WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
May 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarter ended March 31, 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 x 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 x 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

As of April 30, 2012, there were 121,193,807 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 March 31, 2012	2011
Revenues:		
Rentals, net	$ 119,747	$ 115,561
Other	2,724	2,546
Total	122,471	118,107
Expenses:		
Depreciation and amortization	34,377	32,951
Operating	23,014	21,526
Real estate taxes, net	14,164	14,285
Impairment loss	6,852	770
General and administrative	8,307	6,536
Total	86,714	76,068
Operating Income	35,757	42,039
Interest Expense, net	(31,429)	(36,694)
Interest and Other Income, net	2,386	2,055
Gain on Sale of Real Estate Joint Venture and Partnership Interests	5,562	-
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	4,075	3,397
Benefit for Income Taxes	22	316
Income from Continuing Operations	16,373	11,113
Operating Income from Discontinued Operations	2,191	5,015
Gain on Sale of Property from Discontinued Operations	3,634	-
Income from Discontinued Operations	5,825	5,015
Gain on Sale of Property	440	1,060
Net Income	22,638	17,188
Less: Net Income Attributable to Noncontrolling Interests	(1,441)	(1,092)
Net Income Adjusted for Noncontrolling Interests	21,197	16,096
Dividends on Preferred Shares	(8,869)	(8,869)
Net Income Attributable to Common Shareholders	$ 12,328	$ 7,227
Earnings Per Common Share - Basic:		
Income from continuing operations attributable to common shareholders	$ 0.05	$ 0.02
Income from discontinued operations	0.05	0.04

Net income attributable to common shareholders	$ 0.10	$ 0.06
Earnings Per Common Share - Diluted:		
Income from continuing operations attributable to common shareholders	$ 0.05	$ 0.02
Income from discontinued operations	0.05	0.04
Net income attributable to common shareholders	$ 0.10	$ 0.06
Comprehensive Income:		
Net Income	$ 22,638	$ 17,188
Net unrealized gain on derivatives	16	111
Amortization of loss on derivatives	659	619
Comprehensive Income	23,313	17,918
Comprehensive Income Attributable to Noncontrolling Interests	(1,441)	(1,092)
Comprehensive Income Adjusted for Noncontrolling Interests	$ 21,872	$ 16,826

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	March 31, 2012	December 31, 2011
ASSETS		
Property	$ 4,263,222	$ 4,688,526
Accumulated Depreciation	(981,443)	(1,059,531)
Property Held for Sale, net	414,413	73,241
Property, net *	3,696,192	3,702,236
Investment in Real Estate Joint Ventures and Partnerships, net	338,332	341,608
Total	4,034,524	4,043,844
Notes Receivable from Real Estate Joint Ventures and Partnerships	92,216	149,204
Unamortized Debt and Lease Costs, net	117,346	115,191
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $12,244 in 2012 and $11,301 in 2011) *	69,702	86,530
Cash and Cash Equivalents *	18,024	13,642
Restricted Deposits and Mortgage Escrows	9,834	11,144
Other, net	170,895	168,671
Total Assets	$ 4,512,541	$ 4,588,226
LIABILITIES AND EQUITY		
Debt, net *	$ 2,497,561	$ 2,531,837
Accounts Payable and Accrued Expenses	95,436	124,888
Other, net	115,285	107,919
Total Liabilities	2,708,282	2,764,644
Commitments and Contingencies		
Equity:		
Shareholders Equity:		
Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000	3	3
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding in 2012 and 2011; liquidation preference $75,000		
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: 121,113 in 2012 and 120,844 in 2011	3,649	3,641
Additional Paid-In Capital	1,989,198	1,983,978
Net Income Less Than Accumulated Dividends	(327,296)	(304,504)
Accumulated Other Comprehensive Loss	(27,068)	(27,743)
Total Shareholders Equity	1,638,491	1,655,380
Noncontrolling Interests	165,768	168,202
Total Equity	1,804,259	1,823,582
Total Liabilities and Equity	$ 4,512,541	$ 4,588,226

* Consolidated Variable Interest Entities Assets and Liabilities included in the above balances (See Note 17):		
Property, net	$ 227,743	$ 230,159
Accrued Rent and Accounts Receivable, net	6,997	8,564
Cash and Cash Equivalents	12,148	11,382
Debt, net	278,594	279,301

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2012	**2011**
Cash Flows from Operating Activities:		
Net Income	$ 22,638	$ 17,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,850	38,749
Amortization of deferred financing costs and debt discount	264	694
Impairment loss	10,023	1,225
Equity in earnings of real estate joint ventures and partnerships, net	(4,075)	(3,397)
Gain on sale of property	(4,074)	(1,060)
Gain on sale of real estate joint venture and partnership interests	(5,562)	-
Distributions of income from real estate joint ventures and partnerships, net	601	385
Changes in accrued rent and accounts receivable, net	16,703	19,961
Changes in other assets, net	(5,503)	(4,389)
Changes in accounts payable, accrued expenses and other liabilities, net	(27,524)	(44,167)
Other, net	2,771	2,844
Net cash provided by operating activities	45,112	28,033
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(20,135)	(18,881)
Development and capital improvements	(18,633)	(15,391)
Proceeds from sale of property and real estate equity investments, net	13,629	2,573
Change in restricted deposits and mortgage escrows	1,106	(10,746)
Notes receivable from real estate joint ventures and partnerships and other receivables:		
Advances	(79)	(1,821)
Collections	59,897	2,041
Real estate joint ventures and partnerships:		
Investments	(5,518)	(93)
Distributions of capital	3,347	4,141
Net cash provided by (used in) investing activities	33,614	(38,177)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Common shares of beneficial interest, net	458	1,510
Principal payments of debt	(31,204)	(5,098)
Changes in unsecured revolving credit facilities	3,500	63,000
Common and preferred dividends paid	(43,333)	(41,391)
Debt issuance costs paid	(70)	(97)
Distributions to noncontrolling interests	(3,756)	(4,438)
Contributions from noncontrolling interests	-	1,600
Other, net	61	(27)
Net cash (used in) provided by financing activities	(74,344)	15,059
Net increase in cash and cash equivalents	4,382	4,915
Cash and cash equivalents at January 1	13,642	23,859
Cash and cash equivalents at March 31	$ 18,024	$ 28,774

Interest paid during the period (net of amount capitalized of $783 and $337, respectively)	$ 40,836	$ 48,360
Income taxes paid during the period	$ -	$ 177

See Notes to Condensed Consolidated Financial Statements.

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				16,096		1,092	17,188
Shares issued under benefit plans		6	3,824				3,830
Dividends declared common shares (1)				(33,178)			(33,178)
Dividends declared preferred shares (2)				(8,213)			(8,213)
Distributions to noncontrolling interests						(4,438)	(4,438)
Contributions from noncontrolling interests						1,600	1,600
Other comprehensive income					730		730
Other, net			2,233	(656)		(1,775)	(198)
Balance, March 31, 2011	$ 8	$ 3,636	$ 1,975,962	$ (177,731)	$ (21,044)	$ 176,747	$ 1,957,578
Balance, January 1, 2012	$ 8	$ 3,641	$ 1,983,978	$ (304,504)	$ (27,743)	$ 168,202	$ 1,823,582
Net income				21,197		1,441	22,638
Shares issued under benefit plans		8	4,707				4,715
Dividends declared common shares (1)				(35,120)			(35,120)
Dividends declared preferred shares (2)				(8,213)			(8,213)
Distributions to noncontrolling interests						(3,756)	(3,756)
Other comprehensive income					675		675
Other, net			513	(656)		(119)	(262)
Balance, March 31, 2012	$ 8	$ 3,649	$ 1,989,198	$ (327,296)	$ (27,068)	$ 165,768	$ 1,804,259

(1) Common dividend per share was $.290 and $.275 for the three months ended March 31, 2012 and 2011, respectively.

(2) Series D, E and F preferred dividend per share was $12.66, $43.44 and $40.63, respectively, for both the three months ended March 31, 2012 and 2011.

See Notes to Condensed Consolidated Financial Statements.

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 and industrial centers 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 properties that include neighborhood and community shopping centers and industrial properties of approximately 74.1 million square feet. We have a diversified tenant base with our largest tenant comprising only 3.4% of total rental revenues during the first quarter 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.

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 consists of the following (in thousands):

	March 31, 2012	December 31, 2011
Restricted cash	$ 3,445	$ 3,169

Mortgage escrows	6,389	7,975
Total	$ 9,834	$ 11,144

Accumulated Other Comprehensive Loss

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

	March 31, 2012	December 31, 2011
Derivatives	$ 9,341	$ 10,016
Retirement liability	17,727	17,727
Total	$ 27,068	$ 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, 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 reclassified from development and capital improvements (which was previously titled investment in property). These reclassifications 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 are 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 are effective for us at January 1, 2012. Our early adoption of this update as of December 31, 2011, did not materially impact our consolidated financial statements.

Note 3. Property

Our property consisted of the following (in thousands):

	March 31, 2012	December 31, 2011
Land	$ 854,805	$ 918,627
Land held for development	125,435	124,528
Land under development	18,493	20,281
Buildings and improvements	3,201,315	3,557,173
Construction in-progress	63,174	67,917

Total	$ 4,263,222	$ 4,688,526

The following carrying charges were capitalized (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Interest	$ 783	$ 337
Real estate taxes	123	11
Total	$ 906	$ 348

During the three months ended March 31, 2012, we acquired one shopping center and other retail property for approximately $19.4 million.

During the three months ended March 31, 2012, we sold four shopping centers 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 from these transactions totaled $16.2 million and generated gains of $4.1 million.

Also, sixty and seven properties totaling $536.6 million and $94.8 million before accumulated depreciation have been classified as held for sale as of March 31, 2012 and December 31, 2011, respectively. See Note 10 for additional information.

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):

	March 31, 2012	December 31, 2011
Combined Condensed Balance Sheets		
Property	$ 2,024,964	$ 2,108,745
Accumulated depreciation	(297,029)	(296,496)
Property, net	1,727,935	1,812,249
Other assets, net	170,266	173,130
Total	$ 1,898,201	$ 1,985,379
Debt, net (primarily mortgages payable)	$ 554,038	$ 556,920
Amounts payable to Weingarten Realty Investors and affiliates	109,599	170,007
Other liabilities, net	41,253	41,907
Total	704,890	768,834
Accumulated equity	1,193,311	1,216,545
Total	$ 1,898,201	$ 1,985,379

	Three Months Ended March 31,	
	2012	2011
Combined Condensed Statements of Operations		
Revenues, net	$ 49,847	$ 51,326
Expenses:		
Depreciation and amortization	16,136	17,631
Interest, net	9,086	9,264
Operating	8,625	8,894
Real estate taxes, net	6,238	6,478
General and administrative	361	1,092
Provision for income taxes	73	85
Impairment loss	-	2,058
Total	40,519	45,502
Loss on sale of property	-	(21)
Net income	$ 9,328	$ 5,803

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 March 31, 2012 and December 31, 2011, respectively, are generally amortized over the useful lives of the related assets.

At March 31, 2011, 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 the three months ended March 31, 2011, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of $2.1 million. There was no impairment recorded for the three months ended March 31, 2012.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled $1.7 million and $1.6 million for the three months ended March 31, 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% at March 31, 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 March 31, 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):

	March 31, 2012	December 31, 2011
Debt payable to 2038 at 1.5% to 8.8%	$ 2,230,979	$ 2,268,668
Debt service guaranty liability	74,075	74,075