Wheeler Real Estate Investment Trust, Inc.
Form 10-Q
May 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
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 001-35713

WHEELER REAL ESTATE INVESTMENT TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	45-2681082
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2529 Virginia Beach Blvd., Suite 200 Virginia Beach. Virginia	23452
(Address of Principal Executive Offices)	(Zip Code)

(757) 627-9088
(Registrant’s Telephone Number, Including Area Code)
N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨ (do not check if a smaller reporting company)	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 ý
As of May 7, 2018, there were 9,056,723 common shares, $0.01 par value per share, outstanding.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except par value and share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS:		
Investment properties, net	$ 448,555	$ 384,334
Cash and cash equivalents	5,148	3,677
Restricted cash	12,198	8,609
Rents and other tenant receivables, net	4,621	5,619
Notes receivable, net	6,739	6,739
Goodwill	5,486	5,486
Assets held for sale	9,134	—
Above market lease intangible, net	9,862	8,778
Deferred costs and other assets, net	41,010	34,432
Total Assets	$ 542,753	$ 457,674
LIABILITIES:		
Loans payable, net	$ 373,047	$ 308,122
Liabilities associated with assets held for sale	708	—
Related party payables, net	5	—
Below market lease intangible, net	13,382	9,616
Accounts payable, accrued expenses and other liabilities	11,033	10,624
Dividends payable	3,037	5,480
Total Liabilities	401,212	333,842
Series D Cumulative Convertible Preferred Stock (no par value, 4,000,000 shares authorized, 3,600,636 and 2,237,000 shares issued and outstanding; $90.02 million and $55.93 million aggregate liquidation preference, respectively)	74,542	53,236
EQUITY:		
Series A Preferred Stock (no par value, 4,500 shares authorized, 562 shares issued and outstanding)	453	453
Series B Convertible Preferred Stock (no par value, 5,000,000 authorized, 1,875,748 and 1,875,848 shares issued and outstanding, respectively; $46.90 million aggregate liquidation preference)	40,935	40,915
Common Stock ($0.01 par value, 18,750,000 shares authorized, 8,947,416 and 8,744,189 shares issued and outstanding, respectively)	89	87
Additional paid-in capital	229,007	226,978
Accumulated deficit	(209,957)	(204,925)
Total Shareholders’ Equity	60,527	63,508
Noncontrolling interests	6,472	7,088
Total Equity	66,999	70,596
Total Liabilities and Equity	$ 542,753	$ 457,674

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
REVENUE:		
Rental revenues	$12,697	$11,129
Asset management fees	48	162
Commissions	14	115
Tenant reimbursements	3,222	2,680
Development and other revenues	333	236
Total Revenue	16,314	14,322
OPERATING EXPENSES:		
Property operations	4,599	3,994
Non-REIT management and leasing services	36	271
Depreciation and amortization	7,476	6,400
Provision for credit losses	21	252
Corporate general & administrative	2,508	2,232
Total Operating Expenses	14,640	13,149
Gain on disposal of properties	1,055	—
Operating Income	2,729	1,173
Interest income	1	356
Interest expense	(4,577)	(4,177)
Net Loss from Continuing Operations Before Income Taxes	(1,847)	(2,648)
Income tax expense	(25)	(41)
Net Loss from Continuing Operations	(1,872)	(2,689)
Discontinued Operations		
Income from discontinued operations	—	16
Gain on disposal of properties	—	1,513
Net Income from Discontinued Operations	—	1,529
Net Loss	(1,872)	(1,160)
Less: Net loss attributable to noncontrolling interests	(47)	(41)
Net Loss Attributable to Wheeler REIT	(1,825)	(1,119)
Preferred stock dividends	(3,207)	(2,483)
Net Loss Attributable to Wheeler REIT Common Shareholders	$(5,032)	$(3,602)
Loss per share from continuing operations (basic and diluted)	$(0.57)	$(0.59)
Income per share from discontinued operations	—	0.17
	$(0.57)	$(0.42)
Weighted-average number of shares:		
Basic and Diluted	8,900,416	8,554,304
Dividends declared per common share	$—	$0.42

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(in thousands, except share data)
(Unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests		Total Equity
	Shares	Value	Shares	Value	Shares	Value				Units	Value	
Balance, December 31, 2017	562	$453	1,875,848	$40,915	8,744,189	$87	$226,978	$(204,925)	$63,508	635,018	$7,088	$70,596
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of Series B Preferred Stock to Common Stock	—	—	(100)	(2)	62	—	2	—	—	—	—	—
Conversion of operating partnership units to Common Stock	—	—	—	—	9,706	—	64	—	64	(9,706)	(64)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	43,459	—	330	—	330	—	—	330
Issuance of Common Stock for acquisition of JANAF	—	—	—	—	150,000	2	1,128	—	1,130	—	—	1,130
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	505	—	505	—	(505)	—
Dividends and distributions	—	—	—	—	—	—	—	(3,207)	(3,207)	—	—	(3,207
Net loss	—	—	—	—	—	—	—	(1,825)	(1,825)	—	(47)	(1,872
Balance,	562	$453	1,875,748	$40,935	8,947,416	$89	$229,007	$(209,957)	$60,527	625,312	$6,472	$66,999

March 31,
2018
(Unaudited)
See accompanying notes to condensed consolidated financial statements.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,872)	$(1,160)
Adjustments to reconcile consolidated net loss to net cash from operating activities		
Depreciation	3,173	2,671
Amortization	4,303	3,729
Loan cost amortization	379	763
Above (below) market lease amortization, net	(22)	193
Share-based compensation	419	377
Gain on disposal of properties	(1,055)	—
Gain on disposal of properties-discontinued operations	—	(1,513)
Provision for credit losses	21	252
Changes in assets and liabilities, net of acquisitions		
Rent and other tenant receivables, net	978	546
Unbilled rent	(83)	(185)
Related party receivables	84	(110)
Deferred costs and other assets, net	(197)	(786)
Accounts payable, accrued expenses and other liabilities	346	1,683
Net operating cash flows provided by discontinued operations	—	32
Net cash provided by operating activities	6,474	6,492
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment property acquisitions	(23,153)	—
Capital expenditures	(1,472)	(494)
Cash received from disposal of properties	1,160	—
Cash received from disposal of properties-discontinued operations	—	1,871
Net cash (used in) provided by investing activities	(23,465)	1,377
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for deferred financing costs	(128)	(163)
Dividends and distributions paid	(5,480)	(6,193)
Proceeds from sales of Preferred Stock, net of expenses	21,158	(18)
Loan proceeds	7,403	6,181
Loan principal payments	(902)	(6,516)
Net financing cash flows used in discontinued operations	—	(1,687)
Net cash provided (used in) by financing activities	22,051	(8,396)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	5,060	(527)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	12,286	14,515
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$17,346	$13,988
Supplemental Disclosures:		
Non-Cash Transactions:		
Debt assumed for acquisition	$58,867	$—
Conversion of common units to common stock	$64	$—
Conversion of Series B Preferred Stock to Common Stock	$2	$—
Conversion of senior convertible debt into common stock	$—	$31

Issuance of Common Stock for acquisition	$1,130	$—
Accretion of preferred stock discounts	$170	$195
Other Cash Transactions:		
Cash paid for taxes	$—	$107
Cash paid for interest	$3,911	$3,309

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. (the "Trust", the "REIT", or "Company") is a Maryland corporation formed on June 23, 2011. The Trust serves as the general partner of Wheeler REIT, L.P. (the "Operating Partnership"), which was formed as a Virginia limited partnership on April 5, 2012. As of March 31, 2018, the Trust, through the Operating Partnership, owned and operated sixty-five centers, one office building, seven undeveloped properties, and one redevelopment project in Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Oklahoma, Tennessee, Kentucky, New Jersey, Pennsylvania and West Virginia. Accordingly, the use of the word "Company" refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

On October 24, 2014, the Trust, through the Operating Partnership, acquired (i) Wheeler Interests, LLC ("WI"), an acquisition and asset management firm, (ii) Wheeler Real Estate, LLC ("WRE"), a real estate leasing, management and administration firm and (iii) WHLR Management, LLC ("WM" and collectively with WI and WRE the "Operating Companies"), a real estate business operations firm, from Jon S. Wheeler, the Company's then Chairman and CEO, resulting in the Company becoming an internally-managed REIT. Accordingly, the responsibility for identifying targeted real estate investments, the handling of the disposition of real estate investments our Board of Directors chooses to sell, administering our day-to-day business operations, including but not limited to, leasing, property management, payroll and accounting functions, acquisitions, asset management and administration are now handled internally.

Prior to being acquired by the Company, the Operating Companies served as the external manager for the Company and its properties (the "REIT Properties") and performed property management and leasing functions for certain related and non-related third parties (the "Non-REIT Properties"). The Company will continue to perform these services for the Non-REIT Properties through the Operating Companies, primarily through WRE. Accordingly, the Company converted WRE to a Taxable REIT Subsidiary ("TRS") to accommodate serving the Non-REIT Properties since applicable REIT regulations consider the income derived from these services to be "bad" income subject to taxation. The regulations allow for costs incurred by the Company commensurate with the services performed for the Non-REIT Properties to be allocated to a TRS.

During January 2014, the Company acquired Wheeler Development, LLC ("WD") and converted it to a TRS. The Company began performing development activities for both REIT Properties and Non-REIT Properties during 2015.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Form 10-Q") are unaudited and the results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for future periods or the year. However, amounts presented in the condensed consolidated balance sheet as of December 31, 2017 are derived from the Company's audited consolidated financial statements as of that date, but do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The Company prepared the accompanying condensed consolidated financial statements in accordance with GAAP for interim financial statements. All material balances and transactions between the consolidated entities of the Company have been eliminated. You should read these condensed consolidated financial statements in conjunction with our 2017 Annual Report filed on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K").

2. Summary of Significant Accounting Policies

Investment Properties

The Company records investment properties and related intangibles at fair value upon acquisition. Investment properties include both acquired and constructed assets. Improvements and major repairs and maintenance are capitalized when the repair and maintenance substantially extends the useful life, increases capacity or improves the efficiency of the asset. All other repair and maintenance costs are expensed as incurred. The Company capitalizes interest on projects during periods of construction until the projects reach the completion point that corresponds with their intended purpose.

The Company allocates the purchase price of acquisitions to the various components of the asset based upon the fair value of each component which may be derived from various observable or unobservable inputs and assumptions. Also, the Company may utilize third party valuation specialists. These components typically include buildings, land and any intangible assets related to out-of-market leases, tenant relationships and in-place leases the Company determines to exist. The Company determines fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and specific market and economic conditions that may affect the property. Factors considered by management in the analysis of determining the as-if-vacant property value include an estimate of carrying costs during the expected lease-up periods considering market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and estimates of lost rentals at market rates during the expected lease-up periods, tenant demand and other economic conditions. Management also estimates costs to execute similar leases including leasing commissions, tenant improvements, legal and other related expenses. Intangibles related to out-of-market leases, tenant relationships and in-place lease value are recorded as acquired lease intangibles and are amortized as an adjustment to rental revenue or amortization expense, as appropriate, over the remaining terms of the underlying leases. Premiums or discounts on acquired out-of-market debt are amortized to interest expense over the remaining term of such debt.

The Company records depreciation on buildings and improvements utilizing the straight-line method over the estimated useful life of the asset, generally 5 to 40 years. The Company reviews depreciable lives of investment properties periodically and makes adjustments to reflect a shorter economic life, when necessary. Tenant allowances, tenant inducements and tenant improvements are amortized utilizing the straight-line method over the term of the related lease or occupancrey term of the tenant, if shorter.

Amounts allocated to buildings are depreciated over the estimated remaining life of the acquired building or related improvements. The Company amortizes amounts allocated to tenant improvements, in-place lease assets and other lease-related intangibles over the remaining life of the underlying leases. The Company also estimates the value of other acquired intangible assets, if any, and amortizes them over the remaining life of the underlying related intangibles.

The Company reviews investment properties for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable, but at least annually. These circumstances include, but are not limited to, declines in the property’s cash flows, occupancy and fair market value. The Company measures any impairment of investment property when the estimated undiscounted operating income before depreciation and amortization, plus its residual value, is less than the carrying value of the property. Estimated undiscounted operating income before depreciation and amortization includes various level 3 fair value assumptions including renewal and renegotiations of current leases, estimates of operating costs and fluctuating market conditions. The renewal and renegotiations of leases in some cases must be approved by additional third parties outside the control of the Company and the tenant. If such renewed or renegotiated leases are approved at amounts below correct estimates, then impairment adjustments may be necessary in the future. To the extent impairment has occurred, the Company charges to income the excess of the carrying value of the property over its estimated fair value. The Company estimates fair value using unobservable data such as operating income, estimated capitalization rates, or multiples, leasing prospects and local market information. The Company may decide to sell properties that are held for use and the sale prices of these properties may differ from their carrying values. The Company did not record any impairment adjustments to its properties during the three months ended March 31, 2018 and 2017.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents consist primarily of bank operating accounts and money markets. Financial instruments that potentially subject the Company to concentrations of credit risk include its cash and cash equivalents and its trade accounts receivable. The Company places its cash and cash equivalents with institutions of high credit quality.

Restricted cash represents amounts held by lenders for real estate taxes, insurance, reserves for capital improvements and tenant security deposits.

The Company places its cash and cash equivalents and restricted cash on deposit with financial institutions in the United States, which are insured by the Federal Deposit Insurance Company (“FDIC”) up to $250 thousand. The Company's credit loss in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amounts on deposit. Management monitors the financial institutions credit worthiness in conjunction with balances on deposit to minimize risk.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Tenant Receivables and Unbilled Rent

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The Company determines an allowance for the uncollectible portion of accrued rents and accounts receivable based upon customer credit-worthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends. The Company considers a receivable past due once it becomes delinquent per the terms of the lease. The Company's standard lease form considers a rent charge past due after five days. A past due receivable triggers certain events such as notices, fees and other allowable and required actions per the lease. As of March 31, 2018 and December 31, 2017, the Company's allowance for uncollectible accounts totaled $723 thousand and $705 thousand, respectively. During the three months ended March 31, 2018 and 2017, the Company recorded bad debt expenses in the amount of $98 thousand and $252 thousand, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. During the three months ended March 31, 2018 and 2017, the Company did not realize any recoveries related to tenant receivables previously written off.

Notes Receivable

Notes receivable represent financing to Sea Turtle Development as discussed in Note 4 for development of the project. The notes are secured by the underlying real estate known as Sea Turtle Development. The Company evaluates the collectability of both the interest on and principal of the notes receivable based primarily upon the projected fair market value of the project at stabilization. The notes receivable are determined to be impaired when, based upon current information, it is no longer probable that the Company will be able to collect all contractual amounts due from the borrower. The amount of impairment loss recognized is measured as the difference between the carrying amount of the loan and its estimated realizable value.

Goodwill

Goodwill is deemed to have an indefinite economic life and is not subject to amortization. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. To test for impairment, the Company first assesses qualitative factors, such as current macroeconomic conditions and our overall financial and operating performance, to determine the likelihood that the fair value of a reporting unit is less than its carrying amount. If the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company proceeds with the two-step approach to evaluating impairment. First, the Company estimates the fair value of the reporting unit and compares it to the reporting unit's carrying value. If the carrying value exceeds fair value, the Company proceeds with the second step, which requires us to assign the fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if it had been acquired in a business combination at the date of the impairment test. The excess fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied value of goodwill and is used to determine the amount of impairment. The Company would recognize an impairment loss to the extent the carrying value of goodwill exceeds the implied value. As of March 31, 2018 and December 31, 2017, no adjustments were made to goodwill.

Above and Below Market Lease Intangibles, net

The Company determines the above and below market lease intangibles upon acquiring a property. Above and below market lease intangibles are amortized over the life of the respective leases. Amortization of above and below market lease intangibles is recorded as a component of rental revenues.

Deferred Costs and Other Assets, net

The Company's deferred costs and other assets consist primarily of leasing commissions, leases in place, capitalized legal and marketing costs, tenant relationship and ground lease sandwich interest intangibles associated with acquisitions. The Company's lease origination costs consist primarily of the portion of property acquisitions allocated to lease originations and commissions paid in connection with lease originations.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Details of these deferred costs, net of amortization, and other assets are as follows (in thousands):

	March 31, 2018 (unaudited)	December 31, 2017
Leases in place, net	$ 30,010	$ 25,118
Tenant relationships, net	5,830	6,804
Ground lease sandwich interest	2,694	—
Other	1,171	810
Lease origination costs, net	1,070	1,077
Deposits	163	547
Legal and marketing costs, net	72	76
Total Deferred Costs and Other Assets, net	$ 41,010	$ 34,432

Amortization of lease origination costs, leases in place, legal and marketing costs, tenant relationships and ground lease sandwich interest represents a component of depreciation and amortization expense. As of March 31, 2018 and December 31, 2017, the Company’s intangible accumulated amortization totaled $45.36 million and $41.83 million, respectively. During the three months ended March 31, 2018 and 2017, the Company’s intangible amortization expense totaled $4.30 million and $3.73 million, respectively. As of March 31, 2018, the Company's annual amortization for its lease origination costs, leases in place, legal and marketing costs tenant relationships, and ground lease sandwich interests is as follows (in thousands):

	Leases In Place, net	Tenant Relationships, net	Legal & Marketing Costs, net	Ground Lease Sandwich Interest	Lease Origination Costs, net	Total
For the remaining nine months ended December 31, 2018	$7,413	$ 2,028	$ 13	$ 205	$ 190	$9,849
December 31, 2019	6,635	1,581	14	274	195	8,699
December 31, 2020	4,735	874	11	274	151	6,045
December 31, 2021	2,964	458	9	274	134	3,839
December 31, 2022	2,277	364	6	274	93	3,014
December 31, 2023	1,762	235	6	274	75	2,352
Thereafter	4,224	290	13	1,119	232	5,878
	$30,010	$ 5,830	$ 72	$ 2,694	$ 1,070	$39,676

Revenue Recognition

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”

As detailed in “Recent Accounting Pronouncements”, the Company adopted Topic 606, Revenue from Contracts with Customers on January 1, 2018 with the cumulative effect of initially applying the standard recognized on this date. As a result, the Company has changed its accounting policies for revenue recognized on non-real estate lease contracts. As of adoption, non-lease revenue streams are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

Lease Contract Revenue

The Company retains substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases. The Company accrues minimum rents on a straight-line basis over the terms of the respective leases which results in an unbilled rent asset or deferred rent liability being recorded on the balance sheet. At March 31, 2018 and December 31, 2017, there were $2.42 million and $2.34 million in unbilled rent which is included in "rents and other tenant receivables, net." Additionally, certain of the lease agreements contain provisions that grant additional rents based on tenants' sales volumes (contingent or percentage rent). Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements.

The Company’s leases generally require the tenant to reimburse the Company for a substantial portion of its expenses incurred in operating, maintaining, repairing, insuring and managing the shopping center and common areas (collectively defined as Common Area Maintenance or “CAM” expenses). This significantly reduces the Company’s exposure to increases in costs and operating expenses resulting from inflation or other outside factors. The Company accrues reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. The Company calculates the tenant’s share of operating costs by multiplying the total amount of the operating costs by a fraction, the numerator of which is the total number of square feet being leased by the tenant, and the denominator of which is the average total square footage of all leasable buildings at the property. The Company also receives escrow payments for these reimbursements from substantially all its tenants throughout the year. The Company recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material for the three months ended March 31, 2018 and 2017.

The Company recognizes lease termination fees in the year that the lease is terminated and collection of the fee is reasonably assured. Upon early lease termination, the Company provides for losses related to unrecovered intangibles and other assets.

Asset Management Fees

Asset management fees are generated from Non-REIT properties. The Non-REIT Properties pay WRE property management and/or asset management fees of 3% and 2% of collected revenues, respectively for services performed. Revenues are governed by the management fee agreements for the various properties. Obligations under the agreements include and are not limited to: managing of maintenance, janitorial, security, landscaping, vendors, back office (collecting rents, paying bills), etc. Each of the obligations are bundled together to be one service and are satisfied over time. Non-REIT Properties are billed monthly and typically pay monthly for these services.

Commissions

Commissions are generated from Non-REIT properties. The Non-REIT Properties pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals). Revenues are governed by the leasing commission agreements for the various properties. Obligations under the agreements include and are not limited to: monitoring upcoming vacancies, new tenant identification, proposal preparation, lease negotiation, document preparation, etc. Each of the obligations are bundled together to be one service as the overall objective of these services is to maintain the overall occupancy of the property. Revenue is recognized and billed upon lease execution.

Development Income

Non-REIT properties pay development fees of 5% of hard costs. Revenues are governed by the development agreements for each development. Obligations under the agreements include overseeing the development of the project. The Company’s performance creates or enhances the project that the Non-REIT property controls as such this revenue is recognized over time. The projects are billed monthly and typically pay monthly for these services.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

The below table disaggregates the Company’s revenue by type of service for the three months ended March 31, 2018 and 2017 (unaudited, in thousands):

	Three Months Ended March 31,	
	2018	2017
Minimum rent	$12,610	$11,042
Tenant reimbursements	3,222	2,680
Lease termination fees	246	—
Percentage rent	87	87
Asset management fees	48	162
Commissions	14	115
Development income	—	136
Other	87	100
Total	$16,314	$14,322

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. The TRS' have accrued $98 thousand and $15 thousand for federal and state income taxes as of March 31, 2018 and December 31, 2017. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status, it could not elect to be taxed as a REIT for five years unless the Company’s failure to qualify was due to a reasonable cause and certain other conditions were satisfied.

Taxable REIT Subsidiary Cost Allocation

The Company’s overall philosophy regarding cost allocation centers around the premise that the Trust exists to acquire, lease and manage properties for the benefit of its investors. Accordingly, a majority of the Company’s operations occur at the property level. Each property must carry its own weight by absorbing the costs associated with generating its revenues. Additionally, leases generally allow the Company to pass through to the tenant most of the costs involved in operating the property, including, but not limited to, the direct costs associated with owning and maintaining the property (landscaping, repairs and maintenance, taxes, insurance, etc.), property management and certain administrative costs.

Service vendors bill the majority of the direct costs of operating the properties directly to the REIT Properties and Non-REIT Properties and each property pays them accordingly. The Non-REIT Properties pay WRE property management and/or asset management fees of 3% and 2% of collected revenues, respectively. The Non-REIT Properties also pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals). Non-REIT properties pay development fees of 5% of hard costs.

Costs incurred to manage, lease and administer the Non-REIT Properties are allocated to the TRS. These costs include compensation and benefits, property management, leasing and other corporate, general and administrative expenses associated with generating the TRS' revenues.

Financial Instruments

The carrying amount of financial instruments included in assets and liabilities approximates fair market value due to their immediate or short-term maturity.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The Company has made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported periods. The Company’s actual results could differ from these estimates.

Advertising Costs

The Company expenses advertising and promotion costs as incurred. The Company incurred advertising and promotion costs of $43 thousand and $60 thousand for the three months ended March 31, 2018 and 2017, respectively.

Assets Held For Sale and Discontinued Operations

The Company records assets as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and is expected within one year.

Assets held for sale are presented as discontinued operations in all periods presented if the disposition represents a strategic shift that has, or will have, a major effect on the Company's financial position or results of operations. This includes the net gain (or loss) upon disposal of property held for sale, the property's operating results, depreciation and interest expense.

Corporate General and Administrative Expense

A detail for the "Corporate General & Administrative" line item from the Condensed Consolidated Statements of Operations is presented below (in thousands):

	Three Months Ended March 31,	
	2018	2017
Professional fees	$931	$637
Compensation and benefits	903	683
Corporate administration	336	257
Taxes and Licenses	165	49
Travel	70	66
Capital related costs	53	220
Advertising	43	60
Acquisition costs	7	260
Total Corporate General & Administrative	$2,508	$2,232

An allocation of professional fees, compensation and benefits, corporate administration and travel is included in Non-REIT management and leasing services on the statements of operations, which can vary period to period depending on the relative operational fluctuations of these respective services.

Noncontrolling Interests

Noncontrolling interests is the portion of equity in the Operating Partnership not attributable to the Trust. The ownership interests not held by the Company are considered noncontrolling interests. Accordingly, noncontrolling interests have been reported in equity on the condensed consolidated balance sheets but separate from the Company's equity. On the condensed consolidated statements of operations, the subsidiaries are reported at the consolidated amount, including both the amount attributable to the Company and noncontrolling interests. Condensed consolidated statement of equity includes beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

The noncontrolling interest of the Operating Partnership common unit holders is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's net assets (total assets less total liabilities). The noncontrolling interest percentage is calculated at any point in time by dividing the number of units not owned by the Company by the total number of units outstanding. The noncontrolling interest ownership percentage will change as additional units are issued or as units are exchanged for the Company's common stock $0.01 par value per share ("Common Stock"). In accordance with GAAP, any changes in the value from period to period are charged to additional paid-in capital.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Revenue from contracts with customers (Topic 606): Identifying Performance Obligations and Licensing," which provides further guidance on identifying performance obligations and intellectual property licensing implementation. In June 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients", which relates to assessing collectability, presentation of sales taxes, noncash consideration and completed contracts and contract modifications in transition. In December 2016, the FASB issued 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers," which clarifies or corrects unintended application of the standard. Companies are permitted to adopt the ASUs as early as fiscal years beginning after December 15, 2016, but the adoption is required for fiscal years beginning after December 15, 2017. In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605)," "Revenue from Contracts with Customers (Topic 606)," "Leases (Topic 840)," and "Leases (Topic 842)." These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)."

On January 1, 2018, the Company adopted Topic 606 retrospectively with the cumulative effect of initially applying the standard as of this date to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. The majority of the Company's revenue is based on real estate lease contracts which are not within the scope of this ASU. The Company has identified its non-lease revenue streams and adoption of this standard does not have a material impact on our financial position or results of operations. The Company has increased disclosures around revenue recognition in the notes to condensed consolidated financial statements to comply with the standard.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets referred to as “Lessees” to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e. operating and capital) to be recognized on the balance sheet. The FASB lessee accounting model will continue to account for both types of leases. The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing GAAP. The operating lease will be accounted for in a manner similar to operating leases under existing GAAP, except that lessees will recognize a lease liability and a lease asset for all of those leases.

In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605)," "Revenue from Contracts with Customers (Topic 606)," "Leases (Topic 840)," and "Leases (Topic 842)," which provides additional implementation guidance on the previously issued ASU 2016-02. "Leases (Topic 842)."

The leasing standard will be effective for calendar year-end public companies beginning after December 15, 2018. Public companies will be required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption will be permitted for all companies and organizations upon issuance of the standard. For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018 and 2017. The accounting for leases under which we are the lessor remains largely unchanged. Lessees with a large portfolio of leases are likely to see a significant increase in balance sheet assets and liabilities. While we are currently assessing the impact of the standard on our financial position and results of operations we expect the primary impact to be on those ground leases which we are the lessor. The new standard will result in the recording of right of use assets and lease obligations. See Note 9 for the Company’s current lease commitments. The Company continues to evaluate the impact of ASU 2016-02 on its financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).” The ASU provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows in an effort to reduce diversity in practice. The standard requires a reconciliation of total cash, cash equivalents and restricted cash in the cash flow statement or in the notes to the financial statements. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. The new standard is to be applied retrospectively for all periods presented. The Company adopted this ASU as of January 1, 2018 and applied retrospectively. The adoption resulted in a reduction of $329 thousand in net cash from operating activities and $1 thousand increase in net cash from investing activities for the three months ended March 31, 2017 on the Condensed Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. The new standard is to be applied prospectively. The adoption of this standard will most likely result in less real estate acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that are not businesses will be capitalized rather than expensed. The Company adopted this ASU as of January 1, 2018. As a result of this adoption, the acquisition costs associated with the purchase of JANAF were capitalized as a cost of the asset.

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the test for Goodwill Impairment.” The amendments in ASU 2017-04 eliminate the current two-step approach used to test goodwill for impairment and require an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019 and early adoption is permitted on testing dates after January 1, 2017. The new standard is to be applied prospectively. The Company will adopt this ASU in 2020 and does not expect the adoption to materially impact its financial position or results of operations.

In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." This amendment provides guidance for partial sales of nonfinancial assets. This ASU is effective for annual periods beginning after December 15, 2017. Early adoption is permitted. The standard is to be applied retrospectively or modified retrospectively. The Company adopted this ASU as of January 1, 2018. The adoption did not have a material impact on the financial position or results of operations.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This updates clarifies when modification accounting guidance in Topic 718 should be applied to a change in terms or conditions of a share-based payment award. This ASU is effective for annual and interim periods beginning after December 15, 2017 with early adoption permitted. The new standard is to be applied prospectively to an award modified on or after the adoption date. The Company adopted this ASU as of January 1, 2018. The adoption did not have a material impact on the financial position or results of operations.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company's financial position, results of operations and cash flows.

3. Investment Properties

Investment properties consist of the following (in thousands):

	March 31, 2018 (unaudited)	December 31, 2017
Land and land improvements	$ 99,313	$ 91,108
Land held for improvement	2,305	11,228
Buildings and improvements	381,137	313,043
Investment properties at cost	482,755	415,379
Less accumulated depreciation	(34,200)	(31,045)
Investment properties, net	$ 448,555	$ 384,334

The Company's depreciation expense on investment properties was $3.17 million and $2.67 million for the three months ended March 31, 2018 and 2017, respectively.

A significant portion of the Company's land, buildings and improvements serves as collateral for its mortgage loans payable portfolio. Accordingly, restrictions exist as to the encumbered property's transferability, use and other common rights typically associated with property ownership.

Disposition

On January 12, 2018, the Company completed the sale of the Chipotle ground lease at Conyers Crossing for a contract price of $1.27 million, resulting in a gain of $1.06 million with net proceeds of $1.16 million.

The sale of the Chipotle ground lease at Conyers Crossing did not represent a strategic shift that has a major effect on the Company's financial position or results of operations. Accordingly, the operating results of this property remains classified within continuing operations for all periods presented.

JANAF Acquisition

On January 18, 2018, the Company acquired JANAF, a retail shopping center located in Norfolk, Virginia, for a purchase price of $85.65 million, paid through a combination of cash, restricted cash, debt assumption and the issuance of 150,000 shares of Common Stock at $7.53 per share. The shopping center, anchored by BJ's Wholesale Club, totals 810,137 square feet and was 94% leased at the acquisition date.

The following summarizes the consideration paid and the purchase allocation of assets acquired and liabilities assumed in conjunction with the acquisition described above in accordance with ASU 2017-01, along with a description of the methods used to determine the purchase price allocation (in thousands, unaudited). In determining the purchase price allocation, the Company considered many factors including, but not limited to, cash flows, market cap rates, location, occupancy rates, appraisals, other acquisitions and management's knowledge of the current acquisition market for similar properties.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
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(Unaudited)

Purchase price allocation of assets acquired and liabilities assumed:	
Investment property (a)	$75,123
Lease intangibles and other assets (b)	10,718
Above market leases (d)	2,019
Restricted cash (c)	2,500
Below market leases (d)	(4,710)
Debt assumption (e)	(58,867)
Net purchase price allocation of assets acquired and liabilities assumed:	$26,783
Purchase consideration:	
Consideration paid with cash and restricted cash	$25,653
Consideration paid with assumption of debt	58,867
Consideration paid with common stock	1,130
Total consideration (f)	$85,650

a. Represents the purchase price allocation of the net investment properties acquired which includes land, buildings, site improvements and tenant improvements. The purchase price allocation was determined using following approaches:

i. the market approach valuation methodology for land by considering similar transactions in the markets;

ii. a combination of the cost approach and income approach valuation methodologies for buildings, including replacement cost evaluations, “go dark” analyses and residual calculations incorporating the land values; and

iii. the cost approach valuation methodology for site and tenant improvements, including replacement costs and prevailing quoted market rates.

b. Represents the purchase price allocation of lease intangibles and other assets. Lease intangibles includes in place leases and ground lease sandwich interests associated with replacing existing leases. The income approach was used to determine the allocation of these intangible assets which included estimated market rates and expenses.

c. Represents the purchase price allocation of deleveraging reserve (the “Deleveraging Reserve”) released upon the maturity or earlier payment in full of the loan or until the reduction of the principal balance of the loan to

$50,000,000.

d. Represents the purchase price allocation of above/below market leases. The income approach was used to determine the allocation of above/below market leases using market rental rates for similar properties.

e. Assumption of $53.71 million of debt at a rate of 4.49%, maturing July 2023 with monthly principal and interest payments of $333,159 and assumption of $5.16 million of debt at a rate of 4.95%, maturing January 2026 with monthly principal and interest payments of $29,964.

f. Represents the components of purchase consideration paid.

Unaudited pro forma financial information in the aggregate is presented below for the acquisition of JANAF. The unaudited pro forma information presented below includes the effects of the JANAF acquisition as if it had been consummated as of the beginning of the prior fiscal year. The pro forma results include adjustments for depreciation and amortization associated with acquired tangible and intangible assets, straight-line rent adjustments, interest expense related to debt incurred and assumed. The unaudited pro forma financial information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if these acquisition had taken place in January 1, 2018 or 2017.

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Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands, unaudited)	
Rental revenues	$13,007	$13,178
Net loss from continuing operations	$(1,874)	$(3,135)
Net loss attributable to Wheeler REIT	$(1,827)	$(1,549)
Net loss attributable to Wheeler REIT common shareholders	$(5,034)	$(4,778)
Basic loss per share	$(0.57)	$(0.56)
Diluted loss per share	$(0.57)	$(0.56)

4. Notes Receivable

On September 29, 2016, the Company entered into an $11.00 million note receivable for the partial funding of the Sea Turtle Development and a $1.00 million note receivable in consideration for the sale of 10.39 acres of land owned by the Company. Both promissory notes are collateralized by a 2nd deed of trust on the property and accrue interest at a rate of 12% annually. Interest only payments at a rate of 8% are due on the notes at the beginning of every calendar quarter starting October 2016. Interest at a rate of 4% accrues and is due at maturity. The notes mature the earlier of September 29, 2021 or the disposition of the property. As of December 31, 2017, the Company recognized a $5.26 million impairment charge on the notes receivable reducing the carrying value to $6.74 million as of March 31, 2018 and December 31, 2017. The Company placed the notes receivable on nonaccrual status and has not recognized $355 thousand of interest income due on the notes for the three months ended March 31, 2018.

As of March 31, 2018, the Company believes the estimated fair market value of the development upon stabilization at a future date will provide for the cash required to repay the $6.74 million carrying value of the notes receivable due the Company in the event of a sale. The Company's estimated fair value of the project is based upon cash flow models that include development costs to date, anticipated cost to complete, executed leases, and financing available to complete and stabilize the project. Capitalization rates utilized in these models are based upon rates that the Company believes to be within a reasonable range of current market rates for the respective project. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 3 inputs. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If the holder of the 1st deed of trust proceeds to foreclosure, this may have an adverse effect on assumptions used in the Company's fair value analysis leading to further impairment.

5. Assets Held for Sale

In August 2015, the Company's management and Board of Directors committed to a plan to sell Bixby Commons, Jenks Reasors, Harps at Harbor Point, Starbucks/Verizon and the ground leases for Ruby Tuesday's and Outback Steakhouse at Pierpont Centre (the "Freestanding Properties") as part of the Company's continuous evaluation of strategic alternatives. On February 28, 2017, the Company completed its sale of the last remaining Freestanding Properties, Ruby Tuesday's and Outback Steakhouse at Pierpont Centre, for a contract price of approximately $2.29 million, resulting in a gain of $1.51 million.

In February 2018, the Company's management and Board of Directors committed to a plan to sell the seven undeveloped land parcels (the "Land Parcels") as part of Company's strategic initiative. Accordingly, the Land Parcels have been classified as held for sale.

As of March 31, 2018 and December 31, 2017, assets held for sale consisted of the following (in thousands):

	March 31, 2018 (unaudited)	December 31, 2017
Investment properties, net	$ 9,134	$ —
Total assets held for sale	$ 9,134	$ —

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(Unaudited)

As of March 31, 2018 and December 31, 2017, liabilities associated with assets held for sale consisted of the following (in thousands):

	March 31, 2018 (unaudited)	December 31, 2017
Loans payable	$ 693	$ —
Accounts payable	15	—
Total liabilities associated with assets held for sale	$ 708	$ —

The condensed consolidated statements of operations reflect reclassifications of revenues, property operating expenses, corporate general and administrative expenses and interest expense from continuing operations to income from discontinued operations for all periods presented. All interest expense disclosed below is directly related to the debt incurred to acquire the Freestanding Properties.

The following is a summary of the income from discontinued operations for the three months ended March 31, 2018 and 2017 (in thousands):

	Three Months Ended March 31, 2018	2017
Revenues	$—	$26
Expenses	—	1
Operating income	—	25
Interest expense	—	9
Income from discontinued operations before gain on disposal of properties	—	16
Gain on disposal of properties	—	1,513
Net Income from discontinued operations	$—	$1,529

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

6. Loans Payable

The Company’s loans payable consist of the following (in thousands except monthly payment):

Property/Description	Monthly Payment	Interest Rate		Maturity	March 31, 2018	December 31, 2017
Revere Loan (2)	Interest only	8.00	%	April 2018	$6,808	$ 6,808
Lumber River	$10,723	Libor + 295 basis points		June 2018	1,485	1,500
Bank Line of Credit	Interest only	Libor + 300 basis points		June 2018	3,000	3,000
KeyBank Line of Credit	Interest only	Libor + 250 basis points		July 2018	15,532	15,532
Senior convertible notes	Interest only	9.00	%	December 2018	1,369	1,369
Harbor Point	$11,024	5.85	%	December 2018	(1)	553
Perimeter Square	Interest only	5.50	%	December 2018	5,691	5,382
Riversedge North	$8,802	6.00	%	January 2019	849	863
Monarch Bank Building	$7,340	4.85	%	June 2019	1,259	1,266
DF I-Moyock	$10,665	5.00	%	July 2019	(1)	194
Rivergate	$127,217	Libor + 295 basis points		December 2019	22,546	22,689
KeyBank Line of Credit	Interest only	Libor + 250 basis points		December 2019	52,500	52,500
LaGrange Marketplace	$15,065	Libor + 375 basis points		March 2020	2,305	2,317
Folly Road	Interest only	4.00	%	March 2020	6,181	6,181
Columbia Fire Station construction loan	Interest only	4.00	%	May 2020	4,014	3,421
Shoppes at TJ Maxx	$33,880	3.88	%	May 2020	5,681	5,727
JANAF Bravo	Interest only	4.65	%	January 2021	6,500	—
Walnut Hill Plaza	Interest only	5.50	%	September 2022	3,903	3,903
Twin City Commons	$17,827	4.86	%	January 2023	3,095	3,111
Shoppes at Eagle Harbor	$26,528	5.10				