **196,856** |  |  | **$** | **639,416** |  |  | **$** | **596,870** |  |

|  |  |
| --- | --- |
| (1) | The Company has excluded Weingarten activity from the calculation of same-property NOI since it was not owned for the full period. |

Same property NOI increased by $23.9 million or 12.1% for the three months ended September 30, 2021, as compared to the corresponding period in 2020. This increase is primarily the result of (i) a decrease in credit losses of $28.7 million due to increased collections, partially offset by (ii) a decrease in revenues from rental properties of $3.7 million primarily related to tenant rent abatements and lower occupancy levels as a result of the COVID-19 pandemic and (iii) an increase in non-recoverable operating expenses of $1.1 million.

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Same property NOI increased by $42.5 million or 7.1% for the nine months ended September 30, 2021, as compared to the corresponding period in 2020. This increase is primarily the result of (i) a decrease in credit losses of $76.2 million due to increased collections, partially offset by (ii) a decrease in revenues from rental properties of $31.1 million primarily related to tenant rent abatements and lower occupancy levels as a result of the COVID-19 pandemic and (iii) an increase in non-recoverable operating expenses of $2.6 million.

Leasing Activity

During the nine months ended September 30, 2021, the Company executed 817 leases totaling over 5.7 million square feet in the Company’s consolidated operating portfolio comprised of 305 new leases and 512 renewals and options. The leasing costs associated with these new leases are estimated to aggregate $68.1 million or $39.67 per square foot. These costs include $53.1 million of tenant improvements and $15.0 million of external leasing commissions. The average rent per square foot for (i) new leases was $21.12 and (ii) renewals and options was $16.04.

Tenant Lease Expirations

At September 30, 2021, the Company has a total of 8,161 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) |  |  | 229 |  |  |  | 498 |  |  | $ | 12,555 |  |  |  | 1.1 | % |
| 2021 |  |  | 185 |  |  |  | 587 |  |  | $ | 14,710 |  |  |  | 1.3 | % |
| 2022 |  |  | 1,162 |  |  |  | 5,772 |  |  | $ | 114,198 |  |  |  | 9.8 | % |
| 2023 |  |  | 1,207 |  |  |  | 8,003 |  |  | $ | 141,954 |  |  |  | 12.1 | % |
| 2024 |  |  | 1,151 |  |  |  | 7,892 |  |  | $ | 145,990 |  |  |  | 12.5 | % |
| 2025 |  |  | 1,005 |  |  |  | 7,526 |  |  | $ | 138,386 |  |  |  | 11.8 | % |
| 2026 |  |  | 958 |  |  |  | 9,154 |  |  | $ | 143,893 |  |  |  | 12.3 | % |
| 2027 |  |  | 520 |  |  |  | 6,463 |  |  | $ | 100,033 |  |  |  | 8.5 | % |
| 2028 |  |  | 422 |  |  |  | 4,716 |  |  | $ | 84,982 |  |  |  | 7.3 | % |
| 2029 |  |  | 359 |  |  |  | 3,351 |  |  | $ | 61,509 |  |  |  | 5.3 | % |
| 2030 |  |  | 307 |  |  |  | 2,536 |  |  | $ | 55,054 |  |  |  | 4.7 | % |
| 2031 |  |  | 320 |  |  |  | 2,263 |  |  | $ | 51,113 |  |  |  | 4.4 | % |

|  |  |  |
| --- | --- | --- |
|  | (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 debt obligations outstanding, including fair market value adjustments and unamortized deferred financing costs, as of September 30, 2021, with corresponding weighted average interest rates sorted by maturity date. The Company had no variable rate debt outstanding at September 30, 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 |  | $ | - |  |  | $ | 146.4 |  |  | $ | 56.1 |  |  | $ | 6.7 |  |  | $ | 55.9 |  |  | $ | 217.5 |  |  | $ | 482.6 |  |  | $ | 484.7 |  |
| Average Interest Rate |  |  | - |  |  |  | 4.11 | % |  |  | 3.95 | % |  |  | 6.74 | % |  |  | 3.50 | % |  |  | 4.29 | % |  |  | 4.14 | % |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Unsecured Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed Rate |  | $ | - |  |  | $ | 806.8 |  |  | $ | 661.6 |  |  | $ | 663.8 |  |  | $ | 759.0 |  |  | $ | 4,142.8 |  |  | $ | 7,034.0 |  |  | $ | 7,418.1 |  |
| Average Interest Rate |  |  | - |  |  |  | 3.39 | % |  |  | 3.30 | % |  |  | 3.37 | % |  |  | 3.48 | % |  |  | 3.32 | % |  |  | 3.35 | % |  |  |  |  |

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**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.

On August 3, 2021, the Company completed the Merger and accordingly the Company’s management is in the process of integrating Weingarten’s operations into its internal control over financial reporting, as necessary, to accommodate modifications to its business processes related to the Merger transaction. None of these integration activities are expected to have a material impact on our system of internal control over financial reporting.

Other than as noted above, 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 Company after Completion of the Merger**

**We have incurred substantial expenses related to the Merger and may continue to incur additional expenses.**

We have incurred substantial expenses in connection with the Merger and may continue to incur additional expenses relating to 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.

**Our stockholders have been 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 has diluted the ownership position of our stockholders. Upon completion of the Merger, our legacy stockholders own approximately 71% of the issued and outstanding shares of our common stock, and legacy Weingarten stockholders own approximately 29% of the issued and outstanding shares of our common stock. Consequently, our stockholders 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:

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| --- | --- | --- |
|  | ● | 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; |

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|  | ● | 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 of the combined company to retain key employees of either of the two companies; |

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| --- | --- | --- |
|  | ● | 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.

**Following the Merger, we 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, incurred 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; |

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| --- | --- | --- |
|  | ● | 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; |

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

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

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| --- | --- | --- |
|  | ● | 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; |

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

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

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| --- | --- | --- |
|  | ● | 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; |

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

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| --- | --- | --- |
|  | ● | 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 subsequent to the Merger.

**We face risks relating to cybersecurity attacks and security incidents which could cause loss of confidential information, disrupt operations and materially affect our business and financial results.**

We, like all businesses, are subject to cyberattacks and security incidents, which threaten the confidentiality, integrity, and availability of our systems and information resources. Those attacks and incidents may be due to intentional or unintentional acts by employees, contractors or third-parties, who seek to gain unauthorized access to our or our service providers’ systems to disrupt operations, corrupt data, or steal confidential information. through malware, computer viruses, ransomware, social engineering (e.g., phishing attachments to e-mails) or other vectors.

The risk of a cybersecurity attack, data breach or disruption, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. While we maintain some of our own critical information technology systems, we also depend on third-parties to provide important software, technologies, tools and a broad array of services and functions, such as payroll, human resources, electronic communications and certain finance functions, among others. In addition, in the ordinary course of our business, we collect, process, transmit and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information.

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Although we, and our service providers, have various measures in place to maintain and manage the security and integrity of IT networks, related systems and information assets, there can be no assurance that these efforts will be effective or that attempted attacks, breaches or disruptions will not be successful or damaging. Our measures to prevent, detect and mitigate these threats, such as password protection, firewalls, backup servers, threat monitoring, log aggregation, vulnerability scanning, data encryption, periodic penetration testing and multifactor authentication, may not be successful in preventing a security incident or data breach or limiting the effects of such a breach. Furthermore, the security measures employed by third-party service providers may prove to be ineffective at preventing breaches of their systems. This is particularly so because attack methodologies change frequently or are not recognized until launched, and we also may be unable to investigate or remediate incidents because attackers are increasingly using techniques and tools designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence.

As a result of the COVID-19 pandemic, employees working remotely has amplified certain risks to our business. The number of points of potential cyberattack, such as laptops and mobile devices have increased and any failure to effectively manage these risks, including to timely identify and appropriately respond to any cyberattacks or other disruption to our technology infrastructure, may adversely affect our business. Cyber criminals are targeting their attacks on individual employees, utilizing interest in pandemic related information to increase business email compromise scams designed to trick victims into transferring sensitive data or funds, or steal credentials that compromise information systems which extend to multiple platforms throughout the Company.

The primary risks that could directly result from the occurrence of a cyberattack or security incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We could be required to expend significant capital and other resources to address an attack or incident, which may not be covered or fully covered by our insurance and which may involve payments for investigations, forensic analyses, legal advice, public relations advice, system repair or replacement, or other services, in addition to any remedies or relief that may result from legal proceedings. Our financial results may be negatively impacted by such attacks and incidents or any resulting negative media attention.

A cyberattack or security incident could:

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| --- | --- | --- |
|  | ● | disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants; |

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| --- | --- | --- |
|  | ● | result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; |

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| --- | --- | --- |
|  | ● | result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; |

|  |  |  |
| --- | --- | --- |
|  | ● | result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; |

|  |  |  |
| --- | --- | --- |
|  | ● | result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; |

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| --- | --- | --- |
|  | ● | require significant management attention and resources to remediate systems, fulfill compliance requirements and/or to remedy any damages that result; |

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| --- | --- | --- |
|  | ● | subject us to regulatory enforcement, including investigative costs and fines or penalties, as the White House, SEC and other regulators have increased their focus on companies’ cybersecurity vulnerabilities and risks; |

|  |  |  |
| --- | --- | --- |
|  | ● | subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements or other causes of action; or |

|  |  |  |
| --- | --- | --- |
|  | ● | damage our reputation among our tenants, investors and associates. |

Moreover, cyber incidents perpetrated against our tenants, including unauthorized access to customers’ credit card data and other confidential information, could diminish consumer confidence and consumer spending and negatively impact our business.

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

Issuer Purchases of Equity Securities

During the nine months ended September 30, 2021, the Company repurchased 1,082,483 shares for an aggregate purchase price of $20.8 million (weighted average price of $19.20 per share) in connection with common shares surrendered or deemed surrendered to the Company to satisfy statutory minimum tax withholding obligations in connection with equity-based compensation plans.

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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 nine months ended September 30, 2021. As of September 30, 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 |  |
| April 1, 2021 – April 30, 2021 |  |  | 3,434 |  |  |  | 19.43 |  |  |  | - |  |  |  | 224.9 |  |
| May 1, 2021 – May 31, 2021 |  |  | 3,565 |  |  |  | 21.45 |  |  |  | - |  |  |  | 224.9 |  |
| June 1, 2021 – June 30, 2021 |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 224.9 |  |
| July 1, 2021 – July 31, 2021 |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 224.9 |  |
| August 1, 2021 – August 31, 2021 |  |  | 556,357 |  |  |  | 20.78 |  |  |  | - |  |  |  | 224.9 |  |
| September 1, 2021 – September 30, 2021 |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 224.9 |  |
| **Total** |  |  | **1,082,483** |  |  | **$** | **19.20** |  |  |  | **-** |  |  |  |  |  |

**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.

|  |  |
| --- | --- |
| 2.1 | [Agreement and Plan of Merger, dated as of April 15, 2021, by and between Kimco Realty Corporation and Weingarten Realty Investors (incorporated by reference to Exhibit 2.1 to Kimco Realty Corporation’s Current Report on Form 8-K filed on April 15, 2021).](http://www.sec.gov/Archives/edgar/data/879101/000114036121012872/nt10023151x1_ex2-1.htm) |
| 4.1 | [Form of Global Note for 2.250% Notes due 2031 (incorporated by reference to Exhibit 4.1 to Kimco Realty Corporation’s Current Report on Form 8-K filed on September 22, 2021)](http://www.sec.gov/Archives/edgar/data/879101/000114036121032080/brhc10029175_ex4-1.htm) |
| 4.2 | [Form of Indenture for Senior Debt Securities dated as of May 1, 1995 between Weingarten Realty Investors and The Bank of New York Mellon Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association, successor to Texas Commerce Bank National Association) (incorporated by reference to Exhibit 4(a) to Weingarten Realty Investors’s Registration Statement on Form S-3 (No. 33-57659) dated February 10, 1995).](http://www.sec.gov/Archives/edgar/data/828916/0000950129-95-000068.txt) |
| 4.3 | [Second Supplemental Indenture, dated October 9, 2012, between Weingarten Realty Investors and The Bank of New York Mellon Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association, successor to Texas Commerce Bank National Association) (incorporated by reference to Exhibit 4.1 to Weingarten Realty Investors’s Form 8-K filed on October 9, 2012).](http://www.sec.gov/Archives/edgar/data/828916/000119312512418408/d422337dex41.htm) |
| 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_295149.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_295150.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_295151.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) |

\* Furnished herewith.

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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.

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| --- | --- | --- |
|  |  | KIMCO REALTY CORPORATION |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| November 5, 2021 |  | /s/ Conor C. Flynn |
| (Date) |  | Conor C. Flynn |
|  |  | Chief Executive Officer |
|  |  |  |
|  |  |  |
| November 5, 2021 |  | /s/ Glenn G. Cohen |
| (Date) |  | Glenn G. Cohen |
|  |  | Chief Financial Officer |

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