

WEINGARTEN REALTY INVESTORS /TX/

Form 10-Q

November 06, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarter ended September 30, 2014

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 1-9876

Weingarten Realty Investors

(Exact name of registrant as specified in its charter)

TEXAS

74-1464203

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

2600 Citadel Plaza Drive

P.O. Box 924133

Houston, Texas

77292-4133

(Address of principal executive offices)

(Zip Code)

(713) 866-6000

(Registrant's telephone number)

(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 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 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES 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. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 31, 2014, there were 122,275,125 common shares of beneficial interest of Weingarten Realty Investors, \$.03 par value, outstanding.

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PART I-FINANCIAL INFORMATION

ITEM 1. Financial Statements

WEINGARTEN REALTY INVESTORS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Rentals, net	\$127,974	\$120,361	\$380,398	\$353,880
Other	2,547	2,941	7,906	9,244
Total	130,521	123,302	388,304	363,124
Expenses:				
Depreciation and amortization	36,694	35,348	113,948	107,039
Operating	23,454	24,430	71,989	70,962
Real estate taxes, net	15,412	14,717	46,419	42,696
Impairment loss	—	2,358	—	2,579
General and administrative	6,146	5,964	17,879	18,812
Total	81,706	82,817	250,235	242,088
Operating Income	48,815	40,485	138,069	121,036
Interest Expense, net	(24,373)	(26,018)	(73,263)	(68,482)
Interest and Other Income, net	96	1,864	2,893	5,787
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests	—	7	1,718	11,599
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	7,881	5,125	16,331	14,467
Benefit for Income Taxes	284	226	1,885	256
Income from Continuing Operations	32,703	21,689	87,633	84,663
Operating Income from Discontinued Operations	—	2,323	342	9,925
Gain on Sale of Property from Discontinued Operations	—	38,214	44,582	116,226
Income from Discontinued Operations	—	40,537	44,924	126,151
Gain on Sale of Property	69,496	163	71,407	570
Net Income	102,199	62,389	203,964	211,384
Less: Net Income Attributable to Noncontrolling Interests	(1,870)	(1,847)	(4,936)	(41,056)
Net Income Adjusted for Noncontrolling Interests	100,329	60,542	199,028	170,328
Dividends on Preferred Shares	(2,710)	(2,710)	(8,130)	(15,463)
Redemption Costs of Preferred Shares	—	—	—	(17,944)
Net Income Attributable to Common Shareholders	\$97,619	\$57,832	\$190,898	\$136,921
Earnings Per Common Share - Basic:				
Income from continuing operations attributable to common shareholders	\$0.80	\$0.14	\$1.20	\$0.40
Income from discontinued operations	—	0.34	0.37	0.73
Net income attributable to common shareholders	\$0.80	\$0.48	\$1.57	\$1.13
Earnings Per Common Share - Diluted:				
Income from continuing operations attributable to common shareholders	\$0.79	\$0.14	\$1.19	\$0.39
Income from discontinued operations	—	0.33	0.36	0.73
Net income attributable to common shareholders	\$0.79	\$0.47	\$1.55	\$1.12

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Net Income	\$ 102,199	\$ 62,389	\$ 203,964	\$ 211,384	
Other Comprehensive Income:					
Net unrealized (loss) gain on investments, net of taxes	(49	) (34	) 203	(34)
Realized gain on investments	—	—	(38) —	
Net unrealized gain (loss) on derivatives	83	(293	) 135	6,735	
Amortization of loss on derivatives	404	480	1,280	1,802	
Retirement liability adjustment	96	364	244	1,093	
Total	534	517	1,824	9,596	
Comprehensive Income	102,733	62,906	205,788	220,980	
Comprehensive Income Attributable to Noncontrolling Interests	(1,870	) (1,847	) (4,936	) (41,056)
Comprehensive Income Adjusted for Noncontrolling Interests	\$ 100,863	\$ 61,059	\$ 200,852	\$ 179,924	
See Notes to Condensed Consolidated Financial Statements.					

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2014	December 31, 2013
ASSETS		
Property	\$4,140,817	\$4,289,276
Accumulated Depreciation	(1,050,027)	(1,058,040)
Property Held for Sale, net	30,129	122,614
Property, net *	3,120,919	3,353,850
Investment in Real Estate Joint Ventures and Partnerships, net	266,720	266,158
Total	3,387,639	3,620,008
Notes Receivable from Real Estate Joint Ventures and Partnerships	—	13,330
Unamortized Debt and Lease Costs, net	139,754	164,828
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$7,951 in 2014 and \$9,386 in 2013) *	80,714	82,351
Cash and Cash Equivalents *	12,975	91,576
Restricted Deposits and Mortgage Escrows	36,230	4,502
Other, net	203,912	247,334
Total Assets	\$3,861,224	\$4,223,929
LIABILITIES AND EQUITY		
Debt, net *	\$2,007,755	\$2,299,844
Accounts Payable and Accrued Expenses	102,692	108,535
Other, net	123,529	127,572
Total Liabilities	2,233,976	2,535,951
Commitments and Contingencies	—	—
Equity:		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued; 60 shares outstanding in 2014 and 2013; liquidation preference \$150,000 in 2014 and 2013	2	2
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 275,000; shares issued and outstanding: 122,267 in 2014 and 121,949 in 2013	3,693	3,683
Additional Paid-In Capital	1,700,420	1,679,229
Net Income Less Than Accumulated Dividends	(228,802)	(300,537)
Accumulated Other Comprehensive Loss	(2,378)	(4,202)
Total Shareholders' Equity	1,472,935	1,378,175
Noncontrolling Interests	154,313	309,803
Total Equity	1,627,248	1,687,978
Total Liabilities and Equity	\$3,861,224	\$4,223,929
* Consolidated variable interest entities' assets held as collateral and debt included in the above balances (see Note 16):		
Property, net	\$48,086	\$70,734
Accrued Rent and Accounts Receivable, net	2,753	2,855
Cash and Cash Equivalents	6,417	6,548

Debt, net	97,766	109,923
See Notes to Condensed Consolidated Financial Statements.		

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WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net Income	\$203,964	\$211,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114,208	116,216
Amortization of debt deferred costs and intangibles, net	2,952	(8,156)
Impairment loss	—	2,815
Equity in earnings of real estate joint ventures and partnerships, net	(16,331)	(14,467)
Gain on sale and acquisition of real estate joint venture and partnership interests	(1,718)	(11,599)
Gain on sale of property	(115,989)	(116,796)
Distributions of income from real estate joint ventures and partnerships, net	2,736	2,623
Changes in accrued rent and accounts receivable, net	(3,070)	(1,435)
Changes in other assets, net	(15,952)	(17,189)
Changes in accounts payable, accrued expenses and other liabilities, net	3,656	1,488
Other, net	3,712	6,062
Net cash provided by operating activities	178,168	170,946
Cash Flows from Investing Activities:		
Acquisition of real estate and land	—	(58,173)
Development and capital improvements	(77,178)	(50,014)
Proceeds from sale of property and real estate equity investments, net	169,530	267,655
Change in restricted deposits and mortgage escrows	(31,531)	(13,461)
Notes receivable from real estate joint ventures and partnerships and other receivables	—	(289)
- Advances		
Notes receivable from real estate joint ventures and partnerships and other receivables	10,316	7,224
- Collections		
Real estate joint ventures and partnerships - Investments	(5,185)	(21,353)
Real estate joint ventures and partnerships - Distribution of capital	18,578	32,660
Purchase of investments	(3,000)	—
Proceeds from investments	51,288	—
Other, net	(11,899)	(7,086)
Net cash provided by investing activities	120,919	157,163
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	4,500	324,584
Principal payments of debt	(468,011)	(283,902)
Changes in unsecured credit facilities	216,000	48,500
Purchase of marketable securities in connection with the legal defeasance of debt	—	(5,823)
Proceeds from issuance of common shares of beneficial interest, net	1,838	5,778
Repurchase of preferred shares of beneficial interest	—	(275,000)
Common and preferred dividends paid	(126,477)	(126,269)
Debt issuance costs paid	(400)	(4,702)
Distributions to noncontrolling interests	(5,939)	(13,455)
Contributions from noncontrolling interests	980	33,884
Other, net	(179)	422

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Net cash used in financing activities	(377,688) (295,983)
Net (decrease) increase in cash and cash equivalents	(78,601) 32,126	
Cash and cash equivalents at January 1	91,576	19,604	
Cash and cash equivalents at September 30	\$12,975	\$51,730	
Interest paid during the period (net of amount capitalized of \$2,232 and \$1,724, respectively)	\$75,117	\$85,594	
Income taxes paid during the period	\$1,705	\$1,860	
See Notes to Condensed Consolidated Financial Statements.			

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands, except per share amounts)

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Additional Paid-In Capital	Net Income Less Than Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2013	\$7	\$3,663	\$1,934,183	\$(335,980)	\$(24,743)	\$163,025	\$1,740,155
Net income				170,328		41,056	211,384
Redemption of preferred shares	(5)		(257,051)	(17,944)			(275,000)
Shares issued under benefit plans		20	12,473				12,493
Dividends declared – common shares ⁽¹⁾				(111,509)			(111,509)
Dividends declared – preferred shares ⁽²⁾				(14,760)			(14,760)
Distributions to noncontrolling interests						(13,455)	(13,455)
Contributions from noncontrolling interests						33,884	33,884
Other comprehensive income					9,596		9,596
Other, net			1,082	(703)		1,122	1,501
Balance, September 30, 2013	\$2	\$3,683	\$1,690,687	\$(310,568)	\$(15,147)	\$225,632	\$1,594,289
Balance, January 1, 2014	\$2	\$3,683	\$1,679,229	\$(300,537)	\$(4,202)	\$309,803	\$1,687,978
Net income				199,028		4,936	203,964
Shares issued under benefit plans		10	9,677				9,687
Dividends declared – common shares ⁽¹⁾				(119,163)			(119,163)
Dividends declared – preferred shares ⁽²⁾				(7,314)			(7,314)
Distributions to noncontrolling interests						(5,939)	(5,939)
Contributions from noncontrolling interests						980	980
Acquisition of noncontrolling interests			11,015			(11,015)	—
Disposition of noncontrolling interests						(144,263)	(144,263)
Other comprehensive income					1,824		1,824
Other, net			499	(816)		(189)	(506)
Balance, September 30, 2014	\$2	\$3,693	\$1,700,420	\$(228,802)	\$(2,378)	\$154,313	\$1,627,248

(1) Common dividend per share was \$.98 and \$.92 for the nine months ended September 30, 2014 and 2013, respectively.

Series D preferred dividend per share was \$13.08 for the nine months ended September 30, 2013. Series F (2) preferred dividend per share was \$121.88 and \$119.62 for the nine months ended September 30, 2014 and 2013, respectively.

See Notes to Condensed Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Note 1. Summary of Significant Accounting Policies

Business

Weingarten Realty Investors is a real estate investment trust ("REIT") organized under the Texas Business Organizations Code. We currently operate, and intend to operate in the future, as a REIT.

We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping centers we own or lease. We also provide property management services for which we charge fees to either joint ventures where we are partners or other outside owners.

We operate a portfolio of neighborhood and community shopping centers, totaling approximately 47.4 million square feet of gross leaseable area, that is either owned by us or others. We have a diversified tenant base, with our largest tenant comprising only 3.4% of base minimum rental revenue during the first nine months of 2014. Total revenues less operating expenses and real estate taxes from continuing operations ("net operating income from continuing operations") generated by our properties located in Houston and its surrounding areas was 19.7% of total net operating income from continuing operations for the nine months ended September 30, 2014, and an additional 9.8% of net operating income from continuing operations is generated from properties that are located in other parts of Texas.

Basis of Presentation

Our consolidated financial statements include the accounts of our subsidiaries, certain partially owned real estate joint ventures or partnerships and variable interest entities ("VIEs") which meet the guidelines for consolidation. All intercompany balances and transactions have been eliminated.

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2013 are derived from our audited financial statements at that date. In our opinion, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and certain information included in our annual financial statements and notes thereto has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such statements require management to make estimates and assumptions that affect the reported amounts on our consolidated financial statements. Actual results could differ from these estimates. We have evaluated subsequent events for recognition or disclosure in our consolidated financial statements.

Restricted Deposits and Mortgage Escrows

Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions.

Our restricted deposits and mortgage escrows consist of the following (in thousands):

	September 30, 2014	December 31, 2013
Restricted cash ⁽¹⁾	\$33,101	\$869
Mortgage escrows	3,129	3,633
Total	\$36,230	\$4,502

(1) The increase between the periods presented is primarily attributable to \$32.2 million placed in a qualified escrow account for the purpose of completing like-kind exchange transactions.

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Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component consists of the following (in thousands):

	Gain on Investments		Gain on Cash Flow Hedges		Defined Benefit Pension Plan		Total
Balance, December 31, 2013	\$(340)	)	\$(1,233)	)	\$5,775		\$4,202
Change excluding amounts reclassified from accumulated other comprehensive loss	(203)	)	(135)	)	—		(338)
Amounts reclassified from accumulated other comprehensive loss	38	(⁽¹⁾)	(1,280)	(⁽²⁾)	(244)	(⁽³⁾)	(1,486)
Net other comprehensive income	(165)	)	(1,415)	)	(244)	)	(1,824)
Balance, September 30, 2014	\$(505)	)	\$(2,648)	)	\$5,531		\$2,378
	Loss on Investments		(Gain) Loss on Cash Flow Hedges		Defined Benefit Pension Plan		Total
Balance, December 31, 2012	\$—		\$7,489		\$17,254		\$24,743
Change excluding amounts reclassified from accumulated other comprehensive loss	34		(6,735)	)	(103)	)	(6,804)
Amounts reclassified from accumulated other comprehensive loss			(1,802)	(⁽²⁾)	(990)	(⁽³⁾)	(2,792)
Net other comprehensive income	34		(8,537)	)	(1,093)	)	(9,596)
Balance, September 30, 2013	\$34		\$(1,048)	)	\$16,161		\$15,147

(1) This reclassification component is included in interest and other income.

(2) This reclassification component is included in interest expense (see Note 7 for additional information).

(3) This reclassification component is included in the computation of net periodic benefit cost (see Note 13 for additional information).

Reclassifications

The reclassification of prior years' operating results for certain properties classified as discontinued operations was made to conform to the current year presentation (see Notes 9 and 11 for additional information). These items had no impact on previously reported net income, the consolidated balance sheet or cash flows.

Note 2. Newly Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-04, "Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date." This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of (1) the amount the reporting entity has agreed to pay in accordance to the arrangement and (2) any additional amounts the reporting entity expects to pay on behalf of its co-obligors. Additional disclosures on the nature and amounts of the obligation will also be required. The provisions of ASU No. 2013-04 were effective for us on January 1, 2014, and were required to be applied retrospectively. The ASU did not materially impact our consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This ASU amends current GAAP to require entities to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for net operating loss or other tax credit carryforwards when settlement is available under the tax law. The provisions of ASU No. 2013-11 were effective for us on January 1, 2014, and were required to be applied to all unrecognized tax benefits in existence. The adoption of this ASU did not materially impact our

consolidated financial statements.

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In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU amends the criteria for reporting discontinued operations while enhancing disclosures in this area. The provisions of ASU No. 2014-08 are effective for us prospectively on January 1, 2015; however, early adoption is permitted. We adopted this update effective April 1, 2014. The adoption resulted in individual property disposals no longer qualifying for discontinued operations presentation; thus, the results of these disposals will remain in income from continuing operations and any associated gains are included in gain on sale of property. Properties sold or classified as held for sale prior to April 1, 2014, are not subject to ASU No. 2014-08 and therefore, continue to be classified as discontinued operations using the previous definition.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU's core objective is for an entity to recognize revenue based on the consideration it expects to receive in exchange for goods or services. Additionally, this ASU requires entities to use a single model in accounting for revenues derived from contracts with customers. ASU No. 2014-09 replaces prior guidance regarding the recognition of revenue from sales of real estate except for revenue from sales that are part of a sale-leaseback transaction. The provisions of ASU No. 2014-09 are effective for us on January 1, 2017, and are required to be applied either on a retrospective or a modified retrospective approach. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU's core objective is that management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. The provisions of ASU No. 2014-15 are effective for us as of December 31, 2016, and early adoption is permitted. We do not expect the adoption of this update to have any impact to our consolidated financial statements.

Note 3. Property

Our property consists of the following (in thousands):

	September 30, 2014	December 31, 2013
Land	\$822,989	\$854,409
Land held for development	103,078	116,935
Land under development	24,702	4,262
Buildings and improvements	3,104,806	3,238,817
Construction in-progress	85,242	74,853
Total	\$4,140,817	\$4,289,276

During the nine months ended September 30, 2014, we sold 13 centers and other property. Aggregate gross sales proceeds from these transactions approximated \$201.9 million and generated gains of approximately \$92.7 million. Included in these transactions is the exercise of a purchase option by a holder of our ground leases in Texas that resulted in the disposition of three properties. Also, during the nine months ended September 30, 2014, we invested \$41.1 million in new development projects.

At September 30, 2014, we classified seven properties as held for sale totaling \$73.0 million before accumulated depreciation that did not qualify to be reported as discontinued operations. Subsequent to September 30, 2014, five of these properties classified as held for sale have been sold. We classified eight properties as held for sale as of December 31, 2013, totaling \$155.0 million before accumulated depreciation that did qualify to be reported as discontinued operations (see Note 9 for additional information).

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Note 4. Investment in Real Estate Joint Ventures and Partnerships

We own interests in real estate joint ventures or limited partnerships and have tenancy-in-common interests in which we exercise significant influence, but do not have financial and operating control. We account for these investments using the equity method, and our interests range from 20% to 75% for the periods presented. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	September 30, 2014		December 31, 2013	
Combined Condensed Balance Sheets				
ASSETS				
Property	\$ 1,339,823		\$ 1,401,982	
Accumulated depreciation	(272,196	)	(261,454
Property, net	1,067,627		1,140,528	
Other assets, net	138,797		142,638	
Total Assets	\$ 1,206,424		\$ 1,283,166	
LIABILITIES AND EQUITY				
Debt, net (primarily mortgages payable)	\$ 383,295		\$ 453,390	
Amounts payable to Weingarten Realty Investors and Affiliates	15,011		30,214	
Other liabilities, net	31,686		29,711	
Total Liabilities	429,992		513,315	
Equity	776,432		769,851	
Total Liabilities and Equity	\$ 1,206,424		\$ 1,283,166	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Combined Condensed Statements of Operations				
Revenues, net	\$ 41,561	\$ 40,804	\$ 116,430	\$ 124,064
Expenses:				
Depreciation and amortization	9,823	11,343	30,836	34,922
Interest, net	5,932	7,131	17,692	22,091
Operating	6,939	7,298	20,073	20,859
Real estate taxes, net	4,378	4,739	13,824	14,335
General and administrative	191	187	721	637
Provision for income taxes	60	63	343	211
Impairment loss	—	59	—	1,887
Total	27,323	30,820	83,489	94,942
Operating income	\$ 14,238	\$ 9,984	\$ 32,941	\$ 29,122

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Our investment in real estate joint ventures and partnerships, as reported in our Condensed Consolidated Balance Sheets, differs from our proportionate share of the entities' underlying net assets due to basis differences, which arose upon the transfer of assets to the joint ventures. The net positive basis differences, which totaled \$5.4 million and \$6.1 million at September 30, 2014 and December 31, 2013, respectively, are generally amortized over the useful lives of the related assets.

Our real estate joint ventures and partnerships have determined from time to time that the carrying amount of certain properties was not recoverable and that the properties should be written down to fair value. There was no impairment charge for the three and the nine months ended September 30, 2014. For the three and nine months ended September 30, 2013, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of \$.1 million and \$1.9 million, respectively.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled \$1.1 million and \$1.2 million for the three months ended September 30, 2014 and 2013, respectively, and \$3.5 million and \$3.8 million for the nine months ended September 30, 2014 and 2013, respectively.

During 2014, we had a partial disposition of a 50% interest at an unconsolidated real estate joint venture for approximately \$5.1 million, resulting in a gain on our investment of \$1.7 million. Also, we sold three properties and other property held in unconsolidated real estate joint ventures, for approximately \$14.0 million, of which our share of the gain totaled \$3.0 million.

During 2013, the final two industrial properties in an unconsolidated real estate joint venture were sold. This joint venture was liquidated resulting in an \$11.5 million gain on our investment. Also, three shopping centers were sold, and our gross sales proceeds from the disposition of these five properties totaled \$35.5 million, of which our share of the gain totaled \$16.0 million. Furthermore, we sold our 10% interest in two unconsolidated tenancy-in-common arrangements and two unconsolidated real estate joint ventures that we previously accounted for under the equity method, for approximately \$15.7 million, resulting in a gain of \$1.9 million.

During 2013, a 51% owned unconsolidated real estate joint venture acquired real estate assets of approximately \$41.2 million. We also acquired our partner's 50% unconsolidated real estate joint venture interest in a California property that we had previously accounted for under the equity method. This transaction resulted in the consolidation of the property in our consolidated financial statements.

Note 5. Notes Receivable from Real Estate Joint Ventures and Partnerships

We have ownership interests in a number of real estate joint ventures and partnerships. At September 30, 2014, we had no outstanding notes receivable from real estate joint ventures and partnerships. At December 31, 2013, various notes receivable from these entities bore interest ranging from approximately 2.9% to 5.7% per year and mature at various dates through 2017. Generally, these notes receivable were secured by underlying real estate assets.

The outstanding notes were fully paid during 2014, and no write-offs occurred. Interest income recognized on these notes was \$.02 million and \$.5 million for the three months ended September 30, 2014 and 2013, respectively, and \$.1 million and \$1.8 million for the nine months ended September 30, 2014 and 2013, respectively.

In December 2013, we acquired our partner's 50% unconsolidated joint venture interest in a California property, which included the settlement of \$54.8 million of our notes receivable from real estate joint ventures and partnerships.

Note 6. Debt

Our debt consists of the following (in thousands):

	September 30, 2014	December 31, 2013
Debt payable to 2038 at 2.6% to 8.6%	\$1,697,015	\$2,205,104
Unsecured notes payable under credit facilities	216,000	—
Debt service guaranty liability	73,740	73,740
Obligations under capital leases	21,000	21,000
Total	\$2,007,755	\$2,299,844

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The grouping of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

	September 30, 2014	December 31, 2013
As to interest rate (including the effects of interest rate contracts):		
Fixed-rate debt	\$1,676,607	\$2,136,265
Variable-rate debt	331,148	163,579
Total	\$2,007,755	\$2,299,844
As to collateralization:		
Unsecured debt	\$1,371,931	\$1,572,057
Secured debt	635,824	727,787
Total	\$2,007,755	\$2,299,844

We maintain a \$500 million unsecured revolving credit facility, which was last amended on April 18, 2013. This facility expires in April 2017, provides for two consecutive six-month extensions upon our request and borrowing rates that float at a margin over LIBOR plus a facility fee. At September 30, 2014, the borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, were 115 and 20 basis points, respectively. The facility also contains a competitive bid feature that allows us to request bids for up to \$250 million. Additionally, an accordion feature allows us to increase the facility amount up to \$700 million.

Effective May 2010, we entered into an agreement with a bank for an unsecured and uncommitted overnight facility totaling \$99 million that we maintain for cash management purposes. The facility provides for fixed interest rate loans at a 30-day LIBOR rate plus a borrowing margin based on market liquidity.

The following table discloses certain information regarding our unsecured notes payable under our credit facilities (in thousands, except percentages):

	September 30, 2014	December 31, 2013		
Unsecured revolving credit facility:				
Balance outstanding	\$200,000	\$—		
Available balance	296,946	497,821		
Letters of credit outstanding under facility	3,054	2,179		
Variable interest rate (excluding facility fee)	0.7	% —		%
Unsecured and uncommitted overnight facility:				
Balance outstanding	\$16,000	\$—		
Variable interest rate	1.3	% —		%
Both facilities:				
Maximum balance outstanding during the period	\$270,000	\$265,500		
Weighted average balance	141,393	61,642		
Year-to-date weighted average interest rate (excluding facility fee)	0.8	% 1.0		%

Related to a development project in Sheridan, Colorado, we have provided a guaranty for the payment of any debt service shortfalls until a coverage rate of 1.4x is met on tax increment revenue bonds issued in connection with the project. 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 incremental taxes and PIF are to remain intact until the earlier of the date the bond liability has been paid in full or 2040. Therefore, a debt service guaranty liability equal to the fair value of the amounts funded under the bonds was recorded. As of both September 30, 2014 and December 31, 2013, we had \$73.7 million outstanding for the debt service guaranty liability.

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During 2014, \$315 million of fixed-rate medium term notes matured and were repaid at a weighted average interest rate of 5.2%, and we redeemed all \$100 million of our 8.1% senior unsecured notes. The majority of the 8.1% senior unsecured notes was redeemed at a purchase price of 100% of the principal amount, plus accrued and unpaid interest through the redemption date. In conjunction with the redemption in the third quarter of 2014, we wrote off \$1.2 million of debt costs. During 2013, \$173.6 million of fixed-rate medium term notes matured and were repaid at a weighted average interest rate of 5.4% and a \$100 million 6% secured fixed-rate note payable was repaid prior to maturity.

In October 2013, we issued \$250 million of 4.45% senior unsecured notes maturing in 2024. The notes were issued at 99.58% of the principal amount with a yield to maturity of 4.50%. The net proceeds received of \$247.3 million were used to reduce all amounts outstanding under our \$500 million unsecured revolving credit facility, and the remaining proceeds were invested in short-term instruments, which were used to pay down future debt maturities and for general business purposes.

In March 2013, we issued \$300 million of 3.5% senior unsecured notes maturing in 2023. The notes were issued at 99.53% of the principal amount with a yield to maturity of 3.56%. The net proceeds received of \$296.6 million were used to reduce amounts outstanding under our \$500 million unsecured revolving credit facility, which included borrowings used to redeem \$75 million of our 6.75% Series D Cumulative Redeemable Preferred Shares.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At September 30, 2014 and December 31, 2013, the carrying value of such assets aggregated \$1.1 billion and \$1.2 billion, respectively.

Scheduled principal payments on our debt (excluding \$216.0 million due under our credit facilities, \$21.0 million of certain capital leases, \$4.0 million fair value of interest rate contracts, \$(3.1) million net premium/(discount) on debt, \$4.5 million of non-cash debt-related items, and \$73.7 million debt service guaranty liability) are due during the following years (in thousands):

2014 remaining	\$4,417
2015	239,702
2016	249,954
2017	145,357
2018	59,945
2019	53,556
2020	34,990
2021	1,883
2022	304,397
2023	301,494
Thereafter	295,897
Total	\$1,691,592

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2014.

Note 7. Derivatives and Hedging

The fair value of all our interest rate contracts is reported as follows (in thousands):

	Assets		Liabilities	
	Balance Sheet Location	Amount	Balance Sheet Location	Amount
Designated Hedges:				
September 30, 2014	Other Assets, net	\$4,038	Other Liabilities, net	\$337
December 31, 2013	Other Assets, net	5,282	Other Liabilities, net	476

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The gross presentation, the effects of offsetting under master netting agreements and the net presentation of our interest rate contracts is as follows (in thousands):

	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
September 30, 2014						
Assets	\$4,038	\$—	\$4,038	\$—	\$—	\$4,038
Liabilities	337	—	337	—	—	337
December 31, 2013						
Assets	5,282	—	5,282	—	—	5,282
Liabilities	476	—	476	—	—	476

Cash Flow Hedges

As of September 30, 2014 and December 31, 2013, we had three interest rate contracts designated as cash flow hedges with an aggregate notional amount of \$25.4 million and \$25.8 million, respectively. These contracts have maturities through September 2017 and either fix or cap interest rates ranging from 2.3% to 5.0%. We have determined that these contracts are highly effective in offsetting future variable interest cash flows.

During 2013, we settled three forward-starting contracts with an aggregate notional amount of \$150 million hedging future fixed-rate debt issuances. These contracts fixed the 10-year swap rates at 2.4%. In connection with the October 2013 issuance of unsecured senior notes, we received \$6.1 million associated with the settlement of these contracts resulting in a \$5.9 million gain in accumulated other comprehensive loss.

As of September 30, 2014 and December 31, 2013, the net gain balance in accumulated other comprehensive loss relating to cash flow interest rate contracts was \$2.6 million and \$1.2 million, respectively, and will be reclassified to net interest expense as interest payments are made on our fixed-rate debt. Within the next 12 months, a loss of approximately \$1.8 million in accumulated other comprehensive loss is expected to be amortized to net interest expense related to settled interest rate contracts.

A summary of cash flow interest rate contract hedging activity is as follows (in thousands):

Derivatives Hedging Relationships	Amount of (Gain) Loss Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Three Months Ended September 30, 2014	\$(83)	) Interest expense, net	\$(404)	) Interest expense, net	\$—
Nine Months Ended September 30, 2014	(135)) Interest expense, net	(1,280)) Interest expense, net	—
	293) Interest expense,	(669)) Interest expense,	189

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Three Months Ended September 30, 2013		net		net
Nine Months Ended September 30, 2013	(6,735) Interest expense, net	(1,991) Interest expense, net 189

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Fair Value Hedges

As of September 30, 2014, we had two interest rate contracts, maturing through October 2017, with an aggregate notional amount of \$65.6 million that were designated as fair value hedges and convert fixed interest payments at rates of 7.5% to variable interest payments ranging from 4.2% to 4.3%. As of December 31, 2013, we had four interest rate contracts, maturing through October 2017, with an aggregate notional amount of \$116.7 million that were designated as fair value hedges and convert fixed interest payments at rates from 4.2% to 7.5% to variable interest payments ranging from .2% to 4.3%. We have determined that our fair value hedges are highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in interest rates.

A summary of the impact on net income for our interest rate contracts is as follows (in thousands):

	Gain (Loss) on Contracts	Gain (Loss) on Borrowings	Net Settlements and Accruals on Contracts	Amount of Gain (Loss) Recognized in Income ⁽¹⁾
Three Months Ended September 30, 2014				
Interest expense, net	\$(723)	) \$723	\$518	\$518
Nine Months Ended September 30, 2014				
Interest expense, net	(1,241)	) 1,241	1,664	1,664
Three Months Ended September 30, 2013				
Interest expense, net	(482)	) 482	1,015	1,015
Nine Months Ended September 30, 2013				
Interest expense, net	(3,586)	) 3,586	3,065	3,065

(1) No ineffectiveness was recognized during the respective period.

Note 8. Noncontrolling Interests

The following table summarizes the effect of changes in our ownership interest in subsidiaries on the equity attributable to us as follows (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Net income adjusted for noncontrolling interests	\$199,028	\$170,328
Transfers from the noncontrolling interests:		
Net increase in equity for the acquisition of noncontrolling interests	11,015	—
Change from net income adjusted for noncontrolling interests and transfers from the noncontrolling interests	\$210,043	\$170,328

Note 9. Discontinued Operations

For the nine months ended September 30, 2014, we disposed 12 centers, three in each of Georgia and Texas and two in each of Florida, Louisiana and North Carolina. These dispositions represent the centers that were classified as discontinued operations or held for sale prior to April 1, 2014, the adoption date for the new qualification criteria for discontinued operations (see Note 2 for further information). Since adoption, no other dispositions qualify as discontinued operations under the new guidance.

During 2013, we sold 20 centers, nine in Texas, three in each of Florida and North Carolina, two in New Mexico and one in each of California, Nevada and Tennessee. As of December 31, 2013, we classified as held for sale eight centers that consisted of property and accumulated depreciation totaling \$155.0 million and \$32.4 million, respectively, with three located in Georgia, two in each of Florida and Texas and one in North Carolina.

Excluding property held for sale at December 31, 2013, our Condensed Consolidated Balance Sheet at December 31, 2013 included \$68.6 million of property and \$13.2 million of accumulated depreciation related to the four centers that were sold and classified as discontinued operations during 2014.

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The operating results of these centers have been reclassified and reported as discontinued operations in the Condensed Consolidated Statements of Operations as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues, net	\$—	\$9,408	\$1,062	\$36,424
Depreciation and amortization	—	(2,261	) (260	) (9,177
Operating expenses	—	(1,527	) (285	) (6,224
Real estate taxes, net	—	(1,059	) (136	) (3,960
Impairment loss	—	—	—	(236
General and administrative	—	(3	) (2	) (19
Interest, net	—	(2,076	) (19	) (6,580
Provision for income taxes	—	(159	) (18	) (303
Operating income from discontinued operations	—	2,323	342	9,925
Gain on sale of property from discontinued operations	—	38,214	44,582	116,226
Income from discontinued operations	\$—	\$40,537	\$44,924	\$126,151

Note 10. Supplemental Cash Flow Information

Non-cash investing and financing activities are summarized as follows (in thousands):

	Nine Months Ended	
	September 30,	
	2014	2013
Accrued property construction costs	\$4,775	\$9,662
Increase in equity for the acquisition of noncontrolling interests in consolidated real estate joint ventures	11,015	—
Decrease in notes receivable from real estate joint ventures and partnerships in association with our contribution in an unconsolidated real estate joint venture	(6,431) —
Property acquisitions and investments in unconsolidated real estate joint ventures:		
Increase in property, net	—	18,698
Decrease in notes receivable from real estate joint ventures and partnerships	—	(3,636
Decrease in real estate joint ventures and partnerships - investments	—	(50
Increase in debt, net	—	21,396
Increase in security deposits	—	129
Sale of property and property interest:		
Decrease in property, net	(127,837) —
Decrease in real estate joint ventures and partnerships - investments	(17) —
Decrease in other, net	(34) —
Decrease in debt, net due to debt assumption	(11,069) —
Decrease in security deposits	(459) —
Decrease in noncontrolling interests	(155,278) —

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Note 11. Earnings Per Share

Earnings per common share – basic is computed using net income attributable to common shareholders and the weighted average number of shares outstanding – basic. Earnings per common share – diluted includes the effect of potentially dilutive securities. Income from continuing operations attributable to common shareholders includes gain on sale of property in accordance with Securities and Exchange Commission guidelines. The components of earnings per common share – basic and diluted for the prior periods have been recast to conform with discontinued operations. Earnings per common share – basic and diluted components for the periods indicated are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator:				
Continuing Operations:				
Income from continuing operations	\$32,703	\$21,689	\$87,633	\$84,663
Gain on sale of property	69,496	163	71,407	570
Net income attributable to noncontrolling interests	(1,870)	(1,921)	(4,988)	(3,914)
Dividends on preferred shares	(2,710)	(2,710)	(8,130)	(15,463)
Redemption costs of preferred shares	—	—	—	(17,944)
Income from continuing operations attributable to common shareholders – basic	97,619	17,221	145,922	47,912
Income attributable to operating partnership units	455	—	1,368	—
Income from continuing operations attributable to common shareholders – diluted	\$98,074	\$17,221	\$147,290	\$47,912
Discontinued Operations:				
Income from discontinued operations	\$—	\$40,537	\$44,924	\$126,151
Net loss (income) attributable to noncontrolling interests	—	74	52	(37,142)
Income from discontinued operations attributable to common shareholders – basic and diluted	\$—	\$40,611	\$44,976	\$89,009
Denominator:				
Weighted average shares outstanding - basic	121,560	121,359	121,487	121,235
Effect of dilutive securities:				
Share options and awards	1,385	1,172	1,316	1,206
Operating partnership units	1,495	—	1,498	—
Weighted average shares outstanding - diluted	124,440	122,531	124,301	122,441
Anti-dilutive securities of our common shares, which are excluded from the calculation of earnings per common share – diluted, are as follows (in thousands):				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Share options ⁽¹⁾	1,210	1,929	1,916	1,929
Operating partnership units	—	1,555	—	1,555
Total anti-dilutive securities	1,210	3,484	1,916	3,484

(1) Exclusion results as exercise prices were greater than the average market price for each respective period.

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Note 12. Share Options and Awards

During 2014, we granted restricted share awards incorporating both service-based and market-based measures to promote share ownership among the participants and to emphasize the importance of total shareholder return ("TSR"). The terms of each grant vary depending upon the participant's responsibilities and position within the Company. We categorize these share awards as either service-based share awards or market-based share awards. All awards were valued at the fair market value on the date of grant and earn dividends throughout the vesting period. Compensation expense is measured at the grant date and recognized over the vesting period. Generally, unvested restricted share awards are forfeited upon the termination of the participant's employment with us.

The fair value of the market-based share awards was estimated on the date of grant using a Monte Carlo valuation model based on the following assumptions:

	Nine Months Ended			
	September 30, 2014			
	Minimum	Maximum		
Dividend yield	0.0	% 4.1		%
Expected volatility	14.8	% 25.3		%
Expected life (in years)	N/A	3		
Risk-free interest rate	0.1	% 0.8		%

A summary of the status of unvested restricted share awards for the nine months ended September 30, 2014 is as follows:

	Unvested Restricted Share Awards	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2014	575,167	\$26.54
Granted:		
Service-based awards	109,519	30.11
Market-based awards relative to FTSE NAREIT U.S. Shopping Center Index	49,065	33.88
Market-based awards relative to three-year absolute TSR	49,065	27.63
Trust manager awards	29,043	31.00
Vested	(116,877	) 21.34
Forfeited	(301	) 28.32
Outstanding, September 30, 2014	694,681	\$28.76

As of September 30, 2014 and December 31, 2013, there was approximately \$3.4 million and \$3.9 million, respectively, of total unrecognized compensation cost related to unvested restricted shares, which is expected to be amortized over a weighted average of 1.2 years and 1.4 years, respectively.

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Note 13. Employee Benefit Plans

Defined Benefit Plans

We sponsor a noncontributory qualified retirement plan. The components of net periodic benefit cost for this plan are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Service cost	\$252	\$285	\$756	\$993
Interest cost	450	344	1,350	1,197
Expected return on plan assets	(740	) (545	) (2,220	) (1,898
Recognized loss	96	284	288	990
Total	\$58	\$368	\$174	\$1,282

For the nine months ended September 30, 2014 and 2013, we contributed \$2.1 million and \$1.8 million, respectively, to the qualified retirement plan. Currently, we do not anticipate making any additional contributions to this plan during 2014.

Defined Contribution Plans

Compensation expense related to our defined contribution plans was \$.8 million for both the three months ended September 30, 2014 and 2013, and \$2.5 million for both the nine months ended September 30, 2014 and 2013.

Note 14. Related Parties

Through our management activities and transactions with our real estate joint ventures and partnerships, we had net accounts receivable of \$1.8 million and \$1.4 million outstanding as of September 30, 2014 and December 31, 2013, respectively. We also had accounts payable and accrued expenses of \$5.3 million and \$5.6 million outstanding as of September 30, 2014 and December 31, 2013, respectively. For the three months ended September 30, 2014 and 2013, we recorded joint venture fee income of \$1.1 million and \$1.2 million, respectively. For the nine months ended September 30, 2014 and 2013, we recorded joint venture fee income of \$3.5 million and \$3.8 million, respectively. In 2014, we completed the dissolution of our consolidated real estate joint venture with Hines Retail REIT (“Hines”), in which we owned a 30% interest. At December 31, 2013, this joint venture held a portfolio of 13 properties located in Texas, Tennessee, Georgia, Florida and North Carolina with \$172.9 million in total assets and \$11.1 million of debt, net, which was assumed by Hines. This transaction was completed through the distribution of five properties to us, resulting in an increase to our equity of \$11.0 million, and eight properties to Hines. The eight properties distributed to Hines were classified as held for sale at December 31, 2013, and we realized a \$23.3 million gain in discontinued operations associated with this transaction.

In 2013, we sold our 10% interest in two unconsolidated tenancy-in-common arrangements to our partner for approximately \$8.9 million. Also, we received cash, real property and our partner’s interest in two consolidated joint ventures in exchange for our interest in two unconsolidated joint ventures and the payment of a note receivable (see Note 15 for additional information under Litigation). Furthermore, we acquired our partner’s 50% unconsolidated joint venture interest in a California property.

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Note 15. Commitments and Contingencies

Commitments and Contingencies

As of September 30, 2014 and December 31, 2013, we participated in three real estate ventures structured as DownREIT partnerships that have properties in Arkansas, California, North Carolina and Texas. As a general partner, we have operating and financial control over these ventures and consolidate them in our consolidated financial statements. These ventures allow the outside limited partners to put their interest in the partnership to us in exchange for our common shares or an equivalent amount in cash. We may acquire any limited partnership interests that are put to the partnership, and we have the option to redeem the interest in cash or a fixed number of our common shares, at our discretion. We also participate in a real estate venture that has a property in Texas that allows its outside partner to put operating partnership units to us. We have the option to redeem these units in cash or a fixed number of our common shares, at our discretion. No common shares were issued in exchange for any of these interests during the nine months ended September 30, 2014 or 2013. The aggregate redemption value of these interests was approximately \$47 million and \$41 million as of September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014, we have entered into commitments aggregating \$56.5 million comprised principally of construction contracts which are generally due in 12 to 36 months.

We issue letters of intent signifying a willingness to negotiate for acquisitions, dispositions or joint ventures, as well as other types of potential transactions, during the ordinary course of our business. Such letters of intent and other arrangements are non-binding to all parties unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the acquisition or disposition of property are entered into, these contracts generally provide the purchaser a time period to evaluate the property and conduct due diligence. The purchaser, during this time, will have the ability to terminate a contract without penalty or forfeiture of any deposit or earnest money. No assurance can be provided that any definitive contracts will be entered into with respect to any matter covered by letters of intent, or that we will consummate any transaction contemplated by a definitive contract. Additionally, due diligence periods for property transactions are frequently extended as needed. An acquisition or disposition of property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. Our risk is then generally extended only to any earnest money deposits associated with property acquisition contracts, and our obligation to sell under a property sales contract.

We are subject to numerous federal, state and local environmental laws, ordinances and regulations in the areas where we own or operate properties. We are not aware of any contamination which may have been caused by us or any of our tenants that would have a material effect on our consolidated financial statements.

As part of our risk management activities, we have applied and been accepted into state sponsored environmental programs which will limit our expenses if contaminants need to be remediated. We also have an environmental insurance policy that covers us against third party liabilities and remediation costs.

While we believe that we do not have any material exposure to environmental remediation costs, we cannot give absolute assurance that changes in the law or new discoveries of contamination will not result in additional liabilities to us.

Litigation

During 2013, we settled a lawsuit we filed in 2011 against our joint venture partner in connection with a development project in Sheridan, Colorado for an alleged failure of our joint venture partner to repay to us an intercompany note payable. Pursuant to the settlement agreement, our \$16.1 million note receivable was paid in exchange for cash and real property totaling \$19.1 million, receipt of our partner's interest in two consolidated joint ventures resulting in an increase of approximately \$16.2 million in noncontrolling interests and distribution of our interest in two unconsolidated joint ventures with total assets of \$23.2 million.

We are also involved in various matters of litigation arising in the normal course of business. While we are unable to predict the amounts involved, our management and counsel are of the opinion that, when such litigation is resolved, any additional liability, if any, will not have a material effect on our consolidated financial statements.

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Note 16. Variable Interest Entities

Consolidated VIEs

At September 30, 2014, one of our real estate joint ventures, whose activities primarily consisted of owning and operating 16 neighborhood/community shopping centers located in Texas, was determined to be VIE. During 2014, we completed the dissolution of a real estate joint venture that was previously determined to be a VIE. At December 31, 2013, two of our real estate joint ventures, whose activities primarily consisted of owning and operating 28 neighborhood/community shopping centers located in Florida, Georgia, North Carolina, Tennessee and Texas, were determined to be VIEs. Based on financing agreements that are guaranteed solely by us, we have determined that we are the primary beneficiary in each of the foregoing instances and have consolidated these joint ventures.

A summary of our consolidated VIEs is as follows (in thousands):

	September 30, 2014	December 31, 2013
Maximum Risk of Loss ⁽¹⁾	\$37,178	\$40,471
Assets Held by VIEs	59,637	233,734
Assets Held as Collateral for Debt	57,256	80,137

(1) The maximum risk of loss has been determined to be limited to our debt exposure for each real estate joint venture. Restrictions on the use of these assets are significant because they serve as collateral for the VIEs' debt, and we would generally be required to obtain our partners' approval in accordance with the joint venture agreements for any major transactions. Transactions with these joint ventures on our consolidated financial statements have been limited to changes in noncontrolling interests and reductions in debt from our partners' contributions. We and our partners are subject to the provisions of the joint venture agreements which include provisions for when additional contributions may be required to fund operating cash shortfalls and unplanned capital expenditures.

Unconsolidated VIEs

At September 30, 2014 and December 31, 2013, one unconsolidated real estate joint venture was determined to be a VIE through the issuance of a secured loan, since the lender had the ability to make decisions that could have a significant impact on the success of the entity. A summary of our unconsolidated VIE is as follows (in thousands):

	September 30, 2014	December 31, 2013
Investment in Real Estate Joint Ventures and Partnerships, net ⁽¹⁾	\$11,443	\$11,536
Maximum Risk of Loss ⁽²⁾	11,129	11,542

(1) The carrying amount of the investment represents our contributions to the real estate joint venture, net of any distributions made and our portion of the equity in earnings of the joint venture.

(2) The maximum risk of loss has been determined to be limited to our debt exposure for the real estate joint venture. We and our partners are subject to the provisions of the joint venture agreements that specify conditions, including operating shortfalls and unplanned capital expenditures, under which additional contributions may be required.

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Note 17. Fair Value Measurements

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy in which those measurements fall, are as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at September 30, 2014
Assets:				
Investments, mutual funds held in a grantor trust	\$19,086			\$19,086
Investments, mutual funds	7,714			7,714
Derivative instruments:				
Interest rate contracts		\$4,038		4,038
Total	\$26,800	\$4,038	\$—	\$30,838
Liabilities:				
Derivative instruments:				
Interest rate contracts		\$337		\$337
Deferred compensation plan obligations	\$19,086			19,086
Total	\$19,086	\$337	\$—	\$19,423
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2013
Assets:				
Investments, mutual funds held in a grantor trust	\$18,583			\$18,583
Investments, mutual funds and time deposit	8,408	\$50,034		58,442
Derivative instruments:				
Interest rate contracts		5,282		5,282
Total	\$26,991	\$55,316	\$—	\$82,307
Liabilities:				
Derivative instruments:				
Interest rate contracts		\$476		\$476
Deferred compensation plan obligations	\$18,583			18,583
Total	\$18,583	\$476	\$—	\$19,059

Nonrecurring Fair Value Measurements

Property Impairments

Property is reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property, including any identifiable intangible assets, site costs and capitalized interest, may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. If we conclude that an impairment may have occurred, estimated fair values are determined by management utilizing cash flow models, market capitalization rates and market discount rates, or by obtaining third-party broker valuation estimates, appraisals, bona fide purchase offers or the expected sales price of an executed sales agreement in accordance with our

fair value measurements accounting policy. Market capitalization rates and market discount rates are determined by reviewing current sales of similar properties and transactions, and utilizing management's knowledge and expertise in property marketing.

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No assets were measured at fair value on a nonrecurring basis at September 30, 2014. Assets measured at fair value on a nonrecurring basis at December 31, 2013, aggregated by the level in the fair value hierarchy in which those measurements fall, are as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Total Gains (Losses) ⁽¹⁾
Property ⁽²⁾		\$3,300	\$8,576	\$11,876	\$(2,358)
Total	\$—	\$3,300	\$8,576	\$11,876	\$(2,358)

⁽¹⁾ Total gains (losses) are reflected throughout 2013 and exclude impairments on disposed assets because they are no longer held by us.

In accordance with our policy of evaluating and recording impairments on the disposal of long-lived assets, property with a carrying amount of \$14.3 million was written down to a fair value of \$11.9 million, resulting in a ⁽²⁾loss of \$2.4 million, which was included in earnings for the period. Management's estimate of the fair value of these properties was determined using bona fide purchase offer for the Level 2 inputs. See the quantitative information about the significant unobservable inputs used for our Level 3 fair value measurements table below.

Fair Value Disclosures

Unless otherwise described below, short-term financial instruments and receivables are carried at amounts which approximate their fair values based on their highly-liquid nature, short-term maturities and/or expected interest rates for similar instruments.

Schedule of our fair value disclosures is as follows (in thousands):

	September 30, 2014		December 31, 2013		
	Carrying Value	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)	Carrying Value	Fair Value Using Significant Unobservable Inputs (Level 3)
Notes receivable from real estate joint ventures and partnerships				\$13,330	\$13,549
Tax increment revenue bonds ⁽¹⁾	\$25,392		\$25,392	25,850	25,850
Investments, held to maturity ⁽²⁾	2,750	\$2,741			
Debt:					
Fixed-rate debt	1,676,607		1,734,523	2,136,265	2,150,891
Variable-rate debt	331,148		338,895	163,579	172,349

⁽¹⁾ At September 30, 2014 and December 31, 2013, the credit loss balance on our tax increment revenue bonds was \$31.0 million.

⁽²⁾ Investments held to maturity are recorded at cost and have a gross unrealized loss of \$9 thousand as of September 30, 2014.

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The quantitative information about the significant unobservable inputs used for our Level 3 fair value measurements as of September 30, 2014 and December 31, 2013 reported in the above tables, is as follows:

Description	Fair Value at		Valuation Technique	Unobservable Inputs	Range				
	September 30, 2014 (in thousands)	December 31, 2013			Minimum		Maximum		
					2014	2013	2014	2013	
Property		\$8,576	Broker valuation estimate Bona fide purchase offers	Indicative bid Contract price					
Notes receivable from real estate joint ventures and partnerships		13,549	Discounted cash flows	Discount rate				2.7	%
Tax increment revenue bonds	\$25,392	25,850	Discounted cash flows	Discount rate			7.5	%7.5	%
				Expected future growth rate	1.0	% 1.0	% 2.0	%2.0	%
				Expected future inflation rate	1.0	% 1.0	% 2.0	%2.0	%
Fixed-rate debt	1,734,523	2,150,891	Discounted cash flows	Discount rate	1.2	% 1.3	% 5.4	%7.4	%
Variable-rate debt	338,895	172,349	Discounted cash flows	Discount rate	.8	% .8	% 5.0	%5.0	%

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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 us, 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. We intend 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 include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. As described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013, factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) disruptions in financial markets, (ii) general economic and local real estate conditions, (iii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iv) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms, (v) changes in governmental laws and regulations, (vi) the level and volatility of interest rates, (vii) the availability of suitable acquisition opportunities, (viii) the ability to dispose of properties, (ix) changes in expected development activity, (x) increases in operating costs, (xi) tax matters, including failure to qualify as a real estate investment trust, and (xii) investments through real estate joint ventures and partnerships, which involve risks not present in investments in which we are the sole investor. Accordingly, there is no assurance that our expectations will be realized. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. Our results of operations and financial condition, as reflected in the accompanying consolidated financial statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors which could affect the ongoing viability of our tenants.

Executive Overview

Weingarten Realty Investors is a REIT organized under the Texas Business Organizations Code. We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping centers we own or lease. We also provide property management services for which we charge fees to either joint ventures where we are partners or other outside owners.

We operate a portfolio of rental properties, primarily neighborhood and community shopping centers, totaling approximately 47.4 million square feet of gross leasable area, that is either owned by us or others. We have a diversified tenant base with our largest tenant comprising only 3.4% of base minimum rental revenue during the first nine months of 2014.

At September 30, 2014, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 248 developed income-producing properties and three properties under development, which are located in 21 states spanning the country from coast to coast.

We also owned interests in 34 parcels of land held for development that totaled approximately 25.6 million square feet at September 30, 2014.

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We had approximately 6,100 leases with 4,000 different tenants at September 30, 2014. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Rental revenues generally include minimum lease payments, which often increase over the lease term, reimbursements of property operating expenses, including real estate taxes, and additional rent payments based on a percentage of the tenants' sales. Our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. We believe the stability of our anchor tenants, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should ensure the long-term success of our merchants and the viability of our portfolio.

Our goal is to remain a leader in owning and operating top-tier neighborhood and community shopping centers in certain markets of the United States. To complete the transformation our portfolio, we continue to focus on three strategic initiatives: (1) recycling capital to improve our portfolio, (2) maintaining a strong, flexible consolidated balance sheet and well-managed debt maturity schedule and (3) improving operating performance. We believe these initiatives will keep our portfolio of properties in the forefront of being among the strongest in our sector.

Under our capital recycling plan, we continue to dispose of non-core operating properties, which provides capital for growth opportunities and strengthens our operating fundamentals. During 2014, we successfully disposed of real estate assets with our share of aggregate gross sales proceeds totaling \$221 million, both directly or through our interest in real estate joint ventures or partnerships. This program is ongoing, and we expect to complete dispositions in the range of \$350 million to \$450 million in 2014, but we can give no assurances that this will actually occur. We have approximately \$250 million of dispositions currently under contracts or letters of intent; however, there are no assurances that these transactions will close. In the event we reach our disposition goal for 2014, this will effectively mark the completion of our portfolio transformation initiative. Going forward, we intend to continue to dispose of operating properties, but expect that the magnitude of these dispositions will be significantly reduced when compared to activity over the past several years.

As we are generally selling lower tier, non-core assets, potential buyers requiring financing for such acquisitions may find access to capital an issue, especially if long-term interest rates rise, but conditions are currently very good. We believe we will continue to successfully execute our capital recycling plan, although a number of factors, including weaknesses in the secured lending markets or a downturn in the economy, could adversely impact our ability to execute this plan.

We continue to actively seek acquisitions and new development opportunities to grow our operations. Despite substantial competition for quality opportunities, we will continue to identify select acquisition properties that meet our return hurdles and to actively evaluate other opportunities as they enter the market. Thus far in 2014, we have not closed any acquisitions of existing centers. We continue to focus on identifying new development projects as another source of growth. While current high land prices combined with potential tenants unwillingness to pay required rents have not produced many viable new projects to date, we have experienced an increase in new development activity and retailer interest, which we believe is a positive trend. During the first nine months of 2014, we acquired a new development property in Wake Forest, North Carolina and one in White Marsh, Maryland, with our expected investment in these properties to be approximately \$61 million. Furthermore, we are working with a developer on a mixed-use project in Seattle, Washington, with our expected investment in the retail portion of the project to approximate \$29 million. For 2014, we expect to invest in acquisitions and new developments in the range of \$100 million to \$175 million, but we can give no assurances that this will actually occur.

In addition, we continue to look for internal growth opportunities. Currently, we have 12 redevelopment projects in which we plan to invest approximately \$61 million over the next 24 months. Additionally, in 2014 we completed one redevelopment project in a 50% unconsolidated real estate joint venture, which has added approximately 7,200 incremental square feet to the total portfolio, with our share of the incremental investment totaling \$.6 million. Upon completion, the average projected stabilized return on our incremental investment on these redevelopment projects is expected to range between 10% to 15%.

We strive to maintain a strong, conservative capital structure which provides ready access to a variety of attractive long and short-term capital sources. We carefully balance lower cost short-term financing with long-term liabilities associated with acquired or developed long-term assets. During 2014, we paid down \$315 million of medium term

notes from the net proceeds of our \$250 million issuance in October 2013 of 4.45% senior unsecured notes that had been previously invested in short-term investments of \$50 million and cash and cash equivalents. Furthermore, in 2014, we redeemed \$100 million of our 8.1% senior unsecured notes, which was funded through our revolving credit facility. These transactions will further decrease our interest costs by replacing high-cost debt with much lower rate debt.

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We believe that these transactions should continue to strengthen our consolidated balance sheet and further enhance our access to various sources of capital, while reducing our cost of capital. While the availability of capital has improved over the past few years, there can be no assurance that favorable pricing and availability will not deteriorate in the future. The transformation of our operating portfolio and the continued strengthening of our consolidated balance sheet has been rewarded with a change in outlook to Positive from Stable by Moody's Investor Services in June 2014.

Operational Metrics

In assessing the performance of our centers, management carefully monitors various operating metrics of the portfolio. As a result of our transformation initiative, strong leasing activity, low tenant fallout and lack of quality retail space in the market, the operating metrics of our portfolio continue to strengthen in 2014 as we focus on increasing occupancy and same property net operating income ("SPNOI"). Our portfolio delivered solid operating results with:

• improved occupancy to 94.9% for the nine months ended September 30, 2014 over the same period of 2013 of 94.4%;
 • an increase of 3.7% in SPNOI for the nine months ended September 30, 2014 over the same period of 2013; and
 • rental rate increases of 20.3% for new leases and 9.5% for renewals during the third quarter of 2014.

Below are performance metrics associated with our signed occupancy, SPNOI growth and leasing activity on a pro rata basis:

	September 30,		
	2014	2013	
Anchor (space of 10,000 square feet or greater)	98.5	% 97.9	%
Non-Anchor	89.1	% 88.7	%
Total Occupancy	94.9	% 94.4	%
	Three Months Ended	Nine Months Ended	
	September 30, 2014	September 30, 2014	
SPNOI Growth ⁽¹⁾	3.8	% 3.7	%

(1) See Non-GAAP Financial Measures for a definition of the measurement of SPNOI and a reconciliation to operating income within this section of Item 2.

	Number of Leases	Square Feet ('000's)	Average New Rent per Square Foot (\$)	Average Prior Rent per Square Foot (\$)	Average Cost of Tenant Improvements per Square Foot (\$)	Change in Base Rent on Cash Basis	
Leasing Activity:							
Three Months Ended September 30, 2014							
New leases ⁽¹⁾	67	276	\$17.61	\$14.64	\$31.27	20.3	%
Renewals	167	558	17.25	15.75	0.05	9.5	%
Not comparable spaces	59	239					
Total	293	1,073	\$17.37	\$15.38	\$10.38	12.9	%
Nine Months Ended September 30, 2014							
New leases ⁽¹⁾	182	556	\$18.82	\$16.55	\$23.95	13.7	%
Renewals	551	2,055	15.67	14.43	0.02	8.6	%
Not comparable spaces	144	538					
Total	877	3,149	\$16.34	\$14.88	\$5.11	9.8	%

(1) Average external lease commissions per square foot for the three and nine months ended September 30, 2014 were \$3.93 and \$4.69, respectively.

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While we will continue to monitor the economy and the effects on our tenants, over the long-term we believe the significant diversification of our portfolio, both geographically and by tenant base, and the quality of our portfolio will allow us to further increase occupancy levels slightly; however, occupancy may oscillate over the next several quarters as we continue to maximize our long-term portfolio value by repositioning some of our anchor space. A reduction in quality retail space available contributed to the increase in overall rental rates on a same-space basis as we completed new leases and renewed existing leases. Leasing volume is anticipated to decline as we have less vacant space available for leasing. Our expectation is that SPNOI will average between 2.5% to 3.5% for 2014.

New Development

At September 30, 2014, we had three properties under development. We have funded \$77.7 million to date on these projects, and we estimate our aggregate net investment upon completion to be \$126.4 million. Overall, the average projected stabilized return on investment for these properties is expected to be approximately 7.9% upon completion. We are working with a developer on a mixed-use project in Seattle, Washington. This project is expected to add approximately 63,000 leasable square feet to our portfolio upon completion, and our expected total investment in the retail portion of the project is approximately \$29 million.

We had approximately \$103.1 million in land held for development at September 30, 2014. While we are experiencing a greater interest from retailers and other market participants in our land held for development, opportunities for economically viable developments remain scarce. We intend to continue to pursue additional development and redevelopment opportunities in multiple markets; however, finding the right opportunities remains very challenging.

Acquisitions and Joint Ventures

Acquisitions are a key component of our long-term growth strategy. The availability of quality acquisition opportunities in the market remains sporadic in our targeted markets. Intense competition, along with a decline in the volume of high-quality core properties on the market, has in many cases driven pricing to pre-recession highs. We remain disciplined in approaching these opportunities, pursuing only those that provide appropriate risk-adjusted returns.

Dispositions

Dispositions are also a key component of our ongoing management process where we selectively prune properties from our portfolio that no longer meet our geographic or growth targets. Dispositions provide capital, which may be recycled into properties that are high barrier-to-entry locations within high growth metropolitan markets, and thus have higher long-term growth potential. Additionally, proceeds from dispositions may be used to reduce outstanding debt, further deleveraging our consolidated balance sheet. We expect this transformative initiative will continue to produce a portfolio with higher occupancy rates and stronger revenue growth.

Summary of Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A disclosure of our critical accounting policies which affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2013 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to our critical accounting policies during 2014. See the Newly Issued Accounting Pronouncements section below for the impact of accounting pronouncements that have been issued, but not yet adopted.

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Results of Operations

Comparison of the Three Months Ended September 30, 2014 to the Three Months Ended September 30, 2013

The following table is a summary of certain items in income from continuing operations from our Condensed Consolidated Statements of Operations, which we believe represent items that significantly changed during the third quarter of 2014 as compared to the same period in 2013:

	Three Months Ended September 30,				
	2014	2013	Change	% Change	
Revenues	\$ 130,521	\$ 123,302	\$ 7,219	5.9	%
Depreciation and amortization	36,694	35,348	1,346	3.8	
Impairment loss	—	2,358	(2,358)	(100.0))
Interest expense, net	24,373	26,018	(1,645)	(6.3))
Interest and other income, net	96	1,864	(1,768)	(94.8))
Equity in earnings of real estate joint ventures and partnerships, net	7,881	5,125	2,756	53.8	

Revenues

The increase in revenues of \$7.2 million is primarily attributable to an increase in net rental revenues from acquisitions and new development completions, which contributed \$4.6 million, as well as increases in occupancy and rental rates.

Depreciation and Amortization

The increase of \$1.3 million in depreciation and amortization is primarily attributable to acquisitions, new development completions and other capital activities.

Impairment Loss

The decrease in impairment loss of \$2.4 million is primarily attributable to the loss in 2013 associated with two unimproved land parcels.

Interest Expense, net

Net interest expense decreased \$1.6 million or 6.3%. The components of net interest expense were as follows (in thousands):

	Three Months Ended September 30,	
	2014	2013
Gross interest expense	\$25,379	\$26,651
Over-market mortgage adjustment	(184)	(13)
Capitalized interest	(822)	(620)
Total	\$24,373	\$26,018

Gross interest expense totaled \$25.4 million during the third quarter of 2014, down \$1.3 million or 4.8% from the third quarter of 2013. The decrease in gross interest expense is primarily attributable to a reduction in both the weighted average debt outstanding and interest rates totaling \$2.7 million as a result of the repayment of notes through the revolving credit facility, dispositions proceeds and short-term investments from the October 2013 note issuance. In the third quarter of 2014, the weighted average debt outstanding was \$2.05 billion at a weighted average interest rate of 4.67% as compared to \$2.13 billion outstanding at a weighted average interest rate of 5.00% in the same period of 2013. Offsetting this decrease is a \$1.2 million write-off of debt costs in the third quarter of 2014 associated with the redemption of the 8.1% senior unsecured notes.

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Interest and Other Income, net

The decrease of \$1.8 million in interest and other income, net is primarily attributable to the repayment of various notes receivable, and a \$1.1 million decrease in the fair value of assets held in a grantor trust related to our deferred compensation plan.

Equity in Earnings of Real Estate Joint Ventures and Partnerships, net

The increase of \$2.8 million is primarily attributable to our share of the gain in the third quarter of 2014 associated with the disposition of three properties.

Comparison of the Nine Months Ended September 30, 2014 to the Nine Months Ended September 30, 2013

The following table is a summary of certain items in income from continuing operations from our Condensed Consolidated Statements of Operations, which we believe represent items that significantly changed during the first nine months of 2014 as compared to the same period in 2013:

	Nine Months Ended September 30,				
	2014	2013	Change	% Change	
Revenues	\$388,304	\$363,124	\$25,180	6.9	%
Depreciation and amortization	113,948	107,039	6,909	6.5	
Real estate taxes, net	46,419	42,696	3,723	8.7	
Impairment loss	—	2,579	(2,579)	(100.0))
Interest expense, net	73,263	68,482	4,781	7.0	
Interest and other income, net	2,893	5,787	(2,894)	(50.0))
Gain on sale and acquisition of real estate joint venture and partnerships interests	1,718	11,599	(9,881)	(85.2))
Equity in earnings of real estate joint ventures and partnerships, net	16,331	14,467	1,864	12.9	
Benefit for income taxes	1,885	256	1,629	636.3	

Revenues

The increase in revenues of \$25.2 million is attributable to an increase in net rental revenues from acquisitions and new development completions, which contributed \$15.3 million, as well as increases in occupancy and rental rates.

Depreciation and Amortization

The increase of \$6.9 million is primarily attributable the acceleration of depreciation totaling \$3.6 million in the first quarter of 2014 for a redevelopment project, as well as acquisitions, new development completions and other capital activities.

Impairment Loss

The decrease in impairment loss of \$2.6 million is primarily attributable to the loss in 2013 associated with two unimproved land parcels.

Interest Expense, net

Net interest expense increased \$4.8 million or 7.0%. The components of net interest expense were as follows (in thousands):

	Nine Months Ended		
	September 30,		
	2014	2013	
Gross interest expense	\$76,260	\$79,817	
Over-market mortgage adjustment	(765)	(9,611))
Capitalized interest	(2,232)	(1,724))
Total	\$73,263	\$68,482	

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Gross interest expense totaled \$76.3 million during the first nine months of 2014, down \$3.6 million or 4.5% from the first nine months of 2013. In the first nine months of 2014, the weighted average debt outstanding was \$2.11 billion at a weighted average interest rate of 4.69% as compared to \$2.09 billion outstanding at a weighted average interest rate of 5.09% in the same period of 2013. The decrease in gross interest expense is primarily attributable to a reduction in interest rates as a result of the repayment of notes through the revolving credit facility, dispositions proceeds and short-term investments from the October 2013 note issuance. Offsetting this decrease of \$5.6 million is a \$1.2 million write-off of debt costs in 2014 associated with the redemption of the 8.1% senior unsecured notes. The decrease in the over-market mortgage adjustment of \$8.8 million is primarily attributable to a \$9.7 million write-off in 2013 of an above-market mortgage intangible from the early payoff of the associated mortgage.

Interest and Other Income, net

The decrease of \$2.9 million in interest and other income, net is primarily attributable to the repayment of various notes receivable, and a \$1.4 million decrease in the fair value of assets held in a grantor trust related to our deferred compensation plan.

Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests

The gain in 2014 is associated with the partial disposition of an unconsolidated real estate joint venture interest, while the gain in 2013 is attributable to the liquidation of an unconsolidated real estate joint venture that owned industrial properties.

Equity in Earnings of Real Estate Joint Ventures and Partnerships, net

The increase of \$1.9 million is primarily attributable to our share of the gain in the third quarter of 2014 associated with the disposition of three properties, which is offset by the purchase of a 50% equity interest and a property disposition in 2013.

Benefit for Income Taxes

The increase of \$1.6 million in the benefit for income taxes is primarily attributable to the realization of a \$2.1 million tax benefit in the second quarter of 2014 associated with the sale of unimproved land in our taxable REIT subsidiary, which was previously impaired.

Capital Resources and Liquidity

Our primary operating liquidity needs are paying our common and preferred dividends, maintaining and operating our existing properties, paying our debt service costs, excluding debt maturities, and funding capital expenditures. Under our 2014 business plan, cash flows from operating activities are expected to meet these planned capital needs.

The primary sources of capital for funding any debt maturities, acquisitions and new development are our excess cash flow generated by our operating properties; credit facilities; proceeds from both secured and unsecured debt issuances; proceeds from common and preferred equity issuances; and cash generated from the sale of property and the formation of joint ventures. Amounts outstanding under the revolving credit facility are retired as needed with proceeds from the issuance of long-term debt, common and preferred equity, cash generated from the disposition of properties and cash flow generated by our operating properties.

As of September 30, 2014, we had an available borrowing capacity of \$296.9 million under our revolving credit facility, and our remaining debt maturities for 2014 total \$4.4 million. We paid down \$315 million of medium term notes during 2014 from the net proceeds of our \$250 million issuance in October 2013 of 4.45% senior unsecured notes that previously had been invested in short-term investments of \$50 million and cash and cash equivalents. Additionally in 2014, we redeemed all \$100 million of our 8.1% senior unsecured notes.

We believe proceeds from our capital recycling program, combined with our available capacity under the credit facilities, will provide adequate liquidity to fund our capital needs, including acquisitions and new development activities. In the event our capital recycling program does not progress as expected, we believe other debt and equity alternatives are available to us. Although external market conditions are not within our control, we do not currently foresee any reason that would prevent us from entering the capital markets if needed.

During 2014, aggregate gross sales proceeds from our dispositions totaled \$221.0 million. Operating cash flows from discontinued operations are included in net cash from operating activities in our Condensed Consolidated Statements of Cash Flows, while proceeds from discontinued operations are included as investing activities. At September 30, 2014, discontinued operations represent .6% of our net cash from operating activities, and we expect future net cash

from operating activities to decrease accordingly when compared to prior periods.

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We have non-recourse debt secured by acquired or developed properties held in several of our real estate joint ventures and partnerships. Off-balance sheet mortgage debt for our unconsolidated real estate joint ventures and partnerships totaled \$383.3 million, of which our pro rata ownership is \$157.2 million, at September 30, 2014. Scheduled principal mortgage payments on this debt, excluding non-cash related items totaling \$1.2 million, at 100% are as follows (in millions):

2014 remaining	\$57.4
2015	22.6
2016	110.9
2017	56.8
2018	6.3
Thereafter	128.1
Total	\$382.1

We hedge the future cash flows of certain debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate contracts with major financial institutions. We generally have the right to sell or otherwise dispose of our assets except in certain cases where we are required to obtain our joint venture partners' consent or a third party consent for assets held in special purpose entities that are 100% owned by us.

Investing Activities**Dispositions**

During 2014, we sold 16 centers and other property, including real estate assets through our interests in unconsolidated real estate joint ventures and partnerships, and we partially disposed of an unconsolidated real estate joint venture interest. Our share of aggregate gross sales proceeds from these transactions totaled \$221.0 million and generated gains of approximately \$94.4 million.

During 2014, we completed the dissolution of our consolidated real estate joint venture with Hines, in which we owned a 30% interest. This joint venture held a portfolio of 13 centers located in Texas, Tennessee, Georgia, Florida and North Carolina. The transaction was completed through the distribution of five centers to us, resulting in an increase to our equity of \$11.0 million, and eight centers to Hines. The centers distributed to Hines were classified as held for sale at December 31, 2013, and we realized a \$23.3 million gain in discontinued operations associated with this transaction.

New Development

At September 30, 2014, we had three projects under development with a total square footage of approximately .6 million, of which we have funded \$77.7 million to date on these projects. Upon completion, we expect our aggregate net investment in these properties to be \$126.4 million.

We are working with a developer on a mixed-use project in Seattle, Washington. This project is expected to add approximately 63,000 leasable square feet to our portfolio upon completion, and our expected total investment in the retail portion of the project is approximately \$29 million.

Our new development projects are financed generally under our revolving credit facility, as it is our general practice not to use third party construction financing. Management monitors amounts outstanding under our revolving credit facility and periodically pays down such balances using cash generated from operations, from debt issuances, from common and preferred share issuances and from the disposition of properties.

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Capital Expenditures

Capital expenditures for additions to the existing portfolio, acquisitions, tenant improvements, new development and our share of investments in unconsolidated real estate joint ventures and partnerships are as follows (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Acquisitions	\$—	\$76,051
Tenant Improvements	16,557	24,380
New Development	41,066	12,431
Capital Improvements	8,303	6,071
Other (includes redevelopments)	12,043	7,255
Total	\$77,969	\$126,188

The decrease in capital expenditures is attributable primarily to a decline in acquisition activity offset by the increase in new development activity during the first nine months of 2014 compared to the same period in 2013.

For 2014, we anticipate our acquisitions to total between \$50 million and \$100 million. We anticipate our 2014 tenant improvement expenditures to be consistent with 2013. Our new development investment for 2014 is estimated to be approximately \$50 million to \$75 million. For 2014, capital improvement spending is expected to be consistent with 2013 expenditures. No assurances can be provided that our planned capital activities will occur. Further, we have entered into commitments aggregating \$56.5 million comprised principally of construction contracts which are generally due in 12 to 36 months and anticipated to be funded under our revolving credit facility.

Capital expenditures for additions described above relate to cash flows from investing activities as follows (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Acquisition of real estate and land	\$—	\$58,173
Development and capital improvements	77,178	50,014
Real estate joint ventures and partnerships - Investments	791	17,712
Notes receivable from real estate joint ventures and partnerships - Advances for capital expenditures	—	289
Total	\$77,969	\$126,188

Capitalized soft costs, including payroll and other general and administrative costs, interest and real estate taxes, totaled \$7.3 million and \$6.7 million for the nine months ended September 30, 2014 and 2013, respectively.

Financing Activities

Debt

Total debt outstanding was \$2.0 billion at September 30, 2014 and included \$1.7 billion which bears interest at fixed rates and \$331.1 million, including the effect of \$65.6 million of interest rate contracts, which bears interest at variable rates. Additionally, of our total debt, \$635.8 million was secured by operating properties while the remaining \$1.4 billion was unsecured.

At September 30, 2014, we have a \$500 million unsecured revolving credit facility which expires in April 2017 and provides borrowing rates that float at a margin over LIBOR plus a facility fee. At September 30, 2014, the borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, were 115 and 20 basis points, respectively. The facility also contains a competitive bid feature that allows us to request bids for up to \$250 million. Additionally, an accordion feature allows us to increase the facility amount up to \$700 million. As of October 31, 2014, we had \$190 million outstanding, and the available balance was \$305.9 million, net of \$4.1 million in outstanding letters of credit.

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We also have an agreement with a bank for an unsecured and uncommitted overnight facility totaling \$99 million that we maintain for cash management purposes. The facility provides for fixed interest rate loans at a 30-day LIBOR rate plus a borrowing margin based on market liquidity. As of October 31, 2014, we had no amount outstanding under this facility.

For the nine months ended September 30, 2014, the maximum balance and weighted average balance outstanding under both facilities combined were \$270.0 million and \$141.4 million, respectively, at a weighted average interest rate of .8%.

During 2014, we paid down \$315 million of medium term notes from the net proceeds of our \$250 million issuance in October 2013 of 4.45% senior unsecured notes that had been previously invested in short-term investments of \$50 million and cash and cash equivalents. Additionally, in 2014, we redeemed all \$100 million of our 8.1% senior unsecured notes, which was funded through our revolving credit facility.

Our five most restrictive covenants include debt to assets, secured debt to assets, fixed charge and unencumbered interest coverage and debt yield ratios. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2014.

Our most restrictive public debt covenant ratios, as defined in our indenture and supplemental indenture agreements, were as follows at September 30, 2014:

Covenant	Restriction	Actual
Debt to Asset Ratio	Less than 60.0%	42.2%
Secured Debt to Asset Ratio	Less than 40.0%	13.4%
Annual Service Charge Ratio	Greater than 1.5	3.4
Unencumbered Asset Test	Greater than 150%	248.9%

At September 30, 2014, we had two interest rate contracts, maturing through October 2017, with an aggregate notional amount of \$65.6 million that were designated as fair value hedges and convert fixed interest payments at rates of 7.5% to variable interest payments ranging from 4.2% to 4.3%.

At September 30, 2014, we had three interest rate contracts with an aggregate notional amount of \$25.4 million that were designated as cash flow hedges. These contracts have maturities through September 2017 and either fix or cap interest rates ranging from 2.3% to 5.0%. We have determined that these contracts are highly effective in offsetting future variable interest cash flows.

We could be exposed to losses in the event of nonperformance by the counter-parties related to our interest rate contracts; however, management believes such nonperformance is unlikely.

Equity

In February 2014, our Board of Trust Managers approved a 6.6% increase in our quarterly dividend rate for our common shares from \$.305 to \$.325 per share commencing with the first quarter 2014 distribution. Common and preferred dividends paid totaled \$126.5 million during the first nine months of 2014. Our dividend payout ratio (as calculated as dividends paid on common shares divided by funds from operations ("FFO") - basic) for the first nine months of 2014 approximated 62.0%, which is inclusive of non-cash transactions.

We have an effective universal shelf registration statement which expires in September 2017. We will continue to closely monitor both the debt and equity markets and carefully consider our available financing alternatives, including both public offerings and private placements.

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Contractual Obligations

We have debt obligations related to our mortgage loans and unsecured debt, including any draws on our credit facilities. We have shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to us to construct and/or operate a shopping center. In addition, we have non-cancelable operating leases pertaining to office space from which we conduct our business. The table below excludes obligations related to our new development projects because such amounts are not fixed or determinable, and commitments aggregating \$56.5 million comprised principally of construction contracts which are generally due in 12 to 36 months. The following table summarizes our primary contractual obligations as of September 30, 2014 (in thousands):

	Remaining 2014	2015	2016	2017	2018	Thereafter	Total
Mortgages and Notes Payable ⁽¹⁾							
Unsecured Debt	\$19,515	\$130,955	\$115,164	\$60,304	\$259,802	\$1,037,783	\$1,623,523
Secured Debt	13,308	183,819	200,514	138,333	59,583	148,767	744,324
Lease Payments	879	3,533	3,429	3,260	3,233	131,405	145,739
Other Obligations ⁽²⁾	22,997	33,536	50	50	—	—	56,633
Total Contractual Obligations	\$56,699	\$351,843	\$319,157	\$201,947	\$322,618	\$1,317,955	\$2,570,219

(1) Includes principal and interest with interest on variable-rate debt calculated using rates at September 30, 2014, excluding the effect of interest rate swaps. Also, excludes a \$73.7 million debt service guaranty liability.

Other obligations include income and real estate tax payments and commitments associated with our secured debt (2) payments. Contributions to our retirement plan are fully funded for 2014, and therefore, are excluded from the above table.

Related to a development project in Sheridan, Colorado, we have provided a guaranty for the payment of any debt service shortfalls on tax increment revenue bonds issued in connection with the project. The Sheridan Redevelopment Agency issued Series A bonds used for an urban renewal project, of which \$73.7 million remain outstanding at September 30, 2014. The bonds are to be repaid with incremental sales and property taxes and a 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 incremental taxes and PIF are to remain intact until the earlier of the payment of the bond liability in full or 2040. The debt associated with this guaranty has been recorded in our consolidated financial statements as of September 30, 2014.

Off-Balance Sheet Arrangements

As of September 30, 2014, none of our off-balance sheet arrangements had a material effect on our liquidity or availability of, or requirement for, our capital resources. Letters of credit totaling \$3.1 million were outstanding under the revolving credit facility at September 30, 2014.

We have entered into several unconsolidated real estate joint ventures and partnerships. Under many of these agreements, we and our joint venture partners are required to fund operating capital upon shortfalls in working capital. We have also committed to fund the capital requirements of new development joint ventures. As operating manager of most of these entities, we have considered these funding requirements in our business plan.

Reconsideration events, including changes in variable interests, could cause us to consolidate these joint ventures and partnerships. We continuously evaluate these events as we become aware of them. Some triggers to be considered are additional contributions required by each partner and each partner's ability to make those contributions. Under certain of these circumstances, we may purchase our partner's interest. Our material unconsolidated real estate joint ventures are with entities which appear sufficiently stable; however, if market conditions were to deteriorate and our partners are unable to meet their commitments, there is a possibility we may have to consolidate these entities. If we were to consolidate all of our unconsolidated real estate joint ventures, we would continue to be in compliance with our debt

covenants.

As of September 30, 2014, one unconsolidated real estate joint venture was determined to be a VIE through the issuance of a secured loan, since the lender had the ability to make decisions that could have a significant impact on the profitability of the entity. Our maximum risk of loss associated with this VIE was limited to \$11.1 million at September 30, 2014.

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We have a real estate limited partnership agreement with a foreign institutional investor with a remaining potential obligation to purchase up to \$240 million through December 31, 2014. Our ownership in this unconsolidated real estate limited partnership is 51%. To date, one property has been purchased.

Non-GAAP Financial Measures

Certain of our key performance indicators are considered non-GAAP financial measures. Management uses these measures along with our GAAP financial statements in order to evaluate our operating results. We believe these additional measures provide users of our financial information additional comparable indicators of our industry, as well as, our performance.

Funds from Operations

The National Association of Real Estate Investment Trusts (“NAREIT”) defines FFO as net income (loss) attributable to common shareholders computed in accordance with GAAP, excluding extraordinary items and gains or losses from sales of operating real estate assets and interests in real estate equity investments, plus depreciation and amortization of operating properties and impairment of depreciable real estate and in substance real estate equity investments, including our share of unconsolidated real estate joint ventures and partnerships. We calculate FFO in a manner consistent with the NAREIT definition.

We believe FFO is a widely recognized measure of REIT operating performance which provides our shareholders with a relevant basis for comparison among other REITs. Management uses FFO as a supplemental internal measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that uses historical cost accounting is insufficient by itself. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

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FFO is calculated as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income attributable to common shareholders	\$97,619	\$57,832	\$190,898	\$136,921
Depreciation and amortization	35,402	36,088	110,542	112,270
Depreciation and amortization of unconsolidated real estate joint ventures and partnerships	3,666	4,443	11,289	13,370
Impairment of operating properties and real estate equity investments	—	—	—	457
Impairment of operating properties of unconsolidated real estate joint ventures and partnerships	—	—	—	366
Gain on sale of property and interests in real estate equity investments	(69,468)	(38,325)	(117,643)	(91,878)
Gain on dispositions of unconsolidated real estate joint ventures and partnerships	(2,856)	(24)	(3,024)	(267)
Other	—	—	(4)	—
Funds from operations – basic	64,363	60,014	192,058	171,239
Income attributable to operating partnership units	455	445	1,368	1,336
Funds from operations – diluted	\$64,818	\$60,459	\$193,426	\$172,575
Weighted average shares outstanding – basic	121,560	121,359	121,487	121,235
Effect of dilutive securities:				
Share options and awards	1,385	1,172	1,316	1,206
Operating partnership units	1,495	1,555	1,498	1,555
Weighted average shares outstanding – diluted	124,440	124,086	124,301	123,996
Funds from operations per share – basic	\$0.53	\$0.49	\$1.58	\$1.41
Funds from operations per share – diluted	\$0.52	\$0.49	\$1.56	\$1.39

Same Property Net Operating Income

We consider SPNOI to be a key indicator of our financial performance as it provides a better indication of the recurring cash return on our properties by excluding certain non-cash revenues and expenses, as well as other infrequent or one-time items. We believe a pro rata basis is the most useful measurement as it provides our proportional share of SPNOI from all owned properties, including our share of SPNOI from unconsolidated joint ventures and partnerships, which cannot be readily determined under GAAP measurements and presentation. Although SPNOI is a widely used measure among REITs, there can be no assurance that SPNOI presented by us is comparable to similarly titled measures of other REITs.

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Properties are included in the SPNOI calculation if they are owned and operated for the entirety of the most recent two fiscal year periods, except for properties for which significant redevelopment or expansion occurred during either of the periods presented, and properties classified as discontinued operations. While there is judgment surrounding changes in designations, we move new development and redevelopment properties once they have stabilized, which is typically upon attainment of 90% occupancy. A rollforward of the properties included in our same property designation is as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Beginning of the period	245	252
Properties added:		
Acquisitions	—	4
New Developments	—	4
Redevelopments	—	2
Properties removed:		
Dispositions	(11	) (24
Redevelopments	—	(4
End of the period	234	234

We calculate SPNOI using operating income as defined by GAAP excluding property management fees, certain non-cash revenues and expenses such as straight-line rental revenue and the related reversal of such amounts upon early lease termination, depreciation, amortization, impairment losses, general and administrative expenses, acquisition costs and other nonrecurring items such as lease cancellation income, environmental abatement costs and demolition expenses. Consistent with the capital treatment of such costs under GAAP, tenant improvements, leasing commissions and other direct leasing costs are excluded from SPNOI. A reconciliation of operating income to SPNOI is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Income	\$48,815	\$40,485	\$138,069	\$121,036
Less:				
Revenue adjustments ⁽¹⁾	1,814	2,289	4,954	8,166
Add:				
Property management fees	617	701	2,185	2,326
Depreciation and amortization	36,694	35,348	113,948	107,039
Impairment loss	—	2,358	—	2,579
General and administrative	6,146	5,964	17,879	18,812
Acquisition costs	50	14	69	370
Other ⁽²⁾	76	353	472	126
Net Operating Income	90,584	82,934	267,668	244,122
Less: NOI related to consolidated entities not defined as same property and noncontrolling interests	(10,675	) (6,870	) (31,031	) (18,231
Add: Pro rata share of unconsolidated entities defined as same property	9,238	9,794	27,443	28,879
Same Property Net Operating Income	\$89,147	\$85,858	\$264,080	\$254,770

⁽¹⁾ Revenue adjustments consist primarily of straight-line rentals, lease cancellation income and fee income primarily from real estate joint ventures and partnerships.

⁽²⁾ Other includes items such as environmental abatement costs and demolition expenses.

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Newly Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This ASU's core objective is for an entity to recognize revenue based on the consideration it expects to receive in exchange for goods or services. Additionally, this ASU requires entities to use a single model in accounting for revenues derived from contracts with customers. ASU No. 2014-09 replaces prior guidance regarding the recognition of revenue from sales of real estate except for revenue from sales that are part of a sale-leaseback transaction. The provisions of ASU No. 2014-09 are effective for us on January 1, 2017, and are required to be applied either on a retrospective or a modified retrospective approach. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU's core objective is that management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. The provisions of ASU No. 2014-15 are effective for us as of December 31, 2016, and early adoption is permitted. We do not expect the adoption of this update to have any impact to our consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We use fixed and floating-rate debt to finance our capital requirements. These transactions expose us to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate contracts with major financial institutions. These agreements expose us to credit risk in the event of non-performance by the counter-parties. We do not engage in the trading of derivative financial instruments in the normal course of business. At September 30, 2014, we had fixed-rate debt of \$1.7 billion and variable-rate debt of \$331.1 million, after adjusting for the net effect of \$65.6 million notional amount of interest rate contracts. In the event interest rates were to increase 100 basis points and holding all other variables constant, annual net income and cash flows for the following year would decrease by approximately \$3.3 million associated with our variable-rate debt, including the effect of the interest rate contracts. The effect of the 100 basis points increase would decrease the fair value of our variable-rate and fixed-rate debt by approximately \$6.9 million and \$94.5 million, respectively.

ITEM 4. Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of September 30, 2014. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2014.

There has been no change to our internal control over financial reporting during the quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings

We are involved in various matters of litigation arising in the normal course of business. While we are unable to predict the amounts involved, our management and counsel believe that when such litigation is resolved, our resulting liability, if any, will not have a material effect on our consolidated financial statements.

ITEM 1A. Risk Factors

We have no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

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ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

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.

WEINGARTEN REALTY INVESTORS
(Registrant)

By: /s/ Andrew M. Alexander
Andrew M. Alexander
President and Chief Executive Officer

By: /s/ Joe D. Shafer
Joe D. Shafer
Senior Vice President/Chief Accounting Officer
(Principal Accounting Officer)

DATE: November 6, 2014

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EXHIBIT INDEX

(a) Exhibits:

- 31.1* — Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
- 31.2* — Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
- 32.1** — Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
- 32.2** — Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
- 101.INS** — XBRL Instance Document
- 101.SCH** — XBRL Taxonomy Extension Schema Document
- 101.CAL** — XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF** — XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB** — XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE** — XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this report.

** Furnished with this report.