RAMCO GERSHENSON PROPERTIES TRUST
Form 10-Q
August 04, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

Commission file number 1-10093

RAMCO-GERSHENSON PROPERTIES TRUST
(Exact name of registrant as specified in its charter)

MARYLAND (State of other jurisdiction of incorporation or organization)	13-6908486 (I.R.S Employer Identification Numbers)
31500 Northwestern Highway, Suite 300 Farmington Hills, Michigan (Address of principal executive offices)	48334 (Zip Code)

248-350-9900
(Registrant's telephone number, including area code)

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 x No o

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 x No o

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 the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Number of common shares of beneficial interest ($0.01 par value) of the registrant outstanding as of July 27, 2016: 79,247,938

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PART 1 – FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Income producing properties, at cost:		
Land	$385,423	$392,352
Buildings and improvements	1,758,731	1,792,129
Less accumulated depreciation and amortization	(342,304)	(331,520)
Income producing properties, net	1,801,850	1,852,961
Construction in progress and land available for development or sale	66,224	60,166
Real estate held for sale	—	453
Net real estate	1,868,074	1,913,580
Equity investments in unconsolidated joint ventures	3,159	4,325
Cash and cash equivalents	4,369	6,644
Restricted cash	7,785	8,708
Accounts receivable (net of allowance for doubtful accounts of $2,945 and $2,790 as of June 30, 2016 and December 31, 2015, respectively)	16,854	18,705
Acquired lease intangibles, net	78,115	88,819
Other assets, net	86,904	87,890
TOTAL ASSETS	$2,065,260	$2,128,671
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable, net	$1,026,418	$1,083,711
Capital lease obligation	1,108	1,108
Accounts payable and accrued expenses	42,115	44,480
Acquired lease intangibles, net	61,366	64,193
Other liabilities	14,366	10,035
Distributions payable	18,807	18,807
TOTAL LIABILITIES	1,164,180	1,222,334
Commitments and Contingencies		
Ramco-Gershenson Properties Trust ("RPT") Shareholders' Equity:		
Preferred shares, $0.01 par, 2,000 shares authorized: 7.25% Series D Cumulative Convertible Perpetual Preferred Shares, (stated at liquidation preference $50 per share), 1,849 shares issued and outstanding as of June 30, 2016 and December 31, 2015	$92,427	$92,427
Common shares of beneficial interest, $0.01 par, 120,000 shares authorized, 79,234 and 79,162 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	792	792
Additional paid-in capital	1,157,066	1,156,345
Accumulated distributions in excess of net income	(362,137)	(363,937)
Accumulated other comprehensive loss	(8,232)	(1,404)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO RPT	879,916	884,223
Noncontrolling interest	21,164	22,114

TOTAL SHAREHOLDERS' EQUITY	901,080	906,337
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,065,260	$2,128,671

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

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE				
Minimum rent	$48,554	$44,327	$96,950	$87,678
Percentage rent	138	18	440	371
Recovery income from tenants	16,032	13,962	32,778	28,284
Other property income	914	850	1,872	1,709
Management and other fee income	245	578	355	1,110
TOTAL REVENUE	65,883	59,735	132,395	119,152
EXPENSES				
Real estate taxes	11,132	9,126	21,441	18,121
Recoverable operating expense	6,672	6,846	14,751	14,124
Other non-recoverable operating expense	564	994	1,957	1,707
Depreciation and amortization	22,714	21,120	46,561	41,483
Acquisition costs	4	265	63	307
General and administrative expense	5,683	5,474	11,288	10,348
Provision for impairment	—	—	—	2,521
TOTAL EXPENSES	46,769	43,825	96,061	88,611
OPERATING INCOME	19,114	15,910	36,334	30,541
OTHER INCOME AND EXPENSES				
Other income (expense), net	198	27	(150)	(191)
Gain on sale of real estate	19,799	273	26,324	3,469
Earnings from unconsolidated joint ventures	109	335	218	2,995
Interest expense	(11,002)	(10,058)	(21,924)	(20,027)
Amortization of deferred financing fees	(374)	(330)	(754)	(664)
Other gain on unconsolidated joint ventures	215	—	215	—
Gain on extinguishment of debt	—	1,387	—	1,387
INCOME BEFORE TAX	28,059	7,544	40,263	17,510
Income tax provision	(39)	(255)	(101)	(277)
NET INCOME	28,020	7,289	40,162	17,233
Net income attributable to noncontrolling partner interest	(659)	(199)	(956)	(476)
NET INCOME ATTRIBUTABLE TO RPT	27,361	7,090	39,206	16,757
Preferred share dividends	(1,675)	(1,675)	(3,350)	(3,487)
Preferred share conversion costs	—	(500)	—	(500)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$25,686	$4,915	$35,856	$12,770
EARNINGS PER COMMON SHARE				
Basic	$0.32	$0.06	$0.45	$0.16
Diluted	$0.32	$0.06	$0.45	$0.16

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	79,233	79,124	79,214	78,528
Diluted	86,027	79,319	79,413	78,731
OTHER COMPREHENSIVE INCOME				
Net income	$28,020	$7,289	$40,162	$17,233
Other comprehensive (loss) gain:				
(Loss) gain on interest rate swaps	(2,221)	1,150	(6,997)	(315)
Comprehensive income	25,799	8,439	33,165	16,918
Comprehensive income attributable to noncontrolling interest (2015 as revised)	(606)	(231)	(787)	(466)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RPT (2015 AS REVISED)	$25,193	$8,208	$32,378	$16,452

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

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2016
(In thousands)
(Unaudited)

	Shareholders' Equity of Ramco-Gershenson Properties Trust						
	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
Balance, December 31, 2015	$92,427	$ 792	$1,156,345	$(363,937)	$ (1,404)	$ 22,114	$ 906,337
Issuance of common shares, net of issuance costs	—	—	(155)	—	—	—	(155)
Redemption of OP unit holders	—	—	—	(594)	—	(914)	(1,508)
Share-based compensation and other expense, net of shares withheld for employee taxes	—	—	876	—	—	—	876
Dividends declared to common shareholders	—	—	—	(33,278)	—	—	(33,278)
Dividends declared to preferred shareholders	—	—	—	(3,350)	—	—	(3,350)
Distributions declared to noncontrolling interests	—	—	—	—	—	(823)	(823)
Dividends declared to deferred shares	—	—	—	(184)	—	—	(184)
Other comprehensive income adjustment	—	—	—	—	(6,828)	(169)	(6,997)
Net income	—	—	—	39,206	—	956	40,162
Balance, June 30, 2016	$92,427	$ 792	$1,157,066	$(362,137)	$ (8,232)	$ 21,164	$ 901,080

The accompanying notes are an integral part of these condensed consolidated financial statements.
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RAMCO GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
OPERATING ACTIVITIES		
Net income	$40,162	$17,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,561	41,483
Amortization of deferred financing fees	754	664
Income tax provision	101	277
Earnings from unconsolidated joint ventures	(218)	(2,995)
Distributions received from operations of unconsolidated joint ventures	268	901
Provision for impairment	—	2,521
Gain on extinguishment of debt	—	(1,387)
Other gain on unconsolidated joint ventures	(215)	—
Gain on sale of real estate	(26,324)	(3,469)
Amortization of premium on mortgages, net	(910)	(806)
Share-based compensation expense	1,325	1,082
Long-term incentive cash compensation expense	915	720
Changes in assets and liabilities:		
Accounts receivable, net	1,851	(817)
Acquired lease intangibles and other assets, net	(876)	(352)
Accounts payable, acquired lease intangibles and other liabilities	(9,475)	(10,872)
Net cash provided by operating activities	53,919	44,183
INVESTING ACTIVITIES		
Acquisition of real estate	—	(12,097)
Development and capital improvements	(30,872)	(24,034)
Net proceeds from sales of real estate	68,546	16,106
Distributions from sale of joint venture property	1,304	8,173
Increase (decrease) in restricted cash	923	(1,223)
Net cash provided by (used in) investing activities	39,901	(13,075)
FINANCING ACTIVITIES		
Repayment of mortgages and notes payable	(22,411)	(20,343)
Net (repayments) proceeds on revolving credit facility	(34,000)	7,000
Payment of deferred financing costs	(386)	(204)
Proceeds, net of costs, from issuance of common stock	(155)	17,125
Repayment of capitalized lease obligation	—	(680)
Redemption of operating partnership units for cash	(1,508)	(40)
Preferred share conversion costs	—	(500)
Dividends paid to preferred shareholders	(3,350)	(3,625)
Dividends paid to common shareholders	(33,462)	(31,346)
Distributions paid to operating partnership unit holders	(823)	(898)
Net cash used in financing activities	(96,095)	(33,511)

Net change in cash and cash equivalents	(2,275)	(2,403)
Cash and cash equivalents at beginning of period	6,644	9,335
Cash and cash equivalents at end of period	$4,369	$6,932
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest (net of capitalized interest of $402 and $488 in 2016 and 2015, respectively)	$23,216	$21,185
Cash paid for federal income taxes	$—	$—

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

RAMCO-GERSHENSON PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Basis of Presentations

Organization

Ramco-Gershenson Properties Trust, together with its subsidiaries (the “Company” or "RPT"), is a real estate investment trust (“REIT”) engaged in the business of owning, developing, redeveloping, acquiring, managing and leasing large multi-anchored shopping centers primarily in a number of the largest metropolitan markets in the central United States. As of June 30, 2016, our property portfolio consisted of 66 wholly owned shopping centers and one office building comprising approximately 14.7 million square feet. We also have ownership interests, ranging from 7% to 30%, in three joint ventures. Our joint ventures are reported using equity method accounting. We earn fees from the joint ventures for managing, leasing and redeveloping the shopping centers they own. In addition, we own interests in several land parcels that are available for development or sale. Most of our properties are anchored by supermarkets and/or national chain stores. Our credit risk, therefore, is concentrated in the retail industry.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and our majority owned subsidiary, the Operating Partnership, Ramco-Gershenson Properties, L.P. (the "OP") (97.7% owned by the Company at June 30, 2016 and 97.6% owned by the Company at December 31, 2015), and all wholly-owned subsidiaries, including entities in which we have a controlling financial interest. During the first quarter of 2016 we adopted Accounting Standards Update (“ASU”) No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The Company evaluated the application of ASU No. 2015-02 and concluded that no change was required to its accounting of its interests in less than wholly owned joint ventures, however, the Operating Partnership now meets the criteria as a variable interest entity. The Company’s significant asset is its investment in the Operating Partnership, and consequently, substantially all of our assets and liabilities represent those assets and liabilities of the Operating Partnership.

We have elected to be a REIT for federal income tax purposes. All intercompany balances and transactions have been eliminated in consolidation. The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of our unaudited financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited financial statements and the reported amounts of revenues and expenses during the reporting period. 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 and reported amounts that are not readily apparent from other sources. Actual results could differ from those estimates.

Reclassifications and Revisions

Certain reclassifications of prior period amounts have been made in the condensed consolidated financial statements and footnotes in order to conform to the current presentation.

In previously filed quarterly reports, the Company incorrectly calculated comprehensive income attributable to noncontrolling interest. Accordingly, the Condensed Consolidated Statements of Comprehensive Income have been revised. The revision resulted in a decrease to previously reported comprehensive income attributable to RPT as follows:

	Three Months Ended	Six Months Ended
	June 30, 2015	
	(in thousands)	
Comprehensive (income) loss attributable to non controlling interest as previously reported	$(31)	$10
Comprehensive income attributable to non controlling interest as revised	$(231)	$(466)
Comprehensive income attributable to RPT as previously reported	$8,408	$16,928
Comprehensive income attributable to RPT as revised	$8,208	$16,452

There was no impact to the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Shareholders' Equity or to the Company's cash position resulting from this revision.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") updated Accounting Standards Codification ("ASC") Topic 326 "Financial Instruments - Credit Losses" with 2016-13 “Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better inform credit loss estimates. ASU 2016-13 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2019. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In March 2016, the FASB updated ASC Topic 718 "Compensation - Stock Compensation" with ASU 2016-09 "Improvements to Employee Share-Based Payment Accounting". ASU 2016-09 simplifies several aspects of share-based payment award transactions, including tax consequences, classification of awards and the classification on the statement of cash flows. ASU 2016-09 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In February 2016, the FASB updated ASC Topic 842 "Leases." In ASU 2016-02, which requires lessees to record operating and financing leases as assets and liabilities on the balance sheet and lessors to expense costs that are not direct leasing costs. ASU 2016-02 is effective for periods beginning after December 15, 2018, with early adoption permitted upon issuance using a modified retrospective approach. We are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance as well as impact the existing GAAP guidance governing the sale of nonfinancial assets. The standard's core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations. In doing so, companies will need to exercise more judgment and make more estimates than under existing GAAP guidance. ASU 2014-09 will be effective for public entities for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted in periods ending after December 15, 2016. We have not yet selected a transition method nor have we determined the effect of ASU 2014-09 on our consolidated financial statements.

2. Real Estate

Included in our net real estate assets are income producing properties that are recorded at cost less accumulated depreciation and amortization, construction in process and land available for development or sale.

We review our investment in real estate, including any related intangible assets, for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. These changes in circumstances include, but are not limited to, changes in occupancy, rental rates, tenant sales, net operating income, geographic location, real estate values and expected holding period.

Land available for development or sale includes real estate projects where vertical construction has yet to commence, but which have been identified by us and are available for future development when market conditions dictate the demand for a new shopping center. The viability of all projects under construction or development, including those owned by unconsolidated joint ventures, are regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. Land available for development or sale was $39.8 million and $39.6 million at June 30, 2016 and December 31, 2015, respectively.

Construction in progress represents existing development, redevelopment and tenant build-out projects. When projects are substantially complete and ready for their intended use, balances are transferred to land or building and improvements as appropriate. Construction in progress was $26.4 million and $20.6 million at June 30, 2016 and December 31, 2015, respectively.

The increase in construction in progress from December 31, 2015 to June 30, 2016 was due primarily to ongoing redevelopment and expansion projects across the portfolio.

3. Property Acquisitions and Dispositions

Acquisitions

There were no acquisitions for the six months ended June 30, 2016.

Dispositions

The following table provides a summary of our disposition activity for the six months ended June 30, 2016:

Property Name	Location	GLA	Acreage	Date Sold	Gross Sales Price	Gain (Loss) on Sale
		(In thousands)			(In thousands)	
Lakeshore Marketplace	Norton Shores, MI	343	4.6	06/30/16	$27,750	$6,583
River Crossing Centre	New Port Ritchey, FL	62	N/A	06/26/16	12,500	6,750
Centre at Woodstock	Woodstock, GA	87	N/A	06/26/16	16,000	5,893
Troy Towne Center	Troy, OH	144	N/A	02/02/16	12,400	6,274
Total income producing dispositions		636	4.6		$68,650	$25,500
Conyers Crossing - Outparcel	Conyers, GA	N/A	0.5	06/27/16	$1,000	$579
Lakeshore Marketplace - Outparcel	Norton Shores, MI	N/A	0.7	06/15/16	302	(6)
The Towne Center at Aquia - Outparcel	Stafford, VA	N/A	0.7	01/15/16	750	251
Total land / outparcel dispositions		—	1.9		$2,052	$824
Total consolidated dispositions		636	6.5		$70,702	$26,324

4. Equity Investments in Unconsolidated Joint Ventures

We have three joint venture agreements whereby we own between 7% and 30% of the equity in each joint venture. We and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. We cannot make significant decisions without our partner's approval. Accordingly, we account for our interest in the joint ventures using the equity method of accounting.

The combined condensed financial information for our unconsolidated joint ventures is summarized as follows:

Balance Sheets	June 30, 2016	December 31, 2015
	(In thousands)	
ASSETS		
Investment in real estate, net	$44,627	$ 63,623
Other assets	4,076	4,230
Total Assets	$48,703	$ 67,853
LIABILITIES AND OWNERS' EQUITY		
Other liabilities	$791	$ 750
Owners' equity	47,913	67,103
Total Liabilities and Owners' Equity	$48,704	$ 67,853
RPT's equity investments in unconsolidated joint ventures	$3,159	$ 4,325

	Three Months Ended June 30,		Six Months Ended June 30,	
Statements of Operations	2016	2015	2016	2015
	(In thousands)			
Total revenue	$1,600	$10,285	$3,309	$20,910
Total expenses	1,106	7,367	2,154	14,663
Income before other income and expense	494	2,918	1,155	6,247
Gain on sale of real estate	371	—	371	7,463
Interest expense	—	(1,801)	—	(3,594)
Amortization of deferred financing fees	—	(74)	—	(148)
Net income	$865	$1,043	$1,526	$9,968
RPT's share of earnings from unconsolidated joint ventures	$109	$335	$218	$2,995

Acquisitions

There was no acquisition activity in the six months ended June 30, 2016 by any of our unconsolidated joint ventures.

Dispositions

The following table provides a summary of disposition activity, by our unconsolidated joint ventures, for the six months ended June 30, 2016.

Property Name	Location	GLA	Ownership %	Date Sold	Gross Sales Price	Gain on Sale (at

					100%)	
		(In thousands)			(In thousands)	
Kissimmee West Shopping Center	Kissimmee, FL	116	7%	06/14/16	$19,400	$ 371
		116			$19,400	$ 371

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Joint Venture Management and Other Fee Income

We are engaged by our joint ventures to provide asset management, property management, leasing and investing services for such ventures' respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received, and recognize these fees as the services are rendered.

The following table provides information for our fees earned which are reported in our condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Management fees	$92	$383	$186	$782
Leasing fees	68	88	83	208
Construction fees	39	107	40	120
Disposition fees	46	—	46	—
Total	$245	$578	$355	$1,110

5. Debt

The following table summarizes our mortgages and notes payable and capital lease obligation as of June 30, 2016 and December 31, 2015:

Notes Payable and Capital Lease Obligation	June 30, 2016	December 31, 2015
	(In thousands)	
Senior unsecured notes	$460,000	$460,000
Unsecured term loan facilities	210,000	210,000
Fixed rate mortgages	300,045	322,457
Unsecured revolving credit facility	26,000	60,000
Junior subordinated notes	28,125	28,125
	1,024,170	1,080,582
Unamortized premium	6,025	6,935
Unamortized deferred financing costs	(3,777)	(3,806)
Total notes payable	$1,026,418	$1,083,711
Capital lease obligation	$1,108	$1,108

Senior unsecured notes and unsecured term loans

During the six months ended June 30, 2016, we executed an amendment extending the maturity of our $60.0 million unsecured term loan, originally maturing in 2018, to 2023.

Our $670.0 million of senior unsecured notes and unsecured term loans have interest rates ranging from 2.99% to 4.74% and are due at various maturity dates from May 2020 through November 2026.

Mortgages

During the six months ended June 30, 2016 we repaid a mortgage note secured by Troy Marketplace in the amount of $20.6 million, that had an interest rate of 5.90%.

A $11.8 million non-recourse mortgage note secured by our wholly-owned Towne Center at Aquia office property located in Stafford County, Virginia, matured on June 1, 2016. The note is currently in maturity default. We are working with the lender to transfer the property's title to the lender and release our obligation.

Our $300.0 million of fixed rate mortgages have interest rates ranging from 2.86% to 7.38% and are due at various maturity dates from January 2017 through June 2026. The fixed rate mortgages are secured by properties that have an approximate net book value of $375.3 million as of June 30, 2016.

Other than the $11.8 million non-recourse mortgage note mentioned above, we have no additional mortgage maturities until January 2017. It is our intent to repay those mortgages using cash, borrowings under our unsecured line of credit, or other sources of financing.

The mortgage loans encumbering our properties are generally nonrecourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly and certain environmental liabilities. In addition, upon the occurrence of certain events, such as fraud or filing of a bankruptcy petition by the borrower, we or our joint ventures would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, including penalties and expenses.

We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

Revolving Credit Facility

As of June 30, 2016 we had $26.0 million outstanding under our revolving credit facility, a decrease of $50.0 million during the quarter. After adjusting for outstanding letters of credit issued under our revolving credit facility, not reflected in the accompanying condensed consolidated balance sheets, totaling $0.1 million we had $323.9 million of availability under our revolving credit facility. The interest rate as of June 30, 2016 was 1.82%.

Our revolving credit facility, term loans and unsecured notes contain financial covenants relating to total leverage, fixed charge coverage ratio, unencumbered assets, tangible net worth and various other calculations. As of June 30, 2016, we were in compliance with these covenants.

Junior Subordinated Notes

Our junior subordinated notes have a variable rate of LIBOR plus 3.30%. The maturity date is January 2038.

The following table presents scheduled principal payments on mortgages and notes payable as of June 30, 2016:

Year Ending December 31,	(In thousands)
2016 (July 1 - December 31) (1)	$13,433
2017	129,096
2018 (2)	65,132
2019	5,860
2020	102,269
Thereafter	708,380
Subtotal debt	1,024,170

Unamortized premium	6,025
Unamortized deferred financing costs	(3,777)
Total debt	$1,026,418

(1) Includes the $11.8 million Towne Center at Aquia note that matured on June 1, 2016.
(2) Scheduled maturities in 2018 include the $26.0 million balance on the unsecured revolving credit facility drawn as of June 30, 2016. The unsecured revolving credit facility has a one-year extension option.

6. Fair Value

We utilize fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Derivative instruments (interest rate swaps) are recorded at fair value on a recurring basis. Additionally, we, from time to time, may be required to record other assets at fair value on a nonrecurring basis. As a basis for considering market participant assumptions in fair value measurements, GAAP establishes three fair value levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The assessed inputs used in determining any fair value measurement could result in incorrect valuations that could be material to our condensed consolidated financial statements. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the assets or liabilities.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value.

Derivative Assets and Liabilities

All of our derivative instruments are interest rate swaps for which quoted market prices are not readily available. For those derivatives, we measure fair value on a recurring basis using valuation models that use primarily market observable inputs, such as yield curves. We classify these instruments as Level 2. Refer to Note 7 Derivative Financial Instruments of the notes to the condensed consolidated financial statements for additional information on our derivative financial instruments.

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015.

	Balance Sheet Location	Total Fair Value	Level 2
2016		(In thousands)	
Derivative liabilities - interest rate swaps	Other liabilities	$(8,596)	$(8,596)
2015			
Derivative assets - interest rate swaps	Other assets	$642	$642
Derivative liabilities - interest rate swaps	Other liabilities	$(2,241)	$(2,241)

The carrying values of cash and cash equivalents, restricted cash, receivables and accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments.

We estimated the fair value of our debt based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity and on the discounted estimated future cash payments to be made for other debt. The discount rates used approximate current lending rates for loans or groups of loans with similar maturities and credit quality, assume the debt is outstanding through maturity and consider the debt's collateral (if applicable). Since such amounts are estimates that are based on limited available market information for similar transactions, there can be no assurance that the disclosed value of any financial instrument could be realized by immediate settlement of the instrument.

Fixed rate debt (including variable rate debt swapped to fixed through derivatives) with carrying values of $970.0 million and $996.3 million as of June 30, 2016 and December 31, 2015, respectively, had fair values of approximately $998.3 million and $1.0 billion, respectively. Variable rate debt's fair value is estimated to be the carrying values of $54.1 million and $87.4 million as of June 30, 2016 and December 31, 2015, respectively.

7. Derivative Financial Instruments

We utilize interest rate swap agreements for risk management purposes to reduce the impact of changes in interest rates on our variable rate debt. We may also enter into forward starting swaps to set the effective interest rate on planned variable rate financing. On the date we enter into an interest rate swap, the derivative is designated as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be effective are recorded in other comprehensive income ("OCI") until earnings are affected by the variability of cash flows of the hedged transaction. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently as interest expense in the condensed consolidated statements of operations. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Our cash flow hedges become ineffective, for example, if critical terms of the hedging instrument and the debt do not perfectly match such as notional amounts, settlement dates, reset dates and calculation period and LIBOR rate. Changes in the fair values are immediately included in other income and expenses. At June 30, 2016, all of our hedges were effective.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2016:

Underlying Debt	Hedge Type	Notional Value (In thousands)	Fixed Rate	Fair Value (In thousands)	Expiration Date
Derivative Liabilities					
Unsecured term loan	Cash Flow	30,000	2.0480%	(1,002)	10/2018
Unsecured term loan	Cash Flow	25,000	1.8500%	(722)	10/2018
Unsecured term loan	Cash Flow	5,000	1.8400%	(143)	10/2018
Unsecured term loan	Cash Flow	15,000	2.1500%	(830)	05/2020
Unsecured term loan	Cash Flow	10,000	2.1500%	(554)	05/2020
Unsecured term loan	Cash Flow	50,000	1.4600%	(1,438)	05/2020
Unsecured term loan	Cash Flow	20,000	1.4980%	(682)	05/2021
Unsecured term loan	Cash Flow	15,000	1.4900%	(499)	05/2021
Unsecured term loan	Cash Flow	40,000	1.4800%	(1,286)	05/2021
		$ 210,000		(7,156)	
Derivative Liabilities - Forward Swaps					
Unsecured term loan	Cash Flow	60,000	1.7700%	(1,440)	05/2023
Total Derivative Liabilities		$ 270,000		$ (8,596)	

The effect of derivative financial instruments on our condensed consolidated statements of operations for the six months ended June 30, 2016 and 2015 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Loss Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30,		Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30,	
	2016	2015		2016	2015
	(In thousands)			(In thousands)	

Interest rate contracts - assets	$(716)	$(564)	Interest Expense	$(74)	$(329)
Interest rate contracts - liabilities	(7,529)	(1,258)	Interest Expense	(1,174)	(1,178)
Total	$(8,245)	$(1,822)	Total	$(1,248)	$(1,507)

8. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income	$28,020	$7,289	$40,162	$17,233
Net income attributable to noncontrolling interest	(659)	(199)	(956)	(476)
Allocation of income to restricted share awards	(120)	(60)	(198)	(120)
Income attributable to RPT	$27,241	$7,030	$39,008	$16,637
Preferred share dividends	(1,675)	(1,675)	(3,350)	(3,487)
Preferred share conversion costs	—	(500)	—	(500)
Net income available to common shareholders	$25,566	$4,855	$35,658	$12,650
Addback preferred shares for dilution [(1)]	1,675	—	—	—
Net income available to common shareholders - Diluted	$27,241	$4,855	$35,658	$12,650
Weighted average shares outstanding, Basic	79,233	79,124	79,214	78,528
Stock options and restricted stock awards using the treasury method	206	195	199	203
Dilutive effect of securities [(1)]	6,588	—	—	—
Weighted average shares outstanding, Diluted [(1)]	86,027	79,319	79,413	78,731
Income per common share, Basic	$0.32	$0.06	$0.45	$0.16
Income per common share, Diluted	$0.32	$0.06	$0.45	$0.16

[(1)] The assumed conversion of preferred shares is dilutive for the three months ended June 30, 2016 and anti-dilutive for all other periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS for those periods.

9. Share-based Compensation Plans

As of June 30, 2016, we have one share-based compensation plan in effect. The 2012 Omnibus Long-Term Incentive Plan ("2012 LTIP") under which our compensation committee may grant, subject to any Company performance conditions as specified by the compensation committee, restricted shares, restricted share units, options and other awards to trustees, officers and other key employees. The 2012 LTIP allows us to issue up to 2.0 million shares of our common stock, units or stock options, of which 1.4 million remained available for issuance as of June 30, 2016.

As of June 30, 2016, we had 372,352 unvested share awards granted under the 2012 LTIP and other plans which terminated when the 2012 LTIP became effective. These awards have various expiration dates through March 2021.

During the six months ended June 30, 2016, we had the following activity:

- granted 115,646 shares of service-based restricted stock that vest over five years. The service-based awards were valued based on our closing stock price as of the grant date and the expense is recognized on a graded vesting basis; and
- granted performance-based cash units that are earned subject to a future performance measurement based on a three-year shareholder return peer comparison ("TSR Grants"). If the performance criterion is met, the actual value of the units earned will be determined and 50% of the award will be paid in cash immediately while the balance will be paid in cash the following year.

Pursuant to ASC 718 – Stock Compensation, we determine the grant date fair value of TSR Grants, and any subsequent re-measurements, based upon a Monte Carlo simulation model. We will recognize the compensation expense ratably over the requisite service period. We are required to re-value the cash awards at the end of each quarter using the same methodology as was used at the initial grant date and adjust the compensation expense accordingly. If at the end of the three-year measurement period the performance criterion is not met, compensation expense previously recognized would be reversed. Compensation expense related to the cash awards was $0.4 million and $0.4 million for the three months ended June 30, 2016 and June 30, 2015, respectively, and $0.8 million and $0.7 million for the six months ended June 30, 2016 and June 30, 2015, respectively.

We recognized total share-based compensation expense of $0.7 million and $0.6 million for the three months ended June 30, 2016 and 2015, respectively, and $1.3 million and $1.1 million for the six months ended June 30, 2016 and June 30, 2015, respectively.

As of June 30, 2016, we had $7.1 million of total unrecognized compensation expense related to unvested restricted shares and performance based equity and cash awards. This expense is expected to be recognized over a weighted-average period of 4.7 years.

10. Taxes

Income Taxes

We conduct our operations with the intent of meeting the requirements applicable to a REIT under sections 856 through 860 of the Internal Revenue Code. In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, excluding net capital gain, to our shareholders. As long as we qualify as a REIT, we will generally not be liable for federal corporate income taxes.

Certain of our operations, including property management and asset management, as well as ownership of certain land, are conducted through our taxable REIT subsidiaries ("TRSs") which allows us to provide certain services and conduct certain activities that are not generally considered as qualifying REIT activities.

Deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Deferred tax assets are reduced by a valuation allowance to the amount where realization is more likely than not assured after considering all available evidence, including expected taxable earnings and potential tax planning strategies. Our temporary differences primarily relate to deferred compensation, depreciation, land basis differences, and net operating loss carry forwards.

As of June 30, 2016, we had a federal and state deferred tax asset of $10.8 million and a valuation allowance of $10.8 million. Our deferred tax assets are reduced by an offsetting valuation allowance where there is uncertainty regarding their realizability. We believe that it is more likely than not that the results of future operations will not generate sufficient taxable income to recognize the deferred tax assets. These future operations are primarily dependent upon the profitability of our TRSs, the timing and amounts of gains on land sales, and other factors affecting the results of operations of the TRSs.

If in the future we are able to conclude it is more likely than not that we will realize a future benefit from a deferred tax asset, we will reduce the related valuation allowance by the appropriate amount. The first time this occurs, it will result in a net deferred tax asset on our balance sheet and an income tax benefit of equal magnitude in our statement of operations in the period we make the determination.

We recorded income tax provisions of approximately $0.1 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively.

Sales Taxes

We collect various taxes from tenants and remit these amounts, on a net basis, to the applicable taxing authorities.

11. Commitments and Contingencies

Construction Costs

In connection with the development and expansion of various shopping centers as of June 30, 2016, we had entered into agreements for construction costs of approximately $12.2 million.

Litigation

We are currently involved in certain litigation arising in the ordinary course of business; however, we do not believe that any of this litigation will have a material effect on our consolidated financial statements.

Leases

Operating Leases

We lease office space for our corporate headquarters under an operating lease that expires in August 2019.

Capital Leases

We have a ground lease at Buttermilk Towne Center which we have recorded as a capital lease that expires in December 2032.

We recognized rent and interest expense related to the operating and capital leases of $0.3 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively.

12. Subsequent Events

We have evaluated subsequent events through the date that the condensed consolidated financial statements were issued.

On July 8, 2016, we entered into agreements to issue $75.0 million senior unsecured notes in a private placement offering. The notes will have a 12-year term and are priced at a fixed interest rate of 3.64%. The notes are expected to extend the Company's maturity waterfall and reduce its average interest rate. The sale of the notes is expected to close on November 30, 2016.

In July 2016, we executed two agreements with separate buyers to sell two wholly-owned income producing properties totaling $40.5 million.

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

Where we say "we," "us," or "our," we usually mean Ramco-Gershenson Properties Trust.

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements, including the respective notes thereto, which are included in this Form 10-Q.

Forward-Looking Statements

This document contains 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. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as “may,” “will,” “should,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” “predict” or similar terms. Although the forward-looking statements made in this document are based on our good faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; the cost and availability of capital, which depends in part on our asset quality and our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a REIT; and other factors discussed elsewhere in this document and our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2015. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

Overview

We are a fully integrated, self-administered, publicly-traded equity REIT which owns, develops, redevelops, acquires, manages and leases large multi-anchored shopping centers primarily in a number of the largest metropolitan markets in the central United States. As of June 30, 2016, our property portfolio consisted of 66 wholly owned shopping centers and one office building comprising approximately 14.7 million square feet. We also have ownership interests, ranging from 7% to 30%, in three joint ventures. In addition, we own interests in several land parcels that are available for development or sale, the majority of which are adjacent to certain of our existing developed properties. Our consolidated portfolio was 95% leased at June 30, 2016.

We accomplished the following activity during the six months ended June 30, 2016:

Operating Activity

For our consolidated properties we reported the following leasing activity:

	Leasing Transactions	Square Footage	Base Rent/SF [1]	Prior Rent/SF [2]	Tenant Improvements/SF [3]	Leasing Commissions/SF
Renewals	56	526,910	$ 11.25	$ 10.58	$ 0.04	$ —
New Leases - Comparable [4]	7	26,650	19.04	14.31	10.92	4.46
New Leases - Non-Comparable	17	74,628	17.67	N/A	33.40	3.83
Total	80	628,188	$ 12.34	N/A	$ 4.47	$ 0.64

(1) Base rent represents contractual minimum rent under the new lease for the first 12 months of the term.
(2) Prior rent represents minimum rent, if any, paid by the prior tenant in the final 12 months of the term.
(3) Includes tenant improvement cost, tenant allowances, landlord costs and third-party leasing commissions. Excludes first generation space and new leases related to development and redevelopment activity.
(4) Comparable leases represent those leases signed on identical spaces for which there was a former tenant within the last twelve months and the leases contain similar tenant billing terms. Redevelopment leases are excluded.

Investing Activity

At June 30, 2016, we have ten properties under redevelopment, expansion or re-anchoring projects in process with an anticipated cost of $79.9 million, of which $38.0 million remains to be invested. Completion for these projects is anticipated over the next 18 months.

In addition to the above we completed $70.7 million of dispositions. Refer to Note 3 Property Acquisitions and Dispositions of the notes to the condensed consolidated financial statements for additional information related to acquisitions and dispositions.

Financing Activity

Debt

During the six months ended June 30, 2016, we repaid a $20.6 million mortgage note. In addition, we amended our existing $60.0 million unsecured term loan extending the maturity date from 2018 to 2023. Refer to Note 5 Debt of the notes to the condensed consolidated financial statements for additional information related to our debt.

Equity

As of June 30, 2016 we had net debt to total market capitalization of 37.2% as compared to 38.3%, at June 30, 2015. At June 30, 2016 and June 30, 2015 we had $323.9 million and $329.5 million, respectively, available to draw under our unsecured revolving line of credit.

Land Available for Development or Sale

At June 30, 2016, we had one project in pre-development and two projects where Phase I of the development was completed. The remaining future phases at those projects are in pre-development. We estimate that if we proceed with the development of the projects, up to approximately 750,000 square feet of GLA could be developed, excluding various outparcels of land. It is our policy to start vertical construction on new development projects only after the project has received entitlements, significant anchor commitments and construction financing, if appropriate.

Our development and construction activities are subject to risks such as our inability to obtain the necessary governmental approvals for a project, our determination that the expected return on a project is not sufficient to warrant continuation of the planned development, or our change in plan or scope for the development. If any of these events occur, we may record an impairment provision.

Accounting Policies and Estimates

Our 2015 Annual Report on Form 10-K contains a description of our critical accounting policies, including initial adoption of accounting policies, revenue recognition and accounts receivable, real estate investment, off balance sheet arrangements, fair value measurements and deferred charges. For the six months ended June 30, 2016, there were no material changes to these policies.

Comparison of three months ended June 30, 2016 to 2015

The following summarizes certain line items from our unaudited condensed consolidated statements of operations that we believe are important in understanding our operations and/or those items that have significantly changed in the three months ended June 30, 2016 as compared to the same period in 2015:

	Three Months Ended June 30,			
	2016	2015	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$65,883	$59,735	$6,148	10.3 %
Real estate taxes	11,132	9,126	2,006	22.0 %
Recoverable and non-recoverable operating expenses	7,236	7,840	(604)	(7.7)%
Depreciation and amortization	22,714	21,120	1,594	7.5 %
General and administrative expense	5,683	5,474		