

Edgar Filing: Urban Edge Properties - Form 10-Q

Urban Edge Properties  
Form 10-Q  
May 03, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-Q

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

For the quarterly period ended March 31, 2017  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36523 (Urban Edge Properties)  
Commission File Number: 001-1681169 (Urban Edge Properties LP)

URBAN EDGE PROPERTIES  
URBAN EDGE PROPERTIES LP

(Exact name of Registrant as specified in its charter)

Maryland (Urban Edge Properties) 47-6311266  
Delaware (Urban Edge Properties LP) 36-4791544  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York 10019  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: (212) 956 2556

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.

Urban Edge Properties YES  NO  Urban Edge Properties LP YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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).

Urban Edge Properties YES  NO  Urban Edge Properties LP 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Urban Edge Properties:

|   |  |  |  |  |
|---|--|--|--|--|
| Large Accelerated Filer <input checked="" type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> | Emerging Growth Company <input type="checkbox"/> |
|---|--|--|--|--|

Urban Edge Properties LP:

|  |  |   |  |  |
|--|--|---|--|--|
| Large Accelerated Filer <input type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input checked="" type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> | Emerging Growth Company <input type="checkbox"/> |
|--|--|---|--|--|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 139a) of the Exchange Act.

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Urban Edge Properties  Urban Edge Properties LP

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

Urban Edge Properties YES  NO  Urban Edge Properties LP YES  NO

As of April 28, 2017, Urban Edge Properties had 99,826,975 common shares outstanding.

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## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2017 of Urban Edge Properties and Urban Edge Properties LP. Unless stated otherwise or the context otherwise requires, references to “UE” and “Urban Edge” mean Urban Edge Properties, a Maryland real estate investment trust (“REIT”), and references to “UELP” and the “Operating Partnership” mean Urban Edge Properties LP, a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean collectively UE, UELP and those entities/subsidiaries consolidated by UE. UELP is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. UE is the sole general partner and also a limited partner of UELP. As the sole general partner of UELP, UE has exclusive control of UELP’s day-to-day management.

As of March 31, 2017, UE owned an approximate 92.4% ownership interest in UELP. The remaining approximate 7.6% interest is owned by limited partners. The other limited partners of UELP are Vornado Realty L.P. (owning approximately 5.3% of the ownership interest of UELP), members of management, our Board of Trustees, and contributors of property interests acquired. Under the limited partnership agreement of UELP, unitholders may present their common units of UELP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Upon presentation of a common unit for redemption, UELP must redeem the unit for cash equal to the then value of a share of UE’s common shares, as defined by the limited partnership agreement. In lieu of cash redemption by UELP, however, UE may elect to acquire any common units so tendered by issuing common shares of UE in exchange for the common units. If UE so elects, its common shares will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. UE generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having UELP pay cash. With each such exchange or redemption, UE’s percentage ownership in UELP will increase. In addition, whenever UE issues common shares other than to acquire common units of UELP, UE must contribute any net proceeds it receives to UELP and UELP must issue to UE an equivalent number of common units of UELP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of UE and UELP into this single report provides the following benefits:

- enhances investors’ understanding of UE and UELP by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation because a substantial portion of the disclosure applies to both UE and UELP; and

• creates time and cost efficiencies throughout the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between UE and UELP in the context of how UE and UELP operate as a consolidated company. The financial results of UELP are consolidated into the financial statements of UE. UE does not have any other significant assets, liabilities or operations, other than its investment in UELP, nor does it have employees of its own. UELP, not UE, generally executes all significant business relationships other than transactions involving the securities of UE. UELP holds substantially all of the assets of UE. UELP conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by UE, which are contributed to the capital of UELP in exchange for units of limited partnership in UELP, as applicable, UELP generates all remaining capital required by the Company’s business. These sources may include working capital, net cash provided by operating activities, borrowings under the revolving credit facility, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties.

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of UE and UELP. The limited partners of UELP are accounted for as partners’ capital in UELP’s financial statements and as noncontrolling interests in UE’s financial statements. The noncontrolling interests in UELP’s financial statements include the interests of unaffiliated partners in consolidated entities. The noncontrolling interests in UE’s financial statements include the same noncontrolling interests at UELP’s level and limited partners of UELP. The differences between shareholders’ equity and partners’ capital result from differences in

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the equity issued at UE and UELP levels.

To help investors better understand the key differences between UE and UELP, certain information for UE and UELP in this report has been separated, as set forth below: Item 1. Financial Statements (unaudited) which includes specific disclosures for UE and UELP, Note 15, Equity and Noncontrolling Interests and Note 16 thereto, Earnings Per Share and Unit.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of UE and UELP in order to establish that the requisite certifications have been made and that UE and UELP are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP  
 QUARTERLY REPORT ON FORM 10-Q  
 QUARTER ENDED MARCH 31, 2017

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## PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS  
 URBAN EDGE PROPERTIES  
 CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

(In thousands, except share and per share amounts)

|  | March 31,<br>2017 | December<br>31,<br>2016 |
|--|-------------------|-------------------------|
| <b>ASSETS</b>  |                   |                         |
| Real estate, at cost:  |                   |                         |
| Land   | \$436,088         | \$384,217               |
| Buildings and improvements   | 1,719,079         | 1,650,054               |
| Construction in progress   | 108,401           | 99,236                  |
| Furniture, fixtures and equipment  | 5,077             | 4,993                   |
| Total  | 2,268,645         | 2,138,500               |
| Accumulated depreciation and amortization  | (553,649 )        | (541,077 )              |
| Real estate, net   | 1,714,996         | 1,597,423               |
| Cash and cash equivalents  | 110,974           | 131,654                 |
| Restricted cash  | 11,812            | 8,532                   |
| Tenant and other receivables, net of allowance for doubtful accounts of \$2,557 and \$2,332, respectively                                | 11,841            | 9,340                   |
| Receivable arising from the straight-lining of rents, net of allowance for doubtful accounts of \$207 and \$261, respectively            | 86,176            | 87,695                  |
| Identified intangible assets, net of accumulated amortization of \$23,693 and \$22,361, respectively                                     | 73,879            | 30,875                  |
| Deferred leasing costs, net of accumulated amortization of \$14,555 and \$13,909, respectively   | 19,391            | 19,241                  |
| Deferred financing costs, net of accumulated amortization of \$972 and \$726, respectively   | 4,011             | 1,936                   |
| Prepaid expenses and other assets  | 17,271            | 17,442                  |
| Total assets   | \$2,050,351       | \$1,904,138             |
| <b>LIABILITIES AND EQUITY</b>  |                   |                         |
| Liabilities:   |                   |                         |
| Mortgages payable, net   | \$1,256,955       | \$1,197,513             |
| Identified intangible liabilities, net of accumulated amortization of \$58,657 and \$72,528, respectively                                | 145,748           | 146,991                 |
| Accounts payable and accrued expenses  | 54,286            | 48,842                  |
| Other liabilities  | 16,154            | 14,675                  |
| Total liabilities  | 1,473,143         | 1,408,021               |
| Commitments and contingencies  |                   |                         |
| Shareholders' equity:  |                   |                         |
| Common shares: \$0.01 par value; 500,000,000 shares authorized and 99,826,975 and 99,754,900 shares issued and outstanding, respectively | 998               | 997                     |
| Additional paid-in capital   | 489,190           | 488,375                 |
| Accumulated earnings (deficit)   | (419 )            | (29,066 )               |
| Noncontrolling interests:  |                   |                         |
| Redeemable noncontrolling interests  | 87,068            | 35,451                  |

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|  |             |             |
|--|-------------|-------------|
| Noncontrolling interest in consolidated subsidiaries | 371         | 360         |
| Total equity   | 577,208     | 496,117     |
| Total liabilities and equity                         | \$2,050,351 | \$1,904,138 |

See notes to consolidated financial statements (unaudited).

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URBAN EDGE PROPERTIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)  
(In thousands, except share and per share amounts)

|   | Three Months<br>Ended March 31, |           |
|---|---------------------------------|-----------|
|   | 2017                            | 2016      |
| REVENUE   |                                 |           |
| Property rentals  | \$62,498                        | \$58,929  |
| Tenant expense reimbursements                                       | 23,771                          | 22,507    |
| Income from acquired leasehold interest                             | 39,215                          | —         |
| Management and development fees                                     | 479                             | 455       |
| Other income  | 101                             | 1,177     |
| Total revenue   | 126,064                         | 83,068    |
| EXPENSES  |                                 |           |
| Depreciation and amortization                                       | 15,828                          | 13,915    |
| Real estate taxes   | 13,392                          | 13,249    |
| Property operating  | 13,368                          | 12,859    |
| General and administrative  | 8,081                           | 6,720     |
| Real estate impairment loss   | 3,164                           | —         |
| Ground rent   | 2,670                           | 2,538     |
| Transaction costs   | 51                              | 50        |
| Provision for doubtful accounts                                     | 193                             | 351       |
| Total expenses  | 56,747                          | 49,682    |
| Operating income  | 69,317                          | 33,386    |
| Interest income   | 127                             | 167       |
| Interest and debt expense   | (13,115 )                       | (13,429 ) |
| Loss on extinguishment of debt                                      | (1,274 )                        | —         |
| Income before income taxes  | 55,055                          | 20,124    |
| Income tax expense  | (320 )                          | (336 )    |
| Net income  | 54,735                          | 19,788    |
| Less (net income) loss attributable to noncontrolling interests in: |                                 |           |
| Operating partnership   | (4,138 )                        | (1,154 )  |
| Consolidated subsidiaries   | (11 )                           | 4         |
| Net income attributable to common shareholders                      | \$50,586                        | \$18,638  |
| Earnings per common share - Basic:                                  | \$0.51                          | \$0.19    |
| Earnings per common share - Diluted:                                | \$0.50                          | \$0.19    |
| Weighted average shares outstanding - Basic                         | 99,639                          | 99,265    |
| Weighted average shares outstanding - Diluted                       | 100,093                         | 99,363    |

See notes to consolidated financial statements (unaudited).



URBAN EDGE PROPERTIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Unaudited)  
(In thousands, except share and per share amounts)

|   | Common Shares |        |                                  | Accumulated<br>Earnings<br>(Deficit) | Noncontrolling<br>Interests ("NCI") |  | Total<br>Equity |
|---|---------------|--------|----------------------------------|--------------------------------------|-------------------------------------|--|-----------------|
|   | Shares        | Amount | Additional<br>Paid-In<br>Capital |                                      | Redeemable<br>NCI                   | NCI in<br>Consolidated<br>Subsidiaries |                 |
| Balance, December 31, 2016                          | 99,754,900    | \$ 997 | \$488,375                        | \$ (29,066 )                         | \$35,451                            | \$ 360                                 | \$496,117       |
| Net income attributable to common shareholders      | —             | —      | —                                | 50,586                               | —                                   | —                                      | 50,586          |
| Net income attributable to noncontrolling interests | —             | —      | —                                | —                                    | 4,138                               | 11                                     | 4,149           |
| Limited partnership units issued                    | —             | —      | —                                | —                                    | 48,800                              | —                                      | 48,800          |
| Common shares issued                                | 81,491        | 1      | 62                               | (92 )                                | —                                   | —                                      | (29 )           |
| Share-based awards withheld for taxes               | (9,416 )      | —      | (260 )                           | —                                    | —                                   | —                                      | (260 )          |
| Dividends on common shares (\$0.22 per share)       | —             | —      | —                                | (21,869 )                            | —                                   | —                                      | (21,869 )       |
| Share-based compensation expense                    | —             | —      | 1,013                            | 22                                   | 449                                 | —                                      | 1,484           |
| Distributions to redeemable NCI (\$0.22 per unit)   | —             | —      | —                                | —                                    | (1,770 )                            | —                                      | (1,770 )        |
| Balance, March 31, 2017                             | 99,826,975    | \$ 998 | \$489,190                        | \$ (419 )                            | \$87,068                            | \$ 371                                 | \$577,208       |

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2017                            | 2016      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                                 |           |
| Net income  | \$54,735                        | \$19,788  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |           |
| Depreciation and amortization   | 16,160                          | 14,173    |
| Income from acquired leasehold interest   | (39,215)                        | —         |
| Real estate impairment loss   | 3,164                           | —         |
| Loss on extinguishment of debt  | 1,274                           | —         |
| Amortization of deferred financing costs  | 864                             | 659       |
| Amortization of below market leases, net  | (2,036)                         | (1,875)   |
| Straight-lining of rent   | 144                             | (213)     |
| Share-based compensation expense  | 1,484                           | 1,297     |
| Provision for doubtful accounts   | 193                             | 351       |
| Change in operating assets and liabilities:                                       |                                 |           |
| Tenant and other receivables  | (2,748)                         | 741       |
| Deferred leasing costs  | (669)                           | —         |
| Prepaid and other assets  | (1,336)                         | 71        |
| Accounts payable and accrued expenses   | 3,786                           | (2,852)   |
| Other liabilities   | 1,426                           | 306       |
| Net cash provided by operating activities   | 37,226                          | 32,446    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                                 |           |
| Real estate additions   | (11,151)                        | (14,843)  |
| Acquisition of real estate  | (36,552)                        | —         |
| Net cash used in investing activities   | (47,703)                        | (14,843)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                                 |           |
| Debt repayments   | (79,428)                        | (4,131)   |
| Dividends paid to shareholders  | (21,869)                        | (19,792)  |
| Distributions to redeemable noncontrolling interests                              | (1,770)                         | (1,237)   |
| Debt issuance costs   | (3,567)                         | —         |
| Taxes withheld for vested restricted shares                                       | (260)                           | (33)      |
| Proceeds from issuance of common shares   | (29)                            | —         |
| Proceeds from borrowings  | 100,000                         | —         |
| Net cash used in financing activities   | (6,923)                         | (25,193)  |
| Net decrease in cash and cash equivalents and restricted cash                     | (17,400)                        | (7,590)   |
| Cash and cash equivalents and restricted cash at beginning of period              | 140,186                         | 178,025   |
| Cash and cash equivalents and restricted cash at end of period                    | \$122,786                       | \$170,435 |

See notes to consolidated financial statements (unaudited).



|  | Three Months<br>Ended March 31, |            |
|--|---------------------------------|------------|
|  | 2017                            | 2016       |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                    |                                 |            |
| Cash payments for interest (includes amounts capitalized of \$940 and \$518, respectively) | \$ 13,119                       | \$ 12,870  |
| Cash payments for income taxes   | 22                              | 17         |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>   |                                 |            |
| Acquisition of real estate through issuance of OP units                                    | 48,800                          | —          |
| Acquisition of real estate through assumption of debt                                      | 36,492                          | —          |
| Accrued capital expenditures included in accounts payable and accrued expenses             | 12,270                          | 5,727      |
| Write-off of fully depreciated assets  | —                               | 279        |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>                     |                                 |            |
| Cash and cash equivalents at beginning of period   | \$ 131,654                      | \$ 168,983 |
| Restricted cash at beginning of period   | 8,532                           | 9,042      |
| Cash and cash equivalents and restricted cash at beginning of period                       | \$ 140,186                      | \$ 178,025 |
| <br>   |                                 |            |
| Cash and cash equivalents at end of period   | \$ 110,974                      | \$ 162,354 |
| Restricted cash at end of period   | 11,812                          | 8,081      |
| Cash and cash equivalents and restricted cash at end of period                             | \$ 122,786                      | \$ 170,435 |

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except unit and per unit amounts)

|   | March 31,<br>2017 | December<br>31,<br>2016 |
|---|-------------------|-------------------------|
| <b>ASSETS</b>   |                   |                         |
| Real estate, at cost:   |                   |                         |
| Land  | \$436,088         | \$384,217               |
| Buildings and improvements  | 1,719,079         | 1,650,054               |
| Construction in progress  | 108,401           | 99,236                  |
| Furniture, fixtures and equipment   | 5,077             | 4,993                   |
| Total   | 2,268,645         | 2,138,500               |
| Accumulated depreciation and amortization   | (553,649 )        | (541,077 )              |
| Real estate, net  | 1,714,996         | 1,597,423               |
| Cash and cash equivalents   | 110,974           | 131,654                 |
| Restricted cash   | 11,812            | 8,532                   |
| Tenant and other receivables, net of allowance for doubtful accounts of \$2,557 and \$2,332, respectively                     | 11,841            | 9,340                   |
| Receivable arising from the straight-lining of rents, net of allowance for doubtful accounts of \$207 and \$261, respectively | 86,176            | 87,695                  |
| Identified intangible assets, net of accumulated amortization of \$23,693 and \$22,361, respectively                          | 73,879            | 30,875                  |
| Deferred leasing costs, net of accumulated amortization of \$14,555 and \$13,909, respectively                                | 19,391            | 19,241                  |
| Deferred financing costs, net of accumulated amortization of \$972 and \$726, respectively                                    | 4,011             | 1,936                   |
| Prepaid expenses and other assets   | 17,271            | 17,442                  |
| Total assets  | \$2,050,351       | \$1,904,138             |
| <b>LIABILITIES AND EQUITY</b>   |                   |                         |
| Liabilities:  |                   |                         |
| Mortgages payable, net  | \$1,256,955       | \$1,197,513             |
| Identified intangible liabilities, net of accumulated amortization of \$58,657 and \$72,528, respectively                     | 145,748           | 146,991                 |
| Accounts payable and accrued expenses   | 54,286            | 48,842                  |
| Other liabilities   | 16,154            | 14,675                  |
| Total liabilities   | 1,473,143         | 1,408,021               |
| Commitments and contingencies   |                   |                         |
| Equity:   |                   |                         |
| Partners' capital:  |                   |                         |
| General partner: 99,826,975 and 99,754,900 units outstanding, respectively  | 490,188           | 489,372                 |
| Limited partners: 8,284,166 and 6,378,704 units outstanding, respectively   | 86,330            | 37,081                  |
| Accumulated earnings (deficit)  | 319               | (30,696 )               |
| Total partners' capital   | 576,837           | 495,757                 |
| Noncontrolling interest in consolidated subsidiaries  | 371               | 360                     |
| Total equity  | 577,208           | 496,117                 |
| Total liabilities and equity  | \$2,050,351       | \$1,904,138             |

See notes to consolidated financial statements (unaudited).

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URBAN EDGE PROPERTIES LP  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)  
(In thousands, except unit and per unit amounts)

|  | Three Months<br>Ended March 31, |           |
|--|---------------------------------|-----------|
|  | 2017                            | 2016      |
| REVENUE  |                                 |           |
| Property rentals   | \$62,498                        | \$58,929  |
| Tenant expense reimbursements  | 23,771                          | 22,507    |
| Income from acquired leasehold interest                                  | 39,215                          | —         |
| Management and development fees  | 479                             | 455       |
| Other income   | 101                             | 1,177     |
| Total revenue  | 126,064                         | 83,068    |
| EXPENSES   |                                 |           |
| Depreciation and amortization  | 15,828                          | 13,915    |
| Real estate taxes  | 13,392                          | 13,249    |
| Property operating   | 13,368                          | 12,859    |
| General and administrative   | 8,081                           | 6,720     |
| Real estate impairment loss  | 3,164                           | —         |
| Ground rent  | 2,670                           | 2,538     |
| Transaction costs  | 51                              | 50        |
| Provision for doubtful accounts  | 193                             | 351       |
| Total expenses   | 56,747                          | 49,682    |
| Operating income   | 69,317                          | 33,386    |
| Interest income  | 127                             | 167       |
| Interest and debt expense  | (13,115 )                       | (13,429 ) |
| Loss on extinguishment of debt   | (1,274 )                        | —         |
| Income before income taxes   | 55,055                          | 20,124    |
| Income tax expense   | (320 )                          | (336 )    |
| Net income   | 54,735                          | 19,788    |
| Less: (net income) loss attributable to NCI in consolidated subsidiaries | (11 )                           | 4         |
| Net income attributable to unitholders                                   | \$54,724                        | \$19,792  |
| Earnings per unit - Basic:   |                                 |           |
|  | \$0.51                          | \$0.19    |
| Earnings per unit - Diluted:   |                                 |           |
|  | \$0.50                          | \$0.19    |
| Weighted average units outstanding - Basic                               | 107,483                         | 105,434   |
| Weighted average units outstanding - Diluted                             | 108,254                         | 105,616   |

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Unaudited)  
(In thousands, except unit and per unit amounts)

|   | General Partner | Limited Partners <sup>(1)</sup> | Accumulated Earnings (Deficit) | NCI in Consolidated Subsidiaries | Total Equity |
|---|-----------------|---------------------------------|--------------------------------|----------------------------------|--------------|
| Balance, December 31, 2016  | \$489,372       | \$ 37,081                       | \$ (30,696 )                   | \$ 360                           | \$496,117    |
| Balance, Net income attributable to unitholders                       | —               | —                               | 54,724                         | —                                | 54,724       |
| Balance, Net income attributable to noncontrolling interests          | —               | —                               | —                              | 11                               | 11           |
| Common units issued as a result of common shares issued by Urban Edge | 63              | —                               | (92 )                          | —                                | (29 )        |
| Limited partnership units issued                                      | —               | 48,800                          | —                              | —                                | 48,800       |
| Distributions to Partners (\$0.22 per unit)                           | —               | —                               | (23,639 )                      | —                                | (23,639 )    |
| Balance, Share-based compensation expense                             | 1,013           | 449                             | 22                             | —                                | 1,484        |
| Balance, Share-based awards withheld for taxes                        | (260 )          | —                               | —                              | —                                | (260 )       |
| Balance, March 31, 2017   | \$490,188       | \$ 86,330                       | \$ 319                         | \$ 371                           | \$577,208    |

<sup>(1)</sup> Limited partners have a 7.6% common limited partnership interest in the Operating Partnership as of March 31, 2017 in the form of units of interest in the Operating Partnership (“OP Units”) and Long-Term Incentive Plan (“LTIP”) units.

See notes to consolidated financial statements (unaudited).



URBAN EDGE PROPERTIES LP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2017                            | 2016      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                                 |           |
| Net income  | \$54,735                        | \$19,788  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |           |
| Depreciation and amortization   | 16,160                          | 14,173    |
| Income from acquired leasehold interest   | (39,215)                        | —         |
| Real estate impairment loss   | 3,164                           | —         |
| Loss on extinguishment of debt  | 1,274                           | —         |
| Amortization of deferred financing costs  | 864                             | 659       |
| Amortization of below market leases, net  | (2,036)                         | (1,875)   |
| Straight-lining of rent   | 144                             | (213)     |
| Share-based compensation expense  | 1,484                           | 1,297     |
| Provision for doubtful accounts   | 193                             | 351       |
| Change in operating assets and liabilities:                                       |                                 |           |
| Tenant and other receivables  | (2,748)                         | 741       |
| Deferred leasing costs  | (669)                           | —         |
| Prepaid and other assets  | (1,336)                         | 71        |
| Accounts payable and accrued expenses   | 3,786                           | (2,852)   |
| Other liabilities   | 1,426                           | 306       |
| Net cash provided by operating activities   | 37,226                          | 32,446    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                                 |           |
| Real estate additions   | (11,151)                        | (14,843)  |
| Acquisition of real estate  | (36,552)                        | —         |
| Net cash used in investing activities   | (47,703)                        | (14,843)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                                 |           |
| Debt repayments   | (79,428)                        | (4,131)   |
| Distributions to partners   | (23,639)                        | (21,029)  |
| Debt issuance costs   | (3,567)                         | —         |
| Taxes withheld for vested restricted units  | (260)                           | (33)      |
| Proceeds from issuance of units   | (29)                            | —         |
| Proceeds from borrowings  | 100,000                         | —         |
| Net cash used in financing activities   | (6,923)                         | (25,193)  |
| Net decrease in cash and cash equivalents and restricted cash                     | (17,400)                        | (7,590)   |
| Cash and cash equivalents and restricted cash at beginning of period              | 140,186                         | 178,025   |
| Cash and cash equivalents and restricted cash at end of period                    | \$122,786                       | \$170,435 |

See notes to consolidated financial statements (unaudited).

|  | Three Months<br>Ended March 31, |           |
|--|---------------------------------|-----------|
|  | 2017                            | 2016      |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                    |                                 |           |
| Cash payments for interest (includes amounts capitalized of \$940 and \$518, respectively) | \$13,119                        | \$12,870  |
| Cash payments for income taxes   | 22                              | 17        |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>   |                                 |           |
| Acquisition of real estate through issuance of OP units                                    | 48,800                          | —         |
| Acquisition of real estate through assumption of debt                                      | 36,492                          | —         |
| Accrued capital expenditures included in accounts payable and accrued expenses             | 12,270                          | 5,727     |
| Write-off of fully depreciated assets  | —                               | 279       |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>                     |                                 |           |
| Cash and cash equivalents at beginning of period   | \$131,654                       | \$168,983 |
| Restricted cash at beginning of period   | 8,532                           | 9,042     |
| Cash and cash equivalents and restricted cash at beginning of period                       | \$140,186                       | \$178,025 |
| <br>   |                                 |           |
| Cash and cash equivalents at end of period   | \$110,974                       | \$162,354 |
| Restricted cash at end of period   | 11,812                          | 8,081     |
| Cash and cash equivalents and restricted cash at end of period                             | \$122,786                       | \$170,435 |

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. ORGANIZATION

Urban Edge Properties (“UE”, “Urban Edge” or the “Company”) (NYSE: UE) is a Maryland real estate investment trust that owns, manages, acquires, develops, redevelops and operates retail real estate in high barrier-to-entry markets. Urban Edge Properties LP (“UEL” or the “Operating Partnership”) is a Delaware limited partnership formed to serve as the Company’s majority-owned partnership subsidiary and to own, through affiliates, all of the Company’s real estate properties and other assets. Unless the context otherwise requires, references to “we”, “us” and “our” refer to Urban Edge Properties and UEL and their consolidated entities/subsidiaries.

The Operating Partnership’s capital includes general and common limited partnership interests in the operating partnership (“OP Units”). As of March 31, 2017, Urban Edge owned approximately 92.4% of the outstanding common OP Units with the remaining limited OP Units held by Vornado Realty L.P., members of management, our Board of Trustees and contributors of property interests acquired. Urban Edge serves as the sole general partner of the Operating Partnership. The third party unitholders have limited rights over the Operating Partnership such that they do not have characteristics of a controlling financial interest. As such, the Operating Partnership is considered a variable interest entity (“VIE”), and the Company is the primary beneficiary which consolidates it. The Company’s only investment is the Operating Partnership. The VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations and the Company’s partnership interest is considered a majority voting interest.

As of March 31, 2017, our portfolio consisted of 81 shopping centers, four malls and a warehouse park totaling 15.2 million square feet.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions of Form 10-Q. Certain information and footnote disclosures included in our annual financial statements have been condensed or omitted. In the opinion of management, the consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company and the Operating Partnership and the results of operations and cash flows for the interim periods presented. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2017. Accordingly, these consolidated financial statements should be read in conjunction with the our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities Exchange Commission (“SEC”).

The consolidated balance sheets as of March 31, 2017 and December 31, 2016 reflect the consolidation of wholly-owned subsidiaries and those entities in which we have a controlling financial interest. The consolidated statements of income for the three months ended March 31, 2017 and 2016 include the consolidated accounts of the Company and the Operating Partnership. All intercompany transactions have been eliminated in consolidation.

Our primary business is the ownership, management, redevelopment, development and operation of retail shopping centers. We do not distinguish our primary business or group our operations on a geographical basis for purposes of measuring performance. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. None of our tenants accounted for more than 10% of our revenue or property operating income. We aggregate all of our properties into one reportable segment due to their similarities with regard to the nature and economics of the properties, tenants and operations, as well as long-term average financial performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Real Estate Held For Sale — When a real estate asset is identified by management as held for sale, we cease depreciation of the asset and estimate its fair value, net of estimated costs to sell. If the estimated fair value of an asset is less than its net carrying value, an adjustment is recorded to reflect the estimated fair value. Properties classified as real estate held for sale generally represent properties that are under contract for sale and are expected to close within a year.

In evaluating whether a property meets the held for sale criteria, we make a determination as to the point in time that it is probable that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements, often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period or may not close.

#### Recently Issued Accounting Literature

In January 2017, the FASB issued an update (“ASU 2017-01”) Clarifying the Definition of a Business, which changes the definition of a business to exclude acquisitions where substantially all of the fair value of the assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets. While there are various differences between the accounting for an asset acquisition and a business combination, the largest impact is that transaction costs are capitalized for asset acquisitions rather than expensed when they are considered business combinations. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2017-01 effective January 1, 2017. The adoption of this standard has resulted in asset acquisition classification for the real estate acquisitions closed in the quarter ended March 31, 2017, and accordingly, acquisition costs for these acquisitions have been capitalized (refer to Note 4 Acquisitions and Dispositions).

In February 2016, the FASB issued an update (“ASU 2016-02”) Leases, which revises the accounting related to lease accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. We expect to adopt the standard beginning January 1, 2019. This standard will impact our consolidated financial statements by the recording of right-of-use assets and lease liabilities on our consolidated balance sheets for operating and finance leases where we are the lessee. In addition, leases where we are the lessor that meet the criteria of a finance lease will be amortized using the effective interest method with corresponding charges to interest expense and amortization expense. Leases where we are the lessor that meet the criteria of an operating lease will continue to be amortized on a straight-line basis. Lastly, internal leasing department overhead previously capitalized will be expensed within general and administrative expenses.

In May 2014, the FASB issued an update (“ASU 2014-09”) Revenue from Contracts with Customers to ASC Topic 606, which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. During the year ended December 31, 2016, the FASB issued the following updates to ASC Topic 606 to clarify and/or amend the guidance in ASU 2014-09: (i) ASU 2016-08 Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations, (ii) ASU 2016-10 Identifying Performance Obligations and Licensing, which clarifies guidance related to identifying performance obligations and licensing implementation guidance and (iii) ASU 2016-12 Narrow-Scope Improvements and Practical Expedients, which amends certain aspects of ASU 2014-09. In August 2015, the FASB issued an update (“ASU 2015-09”) Revenue from Contracts with Customers to ASC Topic 606, which defers the effective date of ASU 2014-09 for all entities by one year. ASU 2015-09 is effective beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We have commenced the process of adopting ASU 2014-09 for reporting periods beginning after December 15, 2017 using the modified retrospective approach, including evaluating all sources of revenue we expect will be impacted by the adoption of ASU 2014-09. We expect the impact, if any, to be to the presentation of certain lease and non-lease components of revenue from leases (upon the adoption of ASU 2016-02 Leases) and not the total revenue recognized overtime.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company or the Operating Partnership, or they are not expected to have a material impact on the our consolidated financial statements.

## 4. ACQUISITIONS AND DISPOSITIONS

During the three months ended March 31, 2017, we closed on the following acquisitions:

| Date Purchased   | Property Name          | City        | State | Square Feet | Purchase Price <sup>(1)</sup> |
|------------------|------------------------|-------------|-------|-------------|-------------------------------|
|                  |                        |             |       | (unaudited) | (in thousands)                |
| January 4, 2017  | Yonkers Gateway Center | Yonkers     | NY    | —           | <sup>(2)</sup> \$ 51,902      |
| January 17, 2017 | Shops at Bruckner      | Bronx       | NY    | 114,000     | 32,269                        |
| February 2, 2017 | Hudson Mall            | Jersey City | NJ    | 383,000     | 44,273                        |
|                  |                        |             |       | Total       | \$ 128,444                    |

<sup>(1)</sup> Includes transaction costs incurred since January 1, 2017.

We acquired fee and leasehold interests and are a lessor under an operating lease. We do not currently own or

<sup>(2)</sup> operate any square footage at the property. As of March 31, 2017, we are under contract to purchase the fee and leasehold interests not previously acquired.

On January 4, 2017, we acquired fee and leasehold interests in Yonkers Gateway Center for \$51.9 million.

Consideration for this purchase consisted of the issuance of \$48.8 million in OP units and \$2.9 million of cash. The total number of OP units issued was 1.8 million at a value of \$27.09 per unit. Transaction costs associated with this acquisition were \$0.2 million.

On January 17, 2017, we acquired the leasehold interest in the Shops at Bruckner for \$32.3 million, consisting of the assumption of existing debt of the \$12.6 million and \$19.4 million of cash. The property is a 114,000 sf retail center in the Bronx, NY directly across from our 376,000 sf Bruckner Commons shopping center. We own the land under the Shops at Bruckner and had been leasing it to the seller under a ground lease that ran through September 2044.

Concurrent with the acquisition, we wrote-off the unamortized intangible liability balance related to the below-market ground lease as well as the existing straight-line receivable balance. As a result, we recognized \$39.2 million of income from acquired leasehold interest in the quarter ended March 31, 2017. Transaction costs associated with this acquisition were \$0.3 million.

On February 2, 2017, we acquired Hudson Mall, a 383,000 sf retail center in Jersey City, NJ adjacent to our existing Hudson Commons shopping center. Consideration for this purchase consisted of the assumption of the existing debt of \$23.8 million and \$19.9 million of cash. Transaction costs associated with this acquisition were \$0.6 million.

Our acquisitions of Yonkers Gateway Center, Shops at Bruckner, and Hudson Mall were accounted for as asset acquisitions in accordance with ASU 2017-01. Accordingly, transaction costs incurred since January 1, 2017 were capitalized as part of the asset's purchase price. The purchase prices for all acquisitions were allocated to the acquired assets and liabilities based on their estimated fair values at date of acquisition.

The aggregate purchase price of the above property acquisitions have been allocated as follows:

|                                   |                |
|-----------------------------------|----------------|
|                                   | Amount         |
|                                   | (in thousands) |
| Land                              | \$ 56,523      |
| Buildings and improvements        | 70,572         |
| Identified intangible assets      | 47,817         |
| Identified intangible liabilities | (44,708 )      |
| Debt premium                      | (1,760 )       |
|                                   | \$ 128,444     |

Real Estate Held for Sale

At March 31, 2017, we had one property classified as held for sale in Eatontown, NJ based on the executed contract of sale with a third-party buyer and our intent to dispose of the property. The carrying amount of our property in Eatontown, NJ is \$5.1 million, net of accumulated depreciation of \$0.3 million, which is included in prepaid expenses and other assets in the consolidated balance sheets. The book value of this property exceeded its estimated fair value less costs to sell, and as such, an impairment charge of \$3.2 million was recognized at March 31, 2017. Our determination of fair value was based on the executed contract of sale with a third-party buyer.



## 5. RELATED PARTY TRANSACTIONS

In connection with the separation, the Company and Vornado Realty Trust (“Vornado”) entered into a transition services agreement under which Vornado provided transition services to the Company including human resources, information technology, risk management, tax services and office space and support. The fees charged to us by Vornado for those transition services approximated the actual cost incurred by Vornado in providing such services. On June 28, 2016, the Company executed an amendment to the transition services agreement, extending Vornado’s provision of information technology, risk management services and the portion of the human resources service related to health and benefits through July 31, 2018, unless terminated earlier. Fees for these services remain the same except that they may be adjusted for inflation. As of March 31, 2017 and December 31, 2016, there were no amounts due to Vornado related to such services.

During the three months ended March 31, 2017, there were \$0.5 million of costs paid to Vornado included in general and administrative expenses, which consisted of \$0.3 million of rent expense for two of our office locations and \$0.2 million of transition services fees. For the three months ended March 31, 2016, there were \$0.4 million of costs paid to Vornado included in general and administrative expenses, which consisted of \$0.2 million transition services fees and \$0.2 million of rent expense for two of our office locations.

### Management and Development Fees

In connection with the separation, the Company and Vornado entered into property management agreements under which the Company provides management, development, leasing and other services to certain properties owned by Vornado and its affiliates, including Interstate Properties (“Interstate”) and Alexander’s, Inc. (NYSE:ALX). Interstate is a general partnership that owns retail properties in which Steven Roth, Chairman of Vornado’s Board and Chief Executive Officer of Vornado, and a member of our Board of Trustees, is the managing general partner. Interstate and its partners beneficially owned an aggregate of approximately 7.1% of the common shares of beneficial interest of Vornado as of March 31, 2017. As of, and for the three months ended March 31, 2017, Vornado owned 32.4% of Alexander’s, Inc. We recognized management and development fee income of \$0.5 million for the three months ended March 31, 2017 and 2016. As of March 31, 2017 and December 31, 2016, there were \$0.3 million of fees due from Vornado included in tenant and other receivables in our consolidated balance sheets.

## 6. IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES

Our identified intangible assets (acquired in-place and above and below-market leases) and liabilities (acquired below-market leases), net of accumulated amortization were \$73.9 million and \$145.7 million as of March 31, 2017, respectively, and \$30.9 million and \$147.0 million as of December 31, 2016, respectively.

Amortization of acquired below-market leases, net of acquired above-market leases resulted in additional rental income of \$2.0 million for the three months ended March 31, 2017 and \$1.9 million for the same period in 2016.

Amortization of acquired in-place leases and customer relationships resulted in additional depreciation and amortization expense of \$0.9 million for the three months ended March 31, 2017 and \$0.4 million for the same period in 2016.

Certain shopping centers were acquired subject to ground leases or ground and building leases. Amortization of these acquired below-market leases resulted in additional rent expense of \$0.4 million and \$0.2 million for the three months ended March 31, 2017 and 2016, respectively.

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The following table sets forth the estimated annual amortization expense related to intangible assets and liabilities for the five succeeding years commencing January 1, 2018:

| Year | Below-Market                            |                                   | Below-Market     |
|------|---|-----------------------------------|------------------|
|      | Operating<br>Leases, net <sup>(1)</sup> | In-Place<br>Leases <sup>(2)</sup> | Ground<br>Leases |
| 2018 | \$ 8,506                                | \$ 3,657                          | \$ 1,457         |
| 2019 | 8,284                                   | 3,253                             | 1,457            |
| 2020 | 8,223                                   | 3,038                             | 1,457            |
| 2021 | 8,133                                   | 2,721                             | 1,107            |
| 2022 | 7,847                                   | 2,230                             | 1,075            |

<sup>(1)</sup> Estimated annual amortization of acquired below-market leases, net of acquired above-market leases.

<sup>(2)</sup> Estimated annual amortization of acquired in-place leases and customer relationships.

## 7. MORTGAGES PAYABLE

The following is a summary of mortgages payable as of March 31, 2017 and December 31, 2016.

| (Amounts in thousands)                              | Maturity   | Interest Rate at<br>March 31, 2017 | March<br>31,<br>2017 | December<br>31,<br>2016 |
|---|------------|------------------------------------|----------------------|-------------------------|
| Cross-collateralized mortgage loan:                 |            |                                    |                      |                         |
| Fixed Rate  | 9/10/2020  | 4.37%                              | \$515,451            | \$519,125               |
| Variable Rate <sup>(1)</sup>                        | 9/10/2020  | 2.36%                              | 38,756               | 38,756                  |
| Total cross collateralized                          |            |                                    | 554,207              | 557,881                 |
| First mortgages secured by:                         |            |                                    |                      |                         |
| Englewood <sup>(3)</sup>                            | 10/1/2018  | 6.22%                              | 11,537               | 11,537                  |
| Montehiedra Town Center, Senior Loan <sup>(2)</sup> | 7/6/2021   | 5.33%                              | 86,974               | 87,308                  |
| Montehiedra Town Center, Junior Loan <sup>(2)</sup> | 7/6/2021   | 3.00%                              | 30,000               | 30,000                  |
| Bergen Town Center                                  | 4/8/2023   | 3.56%                              | 300,000              | 300,000                 |
| Shops at Bruckner <sup>(6)</sup>                    | 5/1/2023   | 3.90%                              | 12,536               | —                       |
| Hudson Mall <sup>(7)</sup>                          | 12/1/2023  | 5.07%                              | 25,462               | —                       |
| Las Catalinas                                       | 8/6/2024   | 4.43%                              | 130,000              | 130,000                 |
| North Bergen (Tonnelle Avenue) <sup>(5)</sup>       | 4/1/2027   | 4.18%                              | 100,000              | 73,951                  |
| Mount Kisco (Target) <sup>(4)</sup>                 | 11/15/2034 | 6.40%                              | 14,778               | 14,883                  |
|   |            | Total mortgages payable            |                      |                         |