KIMCO REALTY CORP
Form 10-Q
October 26, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from ________ to ________

Commission File Number: 1-10899

Kimco Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland	**13-2744380**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3333 New Hyde Park Road, New Hyde Park, NY 11042

(Address of principal executive offices) (Zip Code)

(516) 869-9000

(Registrant's telephone number, including area code)

N/A

(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, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).
Yes No

As of October 16, 2018, the registrant had 421,391,305 shares of common stock outstanding.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share information)

	September 30, 2018	**December 31, 2017**
Assets:		
Operating real estate, net of accumulated depreciation and amortization of $2,376,667 and $2,433,053, respectively	$9,043,480	$9,817,875
Investments in and advances to real estate joint ventures	580,737	483,861
Real estate under development	540,188	402,518
Other real estate investments	191,029	217,584
Mortgages and other financing receivables	29,222	21,838
Cash and cash equivalents	146,386	238,513
Marketable securities	12,026	13,265
Accounts and notes receivable, net	183,440	189,757
Other assets	383,013	378,515
Total assets (1)	$11,109,521	$11,763,726
Liabilities:		
Notes payable, net	$4,409,500	$4,596,140
Mortgages and construction loan payable, net	477,974	882,787
Dividends payable	130,263	128,892
Other liabilities	615,613	617,617
Total liabilities (2)	5,633,350	6,225,436
Redeemable noncontrolling interests	20,074	16,143
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, $1.00 par value, authorized 5,996,240 shares; 42,580 and 41,200 shares issued and outstanding (in series), respectively; Aggregate liquidation preference $1,064,500 and $1,030,000, respectively	43	41
Common stock, $.01 par value, authorized 750,000,000 shares issued and outstanding 421,391,305 and 425,646,380 shares, respectively	4,214	4,256
Paid-in capital	6,117,339	6,152,764
Cumulative distributions in excess of net income	(743,346)	(761,337)
Accumulated other comprehensive loss	-	(1,480)
Total stockholders' equity	5,378,250	5,394,244
Noncontrolling interests	77,847	127,903
Total equity	5,456,097	5,522,147

Total liabilities and equity	$11,109,521	$11,763,726

(1) Includes restricted assets of consolidated variable interest entities ("VIEs") at September 30, 2018 and December 31, 2017 of $234,165 and $644,990, respectively. See Footnote 7 of the Notes to Condensed Consolidated Financial Statements.

(2) Includes non-recourse liabilities of consolidated VIEs at September 30, 2018 and December 31, 2017 of $143,399 and $417,688, respectively. See Footnote 7 of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2018	**2017**	**2018**	**2017**
Revenues				
Revenues from rental properties	$215,049	$225,836	$668,115	$679,321
Reimbursement income	58,007	59,490	182,929	178,590
Other rental property income	5,643	5,593	16,755	15,242
Management and other fee income	4,381	3,926	12,762	12,456
Total revenues	283,080	294,845	880,561	885,609
Operating expenses				
Rent	2,702	2,764	8,262	8,312
Real estate taxes	37,862	38,363	115,570	115,379
Operating and maintenance	39,265	40,262	123,921	125,539
General and administrative	21,348	21,523	67,775	63,718
Provision for doubtful accounts	1,389	701	4,571	4,201
Impairment charges	3,336	2,944	33,855	34,280
Depreciation and amortization	74,972	88,443	236,114	275,787
Total operating expenses	180,874	195,000	590,068	627,216
Operating income	102,206	99,845	290,493	258,393
Other income/(expense)				
Other income, net	5,219	1,101	14,675	3,813
Interest expense	(44,081)	(47,258)	(140,458)	(139,830)
Early extinguishment of debt charges	(12,762)	(1,753)	(12,762)	(1,753)
Income from continuing operations before income taxes, net, equity in income of joint ventures, net, gain on change in control of interests and equity in income from other real estate investments, net	50,582	51,935	151,948	120,623
Benefit for income taxes, net	315	697	983	2,224
Equity in income of joint ventures, net	16,533	9,142	52,486	37,044
Gain on change in control of interests	-	-	-	71,160
Equity in income of other real estate investments, net	5,045	19,909	24,638	61,952

Income from continuing operations	72,475	81,683	230,055	293,003
Gain on sale of operating properties/change in control of interests	28,250	40,533	180,461	62,102
Net income	100,725	122,216	410,516	355,105
Net income attributable to noncontrolling interests	(567)	(1,186)	(882)	(13,926)
Net income attributable to the Company	100,158	121,030	409,634	341,179
Preferred stock redemption charges	-	(7,014)	-	(7,014)
Preferred dividends	(14,534)	(12,059)	(43,657)	(35,169)
Net income available to the Company's common shareholders	$85,624	$101,957	$365,977	$298,996
Per common share:				
Net income available to the Company:				
-Basic	$0.19	$0.24	$0.86	$0.70
-Diluted	$0.19	$0.24	$0.85	$0.70
Weighted average shares:				
-Basic	419,230	423,688	421,106	423,574
-Diluted	419,764	424,311	422,443	424,193

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2018	**2017**	**2018**	**2017**
Net income	$100,725	$122,216	$410,516	$355,105
Other comprehensive income:				
Change in unrealized value related to available-for-sale securities	-	153	-	(1,466)
Change in unrealized value on interest rate swap	(72)	103	344	308
Change in foreign currency translation adjustments	-	(8,056)	-	(6,335)
Other comprehensive income	(72)	(7,800)	344	(7,493)
Comprehensive income	100,653	114,416	410,860	347,612
Comprehensive income attributable to noncontrolling interests	(567)	(1,186)	(882)	(13,926)
Comprehensive income attributable to the Company	$100,086	$113,230	$409,978	$333,686

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2018 and 2017

(Unaudited)

(in thousands)

	Cumulative Distributions in Excess of Net Income	**Accumulated Other Comprehensive Income/(Loss)**	**Preferred Stock**		**Common Stock**		**Paid-in Capital**	**Total Stockholders' Equity**	**Noncontrolling Interests**	**Total Equity**
			Issued	**Amount**	**Issued**	**Amount**				
Balance, January 1, 2017	$(676,867)	$5,766	32	$32	425,034	$4,250	$5,922,958	$5,256,139	$146,735	$5,4
Contributions/deemed contributions from noncontrolling interests	-	-	-	-	-	-	-	-	48,867	48,
Comprehensive income:										
Net income	341,179	-	-	-	-	-	-	341,179	13,926	35
Other comprehensive income, net of tax:										
Change in unrealized loss on marketable securities	-	(1,466)	-	-	-	-	-	(1,466)	-	(1,
Change in unrealized loss on interest rate swaps	-	308	-	-	-	-	-	308	-	30
Change in foreign currency translation adjustment	-	(6,335)	-	-	-	-	-	(6,335)	-	(6,
Redeemable noncontrolling interests income	-	-	-	-	-	-	-	-	(1,203)	(1,
Dividends declared to common and preferred shares	(379,933)	-	-	-	-	-	-	(379,933)	-	(37
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(13,513)	(13
Issuance of common stock	-	-	-	-	776	8	(8)	-	-	-
Issuance of preferred stock			9	9			217,566	217,575		21
Surrender of restricted stock	-	-	-	-	(239)	(2)	(5,597)	(5,599)	-	(5,
Exercise of common stock options	-	-	-	-	62	-	1,174	1,174	-	1,1
Amortization of equity awards	-	-	-	-	-	-	15,290	15,290	-	15,

Redemption of preferred stock	-	-	(9)	(9)	-	-	(224,991)	(225,000)	-	(22
Balance, September 30, 2017	$(715,621)	$(1,727)	32	$32	425,633	$4,256	$5,926,392	$5,213,332	$194,812	$5,4
Balance at December 31, 2017, as previously reported	$(761,337)	$(1,480)	41	$41	425,646	$4,256	$6,152,764	$5,394,244	$127,903	$5,5
Impact of change in accounting principles										
ASU 2017-05 (1)	8,098	-	-	-	-	-	-	8,098	-	8,0
ASU 2016-01 (1)	(1,136)	1,136	-	-	-	-	-	-	-	-
Balance at January 1, 2018, as adjusted	$(754,375)	$(344)	41	$41	425,646	$4,256	$6,152,764	$5,402,342	$127,903	$5,5
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	109	10
Comprehensive income:										
Net income	409,634	-	-	-	-	-	-	409,634	882	41
Other comprehensive income:								-		-
Change in unrealized value on interest rate swap	-	344	-	-	-	-	-	344	-	34
Redeemable noncontrolling interests income	-	-	-	-	-	-	-	-	(279)	(27
Dividends declared to common and preferred shares	(398,605)	-	-	-	-	-	-	(398,605)	-	(39
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(2,373)	(2,
Issuance of common stock	-	-	-	-	1,101	11	(11)	-	-	-
Repurchase of common stock	-	-	-	-	(5,100)	(51)	(75,075)	(75,126)	-	(75
Surrender of restricted common stock	-	-	-	-	(291)	(2)	(4,288)	(4,290)	-	(4,
Exercise of common stock options	-	-	-	-	35	-	487	487	-	48
Amortization of equity awards	-	-	-	-	-	-	13,065	13,065	-	13,
Issuance of preferred stock	-	-	2	2	-	-	33,112	33,114	-	33,
Acquisition/deconsolidation of noncontrolling interests	-	-	-	-	-	-	1,203	1,203	(48,395)	(47
Adjustment of redeemable noncontrolling interests to estimated fair value	-	-	-	-	-	-	(3,918)	(3,918)	-	(3,
Balance at September 30, 2018	$(743,346)	$-	43	$43	421,391	$4,214	$6,117,339	$5,378,250	$77,847	$5,4

(1) Represents the impact of change in accounting principles for its respective Accounting Standard Updates ("ASU"). See Footnote 2 of the Notes to Condensed Consolidated Financial Statements for additional disclosure.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2018	**2017**
Cash flow from operating activities:		
Net income	$410,516	$355,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	236,114	275,787
Impairment charges	33,855	34,280
Deferred Taxes	-	(238)
Early extinguishment of debt charges	12,762	1,753
Equity award expense	14,455	17,836
Gain on sale of operating properties/change in control of interests	(180,461)	(62,102)
Gain on change in control of interests	-	(71,160)
Equity in income of joint ventures, net	(52,486)	(37,044)
Equity in income of other real estate investments, net	(24,638)	(61,952)
Distributions from joint ventures and other real estate investments	80,900	41,071
Change in accounts and notes receivable	6,317	(189)
Change in accounts payable and accrued expenses	26,072	37,884
Change in Canadian withholding tax receivable	-	4,138
Change in other operating assets and liabilities	(47,075)	(41,353)
Net cash flow provided by operating activities	516,331	493,816
Cash flow from investing activities:		
Acquisition of operating real estate and other related net assets	(5,407)	(110,802)
Improvements to operating real estate	(193,445)	(136,534)
Acquisition of real estate under development	(4,592)	(10,010)
Improvements to real estate under development	(175,129)	(121,764)
Investments in marketable securities	(63)	(9,822)
Proceeds from sale/repayments of marketable securities	677	2,442
Investments in and advances to real estate joint ventures	(25,781)	(26,788)
Reimbursements of investments in and advances to real estate joint ventures	7,358	17,529
Investments in and advances to other real estate investments	(353)	(666)
Reimbursements of investments in and advances to other real estate investments	10,464	40,514
Investment in other financing receivable	(65)	-
Collection of mortgage loans receivable	7,446	760
Investment in other investments	(357)	-

Proceeds from sale of operating properties	596,502	76,869
Proceeds from insurance casualty claims	13,500	-
Net cash flow provided by/(used for) investing activities	230,755	(278,272)
Cash flow from financing activities:		
Principal payments on debt, excluding normal amortization of rental property debt	(202,725)	(678,939)
Principal payments on rental property debt	(10,025)	(11,508)
Proceeds from mortgage and construction loan financings	30,366	206,000
Proceeds/repayments under the unsecured revolving credit facility, net	122,254	(42)
Proceeds from issuance of unsecured notes	-	1,250,000
Repayments under unsecured notes/term loan	(315,095)	(460,988)
Financing origination costs	(1,208)	(22,975)
Payment of early extinguishment of debt charges	(13,308)	(2,461)
Contributions from noncontrolling interests	109	1,422
Redemption/distribution of noncontrolling interests	(6,046)	(95,410)
Dividends paid	(397,232)	(381,182)
Proceeds from issuance of stock, net	33,601	218,750
Repurchase of common stock	(75,126)	-
Redemption of preferred stock	-	(225,000)
Change in other financing liabilities	(4,778)	891
Net cash flow used for financing activities	(839,213)	(201,442)
Net change in cash and cash equivalents	(92,127)	14,102
Cash and cash equivalents, beginning of the period	238,513	142,486
Cash and cash equivalents, end of the period	$146,386	$156,588
Interest paid during the period including payment of early extinguishment of debt charges of $12,762 and $0, respectively (net of capitalized interest of $13,319 and $10,671, respectively)	$141,371	$118,736

The accompanying notes are an integral part of these condensed consolidated financial statements.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

Kimco Realty Corporation and subsidiaries (the "Company"), affiliates and related real estate joint ventures are engaged principally in the ownership, management, development and operation of open-air shopping centers, which are anchored generally by grocery stores, off-price retailers, discounters or service oriented tenants. Additionally, the Company provides complementary services that capitalize on the Company’s established retail real estate expertise.

The Company elected status as a Real Estate Investment Trust (a “REIT”) for federal income tax purposes beginning in its taxable year ended December 31, 1991 and operates in a manner that enables the Company to maintain its status as a REIT. As a REIT, with respect to each taxable year, the Company must distribute at least 90 percent of its taxable income (excluding capital gain) and does not pay federal income taxes on the amount distributed to its shareholders. The Company is not generally subject to federal income taxes if it distributes 100 percent of its taxable income. Most states, where the Company holds investments in real estate, conform to the federal rules recognizing REITs. Certain subsidiaries have made a joint election with the Company to be treated as taxable REIT subsidiaries (“TRSs”), which permit the Company to engage in certain business activities which the REIT may not conduct directly. A TRS is subject to federal and state income taxes on its income, and the Company includes, when applicable, a provision for taxes in its condensed consolidated financial statements. The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. These investments are held by the Company at the REIT level and not in the Company’s taxable REIT subsidiaries. Accordingly, the Company does not expect a U.S. income tax impact associated with the repatriation of undistributed earnings from the Company’s foreign subsidiaries.

2. Summary of Significant Accounting Policies

Principles of Consolidation -

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company. The Company’s subsidiaries include subsidiaries which are wholly-owned or which the Company has a controlling interest,

including where the Company has been determined to be a primary beneficiary of a variable interest entity ("VIE") in accordance with the Consolidation guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All inter-company balances and transactions have been eliminated in consolidation. The information presented in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Report on Form 10-K for the year ended December 31, 2017 (the "10-K"), as certain disclosures in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

Reclassifications -

Certain amounts in the prior period have been reclassified in order to conform with the current period's presentation. The Company reclassified $7.1 million and $22.7 million of costs related to property management and services of the Company's operating properties from General and administrative to Operating and maintenance on the Company's Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2017, respectively. In conjunction with the adoption of Accounting Standard Update ("ASU") 2014-09 discussed below, the Company reclassified $59.5 million and $178.6 million of Reimbursement income and $5.6 million and $15.2 million of Other rental property income from Revenues from rental properties on the Company's Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2017, respectively.

Subsequent Events -

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in its condensed consolidated financial statements.

Marketable Securities -

The Company classifies its marketable equity securities as available-for-sale in accordance with the FASB's Investments-Debt and Equity Securities guidance. On January 1, 2018, the Company adopted ASU 2016-01, *Financial Instruments—Overall* (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). In accordance with the adoption of ASU 2016-01, the Company now recognizes changes in the fair value of equity investments with readily determinable fair values in net income. Previously, changes in fair value of the Company's available-for-sale marketable securities were recognized in accumulated other comprehensive income ("AOCI") on the Company's Condensed Consolidated Balance Sheets. As of December 31, 2017, the Company had aggregate unrealized losses related to its available-for-sale marketable securities of $1.1 million, which were included in AOCI on the Company's Condensed Consolidated Balance Sheets. In connection with the adoption of ASU 2016-01, the Company recorded a cumulative-effect adjustment of $1.1 million to its beginning retained earnings as

of January 1, 2018, which is reflected in Cumulative distributions in excess of net income on the Company's Condensed Consolidated Statements of Changes in Equity.

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Revenue and Gain Recognition–

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), ("Topic 606") using the modified retrospective method applying it to any open contracts as of January 1, 2018, for which the Company did not identify any open contracts. The Company also utilized the practical expedient for which the Company was not required to restate revenue from contracts that began and are completed within the same annual reporting period. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Revenue Recognition (Topic 605). The new guidance provides a unified model to determine how revenue is recognized. To determine the proper amount of revenue to be recognized, the Company performs the following steps: (i) identify the contract with the customer, (ii) identify the performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when (or as) a performance obligation is satisfied. As of September 30, 2018, the Company had no outstanding contract assets or contract liabilities. The adoption of this standard did not result in any material changes to the Company's revenue recognition as compared to the previous guidance.

The Company's primary source of revenue are leases which fall under the scope of Leases (Topic 840). The revenues which will be impacted by the adoption of Topic 606 include fees for services performed at various unconsolidated joint ventures for which the Company is the manager. These fees primarily include property and asset management fees, leasing fees, development fees and property acquisition/disposition fees. Also affected by Topic 606 are gains on sales of properties, lease termination fees and tax increment financing ("TIF") contracts. The Company elected to disaggregate its revenue streams into the following line items on the Company's Condensed Consolidated Statements of Income: Revenues from rental properties, Reimbursement income, Other rental property income and Management and other fee income. The Company believes that these are the proper disaggregated categories as they are the best depiction of its revenue streams both qualitatively and quantitatively.

Revenues from rental properties

Revenues from rental properties are comprised of minimum base rent, percentage rent, lease termination fee income, amortization of above-market and below-market rent adjustments and straight-line rent adjustments. Base rental revenues from rental properties are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recognized once the required sales level is achieved. Rental income may also include payments received in connection with lease termination agreements. Lease termination fee income is recognized when the lessee provides consideration in order to terminate a lease agreement in place. The performance obligation of the Company is the termination of the lease agreement which occurs upon consideration received and execution of the termination agreement. Upon acquisition of real estate operating properties, the Company estimates the fair value of identified intangible assets and liabilities (including above-market and below-market leases, where applicable). The capitalized above-market or below-market intangible is amortized to rental income over the estimated remaining term of the respective leases, which includes the expected renewal option period for below-market leases.

Reimbursement income

Leases typically provide for reimbursement to the Company of common area maintenance costs (“CAM”), real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned. The lease component relating to CAM reimbursement revenue will be within the scope of Topic 606, upon the effective date of ASU 2016-02, Leases (Topic 842). See New Accounting Pronouncements below for further details.

Other rental property income

Other rental property income totaled $16.8 million and $15.2 million for the nine months ended September 30, 2018 and 2017, respectively, which mainly consists of ancillary income and TIF income. Ancillary income is derived through various agreements relating to parking lots, clothing bins, temporary storage, vending machines, ATMs, trash bins and trash collections, seasonal leases, etc. The majority of the revenue derived from these sources are through lease agreements/arrangements and are recognized in accordance with the lease terms described in the lease. The Company has TIF agreements with certain municipalities and receives payments in accordance with the agreements. TIF reimbursement income is recognized on a cash-basis when received.

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Management and other fee income

Property management fees, property acquisition and disposition fees, construction management fees, leasing fees and asset management fees all fall within the scope of Topic 606. These fees arise from contractual agreements with third parties or with entities in which the Company has a noncontrolling interest. Management and other fee income related to partially owned entities are recognized to the extent attributable to the unaffiliated interest. Property and asset management fee income is recognized as a single performance obligation (managing the property) comprised of a series of distinct services (maintaining property, handling tenant inquiries, etc.). The Company believes that the overall service of property management is substantially the same each day and has the same pattern of performance over the term of the agreement. As a result, each day of service represents a performance obligation satisfied at that point in time. These fees are recognized at the end of each period for services performed during that period, primarily billed to the customer monthly and terms for payment are payment due upon receipt.

Leasing fee income is recognized as a single performance obligation primarily upon the rent commencement date. The Company believes the leasing services it provides are similar for each available space leased and none of the individual activities necessary to facilitate the execution of each lease are distinct. These fees are billed to the customer monthly and terms for payment are payment due upon receipt.

Property acquisition and disposition fees are recognized when the Company satisfies a performance obligation by acquiring a property or transferring control of a property. These fees are billed subsequent to the acquisition or sale of the property and payment is due upon receipt.

Construction management fees are recognized as a single performance obligation (managing the construction of the project) composed of a series of distinct services. The Company believes that the overall service of construction management is substantially the same each day and has the same pattern of performance over the term of the agreement. As a result, each day of service represents a performance obligation satisfied at that point in time. These fees are based on the amount spent on the construction at the end of each period for services performed during that period, primarily billed to the customer monthly and terms for payment are payment due upon receipt.

Gains on sales of operating properties/change in control of interests

On January 1, 2018, the Company also adopted ASU 2017-05, Other Income–Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets ("Topic 610") for gains and losses from the sale and/or transfer of real estate property. The Company adopted Topic 610 using the modified retrospective approach for all contracts effective January 1, 2018. Topic 610 provides that sales of nonfinancial assets, such as real estate, are to be recognized when

control of the asset transfers to the buyer, which will occur when the buyer has the ability to direct the use of or obtain substantially all of the remaining benefits from the asset. This generally occurs when the transaction closes and consideration is exchanged for control of the property.

In accordance with its election to apply the modified retrospective approach for all contracts, the Company recorded a cumulative-effect adjustment of $8.1 million to its beginning retained earnings as of January 1, 2018, on the Company's Condensed Consolidated Statements of Changes in Equity and an adjustment to Investments in and advances to real estate joint ventures on the Company's Condensed Consolidated Balance Sheets. As of December 31, 2017, the Company had aggregate net deferred gains of $8.1 million relating to partial disposals of two operating real estate properties prior to the adoption of ASU 2017-05, of which $6.9 million was included in Investments in and advances to real estate joint ventures and $1.2 million was included in Other liabilities on the Company's Condensed Consolidated Balance Sheets. The Company had deferred these gains in accordance with prior guidance due to its continuing involvement in the entities which acquired the operating real estate properties.

During the nine months ended September 30, 2018, the Company sold a portion of its investment in a consolidated operating property to its partner and amended the partnership agreement to provide for joint control of the entity. As a result of the amendment, the Company no longer consolidates the entity and recognized a gain on change in control of $6.8 million, in accordance with the adoption of ASU 2017-05 (See Footnote 3 to the Notes to the Company's Condensed Consolidated Financial Statements for additional disclosure regarding disposals), which is included in Gain on sale of operating properties/change in control of interests on the Company's Condensed Consolidated Statements of Income.

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New Accounting Pronouncements –

The following table represents ASUs to the FASB's ASC that, as of September 30, 2018, are not yet effective for the Company and for which the Company has not elected early adoption, where permitted:

ASU	**Description**	**Effective Date**	**Effect on the financial statements or other significant matters**
ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	January 1, 2020; Early adoption permitted	The adoption of this ASU is not expected to have a material impact on the Company's financial position and/or results of operations.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement	The amendment modifies the disclosure requirements on fair value measurements in Topic 820, based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements*, including the consideration of costs and benefits.	January 1, 2020; Early adoption permitted	The adoption of this ASU is not expected to have a material impact on the Company's financial position and/or results of operations.
ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The new guidance introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for losses.	January 1, 2020; Early adoption permitted	The Company is still assessing the impact on its financial position and/or results of operations.

ASU 2016-02, Leases (Topic 842) ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ASU 2018-10, Codification Improvements to Topic 842, Leases ASU 2018-11, Leases (Topic 842): Targeted Improvements	This ASU sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). In January 2018, the FASB issued ASU 2018-01, which includes amendments to clarify land easements are within the scope of the new leases standard (Topic 842) and provide an optional transition practical expedient to not evaluate whether existing and expired land easements that were not previously accounted for as leases under current lease guidance in Topic 840 and are to be accounted for or contain leases under Topic 842. Early adoption is permitted as of the original effective date. In July 2018, the FASB issued ASU 2018-10, which includes amendments to clarify certain aspects of the new leases standard. These amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment	January 1, 2019; Early adoption permitted	The Company plans to adopt this standard using the modified retrospective approach, which requires a cumulative-effect adjustment, if any, as of the date of adoption. The Company continues to evaluate the impact of adoption, including the election of certain practical expedients, on the Company's financial position and/or results of operations. The Company has identified certain leases and accounting policies which it believes the adoption could impact, including its ground leases, administrative office leases, internal leasing costs and non-lease components. For leases where the Company is a lessee, primarily its ground leases and administrative office leases, the Company will be required to record a lease liability and a right of use asset on its Consolidated Balance Sheets at present value upon adoption. In addition, direct internal leasing costs will continue to be capitalized, however, indirect internal leasing costs previously capitalized will be expensed.

of lease classification, lessor reassessment of
lease term and purchase options, variable
payments that depend on an index or rate
and certain transition adjustments.

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Additionally, during July 2018, the FASB issued ASU 2018-11, which includes (i) an additional transition method to provide transition relief on comparative reporting at adoption and (ii) an amendment to provide lessors with a practical expedient to combine lease and non-lease components of a contract if certain criteria are met. Under the transition option, companies can opt to not apply the new guidance, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The practical expedient allows lessors to elect, by class of underlying asset, to combine non-lease and associated lease components when certain criteria are met and requires them to account for the combined component in accordance with new revenue standard (Topic 606) if the non-lease components are the predominant component; conversely, if a lessor determines that the lease components are the predominant component, it requires them to account for the combined component as an operating lease in accordance with new leasing standard (Topic 842).

In addition, the FASB proposed allowing lessors to make an accounting policy election to not evaluate whether sales taxes, real estate taxes and insurance imposed by a third party on a lease revenue-producing activity are the primary obligation of the lessor as owner of the underlying leased asset. The proposal also would require lessors to exclude lessor costs paid directly by lessees to third parties on the lessor's behalf from variable payments if the amount paid is not readily determinable by the lessor. The proposal would also clarify that lessors are required to allocate (rather than recognize) certain variable payments to lease and non-lease components of a contract when the changes in facts and circumstances on which the variable payment is based occur. However, companies can't apply proposed guidance until the FASB finalizes it.

For leases where the Company is a lessor, within the terms of certain of its leases, the Company is entitled to receive reimbursement amounts from tenants for operating expenses such as real estate taxes, insurance and other CAM, which are considered non-lease components. The Company plans to elect the lessor practical expedient to combine the lease and non-lease components. The Company currently does not believe the adoption will significantly affect the timing of the recognition of its combined lease and non-lease components.

The following ASUs to the FASB's ASC have been adopted by the Company during the nine months ended September 30, 2018:

ASU	**Description**	**Adoption Date**	**Effect on the financial statements or other significant matters**
ASU 2017-09, Compensation – Stock Compensation	The amendment provides guidance about which changes to the	January 1, 2018	There was no material impact to the Company's

(Topic 718): Scope of Modification Accounting	terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The new guidance will be applied prospectively to awards modified on or after the adoption date.		financial position and/or results of operations.
ASU 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	The amendment clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset and defines the term in substance nonfinancial asset. ASU 2017-05 also clarifies that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. Subtopic 610-20, which was issued in May 2014 as part of ASU 2014-09, discussed below, provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. An entity is required to apply the amendments in ASU 2017-05 at the same time it applies the amendments in ASU 2014-09 discussed below. An entity may elect to apply the amendments in ASU 2017-05 either retrospectively to each period presented in the financial statements in accordance with the guidance on accounting changes in ASC Topic 250, Accounting Changes and Error Corrections, paragraphs 10-45-5 through 10-45-10 (i.e. the retrospective approach) or retrospectively with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption (i.e. the modified retrospective approach). An entity may elect to apply all of the amendments in ASU 2017-05 and ASU 2014-09 using the same transition method, or alternatively may elect to use different transition methods.	January 1, 2018	The Company adopted the provisions of Subtopic 610-20 using the modified retrospective approach. The Company has applied the guidance to disposals of nonfinancial assets (including real estate assets) within the scope of Subtopic 610-20, see above for impact from the adoption of this ASU.

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ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The amendment addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the following: (i) Requires equity investments (excluding those investments accounted for under the equity method of accounting or those that result in consolidation of the investee) with readily determinable fair values to be measured at fair value with the changes in fair value recognized in net income; however, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. (ii) Simplifies the impairment assessment of those equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment (iii) Eliminates the disclosure of the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost and changes the fair value calculation for those investments (iv) Changes 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	January 1, 2018 Fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018.	Effective as of date of adoption, changes in fair value of the Company's available-for-sale marketable securities are recognized in Other income, net on the Company's Condensed Consolidated Statements of Income. See above and Footnote 9 in the Notes to the Condensed Consolidated Financial Statements for impact from the adoption of this ASU.

	(v) Clarifies that a deferred asset related to available-for-sale securities should be included in an entity's evaluation for a valuation allowance. The amendments clarify certain aspects of the guidance issued in ASU 2016-01, discussed below, primarily impacting the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments.		
ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying performance obligations and licensing ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-scope improvements and practical expedients	ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 was anticipated to be effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption was not permitted. In August 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year making it effective for the first interim period within annual reporting periods beginning after December 15, 2017. Subsequently, in March 2016, the FASB issued ASU 2016-08, which	January 1, 2018	The Company’s revenue-producing contracts are primarily leases that are not within the scope of this standard, except for the lease component relating to common area maintenance (“CAM”) reimbursement revenue, which may be within the scope of this standard upon the effective date of ASU 2016-02, Leases (Topic 842) (see discussion above) The revenues which are within the scope of this standard include other ancillary income earned through the Company’s operating properties as well as fees for services performed at various unconsolidated joint ventures which the Company manages. These fees primarily include property and asset management fees, leasing fees, development fees and property acquisition/disposition fees. The Company believes the timing of recognition and amount of these revenues will be generally consistent with the previous recognition and

	further clarifies the implementation guidance on principal versus agent considerations, and in April 2016, the FASB issued ASU 2016-10, an update on identifying performance obligations and accounting for licenses of intellectual property.		measurement. See above for impact from the adoption of this ASU.
	Additionally, in May 2016, the FASB issued ASU 2016-12, which includes amendments for enhanced clarification of the guidance. Early adoption is permitted as of the original effective date.		
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash	This amendment requires entities to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. The amendment should be applied using a retrospective transition method to each period presented.	January 1, 2018	There was no impact to the Company's statement of cash flows.

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3. Operating Property Activities

Acquisitions and Dispositions –

During the nine months ended September 30, 2018, the Company acquired two land parcels adjacent to existing shopping centers located in Ardmore, PA and Elmont, NY, in separate transactions, for an aggregate purchase price of $5.4 million.

The table below summarizes the Company's disposition activity relating to consolidated operating properties and parcels (dollars in millions):

	Nine Months Ended September 30,	
	2018	**2017**
Aggregate sales price/gross fair value	$973.5	$230.2
Gain on sale of operating properties/change in control of interests	$180.5	$62.1
Impairment charges	$16.3	$13.0
Number of operating properties sold/deconsolidated	45	15
Number of out-parcels sold	4	8

Included in the table above, during the nine months ended September 30, 2018, the Company sold a portion of its investment in a consolidated operating property to its partner based on a gross fair value of $320.0 million, including $206.0 million of non-recourse mortgage debt, and amended the partnership agreement to provide for joint control of the entity. As a result of the amendment, the Company no longer consolidates the entity and as such, reduced noncontrolling interests by $43.8 million and recognized a gain on change in control of $6.8 million, in accordance with the adoption of ASU 2017-05 effective as of January 1, 2018 (See Footnote 2 to the Notes to the Company's Condensed Consolidated Financial Statements for additional discussion). The Company now has an investment in this unconsolidated property ($62.4 million as of the date of deconsolidation), included in Investments in and advances to real estate joint ventures on the Company's Condensed Consolidated Balance Sheets. The Company's share of this investment is subject to change and is based upon a cash flow waterfall provision within the partnership agreement (54.8% as of the date of deconsolidation).

During the nine months ended September 30, 2018, the Company disposed of 10 land parcels, in separate transactions, for an aggregate sales price of $9.7 million, which resulted in an aggregate gain of $6.3 million, included in Other income, net on the Company's Condensed Consolidated Statements of Income.

Held-for-Sale

At September 30, 2018, the Company had one consolidated property classified as held-for-sale at a net carrying amount of $31.2 million (including accumulated depreciation and amortization of $9.3 million), which is included in Other assets on the Company's Condensed Consolidated Balance Sheets. The Company's determination of the fair value of the property was based upon an executed contract of sale with a third party, which is in excess of the carrying value of the property.

Impairments –

During the nine months ended September 30, 2018, the Company recognized aggregate impairment charges of $33.9 million. These impairment charges consist of (i) $17.6 million related to adjustments to property carrying values for properties which the Company has marketed for sale as part of its active capital recycling program and as such has adjusted the anticipated hold period for such properties and (ii) $16.3 million related to the sale of certain operating properties, as discussed above. The Company's estimated fair values of these properties were primarily based upon estimated sales prices from (i) signed contracts or letters of intent from third party offers or (ii) discounted cash flow models. See Footnote 12 to the Notes to the Company's Condensed Consolidated Financial Statements for fair value disclosure.

4. Real Estate Under Development

The Company is engaged in various real estate development projects for long-term investment. As of September 30, 2018, the Company had three active real estate development projects and two projects held for future development.

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The costs incurred to date for these real estate development projects are as follows (in thousands):

Property Name	**Location**	**September 30, 2018**	**December 31, 2017**
Grand Parkway Marketplace II (1)	Spring, TX	$ -	$ 43,403
Dania Pointe (2)	Dania Beach, FL	253,923	152,841
Mill Station	Owings Mills, MD	49,570	34,347
Lincoln Square	Philadelphia, PA	154,663	90,479
Avenues Walk (3)	Jacksonville, FL	48,573	48,573
Promenade at Christiana (3)	New Castle, DE	33,459	32,875
Total (4)		**$ 540,188**	**$ 402,518**

(1) As of September 30, 2018, this development project, aggregating $47.4 million (including capitalized costs of $5.2 million), was placed in service and reclassified into Operating real estate, net on the Company's Condensed Consolidated Balance Sheets.

(2) These costs include expenditures for phase I and phase II offsite and infrastructure requirements. During the nine months ended September 30, 2018, the Company acquired a parcel adjacent to this development project for a purchase price of $4.6 million.

(3) Mixed-use project to be developed in the future.

(4) Includes capitalized costs of interest, real estate taxes, insurance, legal costs and payroll of $36.9 million and $27.7 million, as of September 30, 2018 and December 31, 2017, respectively.

During the nine months ended September 30, 2018, the Company capitalized (i) interest of $10.7 million, (ii) real estate taxes, insurance and legal costs of $2.5 million and (iii) payroll of $1.2 million, in connection with these real estate development projects.

5. Investments in and Advances to Real Estate Joint Ventures

The Company has investments in and advances to various real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting.

The table below presents joint venture investments for which the Company held an ownership interest at September 30, 2018 and December 31, 2017 (in millions, except number of properties):

	Ownership	The Company's Investment	
Joint Venture	**Interest**	**September 30, 2018**	**December 31, 2017**
Prudential Investment Program ("KimPru" and "KimPru II") (1) (2) (3)	15.0%	$183.0	$ 179.5
Kimco Income Opportunity Portfolio ("KIR") (2)	48.6%	161.9	154.1
Canada Pension Plan Investment Board ("CPP") (2)	55.0%	127.8	105.0
Other Joint Venture Programs (3) (4)	Various	108.0	45.3
Total*		**$580.7**	**$ 483.9**

* Representing 115 property interests and 23.9 million square feet of GLA, as of September 30, 2018, and 118 property interests and 23.5 million square feet of GLA, as of December 31, 2017.

(1) Represents four separate joint ventures, with four separate accounts managed by Prudential Global Investment Management ("PGIM"), three of these ventures are collectively referred to as KimPru and the remaining venture is referred to as KimPru II.

(2) The Company manages these joint venture investments and, where applicable, earns property management fees, construction management fees, property acquisition and disposition fees, leasing management fees and asset management fees.

(3) As of December 31, 2017, the Company had aggregate net deferred gains of $6.9 million relating to the disposal of operating properties prior to the adoption of ASU 2017-05. These deferred gains were included in the Company's investment above, of which $5.1 million related to KimPru II and $1.8 million related to Other Joint Venture Programs. Upon adoption, the Company recorded a cumulative-effect adjustment of $6.9 million to its beginning retained earnings as of January 1, 2018 on the Company's Condensed Consolidated Statements of Changes in Equity. See Footnote 2 to the Notes to the Company's Condensed Consolidated Financial Statements for further detail and discussion.

(4) During March 2018, the Company sold a portion of its investment in a consolidated operating property to its partner and amended the partnership agreement to provide for joint control of the entity. As a result of the amendment, the Company no longer consolidates the entity. As of the date of deconsolidation, the Company had an investment in this unconsolidated property of $62.4 million. See Footnotes 2 and 3 to the Notes to the Company's Condensed Consolidated Financial Statements for further detail and discussion.

The table below presents the Company's share of net income for the above investments which is included in Equity in income of joint ventures, net on the Company's Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017 (in millions):

Joint Venture	**Three Months Ended September 30, 2018**	**2017**	**Nine Months Ended September 30, 2018**	**2017**
KimPru and KimPru II	$3.0	$3.2	$8.5	$9.7
KIR	8.0	8.2	26.9	24.7
CPP	1.2	1.3	3.7	4.3
Other Joint Venture Programs (1)	4.3	(3.6)	13.4	(1.7)
Total	**$16.5**	**$9.1**	**$52.5**	**$37.0**

(1) During the nine months ended September 30, 2018, a joint venture investment distributed cash proceeds resulting from the refinancing of an existing loan of which the Company’s share was $3.6 million. This distribution was in excess of the Company’s carrying basis in this joint venture investment and to that extent was recognized as income.

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During the nine months ended September 30, 2018, certain of the Company's real estate joint ventures disposed of five operating properties, in separate transactions, for an aggregate sales price of $48.4 million. These transactions resulted in an aggregate net gain to the Company of $6.1 million for the nine months ended September 30, 2018.

During the nine months ended September 30, 2017, certain of the Company's real estate joint ventures disposed of six operating properties and a portion of one property, in separate transactions, for an aggregate sales price of $49.3 million. These transactions resulted in an aggregate net gain to the Company of $0.1 million, before income taxes, for the nine months ended September 30, 2017. In addition, during the nine months ended September 30, 2017, the Company acquired a controlling interest in three operating properties from certain joint ventures, in separate transactions, for a gross fair value of $320.1 million.

The table below presents debt balances within the Company's unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at September 30, 2018 and December 31, 2017 (dollars in millions):

	As of September 30, 2018				**As of December 31, 2017**			
Joint Venture	**Mortgages and Notes Payable, Net**	**Weighted Average Interest Rate**		**Weighted Average Remaining Term (months)***	**Mortgages and Notes Payable, Net**	**Weighted Average Interest Rate**		**Weighted Average Remaining Term (months)***
KimPru and KimPru II	$621.8	4.11	%	50.7	$625.7	3.59	%	59.8
KIR	679.0	4.40	%	43.1	702.0	4.60	%	47.5
CPP	84.4	3.63	%	57.0	84.9	2.91	%	4.0
Other Joint Venture Programs	476.9	4.18	%	81.3	287.6	4.41	%	27.2
Total	**$1,862.1**				**$1,700.2**			

* Includes extension options

6. Other Real Estate Investments and Other Assets

Preferred Equity Capital -

The Company previously provided capital to owners and developers of real estate properties through its Preferred Equity Program. The Company's maximum exposure to losses associated with its preferred equity investments is primarily limited to its net investment. As of September 30, 2018, the Company's net investment under the Preferred Equity Program was $175.2 million relating to 285 properties, including 273 net leased properties. During the nine months ended September 30, 2018, the Company recognized income of $24.4 million from its preferred equity investments, including $10.5 million in profit participation earned from six capital transactions. These amounts are included in Equity in income of other real estate investments, net on the Company's Condensed Consolidated Statements of Income.

Albertsons -

As of September 30, 2018, the Company owns 9.74% of the common stock of Albertsons Companies, Inc. ("ACI") through two wholly-owned partnerships and accounts for this investment on the cost method. The Company's net investment of $140.2 million in ACI is included in Other assets on the Company's Condensed Consolidated Balance Sheets.

On February 20, 2018, ACI announced the execution of a definitive merger agreement under which ACI would acquire all the outstanding shares of Rite Aid Corporation (NYSE: RAD) ("RAD"). RAD scheduled a special stockholder meeting for August 9, 2018 for its stockholders of record to vote on the proposed merger with ACI. However, RAD and ACI mutually agreed to terminate the definitive merger agreement prior to this special stockholder meeting.

7. Variable Interest Entities ("VIE")

Included within the Company's consolidated operating properties at September 30, 2018 and December 31, 2017, are 22 and 24 consolidated entities that are VIEs, respectively, for which the Company is the primary beneficiary. These entities have been established to own and operate real estate property. The Company's involvement with these entities is through its majority ownership and management of the properties. The entities were deemed VIEs primarily because the unrelated investors do not have substantive kick-out rights to remove the general or managing partner by a vote of a simple majority or less and they do not have substantive participating rights. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest. At September 30, 2018, total assets of these VIEs were $889.9 million and total liabilities were $70.3 million. At December 31, 2017, total assets of these VIEs were $1.2 billion and total liabilities were $383.5 million.

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The majority of the operations of these VIEs are funded with cash flows generated from the properties. The Company has not provided financial support to any of these VIEs that it was not previously contractually required to provide, which consists primarily of funding any capital expenditures, including tenant improvements, which are deemed necessary to continue to operate the entity and any operating cash shortfalls that the entity may experience.

Additionally, included within the Company's real estate development projects at September 30, 2018 and December 31, 2017, are two and three consolidated entities that are VIEs, respectively, for which the Company is the primary beneficiary. These entities have been established to develop real estate properties to hold as long-term investments. The Company's involvement with these entities is through its majority ownership and management of the properties. These entities were deemed VIEs primarily based on the fact that the equity investments at risk are not sufficient to permit the entities to finance their activities without additional financial support. The initial equity contributed to these entities was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest. At September 30, 2018, total assets of these real estate development VIEs were $400.3 million and total liabilities were $73.1 million. At December 31, 2017, total assets of these real estate development VIEs were $307.9 million and total liabilities were $34.2 million.

Substantially all the projected development costs to be funded for these two real estate development projects, approximately $150.0 million to $200.0 million, will be funded with capital contributions from the Company, when contractually obligated, and/or construction loan financing. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide.

All liabilities of these consolidated VIEs are non-recourse to the Company ("VIE Liabilities"). The assets of the unencumbered VIEs are not restricted for use to settle only the obligations of these VIEs. The remaining VIE assets are encumbered by third party non-recourse mortgage debt and a construction loan. The assets associated with these encumbered VIEs ("Restricted Assets") are collateral under the respective mortgages and a construction loan and are therefore restricted and can only be used to settle the corresponding liabilities of the VIE. The table below summarizes the consolidated VIEs and the classification of the Restricted Assets and VIE Liabilities on the Company's Condensed Consolidated Balance Sheets are as follows (dollars in millions):

	As of September 30, 2018	**As of December 31, 2017**
Number of unencumbered VIEs	20	22
Number of encumbered VIEs	4	5
Total number of consolidated VIEs	24	27
Restricted Assets:		
Real estate, net	$ 101.6	$ 627.5

Real estate under development	120.9	-
Cash and cash equivalents	3.5	9.8
Accounts and notes receivable, net	4.8	3.2
Other assets	3.4	4.5
Total Restricted Assets	$ 234.2	$ 645.0
VIE Liabilities:		
Mortgages and construction loan payable, net	$ 63.6	$ 340.9
Other liabilities	79.8	76.8
Total VIE Liabilities	$ 143.4	$ 417.7

8. Mortgages and Other Financing Receivables

The Company has various mortgages and other financing receivables which consist of loans acquired and loans originated by the Company. The Company reviews payment status to identify performing versus non-performing loans. As of September 30, 2018, the Company had a total of 11 loans aggregating $29.2 million, of which all were identified as performing loans.

During the nine months ended September 30, 2018, the Company sold an operating property for a sales price of $20.8 million. In conjunction with this sale, the Company issued mortgage financing of $14.7 million which is scheduled to mature on December 20, 2018 and bears interest at a rate equal to the greater of (i) 5.00% or (ii) LIBOR plus 300 basis points (5.16% as of September 30, 2018). This loan is collateralized by the property.

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During the nine months ended September 30, 2018, the Company received full payment relating to the following mortgages receivable (dollars in millions):

Date Paid	Amount Received	Interest Rate		Maturity Date
Sep-18	$ 1.8	7.570	%	Jun-19
Apr-18 (1)	$ 4.5	7.000	%	May-18

(1) This Canadian denominated ("CAD") receivable had an aggregate outstanding balance of CAD 5.7 million (USD $4.5 million) upon payoff.

9. Marketable Securities

Effective January 1, 2018, in accordance with the adoption of ASU 2016-01, the Company now recognizes changes in the fair value of equity investments with readily determinable fair values in net income. In addition, the Company recorded a cumulative-effect adjustment of $1.1 million to its beginning retained earnings as of January 1, 2018, which is reflected in Cumulative distributions in excess of net income on the Company's Condensed Consolidated Statements of Changes in Equity, to reclassify unrealized losses previously reported in AOCI for available-for-sale marketable securities. Also, during the nine months ended September 30, 2018, the Company recognized a net loss on changes in fair value of its available-for-sale marketable securities of $2.0 million in Other income, net on the Company's Condensed Consolidated Statements of Income.

10. Notes, Mortgages and Construction Loan Payable

Notes Payable -

During the nine months ended September 30, 2018, the Company repaid the following notes (dollars in millions):

Type	Date Paid	Amount Repaid	Interest Rate		Maturity Date
Senior Unsecured Notes (1)	Aug-18	$ 300.0	6.875	%	Oct-19
Senior Unsecured Notes (2)	Jun-18 & Jul-18	$ 15.1	3.200	%	May-21

(1) The Company recorded an early extinguishment of debt charge of $12.8 million resulting from the early repayment of these notes.
(2) As of September 30, 2018, these notes had an outstanding balance of $484.9 million.

Mortgages and Construction Loan Payable -

During the nine months ended September 30, 2018, the Company (i) deconsolidated $206.0 million of individual non-recourse mortgage debt relating to an operating property for which the Company no longer holds a controlling interest and (ii) repaid $203.6 million of maturing mortgage debt (including fair market value adjustments of $0.9 million) that encumbered five operating properties.

In August 2018, the Company closed on a construction loan commitment of $67.0 million relating to one development property. This loan commitment is scheduled to mature in August 2020, with six additional six-month options to extend the maturity date to August 2023 and bears interest at a rate of LIBOR plus 180 basis points (3.96% as of September 30, 2018). As of September 30, 2018, the construction loan had a balance of $30.4 million outstanding.

During the nine months ended September 30, 2018, the Company disposed of an encumbered property through foreclosure. The transaction resulted in a net decrease in mortgage debt of $12.4 million. In addition, the Company recognized a gain on forgiveness of debt of $4.3 million and relief of accrued interest of $3.4 million, both of which are included in Other income, net in the Company’s Condensed Consolidated Statements of Income.

11. Noncontrolling Interests

Noncontrolling interests represent the portion of equity that the Company does not own in entities it consolidates as a result of having a controlling interest or determined that the Company was the primary beneficiary of a VIE in accordance with the provisions of the FASB’s Consolidation guidance. The Company accounts and reports for noncontrolling interests in accordance with the Consolidation guidance and the Distinguishing Liabilities from Equity guidance issued by the FASB. The Company identifies its noncontrolling interests separately within the equity section on the Company’s Condensed Consolidated Balance Sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented separately on the Company’s Condensed Consolidated Statements of Income. During the nine months ended September 30, 2018, there were various transactions that had an impact on noncontrolling interest. See Footnotes 3 and 5 to the Notes to Condensed Consolidated Financial Statements for additional information regarding specific transactions.

In addition, during the nine months ended September 30, 2018, the Company acquired its partners' interests in three consolidated entities, in two separate transactions, for an aggregate purchase price of $3.4 million. These transactions resulted in a net decrease in Noncontrolling interest of $4.6 million and a corresponding net increase in Paid-in capital of $1.2 million on the Company's Condensed Consolidated Balance Sheets. There are no remaining partners in two of these consolidated entities.

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Included within noncontrolling interests are units that were determined to be contingently redeemable that are classified as Redeemable noncontrolling interests and presented in the mezzanine section between Total liabilities and Stockholder's equity on the Company's Condensed Consolidated Balance Sheets.

The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the nine months ended September 30, 2018 and 2017 (in thousands):

	2018	2017
Balance at January 1,	$16,143	$86,953
Issuance of redeemable partnership interests (1)	-	10,000
Income	279	1,203
Distributions	(266)	(2,448)
Redemption/conversion of redeemable units (2)	-	(79,569)
Adjustment to estimated redemption value (1)	3,918	-
Balance at September 30,	**$20,074**	**$16,139**

(1) During 2017, KIM Lincoln, a wholly owned subsidiary of the Company, and Lincoln Member entered into a joint venture agreement wherein KIM Lincoln has a 90% controlling interest and Lincoln Member has a 10% noncontrolling interest. During the nine months ended September 30, 2018, the Company recorded an adjustment of $3.9 million to the estimated redemption fair market value of this noncontrolling interest in accordance with the provisions of the joint venture agreement and ASC 480 – Accounting for Redeemable Equity Instruments.

(2) During 2017, the Company redeemed the remaining 79,642,697 Preferred A Units for a total redemption price of $79.9 million, including an accrued preferred return of $0.4 million. These units, which had a par value of $1.00 and return per annum of 5.0%, were issued during 2006 in connection with the acquisition of seven shopping center properties located in Puerto Rico.

12. Fair Value Measurements

All financial instruments of the Company are reflected in the accompanying Condensed Consolidated Balance Sheets at amounts which, in management's estimation, based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are disclosed. The valuation method used to estimate fair value for fixed-rate and variable-rate debt is based on discounted cash flow analyses, with assumptions that include credit spreads, market yield curves, trading activity, loan amounts and debt maturities. The fair values for marketable securities are based on published values, securities dealers' estimated market values or comparable market sales. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition.

As a basis for considering market participant assumptions in fair value measurements, the FASB's Fair Value Measurements and Disclosures guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The following are financial instruments for which the Company's estimate of fair value differs from the carrying amounts (in thousands):

September 30, 2018	December 31, 2017
Carrying Amounts	