

Edgar Filing: Urban Edge Properties - Form 10-Q

Urban Edge Properties  
Form 10-Q  
May 02, 2018

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, 2018  
OR

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

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

Commission File Number: 001-36523 (Urban Edge Properties)  
Commission File Number: 333-212951-01 (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 a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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"/>
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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"/>
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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 13(a) of the Exchange Act.

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Urban Edge Properties o                      Urban Edge Properties LP o

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 o   NO x            Urban Edge Properties LP   YES o   NO x

As of April 27, 2018, Urban Edge Properties had 113,933,724 common shares outstanding.

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URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP  
 QUARTERLY REPORT ON FORM 10-Q  
 QUARTER ENDED MARCH 31, 2018

TABLE OF CONTENTS

PART I

<u>Item 1.</u>	Financial Statements	
	Consolidated Financial Statements of Urban Edge Properties:	
	Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017 (unaudited)	<u>1</u>
	Consolidated Statements of Income for the Three Months Ended March 31, 2018 and 2017 (unaudited)	<u>2</u>
	Consolidated Statement of Changes in Equity for the Three Months Ended March 31, 2018 (unaudited)	<u>3</u>
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017 (unaudited)	<u>4</u>
	Consolidated Financial Statements of Urban Edge Properties LP:	
	Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017 (unaudited)	<u>6</u>
	Consolidated Statements of Income for the Three Months Ended March 31, 2018 and 2017 (unaudited)	<u>7</u>
	Consolidated Statement of Changes in Equity for the Three Months Ended March 31, 2018 (unaudited)	<u>8</u>
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017 (unaudited)	<u>9</u>
	Urban Edge Properties and Urban Edge Properties LP	
	Notes to Consolidated Financial Statements (unaudited)	<u>11</u>
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>24</u>
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	<u>35</u>
Item 4.	Controls and Procedures	<u>36</u>

PART II

Item 1.	Legal Proceedings	<u>36</u>
Item 1A.	Risk Factors	<u>36</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	<u>37</u>
Item 3.	Defaults Upon Senior Securities	<u>37</u>
Item 4.	Mine Safety Disclosures	<u>37</u>
Item 5.	Other Information	<u>37</u>
Item 6.	Exhibits	<u>38</u>
	Signatures	<u>39</u>

## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2018 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 “UERP” and the “Operating Partnership” mean Urban Edge Properties LP, a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean collectively UE, UERP and those entities/subsidiaries consolidated by UE. UERP 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 UERP. As the sole general partner of UERP, UE has exclusive control of UERP’s day-to-day management.

As of March 31, 2018, UE owned an approximate 89.9% ownership interest in UERP. The remaining approximate 10.1% interest is owned by limited partners. The other limited partners of UERP are Vornado Realty L.P., members of management, our Board of Trustees, and contributors of property interests acquired. Under the limited partnership agreement of UERP, unitholders may present their common units of UERP 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, UERP 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 UERP, 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 UERP pay cash. With each such exchange or redemption, UE’s percentage ownership in UERP will increase. In addition, whenever UE issues common shares other than to acquire common units of UERP, UE must contribute any net proceeds it receives to UERP and UERP must issue to UE an equivalent number of common units of UERP. 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 UERP into this single report provides the following benefits:

- enhances investors’ understanding of UE and UERP 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 UERP; 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 UERP in the context of how UE and UERP operate as a consolidated company. The financial results of UERP are consolidated into the financial statements of UE. UE does not have any other significant assets, liabilities or operations, other than its investment in UERP, nor does it have employees of its own. UERP, not UE, generally executes all significant business relationships other than transactions involving the securities of UE. UERP holds substantially all of the assets of UE. UERP 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 UERP in exchange for units of limited partnership in UERP, as applicable, UERP 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 agreement, 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 UERP. The limited partners of UERP are accounted for as partners’ capital in UERP’s financial statements and as noncontrolling interests in UE’s financial statements. The noncontrolling interests in UERP’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 UERP’s level and limited partners of UERP. The differences between shareholders’ equity and partners’ capital result from differences in the equity issued at UE and UERP levels.

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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 14, Equity and Noncontrolling Interest 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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## 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, 2018	December 31, 2017
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$523,798	\$521,669
Buildings and improvements	2,005,590	2,010,527
Construction in progress	165,403	133,761
Furniture, fixtures and equipment	5,996	5,897
Total	2,700,787	2,671,854
Accumulated depreciation and amortization	(601,729)	(587,127)
Real estate, net	2,099,058	2,084,727
Cash and cash equivalents	462,774	490,279
Restricted cash	10,817	10,562
Tenant and other receivables, net of allowance for doubtful accounts of \$5,854 and \$4,937, respectively	21,564	20,078
Receivable arising from the straight-lining of rents, net of allowance for doubtful accounts of \$528 and \$494, respectively	85,727	85,843
Identified intangible assets, net of accumulated amortization of \$36,629 and \$33,827, respectively	82,787	87,249
Deferred leasing costs, net of accumulated amortization of \$15,390 and \$14,796, respectively	20,422	20,268
Deferred financing costs, net of accumulated amortization of \$1,998 and \$1,740, respectively	2,985	3,243
Prepaid expenses and other assets	17,244	18,559
Total assets	\$2,803,378	\$2,820,808
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgages payable, net	\$1,552,543	\$1,564,542
Identified intangible liabilities, net of accumulated amortization of \$66,866 and \$65,832, respectively	176,770	180,959
Accounts payable and accrued expenses	71,061	69,595
Other liabilities	15,574	15,171
Total liabilities	1,815,948	1,830,267
Commitments and contingencies		
Shareholders' equity:		
Common shares: \$0.01 par value; 500,000,000 shares authorized and 113,923,724 and 113,827,529 shares issued and outstanding, respectively	1,139	1,138
Additional paid-in capital	947,815	946,402
Accumulated deficit	(61,975)	(57,621)
Noncontrolling interests:		

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Operating partnership	100,036	100,218
Consolidated subsidiaries	415	404
Total equity	987,430	990,541
Total liabilities and equity	\$2,803,378	\$2,820,808

See notes to consolidated financial statements (unaudited).

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

Three  
Months  
Ended  
March  
31,  
2018