

WEINGARTEN REALTY INVESTORS /TX/

Form 10-Q

November 09, 2016

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

FORM 10-Q

(Mark One)

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

For the quarter ended September 30, 2016

OR

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

For the transition period from [] to []

Commission file number 1-9876

Weingarten Realty Investors

(Exact name of registrant as specified in its charter)

TEXAS

74-1464203

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2600 Citadel Plaza Drive

P.O. Box 924133

Houston, Texas

77292-4133

(Address of principal executive offices)

(Zip Code)

(713) 866-6000

(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

YES NO

As of November 4, 2016, there were 128,065,243 common shares of beneficial interest of Weingarten Realty Investors, \$.03 par value, outstanding.

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PART I-FINANCIAL INFORMATION

ITEM 1. Financial Statements

WEINGARTEN REALTY INVESTORS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Rentals, net	\$ 136,435	\$ 128,254	\$ 397,758	\$ 375,222
Other	2,164	2,533	8,934	7,968
Total	138,599	130,787	406,692	383,190
Expenses:				
Depreciation and amortization	42,064	36,327	119,161	108,929
Operating	24,760	24,291	72,959	69,076
Real estate taxes, net	17,067	15,770	50,145	45,895
Impairment loss	—	—	43	153
General and administrative	7,187	6,188	20,073	20,021
Total	91,078	82,576	262,381	244,074
Operating Income	47,521	48,211	144,311	139,116
Interest Expense, net	(21,843)	(20,607)	(61,292)	(67,357)
Interest and Other Income (Expense), net	1,268	(888)	1,840	2,252
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests	9,015	—	46,407	879
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	4,373	5,096	15,111	13,680
(Provision) Benefit for Income Taxes	(1,105)	144	(7,020)	(291)
Income from Continuing Operations	39,229	31,956	139,357	88,279
Gain on Sale of Property	22,108	13,232	68,298	43,917
Net Income	61,337	45,188	207,655	132,196
Less: Net Income Attributable to Noncontrolling Interests	(9,436)	(1,787)	(12,864)	(5,119)
Net Income Adjusted for Noncontrolling Interests	51,901	43,401	194,791	127,077
Dividends on Preferred Shares	—	—	—	(3,830)
Redemption Costs of Preferred Shares	—	—	—	(9,687)
Net Income Attributable to Common Shareholders	\$ 51,901	\$ 43,401	\$ 194,791	\$ 113,560
Earnings Per Common Share - Basic:				
Net income attributable to common shareholders	\$.41	\$.35	\$ 1.55	\$.92
Earnings Per Common Share - Diluted:				
Net income attributable to common shareholders	\$.40	\$.35	\$ 1.53	\$.91

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$61,337	\$45,188	\$207,655	\$132,196
Other Comprehensive Income (Loss):				
Net unrealized gain (loss) on investments, net of taxes	197	(396)	295	(320)
Realized (loss) gain on derivatives	(2,084)	—	(2,084)	5,007
Net unrealized gain (loss) on derivatives	3,556	(3,423)	(5,015)	(3,042)
Amortization of derivatives and designated hedges	462	(28)	1,193	681
Retirement liability adjustment	251	361	1,004	1,081
Total	2,382	(3,486)	(4,607)	3,407
Comprehensive Income	63,719	41,702	203,048	135,603
Comprehensive Income Attributable to Noncontrolling Interests	(9,436)	(1,787)	(12,864)	(5,119)
Comprehensive Income Adjusted for Noncontrolling Interests	\$54,283	\$39,915	\$190,184	\$130,484

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Property	\$ 4,725,715	\$ 4,262,959
Accumulated Depreciation	(1,164,852)	(1,087,642)
Property Held for Sale, net	4,826	34,363
Property, net *	3,565,689	3,209,680
Investment in Real Estate Joint Ventures and Partnerships, net *	293,186	267,041
Total	3,858,875	3,476,721
Unamortized Lease Costs, net	212,992	137,609
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$6,823 in 2016 and \$6,072 in 2015) *	86,623	84,782
Cash and Cash Equivalents *	9,766	22,168
Restricted Deposits and Mortgage Escrows	18,027	3,074
Other, net	196,505	177,591
Total Assets	\$ 4,382,788	\$ 3,901,945
LIABILITIES AND EQUITY		
Debt, net *	\$ 2,320,847	\$ 2,113,277
Accounts Payable and Accrued Expenses	126,056	112,205
Other, net	194,040	131,453
Total Liabilities	2,640,943	2,356,935
Commitments and Contingencies	—	—
Deferred Compensation Share Awards	47,334	—
Equity:		
Shareholders' Equity:		
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 275,000; shares issued and outstanding: 128,066 in 2016 and 123,951 in 2015	3,885	3,744
Additional Paid-In Capital	1,719,526	1,616,242
Net Income Less Than Accumulated Dividends	(178,809)	(222,880)
Accumulated Other Comprehensive Loss	(12,251)	(7,644)
Total Shareholders' Equity	1,532,351	1,389,462
Noncontrolling Interests	162,160	155,548
Total Equity	1,694,511	1,545,010
Total Liabilities and Equity	\$ 4,382,788	\$ 3,901,945
* Consolidated variable interest entities' assets and debt included in the above balances (see Note 15):		
Property, net	\$ 485,458	\$ 240,689
Investment in Real Estate Joint Ventures and Partnerships, net	17,107	18,278
Accrued Rent and Accounts Receivable, net	9,704	9,245
Cash and Cash Equivalents	9,944	13,250
Debt, net	47,319	47,919

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net Income	\$207,655	\$132,196
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	119,161	108,929
Amortization of debt deferred costs and intangibles, net	1,953	1,974
Impairment loss	43	153
Equity in earnings of real estate joint ventures and partnerships, net	(15,111)	(13,680)
Gain on sale and acquisition of real estate joint venture and partnership interests	(46,407)	(879)
Gain on sale of property	(68,298)	(43,917)
Distributions of income from real estate joint ventures and partnerships	868	2,834
Changes in accrued rent and accounts receivable, net	(5,869)	(7,746)
Changes in unamortized lease costs and other assets, net	(12,852)	(11,794)
Changes in accounts payable, accrued expenses and other liabilities, net	12,207	6,946
Other, net	669	10,717
Net cash provided by operating activities	194,019	185,733
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(438,286)	(187,069)
Development and capital improvements	(78,675)	(59,791)
Proceeds from sale of property and real estate equity investments	185,651	74,487
Change in restricted deposits and mortgage escrows	(14,653)	69,396
Real estate joint ventures and partnerships - Investments	(49,877)	(30,053)
Real estate joint ventures and partnerships - Distribution of capital	41,749	28,003
Purchase of investments	(4,740)	—
Proceeds from investments	1,250	1,000
Other, net	566	(325)
Net cash used in investing activities	(357,015)	(104,352)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	249,999	448,083
Principal payments of debt	(67,848)	(223,930)
Changes in unsecured credit facilities	(19,500)	(67,500)
Proceeds from issuance of common shares of beneficial interest, net	137,487	42,420
Redemption of preferred shares of beneficial interest	—	(150,000)
Common and preferred dividends paid	(138,354)	(131,866)
Debt issuance and extinguishment costs paid	(5,230)	(9,779)
Distributions to noncontrolling interests	(6,252)	(4,541)
Contributions from noncontrolling interests	—	1,318
Other, net	292	3,492
Net cash provided by (used in) financing activities	150,594	(92,303)
Net decrease in cash and cash equivalents	(12,402)	(10,922)
Cash and cash equivalents at January 1	22,168	23,189
Cash and cash equivalents at September 30	\$9,766	\$12,267
Interest paid during the period (net of amount capitalized of \$1,762 and \$2,517, respectively)	\$60,379	\$59,333

Income taxes paid during the period	\$930	\$1,534
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See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands, except per share amounts)

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Additional Paid-In Capital	Net Income Less Than Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2015	\$ 2	\$ 3,700	\$1,706,880	\$ (212,960)	\$ (12,436)	\$ 153,757	\$1,638,943
Net income				127,077		5,119	132,196
Redemption of preferred shares (2)			(140,311)	(9,687)			(150,000)
Issuance of common shares, net		34	40,297				40,331
Shares issued under benefit plans, net		10	8,052				8,062
Shares issued in exchange for noncontrolling interests			111			(111)	—
Dividends paid – common shares (1)				(127,993)			(127,993)
Dividends paid – preferred shares (2)				(3,873)			(3,873)
Distributions to noncontrolling interests						(4,541)	(4,541)
Contributions from noncontrolling interests						1,318	1,318
Other comprehensive income					3,407		3,407
Other, net			279	43		(808)	(486)
Balance, September 30, 2015	\$ —	\$ 3,744	\$1,615,308	\$ (227,393)	\$ (9,029)	\$ 154,734	\$1,537,364
Balance, January 1, 2016	\$ —	\$ 3,744	\$1,616,242	\$ (222,880)	\$ (7,644)	\$ 155,548	\$1,545,010
Net income				194,791		12,864	207,655
Issuance of common shares, net		105	131,417				131,522
Shares issued under benefit plans, net		36	6,835				6,871
Change in classification of deferred compensation plan			(38,787)				(38,787)
Change in redemption value of deferred compensation plan				(12,366)			(12,366)
Diversification of share awards within deferred compensation plan			3,819				3,819
Dividends paid – common shares (1)				(138,354)			(138,354)
Distributions to noncontrolling interests						(6,252)	(6,252)
Other comprehensive loss					(4,607)		(4,607)
Balance, September 30, 2016	\$ —	\$ 3,885	\$1,719,526	\$ (178,809)	\$ (12,251)	\$ 162,160	\$1,694,511

(1) Common dividend per share was \$1.10 and \$1.04 for the nine months ended September 30, 2016 and 2015, respectively.

(2) Series F preferred dividend per share was \$64.55 for the nine months ended September 30, 2015.

See Notes to Condensed Consolidated Financial Statements.

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

Note 1. Summary of Significant Accounting Policies

Business

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

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

We operate a portfolio of neighborhood and community shopping centers, totaling approximately 45.2 million square feet of gross leaseable area, that is either owned by us or others. We have a diversified tenant base, with our largest tenant comprising only 3.1% of base minimum rental revenue during the first nine months of 2016. Total revenues generated by our centers located in Houston and its surrounding areas was 21.0% of total revenue for the nine months ended September 30, 2016, and an additional 9.7% of total revenue was generated during this period from centers that are located in other parts of Texas.

Basis of Presentation

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

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2015 are derived from our audited financial statements at that date. In our opinion, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and certain information included in our annual financial statements and notes thereto has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2015.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Such statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Restricted Deposits and Mortgage Escrows

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

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

	September 30, 2016	December 31, 2015
Restricted cash ⁽¹⁾	\$ 16,340	\$ 1,952
Mortgage escrows	1,687	1,122
Total	\$ 18,027	\$ 3,074

(1) The increase between the periods presented is primarily attributable to \$13.6 million of funds being placed in a qualified escrow account for the purpose of completing like-kind exchange transactions.

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Accumulated Other Comprehensive Loss

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

	Gain on Investments	Gain on Cash Flow Hedges	Defined Benefit Pension Plan	Total
Balance, December 31, 2015	\$ (557)	\$(8,160)	\$ 16,361	\$ 7,644
Change excluding amounts reclassified from accumulated other comprehensive loss	(295)	7,099		6,804
Amounts reclassified from accumulated other comprehensive loss		(1,193) ⁽¹⁾	(1,004) ⁽²⁾	(2,197)
Net other comprehensive (income) loss	(295)	5,906	(1,004)	4,607
Balance, September 30, 2016	\$ (852)	\$(2,254)	\$ 15,357	\$ 12,251
	Gain on Investments	Gain on Cash Flow Hedges	Defined Benefit Pension Plan	Total
Balance, December 31, 2014	\$ (656)	\$(3,416)	\$ 16,508	\$ 12,436
Change excluding amounts reclassified from accumulated other comprehensive loss	320	(1,965)		(1,645)
Amounts reclassified from accumulated other comprehensive loss		(681) ⁽¹⁾	(1,081) ⁽²⁾	(1,762)
Net other comprehensive loss (income)	320	(2,646)	(1,081)	(3,407)
Balance, September 30, 2015	\$ (336)	\$(6,062)	\$ 15,427	\$ 9,029

(1) This reclassification component is included in interest expense (see Note 6 for additional information).

(2) This reclassification component is included in the computation of net periodic benefit cost (see Note 12 for additional information).

Deferred Compensation Plan

Our deferred compensation plan was amended, effective April 1, 2016, to permit participants in this plan to diversify their holdings of our common shares of beneficial interest ("common shares") six months after vesting. Thus, as of April 1, 2016, the fully vested share awards and the proportionate share of nonvested share awards eligible for diversification was reclassified from additional paid-in capital to temporary equity in our Condensed Consolidated Balance Sheet. The outstanding share awards are adjusted to their redemption value each reporting period based upon the market value of our common shares at the end of such reporting period, and such change in value from the prior reporting period will be reported in net income less than accumulated dividends in our Condensed Consolidated Statement of Equity. The following table summarizes the eligible share award activity since the effective date through September 30, 2016 (in thousands):

Value of share awards resulting from:	
Change in classification	\$ 38,787
Change in redemption value	12,366
Diversification of share awards	(3,819)
Balance at September 30, 2016	\$ 47,334

Retrospective Application of Accounting Standard Update

The retrospective application of adopting Accounting Standard Update No. 2015-02, "Amendments to the Consolidation Analysis" on prior years' condensed consolidated balance sheet and applicable notes to the consolidated financial statements was made to conform to the current year presentation. The impact of this change was on disclosures as described in Note 2.

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Note 2. Newly Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers." This ASU's core objective is for an entity to recognize revenue based on the consideration it expects to receive in exchange for goods or services. Additionally, this ASU requires entities to use a single model in accounting for revenues derived from contracts with customers. ASU No. 2014-09 replaces prior guidance regarding the recognition of revenue from sales of real estate, except for revenue from sales that are part of a sale-leaseback transaction. The provisions of ASU No. 2014-09, as amended in subsequently issued amendments, are effective for us on January 1, 2018, and are required to be applied either on a retrospective or a modified retrospective approach. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU's core objective is that management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. The provisions of ASU No. 2014-15 are effective for us as of December 31, 2016, and early adoption is permitted. We early adopted this update effective January 1, 2016, and the adoption did not have any impact to our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis." This ASU amends the consolidation analysis required under GAAP and requires management to reevaluate all previous consolidation conclusions. ASU No. 2015-02 considers limited partnerships as VIEs, unless the limited partners have either substantive kick-out or participating rights. The presumption that a general partner should consolidate a limited partnership has also been eliminated. The ASU amends the effect that fees paid to a decision maker or service provider have on the consolidation analysis, as well as amends how variable interests held by a reporting entity's related parties affect the consolidation conclusion. The ASU also clarifies how to determine whether equity holders as a group have power over an entity. The provisions of ASU No. 2015-02 were effective for us as of January 1, 2016. Upon adoption of this update, we have reported 10 additional entities as VIEs, since the limited partners in these entities do not have either substantive kick-out or participating rights. The adoption expanded our VIE disclosures for these 10 entities, but had no impact to our condensed consolidated balance sheets or condensed consolidated statements of operations or cash flows as the consolidation status of these entities did not change. Retrospective disclosures associated with our VIEs were made to conform to the current year presentation.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." This ASU will allow measurement-period adjustments associated with business combinations recorded in the reporting period in which the adjustment amounts are determined, rather than retrospectively, as if the accounting for the business combination had been completed as of the acquisition date. The provisions of ASU No. 2015-16 were effective for us as of January 1, 2016. We have adopted this update, and the adoption did not have any impact to our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU will require equity investments, excluding those investments accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with the changes in fair value recognized in net income; will simplify the impairment assessment of those investments; will eliminate the disclosure of the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost and change the fair value calculation for those investments; will change the disclosure in other comprehensive income for financial liabilities that are measured at fair value in accordance with the fair value options for financial instruments; and will clarify that a deferred asset related to available-for-sale securities should be included in an entity's evaluation for a valuation allowance. The provisions of ASU No. 2016-01 are effective for us as of January 1, 2018. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, "Leases." The ASU sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The ASU requires lessees to adopt a right-of-use asset approach that will bring substantially all leases onto the balance sheet, with the exception of short-term leases. The subsequent accounting for this right-of-use asset will be based on a dual-model approach, under which the lease will be classified as either a finance or an operating lease. The lessor accounting model under this ASU is similar to current guidance, but certain underlying principles in the lessor model have been aligned with the new revenue recognition standard. The provisions of ASU No. 2016-02 are effective for us as of January 1, 2019, are required to be applied on a modified retrospective approach and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU amends prior guidance on the impairment of financial instruments, and adds an impairment model that is based on expected losses rather than incurred losses with the recognition of an allowance based on an estimate of expected credit losses. The provisions of ASU No. 2016-13 are effective for us as of January 1, 2020, and early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This ASU amends guidance to either add or clarify the classification of certain cash receipts and payments in the statement of cash flows. Eight specific issues were identified for further clarification and include: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of company-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and the classification of cash flows that have aspects of more than one class of cash flows. The provisions of ASU No. 2016-15 are effective for us as of January 1, 2018 on a retrospective basis, and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, "Interests Held through Related Parties That Are Under Common Control." This ASU amends the consolidation guidance on how a reporting entity that is a single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control when determining whether it is the primary beneficiary of that VIE. The provisions of ASU No. 2016-17 are effective for us as of January 1, 2017 on a retrospective basis, and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

Note 3. Property

Our property consists of the following (in thousands):

	September 30, 2016	December 31, 2015
Land	\$ 1,044,622	\$ 929,958
Land held for development	85,563	95,524
Land under development	13,776	17,367
Buildings and improvements	3,505,911	3,152,215
Construction in-progress	75,843	67,895
Total	\$ 4,725,715	\$ 4,262,959

During the nine months ended September 30, 2016, we sold seven centers and other property. Aggregate gross sales proceeds from these transactions approximated \$181.6 million and generated gains of approximately \$68.3 million. Also, during the nine months ended September 30, 2016, we acquired three centers and other property with an aggregate gross purchase price of approximately \$443.7 million, which included the consolidation of a property from the acquisition of a partner's 50% interest in an unconsolidated tenancy-in-common arrangement, and we invested \$19.6 million in new development projects. Also during 2016, property increased by \$58.7 million as a result of a business combination (see Note 17 for additional information).

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At September 30, 2016, one center, totaling \$9.1 million before accumulated depreciation, was classified as held for sale. This center did not qualify to be reported in discontinued operations and has been sold subsequent to September 30, 2016.

Note 4. Investment in Real Estate Joint Ventures and Partnerships

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

September 30, December 31,
2016 2015

Combined Condensed Balance Sheets

ASSETS

Property	\$ 1,211,468	\$ 1,290,784
Accumulated depreciation	(255,352)	(293,474)
Property, net	956,116	997,310
Other assets, net	109,647	130,251
Total Assets	\$ 1,065,763	\$ 1,127,561
LIABILITIES AND EQUITY		
Debt, net (primarily mortgages payable)	\$ 314,251	\$ 345,186
Amounts payable to Weingarten Realty Investors and Affiliates	8,544	12,285
Other liabilities, net	30,675	29,509
Total Liabilities	353,470	386,980
Equity	712,293	740,581
Total Liabilities and Equity	\$ 1,065,763	\$ 1,127,561

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015

Combined Condensed Statements of Operations

Revenues, net	\$33,875	\$37,549	\$103,943	\$111,254
Expenses:				
Depreciation and amortization	9,079	9,369	29,065	27,952
Interest, net	3,300	4,199	12,930	12,851
Operating	5,922	6,338	19,883	19,574
Real estate taxes, net	4,223	4,678	13,209	13,935
General and administrative	233	124	688	659
Provision for income taxes	42	34	70	145
Impairment loss	—	—	1,303	7,487
Total	22,799	24,742	77,148	82,603
Gain on sale of non-operating property	—	—	373	—
Gain on dispositions	71	—	12,662	1,393
Net income	\$11,147	\$12,807	\$39,830	\$30,044

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Our investment in real estate joint ventures and partnerships, as reported in our Condensed Consolidated Balance Sheets, differs from our proportionate share of the entities' underlying net assets due to basis differences, which arose upon the transfer of assets to the joint ventures. The net positive basis differences, which totaled \$2.6 million and \$4.9 million at September 30, 2016 and December 31, 2015, respectively, are generally amortized over the useful lives of the related assets.

Our real estate joint ventures and partnerships have determined from time to time that the carrying amount of certain centers was not recoverable and that the centers should be written down to fair value. For the nine months ended September 30, 2016, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of \$1.3 million associated with a center that had been marketed and sold during the period. For the nine months ended September 30, 2015, there was a \$7.5 million impairment charge realized on various centers that were marketed and sold during the period. There was no impairment charge for both the three months ended September 30, 2016 and 2015.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled \$1.2 million and \$1.1 million for the three months ended September 30, 2016 and 2015, respectively, and \$3.5 million and \$3.4 million for the nine months ended September 30, 2016 and 2015, respectively.

For the nine months ended September 30, 2016, four centers and a land parcel were sold with aggregate gross sales proceeds of approximately \$63.7 million, of which our share of the gain totaled \$3.4 million. Additionally, one center with a gross purchase price of \$73 million was acquired, of which our interest aggregated 69%. In September 2016, we acquired our partner's 50% interest in an unconsolidated tenancy-in-common arrangement for approximately \$13.5 million that we had previously accounted for under the equity method. This transaction resulted in the consolidation of the property in our consolidated financial statements.

As of December 31, 2015, we held a combined 51% interest in an unconsolidated real estate joint venture that owned three centers in Colorado with total assets and debt of \$43.7 million and \$72.4 million, respectively. In February 2016, in exchange for our partners' aggregate 49% interest in this venture and \$2.5 million in cash, we distributed one center to our partners. We have consolidated this venture as of the transaction date and re-measured our investment in this venture to its fair value (See Note 17 for additional information).

During 2015, we sold one center held in a 50% owned unconsolidated real estate joint venture for approximately \$1.1 million, of which our share of the gain totaled \$.6 million. Associated with this transaction, a gain of \$.9 million on our investment of this real estate joint venture was realized. Additionally, we sold three centers and other property held in unconsolidated joint ventures for approximately \$17.6 million, of which our share of the gain totaled \$1.0 million. Also, a 51% owned unconsolidated real estate joint venture acquired real estate assets of approximately \$54.1 million.

Note 5. Debt

Our debt consists of the following (in thousands):

	September 30, 2016	December 31, 2015
Debt payable, net to 2038 ⁽¹⁾	\$ 2,100,012	\$ 1,872,942
Unsecured notes payable under credit facilities	130,000	149,500
Debt service guaranty liability	69,835	69,835
Obligations under capital leases	21,000	21,000
Total	\$ 2,320,847	\$ 2,113,277

(1) At September 30, 2016, interest rates ranged from 1.7% to 8.6% at a weighted average rate of 4.0%. At December 31, 2015, interest rates ranged from 1.0% to 8.6% at a weighted average rate of 4.3%.

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

	September 30, 2016	December 31, 2015
As to interest rate (including the effects of interest rate contracts):		
Fixed-rate debt	\$ 2,169,019	\$ 1,869,683
Variable-rate debt	151,828	243,594
Total	\$ 2,320,847	\$ 2,113,277
As to collateralization:		
Unsecured debt	\$ 1,875,644	\$ 1,650,521
Secured debt	445,203	462,756
Total	\$ 2,320,847	\$ 2,113,277

We maintain a \$500 million unsecured revolving credit facility, which was amended and extended on March 30, 2016. This facility expires in March 2020, provides for two consecutive six-month extensions upon our request and borrowing rates that float at a margin over LIBOR plus a facility fee. At September 30, 2016, the borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, were 90 and 15 basis points, respectively. The facility also contains a competitive bid feature that allows us to request bids for up to \$250 million. Additionally, an accordion feature allows us to increase the facility amount up to \$850 million.

As of December 31, 2015, we had a \$500 million unsecured revolving credit facility that had borrowing rates that floated at a margin over LIBOR plus a facility fee. At December 31, 2015, the borrowing margin and facility fee, which were priced off a grid that was tied to our senior unsecured credit ratings, were 105 and 15 basis points, respectively. The facility also contained a competitive bid feature that allowed us to request bids for up to \$250 million. Additionally, an accordion feature allowed us to increase the facility amount up to \$700 million.

Effective March 2015, we entered into an agreement with a bank for a short-term, unsecured facility totaling \$20 million that we maintain for cash management purposes. We extended and amended this agreement to reduce the facility to \$10 million on March 27, 2016. The facility, which matures in March 2017, provides for fixed interest rate loans at a 30-day LIBOR rate plus a borrowing margin, facility fee and an unused facility fee of 125, 10, and 10 basis points, respectively.

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

	September 30, 2016	December 31, 2015
Unsecured revolving credit facility:		
Balance outstanding	\$ 128,000	\$ 140,000
Available balance	367,140	355,190
Letters of credit outstanding under facility	4,860	4,810
Variable interest rate (excluding facility fee)	1.4	% 1.3
Unsecured short-term facility:		
Balance outstanding	\$ 2,000	\$ 9,500
Variable interest rate (excluding facility fee)	1.8	% 1.7
Both facilities:		
Maximum balance outstanding during the period	\$ 372,000	\$ 244,500
Weighted average balance	133,738	100,506
Year-to-date weighted average interest rate (excluding facility fee)	1.4	% 0.9

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Related to a development project in Sheridan, Colorado, we have provided a guaranty for the payment of any debt service shortfalls until a coverage rate of 1.4x is met on tax increment revenue bonds issued in connection with the project. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee (“PIF”) to be assessed on current and future retail sales and, to the extent necessary, any amounts we may have to provide under a guaranty. The incremental taxes and PIF are to remain intact until the earlier of the date the bond liability has been paid in full or 2040. Therefore, a debt service guaranty liability equal to the fair value of the amounts funded under the bonds was recorded. As of both September 30, 2016 and December 31, 2015, we had \$69.8 million outstanding for the debt service guaranty liability.

In August 2016, we issued \$250 million of 3.25% senior unsecured notes maturing in 2026. The notes were issued at 99.16% of the principal amount with a yield to maturity of 3.35%. The net proceeds received of \$246.3 million were used to reduce the amount outstanding under our \$500 million unsecured revolving credit facility.

In July 2016, to provide additional liquidity, we entered into a credit agreement for a \$200 million unsecured term loan facility, which would have matured in July 2017, subject to a one year extension at our option. The credit agreement provided for floating rates at a margin over LIBOR that were priced off a grid tied to our senior unsecured credit ratings. This agreement terminated in September 2016, as no funds were borrowed under this agreement.

In June 2016, we amended an existing \$90 million secured note to extend the maturity to 2028 and reduce the interest rate from 7.5% to 4.5% per annum. In connection with this transaction, we have recorded a \$2.0 million gain on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

In May 2015, we issued \$250 million of 3.85% senior unsecured notes maturing in 2025. The notes were issued at 99.23% of the principal amount with a yield to maturity of 3.94%. The net proceeds received of \$246.5 million were used to reduce the amount outstanding under our \$500 million unsecured revolving credit facility.

In March 2015, we entered into a \$200 million unsecured term loan. We used the proceeds to pay down amounts outstanding under our \$500 million unsecured revolving credit facility. The loan matures in March 2020, and we have the option to repay the loan without penalty at any time. Borrowing rates under the agreement float at a margin over LIBOR and are priced off a grid that is tied to our senior unsecured credit ratings, which is currently 97.5 basis points, but have been swapped to a fixed rate of 2.5%. Additionally, the loan contains an accordion feature which allows us to increase the loan amount up to an additional \$100 million.

During 2015, we repaid \$90 million of fixed-rate medium term notes upon maturity at a weighted average interest rate of 5.4%. Additionally, we amended an existing \$66 million secured note to extend the maturity to 2025 and reduced the interest rate from 7.4% to 3.5% per annum. In connection with this transaction, we have recorded a \$6.1 million loss on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At September 30, 2016 and December 31, 2015, the carrying value of such assets aggregated \$.7 billion and \$.8 billion, respectively.

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Scheduled principal payments on our debt (excluding \$130.0 million unsecured notes payable under our credit facilities, \$21.0 million of certain capital leases, \$(6.3) million net premium/(discount) on debt, \$(11.0) million of deferred debt costs, \$5.3 million of non-cash debt-related items, and \$69.8 million debt service guaranty liability) are due during the following years (in thousands):

2016 remaining	\$ 76,939
2017	86,710
2018	80,427
2019	56,245
2020	237,779
2021	17,667
2022	307,858
2023	305,705
2024	255,965
2025	303,314
Thereafter	383,329
Total	\$ 2,111,938

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2016.

Note 6. Derivatives and Hedging

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

Assets		Liabilities	
Balance Sheet	Amount	Balance Sheet	Amount
Location		Location	

Designated Hedges:

September 30, 2016	Other Assets, net	\$ —	—Other Liabilities, net	\$ 4,161
December 31, 2015	Other Assets, net	2,664	Other Liabilities, net	725

The gross presentation, the effects of offsetting for derivatives with the right to offset under master netting agreements and the net presentation of our interest rate swap contracts is as follows (in thousands):

	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2016						
Liabilities	\$ 4,161	\$ —	—\$ 4,161	\$ —	\$ —	—\$ 4,161
December 31, 2015						
Assets	2,664	—	2,664	(346)	—	2,318
Liabilities	725	—	725	(346)	—	379

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Cash Flow Hedges

As of September 30, 2016 and December 31, 2015, we had three interest rate swap contracts, maturing through March 2020, with an aggregate notional amount of \$200 million that were designated as cash flow hedges and fix the LIBOR component of the interest rates at 1.5%. We have determined that these contracts are highly effective in offsetting future variable interest cash flows.

During 2016, we entered into and settled a forward-starting interest rate swap contract with an aggregate notional amount of \$200 million hedging future fixed-rate debt issuances, which fixed the 10-year swap rates at 1.5% per annum. Upon settlement of this contract in August 2016, we paid \$2.1 million resulting in a loss of \$2.0 million in accumulated other comprehensive loss.

During 2015, we entered into and settled two forward-starting interest rate swap contracts with an aggregate notional amount of \$215 million hedging future fixed-rate debt issuances, which fixed the 10-year swap rates at 2.0% per annum. Upon settlement of these contracts during 2015, we received \$5.0 million resulting in a gain in accumulated other comprehensive loss.

As of September 30, 2016 and December 31, 2015, the net gain balance in accumulated other comprehensive loss relating to cash flow interest rate swap contracts was \$2.3 million and \$8.2 million, respectively, and will be reclassified to net interest expense as interest payments are made on the originally hedged debt. Within the next 12 months, a loss of approximately \$.8 million in accumulated other comprehensive loss is expected to be reclassified to net interest expense related to our interest rate contracts.

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

Derivatives Hedging Relationships	Amount of (Gain) Loss Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Three Months Ended September 30, 2016	\$ (1,568)	Interest expense, net	\$ (366)	Interest expense, net	\$ (96)
Nine Months Ended September 30, 2016	7,003	Interest expense, net	(1,097)	Interest expense, net	(96)
Three Months Ended September 30, 2015	3,423	Interest expense, net	28	Interest expense, net	—
Nine Months Ended September 30, 2015	(1,965)	Interest expense, net	(681)	Interest expense, net	—

Fair Value Hedges

Associated with the refinancing of a secured note, on June 24, 2016, we terminated two interest rate swap contracts that were designated as fair value hedges and had an aggregate notional amount of \$62.9 million. Upon settlement, we received \$2.2 million, which was recognized as part of the gain on extinguishment of debt related to the hedged debt. As of December 31, 2015, we had two interest rate swap contracts, maturing through October 2017, with an aggregate notional amount of \$63.7 million that were designated as fair value hedges and convert fixed interest payments at rates of 7.5% to variable interest payments ranging from 4.41% to 4.44%. We have determined that our fair value hedges were highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in interest rates.

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A summary of fair value interest rate swap contract hedging activity is as follows (in thousands):

	Gain (Loss) on Contracts	Gain (Loss) on Borrowings	Net Settlements and Accruals on Contracts ⁽¹⁾ ₍₃₎	Amount of Gain (Loss) Recognized in Income ⁽²⁾ ₍₃₎
Nine Months Ended September 30, 2016				
Interest expense, net	\$ (418)	\$ 418	\$ 3,140	\$ 3,140
Three Months Ended September 30, 2015				
Interest expense, net	(116)	116	236	236
Nine Months Ended September 30, 2015				
Interest expense, net	(506)	506	1,274	1,274

(1) Amounts in this caption include gain (loss) recognized in income on derivatives and net cash settlements.

(2) No ineffectiveness was recognized during the respective periods.

(3) Included in the caption for the nine months ended September 30, 2016 is \$2.2 million received upon the termination of two interest rate swap contracts.

Credit-risk-related Contingent Features

We have agreements with some of our derivative counterparties that contain a provision that if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, we could also be declared in default on our derivative obligations.

As of September 30, 2016, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$4.3 million. As of September 30, 2016, we have not posted any collateral related to these agreements, and if we had breached any of the provisions, we could have been required to settle our obligations under them at their termination value of \$4.3 million.

Note 7. Common Shares of Beneficial Interest

In August 2016, we established a new at-the-market ("ATM") equity offering program under which we may, but are not obligated to, sell up to \$250 million of common shares, in amounts and at times as we determine, at prices determined by the market at the time of sale. The common shares under this new program include common shares having an aggregate gross sales price of up to \$34.1 million previously registered but unsold under the February 2015 ATM equity offering agreement. Actual sales may depend on a variety of factors including, among others, market conditions, the trading price of our common shares, and determinations by management of the appropriate sources of funding for us. We intend to use the net proceeds from future sales for general trust purposes, which may include acquisitions and reducing borrowings under our \$500 million unsecured revolving credit facility, repaying other indebtedness or repurchasing outstanding debt.

In February 2015, we entered into an ATM equity offering agreement under which we may, but were not obligated to, sell up to \$200 million of common shares. No shares remain available for sale under this agreement.

The following shares were sold under the ATM equity offering programs (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Shares sold	188	—	3,465	1,129
Weighted average price per share	\$ 41.67	\$ —	\$ 38.35	\$ 36.18
Gross proceeds	\$ 7,827	\$ —	\$ 132,884	\$ 40,836

As of the date of this filing, \$242.2 million of common shares remained available for sale under the ATM equity program.

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In October 2015, our Board of Trust Managers approved a \$200 million share repurchase plan. Under this plan, we may repurchase common shares from time-to-time in open-market or in privately negotiated purchases. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors. The repurchase plan may be suspended or discontinued at any time, and we have no obligations to repurchase any amount of our common shares under the plan. As of the date of this filing, we have not repurchased any shares under this plan.

Note 8. Noncontrolling Interests

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

	Nine Months Ended	
	September 30,	
	2016	2015
Net income adjusted for noncontrolling interests	\$194,791	\$127,077
Transfers from the noncontrolling interests:		
Increase in equity for operating partnership units	—	111
Change from net income adjusted for noncontrolling interests and transfers from the noncontrolling interests	\$194,791	\$127,188

Note 9. Supplemental Cash Flow Information

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

	Nine Months Ended	
	September 30,	
	2016	2015
Accrued property construction costs	\$7,060	\$6,935
Exchange of operating partnership units for common shares	—	111
Property acquisitions and investments in unconsolidated real estate joint ventures:		
Increase in property, net	6,549	—
Increase in debt, net	—	20,116
Consolidation of real estate joint venture (see Note 17):		
Increase in property, net	58,665	—
Increase in restricted deposits and mortgage escrows	30	—
Increase in debt, net	48,727	—
Increase in security deposits	169	—
Decrease in equity associated with deferred compensation plan (see Note 1)	47,334	—

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Note 10. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Numerator:				
Income from continuing operations	\$39,229	\$31,956	\$139,357	\$88,279
Gain on sale of property	22,108	13,232	68,298	43,917
Net income attributable to noncontrolling interests	(9,436)	(1,787)	(12,864)	(5,119)
Dividends on preferred shares	—	—	—	(3,830)
Redemption costs of preferred shares	—	—	—	(9,687)
Net income attributable to common shareholders - basic	51,901	43,401	194,791	113,560
Income attributable to operating partnership units	499	472	1,497	—
Net income attributable to common shareholders - diluted	\$52,400	\$43,873	\$196,288	\$113,560
Denominator:				
Weighted average shares outstanding – basic	127,304	123,349	125,569	122,929
Effect of dilutive securities:				
Share options and awards	1,022	1,222	1,100	1,303
Operating partnership units	1,462	1,462	1,462	—
Weighted average shares outstanding – diluted	129,788	126,033	128,131	124,232
Anti-dilutive securities of our common shares, which are excluded from the calculation of earnings per common share – diluted, are as follows (in thousands):				
	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Share options ⁽¹⁾	460	898	460	896
Operating partnership units	—	—	—	1,476
Total anti-dilutive securities	460	898	460	2,372

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

Note 11. Share Options and Awards

During 2016, we granted restricted share awards incorporating both service-based and market-based measures to promote share ownership among the participants and to emphasize the importance of total shareholder return ("TSR"). The terms of each grant vary depending upon the participant's responsibilities and position within the Company. We categorize these share awards as either service-based share awards or market-based share awards. All awards were valued at the fair market value on the date of grant and earn dividends from the date of grant. Compensation expense is measured at the grant date and recognized over the vesting period. Generally, unvested restricted share awards are forfeited upon the termination of the participant's employment with us.

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

	Nine Months Ended September 30, 2016		Minimum	Maximum
Dividend yield	0.0 %	4.0 %		
Expected volatility ⁽¹⁾	16.0 %	20.4 %		
Expected life (in years)	N/A	3		
Risk-free interest rate	0.5 %	0.9 %		

(1) Includes the volatility of the FTSE NAREIT U.S. Shopping Center Index and Weingarten Realty Investors. A summary of the status of unvested restricted share awards for the nine months ended September 30, 2016 is as follows:

	Unvested Restricted Share Awards	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2016	589,906	\$ 32.05
Granted:		
Service-based awards	117,268	34.54
Market-based awards relative to FTSE NAREIT U.S. Shopping Center Index	50,170	37.11
Market-based awards relative to three-year absolute TSR	50,170	24.20
Trust manager awards	24,983	37.63
Vested	(230,834)	32.00
Forfeited	(9,371)	34.02
Outstanding, September 30, 2016	592,292	\$ 32.52

As of September 30, 2016 and December 31, 2015, there was approximately \$2.7 million and \$2.2 million, respectively, of total unrecognized compensation cost related to unvested restricted shares, which is expected to be amortized over a weighted average of 1.3 years and 0.8 years, respectively.

Note 12. Employee Benefit Plans

Defined Benefit Plan

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Service cost	\$309	\$320	\$927	\$963
Interest cost	499	476	1,496	1,428
Expected return on plan assets	(600)	(797)	(2,058)	(2,366)
Recognized loss	251	361	1,004	1,081
Total	\$459	\$360	\$1,369	\$1,106

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For the nine months ended September 30, 2016 and 2015, we contributed \$2.0 million and \$1.5 million, respectively, to the qualified retirement plan. Currently, we do not anticipate making any additional contributions to this plan during 2016.

Defined Contribution Plans

Compensation expense related to our defined contribution plans was \$.9 million and \$.8 million for the three months ended September 30, 2016 and 2015, respectively, and \$2.6 million and \$2.9 million for the nine months ended September 30, 2016 and 2015, respectively.

Note 13. Related Parties

Through our management activities and transactions with our real estate joint ventures and partnerships, we had net accounts receivable of \$2.6 million and \$1.2 million outstanding as of September 30, 2016 and December 31, 2015, respectively. We also had accounts payable and accrued expenses of \$4.5 million and \$5.2 million outstanding as of September 30, 2016 and December 31, 2015, respectively. We recorded joint venture fee income for the three months ended September 30, 2016 and 2015 of \$1.2 million and \$1.1 million, respectively, and \$3.5 million and \$3.4 million for the nine months ended September 30, 2016 and 2015, respectively.

In September 2016, we acquired a partner's 50% interest in an unconsolidated tenancy-in-common arrangement for approximately \$13.5 million that we had previously accounted for under the equity method. This transaction resulted in the consolidation of the property in our consolidated financial statements, and we recognized a gain of \$9.0 million on the fair value remeasurement of our equity method investment. (See Note 17 for additional information).

As of December 31, 2015, we held a combined 51% interest in an unconsolidated real estate joint venture that owned three centers in Colorado with total assets and debt of \$43.7 million and \$72.4 million, respectively. In February 2016, in exchange for our partners' aggregate 49% interest in this venture and \$2.5 million in cash, we distributed one center to our partners. We have consolidated this venture as of the transaction date and re-measured our investment in this venture to its fair value, and recognized a gain of \$37.4 million (See Note 17 for additional information).

Note 14. Commitments and Contingencies

Commitments and Contingencies

As of September 30, 2016 and December 31, 2015, we participated in two real estate ventures structured as DownREIT partnerships that have centers in Arkansas, North Carolina and Texas. As a general partner, we have operating and financial control over these ventures and consolidate them in our consolidated financial statements. These ventures allow the outside limited partners to put their interest in the partnership to us, and we have the option to redeem the interest in cash or a fixed number of our common shares, at our discretion. We also participate in a real estate venture that has a property in Texas that allows its outside partner to put operating partnership units to us. We have the option to redeem these units in cash or a fixed number of our common shares, at our discretion. No common shares were issued in exchange for any of these interests during the nine months ended September 30, 2016. For the nine months ended September 30, 2015, common shares valued at \$.1 million were issued in exchange for certain of these interests. The aggregate redemption value of these interests was approximately \$57 million and \$51 million as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, we have entered into commitments aggregating \$39.7 million comprised principally of construction contracts which are generally due in 12 to 36 months.

We have executed an agreement to purchase the retail portion of a mixed-use project for approximately \$24.0 million at delivery by the developer, which is estimated to occur in the second half of 2017. Including this payment, our expected total investment in the retail portion of the project is approximately \$30.7 million.

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

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

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

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

Litigation

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

Note 15. Variable Interest EntitiesConsolidated VIEs

At September 30, 2016 and December 31, 2015, 11 of our real estate joint ventures, whose activities primarily consisted of owning and operating 29 and 30 neighborhood/community shopping centers, respectively, were determined to be VIEs. Based on a financing agreement by one of our real estate joint ventures that has a bottom dollar guaranty, which is disproportionate to our ownership, we have determined that we are the primary beneficiary and have consolidated this joint venture. For the remaining real estate joint ventures, we concluded we are the primary beneficiary based primarily on our significant power to direct the entities' activities without any substantive kick-out or participating rights.

In July 2016, in conjunction with the acquisition of a property with a net book net value of \$250 million at September 30, 2016, we entered into a potential like-kind exchange agreement with a third party intermediary for tax purposes. The third party purchased the property via our financing, and then leased the property to us. Based on the associated agreements, we have determined that the entity is a VIE, and we are the primary beneficiary based on our significant power to direct the entity's activities without any substantive kick-out or participating rights. Accordingly, we consolidated the property and its operations as of the respective acquisition date.

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

	September 30, 2016	December 31, 2015
Assets Held by VIEs ⁽¹⁾	\$ 530,298	\$ 289,558
Assets Held as Collateral for Debt ⁽²⁾	52,120	57,735
Debt Held by a VIE ⁽²⁾	37,178	37,178

(1)

Upon adoption of ASU No. 2015-02, "Amendments to the Consolidation Analysis," prior year's amount was made to conform to the current year presentation. See Note 2 for additional information.

- (2) Represents the amount of debt and related assets held as collateral associated with the bottom dollar guaranty at one real estate joint venture.

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Restrictions on the use of these assets can be significant because they may serve as collateral for debt. Further, we are generally required to obtain our partner's approval in accordance with the joint venture agreement for any major transactions. Transactions with these joint ventures on our consolidated financial statements have primarily been positive as demonstrated by the generation of net income and operating cash flows, as well as the receipt of cash distributions. We and our partners are subject to the provisions of the joint venture agreements which include provisions for when additional contributions may be required to fund operating cash shortfalls and unplanned capital expenditures. For the nine months ended September 30, 2016, no additional contributions were made or are anticipated for these joint ventures.

In May 2015, the joint venture agreement related to a VIE, in which we guaranteed a portion of its debt, was amended to reflect an additional contribution of \$43 million made by us to the joint venture in the form of a preferred equity arrangement. The amended agreement specified that these funds were to be used by the joint venture to pay down debt that became due. This arrangement provided the most favorable economics, including financing and taxation considerations, to the joint venture, as well as to us.

Unconsolidated VIEs

At September 30, 2016 and December 31, 2015, one unconsolidated real estate joint venture was determined to be a VIE through the issuance of a secured loan, since the lender had the ability to make decisions that could have a significant impact on the success of the entity. A summary of our unconsolidated VIE is as follows (in thousands):

	September 30, December 31,	
	2016	2015
Investment in Real Estate Joint Ventures and Partnerships, net ⁽¹⁾	\$ —	\$ 10,497
Other, net ^{(1) (2)}	(8,483)	—
Maximum Risk of Loss ⁽³⁾	34,000	10,992

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

(2) As of September 30, 2016, the carrying amount of the investment, which is included in Other Liabilities, results from the distribution of proceeds from the issuance of debt.

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

Note 16. Fair Value Measurements

Recurring Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015, aggregated by the level in the fair value hierarchy in which those measurements fall, are as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at September 30, 2016
Assets:					
Investments, mutual funds held in a grantor trust	\$ 25,767				\$ 25,767
Investments, mutual funds	7,497				7,497
Total	\$ 33,264	\$ —	\$		—\$ 33,264
Liabilities:					
Derivative instruments:					
Interest rate contracts		\$ 4,161			\$ 4,161

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Deferred compensation plan obligations	\$ 25,767			25,767
Total	\$ 25,767	\$ 4,161	\$	—\$ 29,928

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	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2015
Assets:				
Investments, mutual funds held in a grantor trust	\$ 20,579			\$ 20,579
Investments, mutual funds	7,043			7,043
Derivative instruments:				
Interest rate contracts		\$ 2,664		2,664
Total	\$ 27,622	\$ 2,664	\$	—\$ 30,286
Liabilities:				
Derivative instruments:				
Interest rate contracts		\$ 725		\$ 725
Deferred compensation plan obligations	\$ 20,579			20,579
Total	\$ 20,579	\$ 725	\$	—\$ 21,304

Fair Value Disclosures

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

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

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value Using Significant Other Observable Inputs (Level 2)	Carrying Value	Fair Value Using Significant Other Observable Inputs (Level 2)
Tax increment revenue bonds ⁽¹⁾	\$25,162	\$ 25,162	\$25,162	\$ 25,162
Investments, held to maturity ⁽²⁾	5,240	\$ 5,247	1,750	\$ 1,750
Debt:				
Fixed-rate debt	2,169,019	2,289,984	1,869,683	1,907,579
Variable-rate debt	151,828	150,346	243,594	248,460

(1) At September 30, 2016 and December 31, 2015, the credit loss balance on our tax increment revenue bonds was \$31.0 million.

(2) Investments held to maturity are recorded at cost. As of September 30, 2016, a \$7 thousand unrealized gain was recognized on these investments, and at December 31, 2015, no unrealized gain or loss was recognized.

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The quantitative information about the significant unobservable inputs used for our Level 3 fair value measurements as of September 30, 2016 and December 31, 2015 reported in the above tables, is as follows:

Description	Fair Value at		Valuation Technique	Unobservable Inputs	Range			
	September 30, 2016	December 31, 2015			Minimum 2016	Maximum 2015	Minimum 2016	Maximum 2015
Tax increment revenue bonds	\$25,162	\$ 25,162	Discounted cash flows	Discount rate	6.5%	6.5%	7.5%	7.5%
				Expected future growth rate	1.0%	1.0%	2.0%	2.0%
				Expected future inflation rate	1.0%	1.0%	2.0%	3.0%
Fixed-rate debt	2,289,984	1,907,579	Discounted cash flows	Discount rate	2.0%	2.4%	4.9%	5.5%
Variable-rate debt	150,346	248,460	Discounted cash flows	Discount rate	1.4%	1.3%	2.1%	3.2%

Note 17. Business Combination

Effective February 12, 2016, we acquired a partner's 49% interest in an unconsolidated joint venture associated with two centers in Colorado, which resulted in the consolidation of these centers (see Note 13 for additional information). Management has determined that this transaction qualified as a business combination to be accounted for under the acquisition method. Accordingly, the assets and liabilities of this transaction were recorded in our Condensed Consolidated Balance Sheet at their estimated fair values as of the effective date. Fair value of assets acquired, liabilities assumed and equity interests were estimated using market-based measurements, including cash flow and other valuation techniques. The fair value measurements are based on both significant inputs for similar assets and liabilities in comparable markets and significant inputs that are not observable in the markets in accordance with our fair value measurements accounting policy. Key assumptions include third-party appraisals; a minority interest discount rate of 20%; cash flow discount rates ranging from 6.5% to 8%; a terminal capitalization rate for similar properties ranging from 6% to 7.5%; and factors that we believe market participants would consider in estimating fair value. The result of this transaction is included in our Condensed Consolidated Statements of Operations beginning February 12, 2016.

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The following table summarizes the business combination, including the assets acquired and liabilities assumed as indicated (in thousands):

	February 12, 2016
Fair value of our equity interest before business combination	\$22,514 ⁽¹⁾
Gain recognized on equity interest remeasured to fair value	\$37,383 ⁽²⁾

Amounts recognized for assets and liabilities assumed:

Assets:	
Property	\$58,665
Unamortized lease costs	8,936
Accrued rent and accounts receivable	102
Cash and cash equivalents	3,555
Other, net	4,992
Liabilities:	
Debt, net	(48,727)
Accounts payable and accrued expenses	(1,339)
Other, net	(3,670)
Total net assets	\$22,514

(1) Includes \$2.5 million of cash received from the partner.

(2) Amount is included in Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests in our Condensed Consolidated Statement of Operations.

During 2016, we acquired three shopping centers located in Arizona and Florida, and we consolidated a partner's 50% interest in an unconsolidated tenancy-in-common arrangement related to a property in Colorado. The following table summarizes the transactions related to these acquisitions, including the assets acquired and liabilities assumed as indicated (in thousands):

	September 30, 2016
Fair value of our equity interest before acquisition	\$13,579
Fair value of consideration transferred	\$443,745
Acquisition costs (included in operating expenses)	\$660
Gain on acquisition	\$9,015 ⁽¹⁾

Amounts recognized for assets and liabilities assumed:

Assets:	
Property	\$432,205
Unamortized lease costs	81,801
Accrued rent and accounts receivable	122
Cash and cash equivalents	556
Other, net	6,812
Liabilities:	
Accounts payable and accrued expenses	(6,383)
Other, net	(62,254)
Total net assets	\$452,859

(1) Amount is included in Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests in our Condensed Consolidated Statement of Operations.

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The following table summarizes the impact to revenues and net income attributable to common shareholders from our business combination and acquisitions (in thousands):

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Increase in revenues	\$ 7,562	\$ 11,491
Decrease in net income attributable to common shareholders	87	1,012

The following unaudited supplemental pro forma data is presented for the periods ended September 30, 2016 and 2015, as if these transactions occurring in 2016 were completed on January 1, 2015. The gains and acquisition costs related to these transactions were adjusted to the assumed acquisition date. The unaudited supplemental pro forma data is not necessarily indicative of what the actual results of our operations would have been assuming the transactions had been completed as set forth above, nor does it purport to represent our results of operations for future periods (in thousands, except per share amounts):

	Three Months Ended September 30, Pro Forma 2016 ⁽¹⁾		Nine Months Ended September 30, Pro Forma 2016 ⁽¹⁾	
	Pro Forma 2015 ⁽¹⁾	Pro Forma 2016 ⁽¹⁾	Pro Forma 2015 ⁽¹⁾	Pro Forma 2016 ⁽¹⁾
Revenues	\$ 141,232	\$ 139,444	\$ 424,472	\$ 409,049
Net income	53,437	47,021	167,642	183,693
Net income attributable to common shareholders - basic	44,001	45,234	154,778	165,057
Net income attributable to common shareholders - diluted	44,001	45,706	156,275	165,057
Earnings per share – basic	.35	.37	1.23	1.34
Earnings per share – diluted	.34	.36	1.22	1.33

(1) There are no non-recurring pro forma adjustments included within or excluded from the amounts in the preceding table.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q, together with other statements and information publicly disseminated by us, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. As described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) disruptions in financial markets, (ii) general economic and local real estate conditions, (iii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iv) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms, (v) changes in governmental laws and regulations, (vi) the level and volatility of interest rates, (vii) the availability of suitable acquisition opportunities, (viii) the ability to dispose of properties, (ix) changes in expected development activity, (x) increases in operating costs, (xi) tax matters, including failure to qualify as a real estate investment trust, and (xii) investments through real estate joint ventures and partnerships, which involve risks not present in investments in which we are the sole investor. Accordingly, there is no assurance that our expectations will be realized. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

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

Executive Overview

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

We operate a portfolio of rental properties, primarily neighborhood and community shopping centers, totaling approximately 45.2 million square feet of gross leasable area, that is either owned by us or others. We have a diversified tenant base with our largest tenant comprising only 3.1% of base minimum rental revenues during the first nine months of 2016.

At September 30, 2016, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 224 properties, which are located in 18 states spanning the country from coast to coast.

We also owned interests in 28 parcels of land held for development that totaled approximately 21.3 million square feet at September 30, 2016.

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We had approximately 5,800 leases with 3,800 different tenants at September 30, 2016. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Rental revenues generally include minimum lease payments, which often increase over the lease term, reimbursements of property operating expenses, including real estate taxes, and additional rent payments based on a percentage of the tenants' sales. Our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. We believe the stability of our anchor tenants, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should ensure the long-term success of our merchants and the viability of our portfolio.

Our goal is to remain a leader in owning and operating top-tier neighborhood and community shopping centers in certain markets of the United States. Our strategic initiatives include: (1) raising net asset value and cash flow through quality acquisitions, redevelopments and new developments, (2) maintaining a strong, flexible consolidated balance sheet and a well-managed debt maturity schedule and (3) growing net operating income from our existing portfolio by increasing occupancy and rental rates. We believe these initiatives will keep our portfolio of properties among the strongest in our sector. Due to very low capitalization rates in the market along with the uncertainty of increasing interest rates, we will continue to be very prudent in our evaluation of all new investment opportunities. We are beginning to see price declines on lower-quality assets in secondary and tertiary markets, which could reduce our disposition volumes. Additionally, the commercial mortgage-backed securities ("CMBS") market has been a significant source of financing for buyers of lower-tier assets. New financial market regulations have resulted in a fairly significant reduction in CMBS originations, which could also affect our ability to sell properties.

We intend to recycle non-core operating centers that no longer meet our ownership criteria and that will provide capital for growth opportunities. During the nine months ended September 30, 2016, we disposed of real estate assets, which were owned by us either directly or through our interest in real estate joint ventures or partnerships, with our share of aggregate gross sales proceeds totaling \$197.7 million. We have approximately \$120.5 million of dispositions currently under contracts or letters of intent; however, there are no assurances that these transactions will close at such prices or at all. For 2016, we believe we will complete dispositions in amounts between \$200 million and \$225 million; however, there are no assurances that this will actually occur.

We intend to continue to actively seek acquisition properties that meet our return hurdles and to actively evaluate other opportunities as they enter the market. During the nine months ended September 30, 2016, we acquired four centers and other property, either directly or through our interest in real estate joint ventures or partnerships, with a total gross purchase price of \$494.8 million, which includes the consolidation of a property from the acquisition of a partner's 50% interest in an unconsolidated tenancy-in-common arrangement. For 2016, we expect to invest in acquisitions in amounts between \$500 million and \$525 million; however, there are no assurances that this will actually occur.

As of December 31, 2015, we held a combined 51% interest in an unconsolidated real estate joint venture that owned three centers in Colorado with total assets and debt of \$43.7 million and \$72.4 million, respectively. In February 2016, in exchange for our partners' aggregate 49% interest in this venture and \$2.5 million in cash, we distributed one center to our partners. We have consolidated this venture as of the transaction date and re-measured our investment in this venture to its fair value, and recognized a gain of \$37.4 million.

We intend to continue to focus on identifying new development projects as another source of growth. Although we have only seen a few viable projects, a lack of supply in new retail space has driven a slight increase in new development activity and retailer interest, which we believe is a positive trend. During the nine months ended September 30, 2016, we invested \$15.2 million in two new development projects.

In addition, we intend to continue to look for internal growth opportunities. At September 30, 2016, we had 13 redevelopment projects in which we plan to invest approximately \$86.4 million. Upon completion, the average projected stabilized return on our incremental investment on these redevelopment projects is expected to average around 11%. During the nine months ended September 30, 2016, we completed one redevelopment project that added approximately 6,700 incremental square feet to the total portfolio with an incremental investment totaling \$1.4 million. Additionally, we began redevelopment activities on a shopping center in south Florida where we estimate a capital investment totaling \$17 million.

For 2016, we expect to invest in new development and redevelopments in the range of \$50 million to \$100 million, but we can give no assurances that this will actually occur.

We strive to maintain a strong, conservative capital structure which should provide ready access to a variety of attractive long and short-term capital sources. We carefully balance lower cost, short-term financing with long-term liabilities associated with acquired or developed long-term assets.

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In March 2016, we amended and extended our \$500 million unsecured revolving credit facility. This facility expires in March 2020, provides for two consecutive six-month extensions upon our request and borrowing rates that float at a margin over LIBOR plus a facility fee. The borrowing margin improved under the new agreement to LIBOR plus 90 basis points, a decrease of 15 basis points. The facility also contains a competitive bid feature that allows us to request bids for up to \$250 million. Additionally, an accordion feature allows us to increase the facility amount up to \$850 million. We intend to use the proceeds from the facility to fund acquisition, new development and redevelopment activities, and for general corporate purposes.

In August 2016, we issued \$250 million of 3.25% senior unsecured notes maturing in 2026. The notes were issued at 99.16% of the principal amount with a yield to maturity of 3.35%. The net proceeds received of \$246.3 million were used to reduce the amount outstanding under our \$500 million unsecured revolving credit facility.

In June 2016, we amended an existing \$90 million secured note to extend the maturity to 2028 and reduce the interest rate from 7.5% to 4.5% per annum. In connection with this transaction, we have recorded a \$2.0 million gain on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

In August 2016, we established a new ATM equity offering program under which we may, but are not obligated to, sell up to \$250 million of common shares, in amounts and at times as we determine, at prices determined by the market at the time of sale. The common shares under this new program include common shares having an aggregate gross sales price of up to \$34.1 million previously registered but unsold under a prior ATM equity offering program. We intend to use the net proceeds from future sales for general trust purposes, which may include acquisitions and reducing borrowings under our \$500 million unsecured revolving credit facility, repaying other indebtedness or repurchasing outstanding debt. During the nine months ended September 30, 2016, we sold 3,465,003 common shares with gross proceeds totaling \$132.9 million. As of the date of this filing, \$242.2 million of common shares remained available for sale under this ATM equity program.

We believe that these transactions should continue to strengthen our consolidated balance sheet and further enhance our access to various sources of capital, while reducing our cost of capital. Due to the variability in the capital markets, there can be no assurance that favorable pricing and availability will be available in the future.

We have a \$200 million share repurchase plan. Under this plan, we may repurchase common shares from time-to-time in open-market or in privately negotiated purchases. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors. The repurchase plan may be suspended or discontinued at any time, and we have no obligations to repurchase any amount of our common shares under the plan. As of the date of this filing, we have not repurchased any shares under this plan.

Operational Metrics

In assessing the performance of our centers, management carefully monitors various operating metrics of the portfolio. As a result of our strong leasing activity, low tenant fallout and lack of quality retail space in the market, the operating metrics of our portfolio remained very strong in 2016 as we focused on increasing rental rates and same property net operating income ("SPNOI" and see Non-GAAP Financial Measures for additional information). Our portfolio delivered solid operating results with:

• occupancy of 94.1% at September 30, 2016;

• an increase of 3.4% in SPNOI including redevelopments for the three months ended September 30, 2016 over the same period of 2015; and

• rental rate increases of 19.3% for new leases and 7.3% for renewals were realized during the three months ended September 30, 2016.

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

	September 30,	
	2016	2015
Anchor (space of 10,000 square feet or greater)	96.5%	98.1%
Non-Anchor	90.2%	90.2%
Total Occupancy	94.1%	95.1%

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	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
SPNOI Growth with Redevelopments ⁽¹⁾	3.4	%	3.2	%

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

	Number of Leases	Square Feet (^{'000's})	Average New Rent per Square Foot (\$)	Average Prior Rent per Square Foot (\$)	Average Cost of Tenant Improvements per Square Foot (\$)	Change in Base Rent on Cash Basis
Leasing Activity:						
Three Months Ended September 30, 2016						
New leases ⁽¹⁾	55	160	\$ 22.65	\$ 18.99	\$ 33.29	19.3 %
Renewals	185	812	17.50	16.31	.01	7.3 %
Not comparable spaces	36	86				
Total	276	1,058	\$ 18.35	\$ 16.75	\$ 5.50	9.5 %
Nine Months Ended September 30, 2016						
New leases ⁽¹⁾	168	516	\$ 22.98	\$ 17.98	\$ 33.80	27.8 %
Renewals	561	2,622	17.09	15.55	.12	9.9 %
Not comparable spaces	102	217				
Total	831	3,355	\$ 18.06	\$ 15.95	\$ 5.66	13.2 %

(1) Average external lease commissions per square foot for the three and nine months ended September 30, 2016 were \$5.75 and \$5.85, respectively.

While we will continue to monitor the economy and the effects on our tenants, over the long-term, we believe the significant diversification of our portfolio, both geographically and by tenant base, and the quality of our portfolio will allow future increases to occupancy levels. The bankruptcy proceedings for The Sports Authority has come to a conclusion for us and will result in the return of their leased space at our remaining six locations, which is expected to negatively affect our occupancy and SPNOI until we re-lease and commence rent on these spaces. Occupancy may also be affected over the next several quarters as we continue to maximize our long-term portfolio value by repositioning some of our anchor space. A reduction in quality retail space available, as well as improving retailer demand, contributed to the increase in overall rental rates on a same-space basis as we completed new leases and renewed existing leases. Leasing volume is anticipated to decline as we have less vacant space available for leasing and tenant fallout remains low. Our expectation is that SPNOI growth with redevelopments will average between 3.0% to 4.0% for 2016, although there are no assurances that this will occur.

New Development/Redevelopment

At September 30, 2016, we had two projects under development. We have funded \$42.1 million through September 30, 2016 on these projects, and we estimate our aggregate net investment upon completion to be \$76.4 million. Overall, the average projected stabilized return on investment for these properties is expected to be approximately 7.4% upon completion. During the three months ended September 30, 2016, we sold our development in Raleigh, North Carolina, and effective January 1, 2016, we stabilized our development in Alexandria, Virginia, moving it to our operating property portfolio. This development is 100% leased with an investment of \$65 million and an 8% yield.

We have 13 redevelopment projects in which we plan to invest approximately \$86.4 million. Upon completion, the average projected stabilized return on our incremental investment on these redevelopment projects is expected to average around 11%. During the nine months ended September 30, 2016, we completed one redevelopment project that added approximately 6,700 incremental square feet to the total portfolio with an incremental investment totaling \$1.4 million. Additionally, we began redevelopment activities on a shopping center in south Florida where we estimate a capital investment totaling \$17 million.

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We had approximately \$85.6 million in land held for development at September 30, 2016 that may either be developed or sold. While we are experiencing a greater interest from retailers and other market participants in our land held for development, opportunities for economically viable developments remain limited. We intend to continue to pursue additional development and redevelopment opportunities in multiple markets; however, finding the right opportunities remains challenging.

Acquisitions

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

Dispositions

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

Summary of Critical Accounting Policies

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

A disclosure of our critical accounting policies which affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2015 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to our critical accounting policies during 2016.

Results of Operations

Comparison of the Three Months Ended September 30, 2016 to the Three Months Ended September 30, 2015

The following table is a summary of certain items in income from continuing operations from our Condensed Consolidated Statements of Operations, which we believe represent items that significantly changed during the three months ended September 30, 2016 as compared to the same period in 2015:

	Three Months Ended September 30,			
	2016	2015	Change	% Change
Revenues	\$138,599	\$130,787	\$7,812	6.0 %
Depreciation and amortization	42,064	36,327	5,737	15.8
Real estate taxes, net	17,067	15,770	1,297	8.2
General and administrative expenses	7,187	6,188	999	16.1
Interest expense, net	21,843	20,607	1,236	6.0
Interest and other income (expense), net	1,268	(888)) 2,156	(242.8)
Gain on sale and acquisition of real estate joint venture and partnership interests	9,015	—	9,015	NA
(Provision) benefit for income taxes	(1,105)) 144	(1,249)) 867.4

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Revenues

The increase in revenues of \$7.8 million is primarily attributable to our acquisitions and new development completions that totaled \$9.3 million. The existing portfolio and redevelopment properties contributed \$1.6 million, which is offset by our dispositions of \$3.1 million.

Depreciation and Amortization

The increase in depreciation and amortization of \$5.7 million is primarily attributable to our acquisitions and new development completions that totaled \$5.5 million.

Real Estate Taxes, net

The increase in net real estate taxes of \$1.3 million is attributable to our acquisitions and new development completions.

General and Administrative Expenses

The increase in general and administrative expenses of \$1.0 million is primarily attributable to a \$.8 million increase in the fair value of assets held in a grantor trust related to our deferred compensation plan.

Interest Expense, net

Net interest expense increased \$1.2 million or 6.0%. The components of net interest expense were as follows (in thousands):

	Three Months Ended September 30,	
	2016	2015
Gross interest expense	\$21,820	\$20,789
Amortization of debt deferred costs, net	893	894
Over-market mortgage adjustment	(245)	(232)
Capitalized interest	(625)	(844)
Total	\$21,843	\$20,607

The increase in net interest expense is attributable primarily to \$.5 million of commitment fees associated with an unused \$200 million term loan. For the three months ended September 30, 2016, the weighted average debt outstanding was \$2.2 billion at a weighted average interest rate of 4.1% as compared to \$2.1 billion outstanding at a weighted average interest rate of 4.1% in the same period of 2015.

Interest and Other Income (Expense), net

The increase of \$2.2 million is primarily attributable to a \$2.4 million increase in the fair value of assets held in a grantor trust related to our deferred compensation plan.

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

The increase of \$9.0 million is attributable to the fair value realization upon consolidation of our equity associated with the acquisition of a partner's 50% interest in a previously unconsolidated tenancy-in-common arrangement.

(Provision) Benefit for Income Taxes

The increase of \$1.2 million is associated with the provision for income taxes attributable to our taxable REIT subsidiary associated with the disposition of the development in Raleigh, North Carolina.

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Comparison of the Nine Months Ended September 30, 2016 to the Nine Months Ended September 30, 2015
The following table is a summary of certain items in income from continuing operations from our Condensed Consolidated Statements of Operations, which we believe represent items that significantly changed during the nine months ended September 30, 2016 as compared to the same period in 2015:

	Nine Months Ended September 30,			
	2016	2015	Change	% Change
Revenues	\$406,692	\$383,190	\$23,502	6.1 %
Depreciation and amortization	119,161	108,929	10,232	9.4
Operating expenses	72,959	69,076	3,883	5.6
Real estate taxes, net	50,145	45,895	4,250	9.3
Interest expense, net	61,292	67,357	(6,065)	(9.0)
Interest and other income	1,840	2,252	(412)	(18.3)
Gain on sale and acquisition of real estate joint venture and partnership interests	46,407	879	45,528	5,179.5
Equity in earnings of real estate joint ventures and partnerships, net	15,111	13,680	1,431	10.5
Provision for income taxes	7,020	291	6,729	2,312.4

Revenues

The increase in revenues of \$23.5 million is primarily attributable to our acquisitions and new development completions that totaled \$20.6 million. The existing portfolio and redevelopment properties contributed \$12.1 million, which is offset by our dispositions of \$9.2 million.

Depreciation and Amortization

The increase in depreciation and amortization of \$10.2 million is primarily attributable to our acquisitions and new development completions that totaled \$11.6 million, which is offset by our dispositions and other capital activities.

Operating Expenses

The increase in operating expenses of \$3.9 million is primarily attributable to a \$1.2 million increase in the fair value of assets held in a grantor trust related to our deferred compensation plan, a \$.9 million write-off of pre-development costs, and an increase of \$3.4 million from our acquisitions and new development completions, which is offset by our dispositions of \$1.9 million.

Real Estate Taxes, net

The increase in net real estate taxes of \$4.3 million is primarily attributable to our acquisitions and new development completions that totaled \$2.8 million, as well as rate and valuation changes for the portfolio, which is offset by our dispositions of \$.7 million.

Interest Expense, net

Net interest expense decreased \$6.1 million or 9.0%. The components of net interest expense were as follows (in thousands):

	Nine Months Ended September 30,	
	2016	2015
Gross interest expense	\$63,139	\$61,900
(Gain) loss on extinguishment of debt	(2,037)	6,100
Amortization of debt deferred costs, net	2,660	2,482
Over-market mortgage adjustment	(708)	(608)
Capitalized interest	(1,762)	(2,517)
Total	\$61,292	\$67,357

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The decrease in net interest expense is attributable primarily to the \$8.1 million decrease in debt extinguishment activities within the respective periods. In 2016, a \$2.0 million gain was realized as compared to a \$6.1 million loss in 2015. For the nine months ended September 30, 2016, the weighted average debt outstanding was \$2.1 billion at a weighted average interest rate of 4.0% as compared to \$2.0 billion outstanding at a weighted average interest rate of 4.2% in the same period of 2015.

Interest and Other Income

The decrease in interest and other income of \$.4 million is primarily attributable to a \$1.7 million litigation settlement received in 2015. Offsetting this decrease primarily is an increase in the fair value of assets held in a grantor trust related to our deferred compensation plan.

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

The gain in 2016 of \$46.4 million is primarily attributable to the re-measurement of our 51% unconsolidated real estate partnership interest to fair value associated with the exchange of properties among the partners and the fair value realization upon consolidation of our equity associated with the acquisition of a partner's 50% interest in a previously unconsolidated tenancy-in-common arrangement. The gain in 2015 of \$.9 million is primarily attributable to our return of equity associated with an unconsolidated joint venture's disposition of its real estate property.

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

The increase of \$1.4 million is primarily attributable to an increase of \$2.8 million in our share of the gain on sale associated with disposition activities in the respective periods, which is offset by \$1.4 million in costs associated with acquisition activities and bad debt reserves.

Provision for Income Taxes

The increase of \$6.7 million in the provision for income taxes is attributable to our taxable REIT subsidiary associated primarily with the gain from the exchange properties among the partners of an unconsolidated real estate joint venture and the disposition of the development in Raleigh, North Carolina.

Capital Resources and Liquidity

Our primary operating liquidity needs are paying our common share dividends, maintaining and operating our existing properties, paying our debt service costs, excluding debt maturities, and funding capital expenditures. Under our 2016 business plan, cash flows from operating activities are expected to meet these planned capital needs.

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

As of September 30, 2016, we had an available borrowing capacity of \$367.1 million under our unsecured revolving credit facility, and our debt maturities for the remainder of 2016 total \$76.9 million. During March 2016, we amended our revolver agreement to, among other things, extend the maturity date to March 2020, with a provision to extend the maturity date for two consecutive six-month periods, at our option. Additionally, the facility also allows us to increase the facility amount up to \$850 million. We intend to use this facility to fund acquisition, new development and redevelopment activities, and for general corporate purposes.

In August 2016, we issued \$250 million of 3.25% senior unsecured notes maturing in 2026. The notes were issued at 99.16% of the principal amount with a yield to maturity of 3.35%. The net proceeds received of \$246.3 million were used to reduce the amount outstanding under our \$500 million unsecured revolving credit facility.

In August 2016, we established a new ATM equity offering program under which we may, but are not obligated to, sell up to \$250 million of common shares, in amounts and at times as we determine, at prices determined by the market at the time of sale. The common shares under this new program include common shares having an aggregate gross sales price of up to \$34.1 million previously registered but unsold under a prior ATM equity offering program. We intend to use the net proceeds from future sales for general trust purposes, which may include acquisitions and reducing borrowings under our \$500 million unsecured revolving credit facility, repaying other indebtedness or repurchasing outstanding debt. During the nine months ended September 30, 2016, we sold 3,465,003 common shares

with gross proceeds totaling \$132.9 million. As of the date of this filing, \$242.2 million of common shares remained available for sale under this ATM equity program.

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We have a \$200 million share repurchase plan. Under this plan, we may repurchase common shares from time-to-time in open-market or in privately negotiated purchases based on management's evaluation of market conditions and other factors. As of the date of this filing, we have not repurchased any shares under this plan.

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

During 2016, aggregate gross sales proceeds from our dispositions totaled \$197.7 million, which were owned by us either directly or through our interest in real estate joint ventures or partnerships. Operating cash flows from dispositions are included in net cash from operating activities in our Condensed Consolidated Statements of Cash Flows, while proceeds from dispositions are included as investing activities.

We have non-recourse debt secured by acquired or developed properties held in several of our real estate joint ventures and partnerships. Off-balance sheet mortgage debt for our unconsolidated real estate joint ventures and partnerships totaled \$314.3 million, of which our pro rata ownership is \$113.6 million, at September 30, 2016. Scheduled principal mortgage payments on this debt, excluding deferred debt costs and non-cash related items totaling \$(.6) million, at 100% are as follows (in millions):

2016 remaining	\$ 1.3
2017	23.5
2018	5.9
2019	6.2
2020	92.8
Thereafter	185.2
Total	\$ 314.9

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

Investing Activities**Acquisitions**

During 2016, we acquired four centers and other property with an aggregate gross purchase price of \$494.8 million, either directly or through our interest in real estate joint ventures or partnerships, which includes the consolidation of a property from the acquisition of a partner's 50% interest in an unconsolidated tenancy-in-common arrangement and the realization of a \$9.0 million gain on the fair value remeasurement of our equity method investment.

Dispositions

During 2016, we sold 11 centers and other property, including real estate assets through our interest in unconsolidated real estate joint ventures and partnerships. Our share of aggregate gross sales proceeds from these transactions totaled \$197.7 million and generated our share of the gains of approximately \$64.5 million.

Joint Venture

As of December 31, 2015, we held a combined 51% interest in an unconsolidated real estate joint venture that owned three centers in Colorado with total assets and debt of \$43.7 million and \$72.4 million, respectively. In February 2016, in exchange for our partners' aggregate 49% interest in this venture and \$2.5 million in cash, we distributed one center to our partners. We have consolidated this venture as of the transaction date and re-measured our investment in this venture to its fair value, and recognized a gain of \$37.4 million.

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New Development/Redevelopment

At September 30, 2016, we had two projects under development with a total square footage of approximately .2 million, of which we have funded \$42.1 million through September 30, 2016 on these projects. Upon completion, we expect our aggregate net investment in these projects to be \$76.4 million. During the three months ended September 30, 2016, we sold our development in Raleigh, North Carolina, and effective January 1, 2016, we stabilized our development in Alexandria, Virginia, moving it to our operating property portfolio. This development is 100% leased with an investment of \$65 million and an 8% yield.

At September 30, 2016, we had 13 redevelopment projects in which we plan to invest approximately \$86.4 million. Upon completion, the average projected stabilized return on our incremental investment on these redevelopment projects is expected to average around 11%. During the nine months ended September 30, 2016, we completed one redevelopment project that added approximately 6,700 incremental square feet to the total portfolio with an incremental investment totaling \$1.4 million. Additionally, we began redevelopment activities on a shopping center in south Florida where we estimate a capital investment totaling \$17 million.

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

Capital Expenditures

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

	Nine Months Ended September 30,	
	2016	2015
Acquisitions	\$488,163	\$214,329
Tenant Improvements	21,844	15,274
New Development	13,580	21,996
Redevelopment	21,873	11,227
Capital Improvements	11,197	5,478
Other	10,181	5,816
Total	\$566,838	\$274,120

For 2016, we anticipate our acquisitions to total between \$500 million and \$525 million. Our new development and redevelopment investment for 2016 is estimated to be approximately \$50 million to \$100 million. For 2016, capital and tenant improvements is expected to be consistent with 2015 expenditures. No assurances can be provided that our planned capital activities will occur. Further, we have entered into commitments aggregating \$39.7 million comprised principally of construction contracts which are generally due in 12 to 36 months and anticipated to be funded under our unsecured revolving credit facility.

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

	Nine Months Ended September 30,	
	2016	2015
Acquisition of real estate and land	\$438,286	\$187,069
Development and capital improvements	78,675	59,791
Real estate joint ventures and partnerships - Investments	49,877	27,260
Total	\$566,838	\$274,120

Capitalized soft costs, including payroll and other general and administrative costs, interest and real estate taxes, totaled \$7.7 million and \$7.9 million for the nine months ended September 30, 2016 and 2015, respectively.

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Financing Activities

Debt

Total debt outstanding was \$2.3 billion at September 30, 2016 and included \$2.2 billion, including the effect of \$200 million of interest rate swap contracts, which bear interest at fixed rates, and \$151.8 million, which bear interest at variable rates. Additionally, of our total debt, \$445.2 million was secured by operating centers while the remaining \$1.9 billion was unsecured.

At September 30, 2016, we have a \$500 million unsecured revolving credit facility, which expires in March 2020 and provides borrowing rates that float at a margin over LIBOR plus a facility fee. At September 30, 2016, the borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, were 90 and 15 basis points, respectively. The facility also contains a competitive bid feature that allows us to request bids for up to \$250 million. Additionally, an accordion feature allows us to increase the facility amount up to \$850 million. As of November 4, 2016, we had \$135.0 million outstanding, and the available balance was \$360.1 million, net of \$4.9 million in outstanding letters of credit.

Effective March 2015, we entered into an agreement with a bank for a short-term, unsecured facility totaling \$20 million that we maintain for cash management purposes. We extended and amended this agreement to reduce the facility to \$10 million on March 27, 2016. The facility, which matures in March 2017, provides for fixed interest rate loans at a 30-day LIBOR rate plus borrowing margin, facility fee and an unused facility fee of 125, 10, and 10 basis points, respectively. As of November 4, 2016, we had \$3.2 million amounts outstanding under this facility.

For the nine months ended September 30, 2016, the maximum balance and weighted average balance outstanding under both facilities combined were \$372.0 million and \$133.7 million, respectively, at a weighted average interest rate of 1.4%.

In August 2016, we issued \$250 million of 3.25% senior unsecured notes maturing in 2026. The notes were issued at 99.16% of the principal amount with a yield to maturity of 3.35%. The net proceeds received of \$246.3 million were used to reduce the amount outstanding under our \$500 million unsecured revolving credit facility.

In July 2016, to provide additional liquidity, we entered into a credit agreement for a \$200 million unsecured term loan facility, which would have matured in July 2017, subject to a one year extension at our option. The credit agreement provided for floating rates at a margin over LIBOR that were priced off a grid tied to our senior unsecured credit ratings. This agreement terminated in September 2016, as no funds were borrowed under this agreement.

In June 2016, we amended an existing \$90 million secured note to extend the maturity to 2028 and reduce the interest rate from 7.5% to 4.5% per annum. In connection with this transaction, we have recorded a \$2.0 million gain on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

Our five most restrictive covenants include debt to assets, secured debt to assets, fixed charge and unencumbered interest coverage and debt yield ratios. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2016.

Our most restrictive public debt covenant ratios, as defined in our indenture and supplemental indenture agreements, were as follows at September 30, 2016:

Covenant	Restriction	Actual
Debt to Asset Ratio	Less than 60.0%	44.1%
Secured Debt to Asset Ratio	Less than 40.0%	8.4%
Annual Service Charge Ratio	Greater than 1.5	4.1
Unencumbered Asset Test	Greater than 150%	241.4%

At September 30, 2016, we had three interest rate swap contracts with an aggregate notional amount of \$200 million that were designated as cash flow hedges. These contracts mature through March 2020 and fix the LIBOR component of the interest rates at 1.5%. We have determined that these contracts are highly effective in offsetting future variable interest cash flows.

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During 2016, we entered into and settled a forward-starting interest rate swap contract with an aggregate notional amount of \$200 million hedging future fixed-rate debt issuances. This contract fixed the 10-year swap rate at 1.5% per annum. Upon settlement of this contract, we paid \$2.1 million resulting in a loss of \$2.0 million in accumulated other comprehensive loss.

Associated with the refinancing of a secured note, on June 24, 2016, we terminated two interest rate swap contracts that were designated as fair value hedges and had an aggregate notional amount of \$62.9 million. Upon settlement, we received \$2.2 million, which was recognized as part of the gain on extinguishment of debt related to the hedged debt. We could be exposed to losses in the event of nonperformance by the counter-parties related to our interest rate swap contracts; however, management believes such nonperformance is unlikely.

Equity

Our Board of Trust Managers approved an increase in our third quarter 2016 quarterly dividend rate for our common shares from \$.345 in 2015 to \$.365 in 2016. Common share dividends paid totaled \$138.4 million during the first nine months of 2016. Our dividend payout ratio (as calculated as dividends paid on common shares divided by funds from operations attributable to common shareholders - basic) for the nine months ended September 30, 2016 approximated 64.9%, which include a deferred tax expense associated with the gain from the exchange properties among the partners of an unconsolidated real estate joint venture, and the write-off of new development pursuit costs and costs related to a term loan commitment.

In August 2016, we established a new ATM equity offering program under which we may, but are not obligated to, sell up to \$250 million of common shares, in amounts and at times as we determine, at prices determined by the market at the time of sale. The common shares under this new program include common shares having an aggregate gross sales price of up to \$34.1 million previously registered but unsold under a prior ATM equity offering program. We intend to use the net proceeds from future sales for general trust purposes, which may include acquisitions and reducing borrowings under our \$500 million unsecured revolving credit facility, repaying other indebtedness or repurchasing outstanding debt. During the nine months ended September 30, 2016, we sold 3,465,003 common shares with gross proceeds totaling \$132.9 million. As of the date of this filing, \$242.2 million of common shares remained available for sale under this ATM equity program.

We have a \$200 million share repurchase plan. Under this plan, we may repurchase common shares from time-to-time in open-market or in privately negotiated purchases. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors. The repurchase plan may be suspended or discontinued at any time, and we have no obligations to repurchase any amount of our common shares under the plan. As of the date of this filing, we have not repurchased any shares under this plan.

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

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Contractual Obligations

We have debt obligations related to our mortgage loans and unsecured debt, including any draws on our credit facilities. We have shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to us to construct and/or operate a shopping center. In addition, we have non-cancelable operating leases pertaining to office space from which we conduct our business. The table below excludes obligations related to our new development projects because such amounts are not fixed or determinable, and commitments aggregating \$39.7 million comprised principally of construction contracts which are generally due in 12 to 36 months. The following table summarizes our primary contractual obligations as of September 30, 2016 (in thousands):

	Remaining 2016	2017	2018	2019	2020	Thereafter	Total
Mortgages and Notes Payable ⁽¹⁾							
Unsecured Debt	\$ 108,539	\$ 82,986	\$ 66,484	\$ 56,536	\$ 252,440	\$ 1,688,265	\$ 2,255,250
Secured Debt	5,978	79,691	82,839	65,731	42,429	255,004	531,672
Lease Payments	779	3,135	3,114	3,056	2,725	115,801	128,610
Other Obligations ⁽²⁾	22,020	59,727	—	—	—	—	81,747
Total Contractual Obligations	\$ 137,316	\$ 225,539	\$ 152,437	\$ 125,323	\$ 297,594	\$ 2,059,070	\$ 2,997,279

Includes principal and interest with interest on variable-rate debt calculated using rates at September 30, 2016, (1) excluding the effect of interest rate swaps. Also, excludes a \$69.8 million debt service guaranty liability. See Note 5 for additional information.

Other obligations include income and real estate tax payments, commitments associated with our secured debt and (2) other employee payments. Contributions to our retirement plan were fully funded for 2016, and therefore are excluded from the above table. Included in 2017 is a purchase obligation of \$24.0 million. See Note 14 for additional information.

Related to a development project in Sheridan, Colorado, we have provided a guaranty for the payment of any debt service shortfalls on tax increment revenue bonds issued in connection with the project. The Sheridan Redevelopment Agency issued Series A bonds used for an urban renewal project, of which \$69.8 million remain outstanding at September 30, 2016. The bonds are to be repaid with incremental sales and property taxes and a PIF to be assessed on current and future retail sales and, to the extent necessary, any amounts we may have to provide under a guaranty. The incremental taxes and PIF are to remain intact until the earlier of the payment of the bond liability in full or 2040. The debt associated with this guaranty has been recorded in our consolidated financial statements as of September 30, 2016.

Off-Balance Sheet Arrangements

As of September 30, 2016, none of our off-balance sheet arrangements had a material effect on our liquidity or availability of, or requirement for, our capital resources. Letters of credit totaling \$4.9 million were outstanding under the unsecured revolving credit facility at September 30, 2016.

We have entered into several unconsolidated real estate joint ventures and partnerships. Under many of these agreements, we and our joint venture partners are required to fund operating capital upon shortfalls in working capital. As operating manager of most of these entities, we have considered these funding requirements in our business plan. Reconsideration events, including changes in variable interests, could cause us to consolidate these joint ventures and partnerships. We continuously evaluate these events as we become aware of them. Some triggers to be considered are additional contributions required by each partner and each partner's ability to make those contributions. Under certain of these circumstances, we may purchase our partner's interest. Our material unconsolidated real estate joint ventures are with entities which appear sufficiently stable; however, if market conditions were to deteriorate and our partners are unable to meet their commitments, there is a possibility we may have to consolidate these entities. If we were to

consolidate all of our unconsolidated real estate joint ventures, we would continue to be in compliance with our debt covenants.

As of September 30, 2016, one unconsolidated real estate joint venture was determined to be a VIE through the issuance of a secured loan, since the lender had the ability to make decisions that could have a significant impact on the profitability of the entity. Our maximum risk of loss associated with this VIE was limited to \$34.0 million at September 30, 2016.

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We are working with a developer of a mixed-use project in the state of Washington and have executed an agreement to purchase the retail portion of the project for approximately \$24.0 million at closing, which is estimated to be in the second half of 2017.

Non-GAAP Financial Measures

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

Funds from Operations Attributable to Common Shareholders

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

We believe NAREIT FFO is a widely recognized measure of REIT operating performance which provides our shareholders with a relevant basis for comparison among other REITs. Management uses NAREIT FFO as a supplemental internal measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that uses historical cost accounting is insufficient by itself. There can be no assurance that NAREIT FFO presented by us is comparable to similarly titled measures of other REITs.

We also present core funds from operations attributable to common shareholders (“Core FFO”) as an additional supplemental measure as it is more reflective of the core operating performance of our portfolio of properties. Core FFO is defined as NAREIT FFO excluding charges and gains related to non-cash, non-operating and other transactions or events that hinder the comparability of operating results. Specific examples of items excluded from Core FFO include, but are not limited to, gains or losses associated with the extinguishment of debt or other liabilities, impairments of land, transactional costs associated with acquisition and development activities, certain deferred tax provisions/benefits, redemption costs of preferred shares and gains on the disposal of non-real estate assets.

NAREIT FFO and Core FFO should not be considered as alternatives to net income or other measurements under GAAP as indicators of our operating performance or to cash flows from operating, investing or financing activities as measures of liquidity. NAREIT FFO and Core FFO do not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

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NAREIT FFO and Core FFO is calculated as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income attributable to common shareholders	\$51,901	\$43,401	\$194,791	\$113,560
Depreciation and amortization	41,965	35,687	117,693	106,717
Depreciation and amortization of unconsolidated real estate joint ventures and partnerships	3,665	3,624	11,344	10,602
Impairment of operating properties and real estate equity investments	—	—	—	153
Impairment of operating properties of unconsolidated real estate joint ventures and partnerships	—	—	326	1,497
Gain on acquisition including associated real estate equity investment	(9,015)	—	(46,398)	—
Gain on sale of property and interests in real estate equity investments	(15,882)	(13,214)	(61,375)	(44,684)
Gain on dispositions of unconsolidated real estate joint ventures and partnerships	(16)	—	(3,155)	(615)
Other	—	—	(8)	(4)
NAREIT FFO – basic	72,618	69,498	213,218	187,226
Income attributable to operating partnership units	499	472	1,497	1,432
NAREIT FFO – diluted	73,117	69,970	214,715	188,658
Adjustments to Core FFO:				
Redemption costs of preferred shares	—	—	—	9,749
Deferred tax expense, net	1,129	—	7,024	—
Acquisition costs	560	356	1,160	702
Other impairment loss, net of tax	—	—	43	—
(Gain) loss on extinguishment of debt	—	—	(1,679)	6,100
Other, net of tax	807	—	271	(1,161)
Core FFO – diluted	\$75,613	\$70,326	\$221,534	\$204,048
Weighted average shares outstanding – basic	127,304	123,349	125,569	122,929
Effect of dilutive securities:				
Share options and awards	1,022	1,222	1,100	1,303
Operating partnership units	1,462	1,462	1,462	1,476
Weighted average shares outstanding – diluted	129,788	126,033	128,131	125,708
NAREIT FFO per common share – basic	\$.57	\$.56	\$1.70	\$1.52
NAREIT FFO per common share – diluted	\$.56	\$.56	\$1.68	\$1.50
Core FFO per common share – diluted	\$.58	\$.56	\$1.73	\$1.62

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Same Property Net Operating Income

We consider SPNOI an important additional financial measure because it reflects only those income and expense items that are incurred at the property level, and when compared across periods, reflects the impact on operations from trends in occupancy rates, rental rates and operating costs. We calculate this most useful measurement by determining our proportional share of SPNOI from all owned properties, including our share of SPNOI from unconsolidated joint ventures and partnerships, which cannot be readily determined under GAAP measurements and presentation.

Although SPNOI is a widely used measure among REITs, there can be no assurance that SPNOI presented by us is comparable to similarly titled measures of other REITs. Additionally, we do not control these unconsolidated joint ventures and partnerships, and the assets, liabilities, revenues or expenses of these joint ventures and partnerships, as presented, do not represent our legal claim to such items.

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

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Beginning of the period	203	206
Properties added:		
Acquisitions	—	1
Redevelopments	—	11
Other	—	1
Properties removed:		
Dispositions	(2)	(10)
Redevelopments	—	(5)
Other	(1)	(4)
End of the period	200	200

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income attributable to common shareholders	\$51,901	\$43,401	\$194,791	\$113,560
Add:				
Redemption costs of preferred shares	—	—	—	9,687
Dividends on preferred shares	—	—	—	3,830
Net income attributable to noncontrolling interests	9,436	1,787	12,864	5,119
Provision (benefit) for income taxes	1,105	(144)	7,020	291
Interest expense, net	21,843	20,607	61,292	67,357
Less:				
Gain on sale of property	(22,108)	(13,232)	(68,298)	(43,917)
Equity in earnings of real estate joint ventures and partnership interests	(4,373)	(5,096)	(15,111)	(13,680)
Gain on sale and acquisition of real estate joint venture and partnership interests	(9,015)	—	(46,407)	(879)
Interest and other (income) expense	(1,268)	888	(1,840)	(2,252)
Operating Income	47,521	48,211	144,311	139,116
Less:				
Revenue adjustments ⁽¹⁾	(4,152)	(2,764)	(11,405)	(9,103)
Add:				
Property management fees	617	691	2,173	2,278
Depreciation and amortization	42,064	36,327	119,161	108,929
Impairment loss	—	—	43	153
General and administrative	7,187	6,188	20,073	20,021
Acquisition costs	513	364	736	665
Other ⁽²⁾	246	158	318	289
Net Operating Income	93,996	89,175	275,410	262,348
Less: NOI related to consolidated entities not defined as same property and noncontrolling interests	(12,003)	(10,088)	(31,120)	(26,207)
Add: Pro rata share of unconsolidated entities defined as same property	8,165	8,116	24,051	23,987
Same Property Net Operating Income	\$90,158	\$87,203	\$268,341	\$260,128

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

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

Newly Issued Accounting Pronouncements

See Note 2 to our consolidated financial statements in Item 1 for additional information related to recent accounting pronouncements.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We use fixed and floating-rate debt to finance our capital requirements. These transactions expose us to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate contracts with major financial institutions. These agreements expose us to credit risk in the event of non-performance by the counter-parties. We do not engage in the trading of derivative financial instruments in the normal course of business. At September 30, 2016, we had fixed-rate debt of \$2.2 billion, after adjusting for the net effect of \$200 million notional amount of interest rate contracts, and variable-rate debt of \$151.8 million. In the event interest rates were to increase 100 basis points and holding all other variables constant, annual net income and cash flows for the following year would decrease by approximately \$1.5 million associated with our variable-rate debt, including the effect of the interest rate contracts. The effect of the 100 basis points increase would decrease the fair value of our variable-rate and fixed-rate debt by approximately \$7.0 million and \$136.9 million, respectively.

ITEM 4. Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of September 30, 2016. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2016.

During the quarter ended September 30, 2016, we implemented a new enterprise resource planning system to improve standardization and efficiency. Other than our system upgrade, which we believe strengthens our system of internal controls, there has been no change to our internal control over financial reporting during the quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

We have no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

We have a \$200 million share repurchase plan. Under this plan, we may repurchase common shares from time-to-time in open-market or in privately negotiated purchases. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors. The repurchase plan may be suspended or discontinued at any time, and we have no obligations to repurchase any amount of our common shares under the plan. As of the date of this filing, we have not repurchased any shares under this plan.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEINGARTEN REALTY INVESTORS
(Registrant)

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

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

DATE: November 9, 2016

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EXHIBIT INDEX

(a) Exhibits:

- 4.1 Form of 3.25% Senior Note due 2026 (filed as Exhibit 4.1 to WRI's Form 8-K on August 11, 2016 and incorporated herein by reference).
- 31.1* ~~Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).~~
- 31.2* ~~Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).~~
- 32.1** ~~Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).~~
- 32.2** ~~Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).~~
- 101.INS** ~~XBRL Instance Document~~
- 101.SCH** ~~XBRL Taxonomy Extension Schema Document~~
- 101.CAL** ~~XBRL Taxonomy Extension Calculation Linkbase Document~~
- 101.DEF** ~~XBRL Taxonomy Extension Definition Linkbase Document~~
- 101.LAB** ~~XBRL Taxonomy Extension Labels Linkbase Document~~
- 101.PRE** ~~XBRL Taxonomy Extension Presentation Linkbase Document~~

* Filed with this report.

**Furnished with this report.

Management contract or

† compensation plan or arrangement.