WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
August 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarter ended June 30, 2012

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 ý 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 ý 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 ý	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 ý

As of July 31, 2012, there were 121,259,414 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 AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Rentals, net	$123,005	$117,843	$241,724	$232,511
Other	2,615	5,482	5,330	8,020
Total	125,620	123,325	247,054	240,531
Expenses:				
Depreciation and amortization	34,332	33,457	68,431	66,154
Operating	24,315	23,646	47,103	44,925
Real estate taxes, net	14,744	13,736	28,801	27,914
Impairment loss	4,293	18,891	11,145	19,661
General and administrative	6,378	6,600	14,684	13,136
Total	84,062	96,330	170,164	171,790
Operating Income	41,558	26,995	76,890	68,741
Interest Expense, net	(29,311)	(37,036)	(60,740)	(73,649)
Interest and Other Income, net	582	1,423	2,968	3,478
Gain on Sale of Real Estate Joint Venture and Partnership Interests	—	—	5,562	—
Equity in (Losses) Earnings of Real Estate Joint Ventures and Partnerships, net	(15,695)	3,579	(11,620)	6,976
Benefit for Income Taxes	220	190	242	506
(Loss) Income from Continuing Operations	(2,646)	(4,849)	13,302	6,052
Operating Income from Discontinued Operations	4,059	7,652	6,675	12,879
Gain on Sale of Property from Discontinued Operations	31,264	—	34,898	—
Income from Discontinued Operations	35,323	7,652	41,573	12,879
Gain on Sale of Property	84	136	524	1,196
Net Income	32,761	2,939	55,399	20,127
Less: Net Income Attributable to Noncontrolling Interests	(1,342)	(1,236)	(2,783)	(2,328)
Net Income Adjusted for Noncontrolling Interests	31,419	1,703	52,616	17,799
Dividends on Preferred Shares	(8,869)	(8,869)	(17,738)	(17,738)
Net Income (Loss) Attributable to Common Shareholders	$22,550	$(7,166)	$34,878	$61
Earnings Per Common Share - Basic:				
Loss from continuing operations attributable to common shareholders	$(0.10)	$(0.12)	$(0.05)	$(0.11)
Income from discontinued operations	0.29	0.06	0.34	0.11
Net income (loss) attributable to common shareholders	$0.19	$(0.06)	$0.29	$—
Earnings Per Common Share - Diluted:				
Loss from continuing operations attributable to common shareholders	$(0.10)	$(0.12)	$(0.05)	$(0.11)

Income from discontinued operations	0.29	0.06	0.34	0.11
Net income (loss) attributable to common shareholders	$0.19	$(0.06)	$0.29	$—
Comprehensive Income:				
Net Income	$32,761	$2,939	$55,399	$20,127
Net unrealized loss on derivatives	(148)	(401)	(132)	(290)
Amortization of loss on derivatives	662	619	1,321	1,238
Comprehensive Income	33,275	3,157	56,588	21,075
Comprehensive Income Attributable to Noncontrolling Interests	(1,342)	(1,236)	(2,783)	(2,328)
Comprehensive Income Adjusted for Noncontrolling Interests	$31,933	$1,921	$53,805	$18,747

See Notes to Condensed Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2012	December 31, 2011
ASSETS		
Property	$4,345,891	$4,688,526
Accumulated Depreciation	(1,000,138)	(1,059,531)
Property Held for Sale, net	63,747	73,241
Property, net *	3,409,500	3,702,236
Investment in Real Estate Joint Ventures and Partnerships, net	317,781	341,608
Total	3,727,281	4,043,844
Notes Receivable from Real Estate Joint Ventures and Partnerships	89,363	149,204
Unamortized Debt and Lease Costs, net	113,578	115,191
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $9,777 in 2012 and $11,301 in 2011) *	71,267	86,530
Cash and Cash Equivalents *	15,097	13,642
Restricted Deposits and Mortgage Escrows	33,211	11,144
Other, net	168,356	168,671
Total Assets	$4,218,153	$4,588,226
LIABILITIES AND EQUITY		
Debt, net *	$2,194,685	$2,531,837
Accounts Payable and Accrued Expenses	114,660	124,888
Other, net	111,539	107,919
Total Liabilities	2,420,884	2,764,644
Commitments and Contingencies	—	—
Equity:		
Shareholders’ Equity:		
Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000		
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding in 2012 and 2011; liquidation preference $75,000	3	3
6.95% Series E cumulative redeemable preferred shares of beneficial interest; 29 shares issued and outstanding in 2012 and 2011; liquidation preference $72,500	1	1
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued and outstanding in 2012 and 2011; liquidation preference $350,000	4	4
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 275,000; shares issued and outstanding: 121,249 in 2012 and 120,844 in 2011	3,653	3,641
Additional Paid-In Capital	1,993,351	1,983,978
Net Income Less Than Accumulated Dividends	(339,904)	(304,504)
Accumulated Other Comprehensive Loss	(26,554)	(27,743)
Total Shareholders’ Equity	1,630,554	1,655,380
Noncontrolling Interests	166,715	168,202

Total Equity	1,797,269	1,823,582
Total Liabilities and Equity	$4,218,153	$4,588,226

* Consolidated Variable Interest Entities' Assets and Liabilities included in the above balances (See Note 17):

Property, net	$227,094	$230,159
Accrued Rent and Accounts Receivable, net	7,071	8,564
Cash and Cash Equivalents	9,360	11,382
Debt, net	277,880	279,301

See Notes to Condensed Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2012	2011
Cash Flows from Operating Activities:		
Net Income	$55,399	$20,127
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73,359	78,562
Amortization of deferred financing costs and debt discount	316	2,079
Impairment loss	15,074	22,550
Equity in losses (earnings) of real estate joint ventures and partnerships, net	11,620	(6,976)
Gain on acquisition	—	(4,559)
Gain on sale of property	(35,422)	(1,196)
Gain on sale of real estate joint venture and partnership interests	(5,562)	—
Distributions of income from real estate joint ventures and partnerships, net	1,562	1,500
Changes in accrued rent and accounts receivable, net	10,064	17,541
Changes in other assets, net	(15,193)	(14,692)
Changes in accounts payable, accrued expenses and other liabilities, net	(9,458)	(16,142)
Other, net	7,686	5,687
Net cash provided by operating activities	109,445	104,481
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(116,960)	(45,293)
Development and capital improvements	(45,585)	(36,799)
Proceeds from sale of property and real estate equity investments, net	419,370	43,013
Change in restricted deposits and mortgage escrows	(22,010)	(21,795)
Notes receivable from real estate joint ventures and partnerships and other receivables:		
Advances	(4,865)	(2,251)
Collections	73,563	4,375
Real estate joint ventures and partnerships:		
Investments	(7,129)	(12,626)
Distributions of capital	7,568	8,373
Proceeds from tax increment revenue bonds	—	16,545
Net cash provided by (used in) investing activities	303,952	(46,458)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Debt	—	15,750
Common shares of beneficial interest, net	3,212	3,650
Principal payments of debt	(384,116)	(87,303)
Changes in unsecured revolving credit facilities	62,500	97,850
Common and preferred dividends paid	(86,704)	(82,833)
Debt issuance costs paid	(1,685)	(356)
Distributions to noncontrolling interests	(7,333)	(7,259)
Contributions from noncontrolling interests	2,123	3,717
Other, net	61	(724)
Net cash used in financing activities	(411,942)	(57,508)

Net increase in cash and cash equivalents	1,455	515
Cash and cash equivalents at January 1	13,642	23,859
Cash and cash equivalents at June 30	$15,097	$24,374
Interest paid during the period (net of amount capitalized of $1,594 and $654, respectively)	$61,959	$70,863
Income taxes paid during the period	$1,548	$1,578

See Notes to Condensed Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
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, 2011	$8	$3,630	$1,969,905	$(151,780)	$(21,774)	$180,268	$1,980,257
Net income				17,799		2,328	20,127
Shares issued under benefit plans		10	7,516				7,526
Dividends declared – common shares (1)				(66,407)			(66,407)
Dividends declared – preferred shares (2)				(16,426)			(16,426)
Distributions to noncontrolling interests						(7,259)	(7,259)
Contributions from noncontrolling interests						3,717	3,717
Other comprehensive income					948		948
Other, net			2,864	(1,312)		(2,449)	(897)
Balance, June 30, 2011	$8	$3,640	$1,980,285	$(218,126)	$(20,826)	$176,605	$1,921,586
Balance, January 1, 2012	$8	$3,641	$1,983,978	$(304,504)	$(27,743)	$168,202	$1,823,582
Net income				52,616		2,783	55,399
Shares issued under benefit plans		12	8,264				8,276
Dividends declared – common shares (1)				(70,278)			(70,278)
Dividends declared – preferred shares (2)				(16,426)			(16,426)
Distributions to noncontrolling interests						(7,333)	(7,333)
Contributions from noncontrolling interests						2,123	2,123
Other comprehensive income					1,189		1,189
Other, net			1,109	(1,312)		940	737
Balance, June 30, 2012	$8	$3,653	$1,993,351	$(339,904)	$(26,554)	$166,715	$1,797,269

(1) Common dividend per share was $0.58 and $0.55 for the six months ended June 30, 2012 and 2011, respectively.
(2) Series D, E and F preferred dividend per share was $25.31, $86.88 and $81.25, respectively, for both the six months ended June 30, 2012 and 2011.

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, 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 and other properties we own or lease. We also manage centers for joint ventures in which we are partners or for other outside owners for which we charge fees.

We operate a portfolio of rental properties, primarily neighborhood and community shopping centers, that totals approximately 63.8 million square feet. We have a diversified tenant base with our largest tenant comprising only 3.3% of total rental revenues during the first six months of 2012.

We currently operate, and intend to operate in the future, as a REIT.

Basis of Presentation

Our 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, 2011 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 has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011.

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 on our consolidated financial statements. Actual results could differ from these estimates. We have evaluated subsequent events for recognition or disclosure in our consolidated financial statements.

Reportable Segments

Our primary focus is to lease space to tenants in shopping centers or other properties that we own, lease or manage. Historically, we reviewed operating and financial information for each property by commercial use and on an individual basis. Each commercial use or each property represents an individual operating segment.

We evaluate the performance of the reportable segments based on net operating income, defined as total revenues less operating expenses and real estate taxes. Management does not consider the effect of gains or losses from the sale of property or interests in real estate joint ventures and partnerships in evaluating segment operating performance.

With the sale of our industrial portfolio in May 2012, we no longer analyze our properties by commercial use. Further, no individual property constitutes more than 10% of our revenues or net operating income, and we have no operations outside of the United States of America. Therefore, our properties have been aggregated into one reportable segment since the properties share similar economic and operating characteristics.

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.

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

	June 30, 2012	December 31, 2011
Restricted cash	$26,120	$3,169
Mortgage escrows	7,091	7,975
Total	$33,211	$11,144

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss consists of the following (in thousands):

	June 30, 2012	December 31, 2011
Derivatives	$8,827	$10,016
Retirement liability	17,727	17,727
Total	$26,554	$27,743

Reclassifications

The reclassification of prior years' operating results for certain properties classified as discontinued operations was made to conform to the current year presentation (see Note 10 for additional information). Also, we have disaggregated certain line items in our Condensed Consolidated Statements of Cash Flows to conform to the current year presentation. Prior years' distribution to noncontrolling interests and contributions from noncontrolling interests was reclassified from other, net, and the acquisition of real estate and land was segregated from development and capital improvements (which was previously titled investment in property). These items had no impact on previously reported net income, earnings per share, the consolidated balance sheet or cash flows.

Note 2. Newly Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," which amends previous guidance resulting in common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. The amendments both clarify the application of existing fair value measurement requirements and changes certain principles or requirements for measuring fair value or for disclosing information about fair value measurements. The provisions of this update were effective for us at January 1, 2012. The adoption of this update did not materially impact our consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05 ("ASU 2011-05"), "Presentation of Comprehensive Income," which amends previous guidance by requiring all nonowner changes in equity to be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, an entity will be required to present on the face of the financial statements, reclassification adjustments for items reclassified from other comprehensive income to net income. In December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05," which primarily defers the provision of ASU 2011-05 requiring the presentation on the face of the financial statements other comprehensive income reclassification adjustments. All other provisions of ASU 2011-05 were effective for us at January 1, 2012. As of December 31, 2011, our early adoption of this update did not materially impact our consolidated financial statements.

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Note 3. Property

Our property consists of the following (in thousands):

	June 30, 2012	December 31, 2011
Land	$870,826	$918,627
Land held for development	126,616	124,528
Land under development	15,545	20,281
Buildings and improvements	3,267,219	3,557,173
Construction in-progress	65,685	67,917
Total	$4,345,891	$4,688,526

The following carrying charges were capitalized (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest	$811	$317	$1,594	$654
Real estate taxes	123	72	246	83
Total	$934	$389	$1,840	$737

During the six months ended June 30, 2012, we acquired two shopping centers and other retail property for approximately $118.3 million.

During the six months ended June 30, 2012, we sold 13 shopping centers, 53 industrial properties and other retail property. We also assigned a 75% consolidated joint venture interest to our partner. Aggregate gross sales proceeds, including the assumption of debt by the buyer, from these transactions totaled $444.1 million and generated gains of $35.4 million.

Also, seven properties totaling $84.0 million and $94.8 million before accumulated depreciation have been classified as held for sale as of June 30, 2012 and December 31, 2011, respectively. See Note 10 for additional information.

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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 10% to 75% for the 2012 periods presented and 7.8% to 75% for the 2011 periods presented. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	June 30, 2012	December 31, 2011
Combined Condensed Balance Sheets		
Property	$1,933,796	$2,108,745
Accumulated depreciation	(310,024)	(296,496)
Property, net	1,623,772	1,812,249
Other assets, net	169,644	173,130
Total	$1,793,416	$1,985,379
Debt, net (primarily mortgages payable)	$551,012	$556,920
Amounts payable to Weingarten Realty Investors and affiliates	106,952	170,007
Other liabilities, net	41,837	41,907
Total	699,801	768,834
Accumulated equity	1,093,615	1,216,545
Total	$1,793,416	$1,985,379

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Combined Condensed Statements of Operations				
Revenues, net	$50,026	$50,866	$99,873	$102,192
Expenses:				
Depreciation and amortization	15,481	16,913	31,617	34,544
Interest, net	8,961	9,573	18,047	18,837
Operating	8,571	8,936	17,196	17,830
Real estate taxes, net	6,159	6,128	12,397	12,606
General and administrative	225	877	586	1,969
Provision for income taxes	95	116	168	201
Impairment loss	96,498	—	96,498	2,058
Total	135,990	42,543	176,509	88,045
Gain (loss) on sale of property	246	—	246	(21)
Net (loss) income	$(85,718)	$8,323	$(76,390)	$14,126

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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 certain assets to the joint ventures. The net basis differences, which totaled $5.7 million and $7.5 million at June 30, 2012 and December 31, 2011, respectively, are generally amortized over the useful lives of the related assets.

At June 30, 2012, our real estate joint ventures and partnerships determined that the carrying amount of certain properties was not recoverable and that the properties should be written down to fair value. For both the three and six months ended June 30, 2012, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of $96.5 million on various properties that are being marketed for sale. For the six months ended June 30, 2011, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of $2.1 million.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled $1.6 million and $1.5 million for the three months ended June 30, 2012 and 2011, respectively, and $3.3 million and $3.1 million for the six months ended June 30, 2012 and 2011, respectively.

In February 2012, we sold a 47.8% unconsolidated joint venture interest in a Colorado development project to our partner with gross sales proceeds totaling $29.1 million, which includes the assumption of our share of debt, generating a gain of $3.5 million.

In April 2011, we acquired a 50%-owned unconsolidated real estate joint venture interest in three shopping centers for approximately $11.6 million. We also acquired our partner’s 50% unconsolidated joint venture interest in a Florida development property that we had previously accounted for under the equity method. This transaction resulted in the consolidation of the property in our consolidated financial statements.

Note 5. Notes Receivable from Real Estate Joint Ventures and Partnerships

We have ownership interests in a number of real estate joint ventures and partnerships. Notes receivable from these entities bear interest ranging from approximately 2.9% to 10.0% at June 30, 2012 and 2.8% to 10.0% at December 31, 2011. These notes are due at various dates through 2014 and are generally secured by underlying real estate assets. We believe these notes are fully collectible, and no allowance has been recorded. Interest income recognized on these notes was $.7 million and $.9 million for the three months ended June 30, 2012 and 2011, respectively, and $1.4 million and $1.7 million for the six months ended June 30, 2012 and 2011, respectively.

In February 2012, we received $59.2 million in payment of our notes receivable from real estate joint ventures and partnerships, in conjunction with the sale of our interest in an unconsolidated real estate joint venture. See Note 15 for additional information.

In April 2011, we eliminated $21.9 million of our notes receivable from real estate joint ventures and partnerships upon the purchase of our partner’s 50% unconsolidated joint venture interest in a Florida development property.

Note 6. Debt

Our debt consists of the following (in thousands):

	June 30, 2012	December 31, 2011
Debt payable to 2038 at 2.6% to 8.8%	$1,869,191	$2,268,668
Debt service guaranty liability	74,075	74,075
Unsecured notes payable under revolving credit facilities	229,000	166,500
Obligations under capital leases	21,000	21,000
Industrial revenue bonds payable to 2015 at 2.4%	1,419	1,594
Total	$2,194,685	$2,531,837

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

	June 30, 2012	December 31, 2011
As to interest rate (including the effects of interest rate contracts):		
Fixed-rate debt	$1,819,541	$2,014,834
Variable-rate debt	375,144	517,003
Total	$2,194,685	$2,531,837
As to collateralization:		
Unsecured debt	$1,257,125	$1,510,932
Secured debt	937,560	1,020,905
Total	$2,194,685	$2,531,837

Effective September 30, 2011, we entered into an amended and restated $500 million unsecured revolving credit facility. The facility expires in September 2015 and provides for a one-year extension upon our request and borrowing rates that float at a margin over LIBOR plus a facility fee. The borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, are currently 125.0 and 25.0 basis points, respectively. The facility also contains a competitive bid feature that will allow us to request bids for up to $250 million. Additionally, an accordion feature allows us to increase the facility amount up to $700 million.
Effective May 2010, we entered into an agreement with a bank for an unsecured and uncommitted overnight facility totaling $99 million that we intend to maintain for cash management purposes. The facility provides for fixed interest rate loans at a 30 day LIBOR rate plus a borrowing margin based on market liquidity.

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

	June 30, 2012		December 31, 2011	
Unsecured revolving credit facility:				
Balance outstanding	$170,000		$145,000	
Available balance	326,571		351,571	
Letter of credit outstanding under facility	3,429		3,429	
Variable interest rate (excluding facility fee)	1.2	%	1.3	%
Unsecured and uncommitted overnight facility:				
Balance outstanding	$59,000		$21,500	
Variable interest rate	1.5	%	1.5	%
Both facilities:				
Maximum balance outstanding during the year	$281,700		$330,700	
Weighted average balance	169,746		151,814	
Year-to-date weighted average interest rate (excluding facility fee)	1.3	%	1.5	%

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, as extended by the Sheridan Redevelopment Agency (“Agency”) in April 2011. Therefore, a debt service guaranty liability equal to the fair value of the amounts funded under the bonds was recorded. For both periods ended at June 30, 2012 and December 31, 2011, we had $74.1 million outstanding for the debt service guaranty liability.

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On August 29, 2011, we entered into a $200 million unsecured term loan of which the proceeds were used to pay down amounts outstanding under our revolving credit facility. The initial term of the loan was one year, which we repaid at par after nine months on May 31, 2012 at our option. In addition, a $115 million 5.3% fixed-rate medium term note matured in May 2012.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At June 30, 2012 and December 31, 2011, the carrying value of such assets aggregated $1.6 billion and $1.7 billion, respectively.

Scheduled principal payments on our debt (excluding $229.0 million due under our revolving credit facilities, $21.0 million of certain capital leases, $10.8 million fair value of interest rate contracts, $1.6 million net premium/(discount) on debt, $9.6 million of non-cash debt-related items, and $74.1 million debt service guaranty liability) are due during the following years (in thousands):

2012 remaining	$103,354
2013	315,056
2014	473,804
2015	239,346
2016	231,661
2017	142,096
2018	64,441
2019 (1)	153,724
2020	3,746
2021	2,763
Thereafter (2)	118,575
Total	$1,848,566

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(1) Includes $100.0 million of our 8.1% senior unsecured notes due 2019 which may be redeemed by us at any time on or after September 2014 at our option.

(2) Includes $54.1 million of our 3.95% convertible senior unsecured notes outstanding due 2026, which may be called by us at any time and have future put options in 2016 and 2021.

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 believe we were in compliance with our public debt and revolving credit facility covenants as of June 30, 2012.

Note 7. Derivatives and Hedging

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

	Assets		Liabilities	
	Balance Sheet Location	Amount	Balance Sheet Location	Amount
Designated Hedges:				
June 30, 2012	Other Assets, net	$10,854	Other Liabilities, net	$783
December 31, 2011	Other Assets, net	10,816	Other Liabilities, net	674

Cash Flow Hedges:

As of June 30, 2012 and December 31, 2011, we had three active interest rate contracts designated as cash flow hedges with an aggregate notional amount of $26.8 million and $27.1 million, respectively. These contracts have maturities through September 2017 and either fix or cap interest rates ranging from 2.3% to 5.0%. We have determined that these contracts are highly effective in offsetting future variable interest cash flows.

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As of June 30, 2012 and December 31, 2011, the balance in accumulated other comprehensive loss relating to cash flow interest rate contracts was $8.8 million and $10.0 million, respectively, and will be reclassified to net interest expense as interest payments are made on our fixed-rate debt. Within the next 12 months, approximately $2.9 million of the balance in accumulated other comprehensive loss is expected to be amortized to net interest expense related to settled interest rate contracts.

A summary of cash flow interest rate 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 June 30, 2012	$148	Interest expense, net	$(662)	Interest expense, net	$—
Six Months Ended June 30, 2012	132	Interest expense, net	(1,321)	Interest expense, net	—
Three Months Ended June 30, 2011	420	Interest expense, net	(619)	Interest expense, net	(19)
Six Months Ended June 30, 2011	302	Interest expense, net	(1,238)	Interest expense, net	(12)

Fair Value Hedges:

As of June 30, 2012 and December 31, 2011, we had four interest rate contracts, maturing through October 2017, with an aggregate notional amount of $118.7 million and $119.3 million, respectively, that were designated as fair value hedges and convert fixed interest payments at rates from 4.2% to 7.5% to variable interest payments ranging from 0.5% to 4.4%. We have determined that our fair value hedges are highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in interest rates.

A summary of the changes in fair value of our interest rate contracts is as follows (in thousands):

	Gain (Loss) on Contracts	Gain (Loss) on Borrowings	Gain (Loss) Recognized in Income
Three Months Ended June 30, 2012			
Interest expense, net	$591	$(591)	$—
Six Months Ended June 30, 2012			
Interest expense, net	61	(61)	—
Three Months Ended June 30, 2011			
Interest expense, net	2,000	(2,000)	—
Six Months Ended June 30, 2011			
Interest expense, net	495	(495)	—

A summary of our fair value interest rate contract hedges impact on net income is as follows (in thousands):

Derivatives Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income	Location of Gain (Loss) Recognized in Income on	Amount of Gain (Loss) Recognized in Income on

		on Derivative	Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Three Months Ended June 30, 2012	Interest expense, net	$ 1,589	Interest expense, net	$ —
Six Months Ended June 30, 2012	Interest expense, net	2,060	Interest expense, net	—
Three Months Ended June 30, 2011	Interest expense, net	3,042	Interest expense, net	—
Six Months Ended June 30, 2011	Interest expense, net	2,572	Interest expense, net	—

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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):

	Six Months Ended June 30,	
	2012	2011
Net income adjusted for noncontrolling interests	$52,616	$17,799
Transfers from the noncontrolling interests:		
Net increase in equity for the acquisition of noncontrolling interests	—	1,668
Change from net income adjusted for noncontrolling interests and transfers from the noncontrolling interests	$52,616	$19,467

Note 9. Impairment

The following impairment charges were recorded on the following assets based on the difference between the carrying amount of the assets and the estimated fair value (see Note 19 for additional fair value information) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Continuing operations:				
Property marketed for sale or sold (1)	$4,293	$154	$4,537	$924
Investments in real estate joint ventures and partnerships (2)	—	—	6,608	—
Tax increment revenue bonds (4)	—	18,737	—	18,737
Total reported in continuing operations	4,293	18,891	11,145	19,661
Discontinued operations:				
Property held for sale or sold (3)	758	2,434	3,929	2,889
Total impairment charges	5,051	21,325	15,074	22,550
Other financial statement captions impacted by impairment:				
Equity in losses of real estate joint ventures and partnerships, net	19,889	—	19,889	110
Net impact of impairment charges	$24,940	$21,325	$34,963	$22,660

(1) These charges resulted from changes in management's plans for these properties, primarily the marketing of these properties for sale. Also included in this caption are impairments associated with dispositions that did not qualify to be reported in discontinued operations.

(2) Amounts reported in 2012 are based on third party offers to buy our interests in industrial real estate joint ventures.

(3) Amounts reported in 2012 are based on third party offers.

(4) During 2011, the tax increment revenue bonds were remarketed by the Agency. All of the outstanding bonds were recalled, and new bonds were issued. We recorded an $18.7 million net credit loss on the exchange of bonds associated with our investment in the subordinated tax increment revenue bonds.

Note 10. Discontinued Operations

For the six months ended June 30, 2012, we sold 13 shopping centers, 53 industrial properties, and we assigned a 75% consolidated joint venture interest to our partner, of which 47 were located in Texas, six each in Georgia and Florida, two each in Louisiana and Virginia and one each in Kansas, North Carolina, Maine and Tennessee. We classified seven shopping centers, of which four are located in Texas and one each in Arizona, Illinois and Oklahoma, as held for sale. As part of these 2012 dispositions, we sold in May 2012 a portfolio of 52 wholly-owned industrial properties in order to exit the industrial real estate market and further align and strengthen our position solely as a retail REIT.

As of June 30, 2012, the seven properties classified as held for sale consisted of property and accumulated depreciation totaling $84.0 million and $20.2 million, respectively.

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During 2011, we sold three industrial properties, of which two were located in Georgia and one in Texas, and eight shopping centers, of which five were located in Texas and one each in Florida, Kansas and North Carolina. As of December 31, 2011, we classified as held for sale seven shopping centers with a net book value of $73.2 million, of which three were located in Texas and one each in Arizona, Florida, Illinois and North Carolina.
Included in the Condensed Consolidated Balance Sheet at December 31, 2011 were $588.1 million of property and $139.2 million of accumulated depreciation related to retail and industrial properties that were either sold during 2012 or classified as held for sale as of June 30, 2012.

The operating results of these properties, which includes the seven properties held for sale, have been reclassified and reported as discontinued operations in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues, net	$11,422	$18,478	$27,638	$36,398
Depreciation and amortization	(177)	(6,356)	(4,928)	(12,408)
Operating expenses	(2,584)	(3,296)	(5,511)	(6,487)
Real estate taxes, net	(1,549)	(2,669)	(4,138)	(5,411)
Impairment loss	(758)	(2,434)	(3,929)	(2,889)
General and administrative	(1,946)	(12)	(1,961)	(32)
Interest expense, net	(76)	(288)	(223)	(521)
Gain on acquisition (see Note 18)	—	4,559	—	4,559
Provision for income taxes	(273)	(330)	(273)	(330)
Operating income from discontinued operations	4,059	7,652	6,675	12,879
Gain on sale of property from discontinued operations	31,264	—	34,898	—
Income from discontinued operations	$35,323	$7,652	$41,573	$12,879

We do not allocate other consolidated interest to discontinued operations because the interest savings to be realized from the proceeds of the sale of these operations is not material.

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Note 11. Cash Flow Information

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

	Six Months Ended June 30,	
	2012	2011
Accrued property construction costs	$6,931	$5,279
Increase in equity for the acquisition of noncontrolling interests in consolidated real estate joint ventures	—	1,668
Reduction of debt service guaranty liability	—	(22,925)
Property acquisitions and investments in unconsolidated real estate joint ventures:		
Increase in debt, net	—	24,383
Decrease in property, net	(2,532)	(3,812)
Increase in security deposits	1,116	22
Increase in noncontrolling interests	968	—
Decrease in real estate joint ventures and partnerships - investments	—	(153)
Sale of property and property interest:		
Decrease in debt, net due to debt assumption	(3,366)	—
Decrease in restricted deposits and mortgage escrows	(204)	—
Decrease in property, net	(2,855)	—
Decrease in real estate joint ventures and partnerships - investments		