Urban Edge Properties
Form 10-Q
October 31, 2018

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 EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
o 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 x NO o Urban Edge Properties LP YES x NO o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Urban Edge Properties YES x NO o Urban Edge Properties LP YES x NO o
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 x	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o	Emerging Growth Company o

Urban Edge Properties LP:

Large Accelerated Filer o	Accelerated Filer o	Non-Accelerated Filer x	Smaller Reporting Company o	Emerging Growth Company o

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.
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 October 26, 2018, Urban Edge Properties had 114,305,607 common shares outstanding.

URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2018

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 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 “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 September 30, 2018, UE owned an approximate 89.8% ownership interest in UELP. The remaining approximate 10.2% interest is owned by limited partners. The other limited partners of UELP are Vornado Realty L.P., 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 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 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 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 14, Equity and Noncontrolling Interest and Note 16, 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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
URBAN EDGE PROPERTIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Real estate, at cost:		
Land	$533,859	$521,669
Buildings and improvements	2,132,712	2,010,527
Construction in progress	79,488	133,761
Furniture, fixtures and equipment	6,662	5,897
Total	2,752,721	2,671,854
Accumulated depreciation and amortization	(633,675)	(587,127)
Real estate, net	2,119,046	2,084,727
Cash and cash equivalents	449,307	490,279
Restricted cash	16,269	10,562
Tenant and other receivables, net of allowance for doubtful accounts of $6,485 and $4,937, respectively	28,799	20,078
Receivable arising from the straight-lining of rents, net of allowance for doubtful accounts of $662 and $494, respectively	84,828	85,843
Identified intangible assets, net of accumulated amortization of $38,905 and $33,827, respectively	72,841	87,249
Deferred leasing costs, net of accumulated amortization of $16,043 and $14,796, respectively	21,088	20,268
Deferred financing costs, net of accumulated amortization of $2,508 and $1,740, respectively	2,475	3,243
Prepaid expenses and other assets	16,194	18,559
Total assets	$2,810,847	$2,820,808
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net	$1,550,995	$1,564,542
Accounts payable and accrued expenses	70,227	69,595
Identified intangible liabilities, net of accumulated amortization of $64,252 and $65,832, respectively	148,715	180,959
Other liabilities	17,656	15,171
Total liabilities	1,787,593	1,830,267
Commitments and contingencies		
Shareholders' equity:		
Common shares: $0.01 par value; 500,000,000 shares authorized and 114,175,607 and 113,827,529 shares issued and outstanding, respectively	1,141	1,138
Additional paid-in capital	951,959	946,402
Accumulated deficit	(34,221)	(57,621)
Noncontrolling interests:		

Operating partnership	103,937	100,218
Consolidated subsidiaries	438	404
Total equity	1,023,254	990,541
Total liabilities and equity	$2,810,847	$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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUE				
Property rentals	$85,949	$69,625	$230,217	$196,831
Tenant expense reimbursements	25,784	23,938	80,678	71,590
Management and development fees	375	369	1,064	1,199
Income from acquired leasehold interest	—	—	—	39,215
Other income	106	169	1,278	831
Total revenue	112,214	94,101	313,237	309,666
EXPENSES				
Depreciation and amortization	21,833	20,976	73,544	60,505
Real estate taxes	16,374	15,872	47,736	43,975
Property operating	22,249	11,402	59,408	35,858
General and administrative	9,702	7,025	25,579	22,998
Casualty and impairment loss (gain), net	58	2,170	(1,248)	5,637
Ground rent	2,722	2,891	8,210	7,997
Provision for doubtful accounts	79	575	2,588	1,674
Total expenses	73,017	60,911	215,817	178,644
Operating income	39,197	33,190	97,420	131,022
Gain on sale of real estate	2,185	202	52,625	202
Interest income	2,388	719	5,943	1,182
Interest and debt expense	(16,756)	(14,637)	(48,059)	(41,379)
Gain (loss) on extinguishment of debt	—	—	2,524	(1,274)
Income before income taxes	27,014	19,474	110,453	89,753
Income tax expense	(115)	(318)	(741)	(942)
Net income	26,899	19,156	109,712	88,811
Less net income attributable to noncontrolling interests in:				
Operating partnership	(2,688)	(1,967)	(11,041)	(7,431)
Consolidated subsidiaries	(11)	(11)	(34)	(33)
Net income attributable to common shareholders	$24,200	$17,178	$98,637	$81,347
Earnings per common share - Basic:	$0.21	$0.15	$0.87	$0.77
Earnings per common share - Diluted:	$0.21	$0.15	$0.86	$0.77
Weighted average shares outstanding - Basic	113,890	110,990	113,769	104,938
Weighted average shares outstanding - Diluted	114,156	111,260	114,236	115,323

See notes to consolidated financial statements (unaudited).

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

	Common Shares				Noncontrolling Interests ("NCI")		
	Shares	Amount	Additional Paid-In Capital	Accumulated Earnings (Deficit)	Operating Partnership	Consolidated Subsidiaries	Total Equity
Balance, December 31, 2017	113,827,529	$1,138	$946,402	$ (57,621)	$100,218	$ 404	$990,541
Net income attributable to common shareholders	—	—	—	98,637	—	—	98,637
Net income attributable to noncontrolling interests	—	—	—	—	11,041	34	11,075
Limited partnership interests:							
Units redeemed for common shares	249,110	2	2,041	—	—	—	2,043
Reallocation of noncontrolling interests	—	—	(21)	—	(2,022)	—	(2,043)
Common shares issued	116,158	2	452	(139)	—	—	315
Dividends to common shareholders ($0.66 per share)	—	—	—	(75,122)	—	—	(75,122)
Distributions to redeemable NCI ($0.66 per unit)	—	—	—	—	(8,301)	—	(8,301)
Share-based compensation expense	—	—	3,469	24	3,001	—	6,494
Share-based awards retained for taxes	(17,190)	(1)	(384)	—	—	—	(385)
Balance, September 30, 2018	114,175,607	$1,141	$951,959	$ (34,221)	$103,937	$ 438	$1,023,254

See notes to consolidated financial statements (unaudited).

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

	Nine Months Ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$109,712	$88,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,025	60,576
Income from acquired leasehold interest	—	(39,215)
Casualty and impairment loss	—	5,637
Gain on sale of real estate	(52,625)	(202)
(Gain) loss on extinguishment of debt	(2,524)	1,274
Amortization of deferred financing costs	2,159	2,175
Amortization of below market leases, net	(29,767)	(6,842)
Straight-lining of rent	(381)	520
Share-based compensation expense	6,494	5,248
Provision for doubtful accounts	2,588	1,674
Change in operating assets and liabilities:		
Tenant and other receivables	(12,812)	(9,605)
Deferred leasing costs	(3,441)	(3,556)
Prepaid and other assets	(1,359)	(6,073)
Accounts payable and accrued expenses	(6,378)	12,372
Other liabilities	2,431	1,704
Net cash provided by operating activities	88,122	114,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate development and capital improvements	(90,703)	(55,941)
Acquisition of real estate	(4,931)	(211,393)
Proceeds from sale of operating properties	57,593	5,005
Insurance proceeds	1,300	—
Net cash used in investing activities	(36,741)	(262,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(3,153)	(88,559)
Dividends to common shareholders	(75,122)	(70,408)
Distributions to redeemable noncontrolling interests	(8,301)	(6,705)
Debt issuance costs	—	(11,352)
Taxes withheld for vested restricted shares	(385)	(287)
Proceeds related to the issuance of common shares	315	348,214
Proceeds from borrowings	—	225,500
Net cash (used in) provided by financing activities	(86,646)	396,403
Net (decrease) increase in cash and cash equivalents and restricted cash	(35,265)	248,572
Cash and cash equivalents and restricted cash at beginning of period	500,841	140,186
Cash and cash equivalents and restricted cash at end of period	$465,576	$388,758

See notes to consolidated financial statements (unaudited).

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	Nine Months Ended September 30,	
	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payment for interest, includes amounts capitalized of $2,769 and $2,912, respectively	$49,549	$40,567
Cash payments for income taxes	757	1,237
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures included in accounts payable and accrued expenses	24,100	15,226
Mortgage debt forgiven in foreclosure sale	11,537	—
Write-off of fully depreciated assets	10,407	910
Acquisition of real estate through issuance of OP units	—	171,084
Acquisition of real estate through assumption of debt	—	69,659
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$490,279	$131,654
Restricted cash at beginning of period	10,562	8,532
Cash and cash equivalents and restricted cash at beginning of period	$500,841	$140,186
Cash and cash equivalents at end of period	$449,307	$380,395
Restricted cash at end of period	16,269	8,363
Cash and cash equivalents and restricted cash at end of period	$465,576	$388,758

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except unit and per unit amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Real estate, at cost:		
Land	$533,859	$521,669
Buildings and improvements	2,132,712	2,010,527
Construction in progress	79,488	133,761
Furniture, fixtures and equipment	6,662	5,897
Total	2,752,721	2,671,854
Accumulated depreciation and amortization	(633,675)	(587,127)
Real estate, net	2,119,046	2,084,727
Cash and cash equivalents	449,307	490,279
Restricted cash	16,269	10,562
Tenant and other receivables, net of allowance for doubtful accounts of $6,485 and $4,937, respectively	28,799	20,078
Receivable arising from the straight-lining of rents, net of allowance for doubtful accounts of $662 and $494, respectively	84,828	85,843
Identified intangible assets, net of accumulated amortization of $38,905 and $33,827, respectively	72,841	87,249
Deferred leasing costs, net of accumulated amortization of $16,043 and $14,796, respectively	21,088	20,268
Deferred financing costs, net of accumulated amortization of $2,508 and $1,740, respectively	2,475	3,243
Prepaid expenses and other assets	16,194	18,559
Total assets	$2,810,847	$2,820,808
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net	$1,550,995	$1,564,542
Accounts payable and accrued expenses	70,227	69,595
Identified intangible liabilities, net of accumulated amortization of $64,252 and $65,832, respectively	148,715	180,959
Other liabilities	17,656	15,171
Total liabilities	1,787,593	1,830,267
Commitments and contingencies		
Equity:		
Partners' capital:		
General partner: 114,175,607 and 113,827,529 units outstanding, respectively	953,100	947,540
Limited partners: 12,908,526 and 12,812,954 units outstanding, respectively	106,474	105,495
Accumulated deficit	(36,758)	(62,898)
Total partners' capital	1,022,816	990,137
Noncontrolling interest in consolidated subsidiaries	438	404
Total equity	1,023,254	990,541
Total liabilities and equity	$2,810,847	$2,820,808

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUE				
Property rentals	$85,949	$69,625	$230,217	$196,831
Tenant expense reimbursements	25,784	23,938	80,678	71,590
Management and development fees	375	369	1,064	1,199
Income from acquired leasehold interest	—	—	—	39,215
Other income	106	169	1,278	831
Total revenue	112,214	94,101	313,237	309,666
EXPENSES				
Depreciation and amortization	21,833	20,976	73,544	60,505
Real estate taxes	16,374	15,872	47,736	43,975
Property operating	22,249	11,402	59,408	35,858
General and administrative	9,702	7,025	25,579	22,998
Casualty and impairment loss (gain), net	58	2,170	(1,248)	5,637
Ground rent	2,722	2,891	8,210	7,997
Provision for doubtful accounts	79	575	2,588	1,674
Total expenses	73,017	60,911	215,817	178,644
Operating income	39,197	33,190	97,420	131,022
Gain on sale of real estate	2,185	202	52,625	202
Interest income	2,388	719	5,943	1,182
Interest and debt expense	(16,756)	(14,637)	(48,059)	(41,379)
Gain (loss) on extinguishment of debt	—	—	2,524	(1,274)
Income before income taxes	27,014	19,474	110,453	89,753
Income tax expense	(115)	(318)	(741)	(942)
Net income	26,899	19,156	109,712	88,811
Less: net income attributable to NCI in consolidated subsidiaries	(11)	(11)	(34)	(33)
Net income attributable to unitholders	$26,888	$19,145	$109,678	$88,778
Earnings per unit - Basic:	$0.21	$0.15	$0.87	$0.77
Earnings per unit - Diluted:	$0.21	$0.15	$0.86	$0.77
Weighted average units outstanding - Basic	126,208	123,433	126,170	114,979
Weighted average units outstanding - Diluted	126,693	123,703	126,636	115,323

See notes to consolidated financial statements (unaudited).

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

	Total Shares	General Partner	Total Units	Limited Partners[1]	Accumulated Earnings (Deficit)	NCI in Consolidated Subsidiaries	Total Equity
Balance, December 31, 2017	113,827,529	$947,540	12,812,954	$105,495	$(62,898)	$ 404	$990,541
Net income attributable to unitholders	—	—	—	—	109,678	—	109,678
Net income attributable to noncontrolling interests	—	—	—	—	—	34	34
Common units issued as a result of common shares issued by Urban Edge	116,158	454	—	—	(139)	—	315
Equity redemption of OP Units	249,110	2,043	(249,110)	—	—	—	2,043
Limited partnership units issued, net	—	—	344,682	—	—	—	—
Reallocation of noncontrolling interests	—	(21)	—	(2,022)	—	—	(2,043)
Distributions to Partners ($0.66 per unit)	—	—	—	—	(83,423)	—	(83,423)
Share-based compensation expense	—	3,469	—	3,001	24	—	6,494
Share-based awards retained for taxes	(17,190)	(385)	—	—	—	—	(385)
Balance, September 30, 2018	114,175,607	$953,100	12,908,526	$106,474	$(36,758)	$ 438	$1,023,254

[1] Limited partners have a 10.2% common limited partnership interest in the Operating Partnership as of September 30, 2018 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)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$109,712	$88,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,025	60,576
Income from acquired leasehold interest	—	(39,215)
Casualty and impairment loss	—	5,637
Gain on sale of real estate	(52,625)	(202)
(Gain) loss on extinguishment of debt	(2,524)	1,274
Amortization of deferred financing costs	2,159	2,175
Amortization of below market leases, net	(29,767)	(6,842)
Straight-lining of rent	(381)	520
Share-based compensation expense	6,494	5,248
Provision for doubtful accounts	2,588	1,674
Change in operating assets and liabilities:		
Tenant and other receivables	(12,812)	(9,605)
Deferred leasing costs	(3,441)	(3,556)
Prepaid and other assets	(1,359)	(6,073)
Accounts payable and accrued expenses	(6,378)	12,372
Other liabilities	2,431	1,704
Net cash provided by operating activities	88,122	114,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate development and capital improvements	(90,703)	(55,941)
Acquisition of real estate	(4,931)	(211,393)
Proceeds from sale of operating properties	57,593	5,005
Insurance proceeds	1,300	—
Net cash used in investing activities	(36,741)	(262,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(3,153)	(88,559)
Distributions to partners	(83,423)	(77,113)
Debt issuance costs	—	(11,352)
Taxes withheld for vested restricted units	(385)	(287)
Proceeds related to the issuance of common shares	315	348,214
Proceeds from borrowings	—	225,500
Net cash (used in) provided by financing activities	(86,646)	396,403
Net (decrease) increase in cash and cash equivalents and restricted cash	(35,265)	248,572
Cash and cash equivalents and restricted cash at beginning of period	500,841	140,186
Cash and cash equivalents and restricted cash at end of period	$465,576	$388,758

See notes to consolidated financial statements (unaudited).

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	Nine Months Ended September 30,	
	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payment for interest, includes amounts capitalized of $2,769 and $2,912, respectively	$49,549	$40,567
Cash payments for income taxes	757	1,237
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures included in accounts payable and accrued expenses	24,100	15,226
Mortgage debt forgiven in foreclosure sale	11,537	—
Write-off of fully depreciated assets	10,407	910
Acquisition of real estate through issuance of OP units	—	171,084
Acquisition of real estate through assumption of debt	—	69,659
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	$490,279	$131,654
Restricted cash at beginning of period	10,562	8,532
Cash and cash equivalents and restricted cash at beginning of period	$500,841	$140,186
Cash and cash equivalents at end of period	$449,307	$380,395
Restricted cash at end of period	16,269	8,363
Cash and cash equivalents and restricted cash at end of period	$465,576	$388,758

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 focused on managing, developing, redeveloping, and acquiring retail real estate in urban communities, primarily in the New York metropolitan area. Urban Edge Properties LP ("UELP" or the "Operating Partnership") is a Delaware limited partnership formed to serve as UE's majority-owned partnership subsidiary and to own, through affiliates, all of our real estate properties and other assets. Unless the context otherwise requires, references to "we", "us" and "our" refer to Urban Edge Properties and UELP 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 September 30, 2018, Urban Edge owned approximately 89.8% 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 September 30, 2018, our portfolio consisted of 83 shopping centers, four malls and a warehouse park totaling approximately 16.3 million square feet (sf).
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 and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018. Accordingly, these consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities Exchange Commission ("SEC").

The consolidated balance sheets as of September 30, 2018 and December 31, 2017 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 and nine months ended September 30, 2018 and 2017 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 and malls. We do not distinguish our primary business or group our operations on a geographical basis for purposes of measuring performance. The Company's chief operating decision maker reviews 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

Recently Issued Accounting Literature

Effective January 1, 2018, we adopted (“ASU 2017-09”) Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting will not apply if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The adoption of this standard resulted in no impact to our consolidated financial statements. If we encounter a change to the terms or conditions of any of our share-based payment awards we will evaluate the need to apply modification accounting based on the new guidance. The general treatment for modifications of share-based payment awards is to record the incremental value arising from the change as additional compensation cost in the period of modification.

Effective January 1, 2018, we adopted ("ASU 2017-05") Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, to clarify the scope and accounting for derecognition of nonfinancial assets. ASU 2017-05 eliminated the guidance specific to real estate sales and partial sales of real estate. ASU 2017-05 defines "in-substance nonfinancial assets" and includes guidance on partial sales of nonfinancial assets. The adoption of this standard resulted in no material impact to our consolidated financial statements.

Effective January 1, 2018, we adopted ("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. We adopted the standard using the modified retrospective approach which requires applying the new standard to all existing contracts not yet completed as of the effective date. We have completed our evaluation of the standard's impact on our revenue sources. The adoption of this standard did not have a material impact on our consolidated financial statements but has resulted in additional qualitative disclosures for the three and nine months ended September 30, 2018 and 2017 (refer to Note 4 Revenues).

In February 2016, the FASB issued an update ("ASU 2016-02") Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a two-model approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. The new standard requires lessors to account for the leases using an approach that is substantially equivalent to existing guidance for sales-type lease, direct financing leases and operating leases.

ASU 2016-02 originally stated that companies would be required to bifurcate certain lease revenues between lease and non-lease components, however, in July 2018, the FASB issued an update ("ASU 2018-11") Leases: Targeted Improvements which provides lessors a practical expedient to account for lease and non-lease components as a single lease component if certain criteria are met. ASU 2016-02 originally required a modified retrospective method of adoption, however, ASU 2018-11 provides companies with an additional transition method of recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The provisions of ASU 2016-02 are effective January 1, 2019, with early adoption permitted. We plan to adopt this standard January 1, 2019 and elect the practical expedient package, which will be applied consistently to all of our leases. As of September 30, 2018, we are finalizing our evaluation of the standard's impact on the Company's consolidated financial statements and accounting policies. For leases where we are the lessor, adoption will not have a material impact and we will continue to record revenues from rental properties for our operating leases on a straight-line basis. For leases where we are a lessee, we will be required to record a right-of-use asset and lease liability on our consolidated balance sheet. We are finalizing the inputs required to calculate the amounts that will be recorded on our consolidated balance sheets for these leases. Further, internal leasing department costs previously capitalized will be expensed within general and administrative expenses. Historical capitalization of internal leasing costs was $0.5 million for each of the nine months ended September 30, 2018 and September 30, 2017, respectively. We will continue to evaluate the impact of this guidance until it becomes effective.

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 our consolidated financial statements.

4. REVENUES

We have the following revenue sources and revenue recognition policies. The table below presents our revenues disaggregated by revenue source for the three and nine months ended September 30, 2018 and 2017, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2018	2017	2018	2017
Property rentals	$85,949	$69,625	$230,217	$196,831
Tenant expense reimbursements	25,784	23,938	80,678	71,590
Management and development fees	375	369	1,064	1,199
Income from acquired leasehold interest	—	—	—	39,215
Other income	106	169	1,278	831
Total Revenue	$112,214	$94,101	$313,237	$309,666

Property Rentals

We generate revenue from minimum lease payments from tenant operating leases. These rents are recognized over the noncancelable terms of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases in accordance with ASC 840 Leases. We satisfy our performance obligations over time, under the noncancelable lease term, commencing when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a lease incentive to tenants, we recognize the incentive as a reduction of rental revenue on a straight-line basis over the remaining term of the lease. The underlying leased asset remains on our consolidated balance sheet and continues to depreciate.

Tenant expense reimbursements

In accordance with ASC 840, revenue arises from tenant leases, which provide for the recovery of all or a portion of the operating expenses, real estate taxes and capital improvements of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

Income from acquired leasehold interest

Income from acquired leasehold interest was non-cash revenue generated in connection with the write-off of an unamortized intangible liability balance related to the below-market ground lease as well as the existing straight-line receivable balance, upon acquisition of the leasehold interest of the property. This revenue was recognized in accordance with ASC 840.

Other Income

Other income is generated in connection with certain services provided to tenants for which we earn a fee. This revenue is recognized as the services are transferred in accordance with ASC 606, with the exception of lease termination fee income, which is recognized in accordance with ASC 840.

Management and development fees

We generate management and development fee income from contractual property management agreements with third parties. This revenue is recognized as the services are transferred in accordance with ASC 606.

5. ACQUISITIONS AND DISPOSITIONS

During the nine months ended September 30, 2018, we closed the following acquisitions:

Date Purchased	Property Name	City	State	Square Feet	Purchase Price (in thousands)	
January 26, 2018	938 Spring Valley Road	Maywood	NJ	2,000	$ 719	
February 23, 2018	116 Sunrise Highway	Freeport	NY	4,750	447	
February 28, 2018	197 West Spring Valley Ave	Maywood	NJ	16,300	2,799	
May 24, 2018	7 Francis Place	Montclair	NJ	3,000	966	
				Total	$ 4,931	(1)

(1) The total purchase price for the properties acquired in the nine months ended September 30, 2018 includes $0.1 million of transaction costs incurred in relation to the transactions.

The properties purchased during the nine months ended September 30, 2018 are all adjacent to existing centers owned by the Company. Consideration for these purchases consisted of cash.

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

Property Name	Land	Buildings and improvements	Total Purchase Price
(in thousands)			
938 Spring Valley Road	$519	$ 200	$ 719
116 Sunrise Highway	151	296	447
197 West Spring Valley Ave	1,768	1,031	2,799
7 Francis Place	381	585	966
Total	$2,819	$ 2,112	$ 4,931

Dispositions

On April 26, 2018, we completed the sale of our property in Allentown, PA, which was previously classified as held for sale, for $54.3 million, net of selling costs. As a result of this transaction, we recognized a $50.4 million gain on sale of real estate during the nine months ended September 30, 2018.

On July 5, 2018, we completed the sale of land in Cherry Hill, NJ for $3.3 million, net of selling costs, resulting in a gain of $2.2 million.

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 $72.8 million and $148.7 million as of September 30, 2018, respectively, and $87.2 million and $181.0 million as of December 31, 2017, respectively.

Amortization of acquired below-market leases, net of acquired above-market leases resulted in additional rental income of $19.3 million and $29.8 million for the three and nine months ended September 30, 2018, respectively, and $2.7 million and $6.8 million for the same periods in 2017.

Amortization of acquired in-place leases and customer relationships resulted in additional depreciation and amortization expense of $2.7 million and $11.2 million for the three and nine months ended September 30, 2018, respectively, and $2.9 million and $6.0 million for the same periods in 2017.

Certain shopping centers are subject to ground leases or ground and building leases. Amortization of these acquired below-market leases resulted in additional rent expense of $0.2 million and $0.7 million for the three and nine months ended September 30, 2018, respectively, and $0.2 million and $0.7 million for the same periods in 2017.

The following table sets forth the estimated annual amortization expense related to intangible assets and liabilities for the five succeeding years commencing January 1, 2019:

(Amounts in thousands) Year	Below-Market Operating Lease Income	Above-Market Operating Lease Expense	In-Place Leases	Below-Market Ground Leases
2019	$ 10,359	$ 1,293	$ 7,940	$ 972
2020	10,239	1,016	6,684	972
2021	10,042	794	5,384	622
2022	9,736	433	4,090	590
2023	9,675	327	3,717	590

7. MORTGAGES PAYABLE

The following is a summary of mortgages payable as of September 30, 2018 and December 31, 2017.