Brixmor Property Group Inc.
Form 10-Q
April 30, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended March 31, 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: 001-36160 (Brixmor Property Group)
Commission File Number: 333-201464-01 (Brixmor Operating Partnership LP)

Brixmor Property Group Inc.
Brixmor Operating Partnership LP
(Exact Name of Registrant as Specified in Its Charter)

Maryland (Brixmor Property Group Inc.)	45-2433192
Delaware (Brixmor Operating Partnership LP)	80-0831163
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

450 Lexington Avenue, New York, New York 10017
(Address of Principal Executive Offices) (Zip Code)
212-869-3000
(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.

Brixmor Property Group Inc. Yes þ No Brixmor Operating Partnership LP Yes þ 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).

Brixmor Property Group Inc. Yes þ No Brixmor Operating Partnership LP Yes þ 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 12b-2 of the Exchange Act.

Brixmor Property Group Inc.		Brixmor Operating Partnership LP	
Large accelerated filer þ	Non-accelerated filer	Large accelerated filer	Non-accelerated filer þ
Smaller reporting company	Accelerated filer	Smaller reporting company	Accelerated filer
Emerging growth company		Emerging growth company	

(Do not check if a smaller reporting 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.
Brixmor Property Group Inc.   Brixmor Operating Partnership LP

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Brixmor Property Group Inc. Yes   No þ Brixmor Operating Partnership LP Yes   No þ

(APPLICABLE ONLY TO CORPORATE ISSUERS)
Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.
As of April 1, 2018, Brixmor Property Group Inc. had 302,826,470 shares of common stock outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2018 of Brixmor Property Group Inc. and Brixmor Operating Partnership LP. Unless stated otherwise or the context otherwise requires, references to the “Parent Company” or “BPG” mean Brixmor Property Group Inc. and its consolidated subsidiaries; and references to the “Operating Partnership” mean Brixmor Operating Partnership LP and its consolidated subsidiaries. Unless the context otherwise requires, the terms the “Company,” “Brixmor,” “we,” “our” and “us” mean the Parent Company and the Operating Partnership, collectively.

The Parent Company is a real estate investment trust (“REIT”) that owns 100% of the common stock of BPG Subsidiary Inc. (“BPG Sub”), which, in turn, is the sole owner of Brixmor OP GP LLC (the “General Partner”), the sole general partner of the Operating Partnership. As of March 31, 2018, the Parent Company beneficially owned, through its direct and indirect interest in BPG Sub and the General Partner, 100% of the outstanding partnership common units of interest (the “OP Units”) in the Operating Partnership.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report:

- Enhances investors’ understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Eliminates duplicative disclosure and provides a more streamlined and readable presentation; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. The management of the Parent Company consists of the same individuals as the management of the Operating Partnership. These individuals are officers of both the Parent Company and the Operating Partnership.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its indirect interest in the Operating Partnership. As a result, the Parent Company does not conduct business itself other than issuing public equity from time to time. The Parent Company does not incur any material indebtedness. The Operating Partnership holds substantially all of our assets. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates all remaining capital required by the Company’s business. Sources of this capital include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of OP Units.

Stockholders’ equity, partners’ capital, and non-controlling interests are the primary areas of difference between the unaudited condensed consolidated financial statements of the Parent Company and those of the Operating Partnership. The Operating Partnership’s capital currently includes OP Units owned by the Parent Company through BPG Sub and the General Partner and has in the past and may in the future include OP Units owned by third parties. OP Units owned by third parties, if any, are accounted for in partners’ capital in the Operating Partnership’s financial statements and outside of stockholders’ equity in non-controlling interests in the Parent Company’s financial statements.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements (but combined footnotes), separate controls and procedures sections, separate certification of periodic report under Section 302 of the Sarbanes-Oxley Act of 2002 and separate certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. In the sections that combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

The Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have material assets other than its indirect investment in the Operating Partnership. Therefore, while stockholders' equity, partners' capital and non-controlling interests may differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are materially the same on their respective financial statements.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “ “intends,” “plans,” “estimates,” “anticipates,” “targets” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in our Form 10-K for the year ended December 31, 2017, as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at http://www.sec.gov. These factors include (1) changes in national, regional or local economic climates; (2) local market conditions, including an oversupply of space in, or a reduction in demand for, properties similar to those in our Portfolio; (3) changes in market rental rates; (4) changes in the regional demographics of our properties; (5) competition from other available properties and the attractiveness of properties in our Portfolio to our tenants; (6) the financial stability of tenants, including the ability of tenants to pay rent and expense reimbursements; (7) in the case of percentage rents, the sales volume of our tenants; and (8) litigation and governmental investigations discussed under the heading “Legal Matters” in Note 13 – Commitments and Contingencies to our unaudited Condensed Consolidated Financial Statements in this report. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except share information)

	March 31, 2018		December 31, 2017	
Assets				
Real estate				
Land	$	1,962,364	$	1,984,309
Buildings and improvements	8,896,102		8,937,182	
	10,858,466		10,921,491	
Accumulated depreciation and amortization	(2,405,579	)	(2,361,070	)
Real estate, net	8,452,887		8,560,421	
Cash and cash equivalents	27,332		56,938	
Restricted cash	65,437		53,839	
Marketable securities	27,063		28,006	
Receivables, net of allowance for doubtful accounts of $17,498 and $17,205	219,312		232,111	
Deferred charges and prepaid expenses, net	145,421		147,508	
Other assets	50,406		75,103	
Total assets	$	8,987,858	$	9,153,926
Liabilities				
Debt obligations, net	$	5,622,111	$	5,676,238
Accounts payable, accrued expenses and other liabilities	504,171		569,340	
Total liabilities	6,126,282		6,245,578	
Commitments and contingencies (Note 13)				
Equity				
Common stock, $0.01 par value; authorized 3,000,000,000 shares; 305,075,180 and	3,028		3,046	

304,947,144 shares issued and 302,826,470 and 304,620,186 shares outstanding		
Additional paid-in capital	3,301,482	3,330,466
Accumulated other comprehensive income	28,898	24,211
Distributions in excess of net income	(471,832)	(449,375)
Total equity	2,861,576	2,908,348
Total liabilities and equity	$ 8,987,858	$ 9,153,926

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Rental income	$243,345	$249,621
Expense reimbursements	70,878	73,190
Other revenues	2,952	2,995
Total revenues	317,175	325,806
Operating expenses		
Operating costs	35,490	37,425
Real estate taxes	45,725	46,467
Depreciation and amortization	90,383	93,931
Provision for doubtful accounts	2,415	1,050
Impairment of real estate assets	15,902	5,686
General and administrative	22,426	20,957
Total operating expenses	212,341	205,516
Other income (expense)		
Dividends and interest	96	73
Interest expense	(55,171)	(55,731)
Gain on sale of real estate assets	11,448	8,805
Loss on extinguishment of debt	(132)	(1,262)
Other	(53)	(707)
Total other expense	(43,812)	(48,822)
Income before equity in income of unconsolidated joint venture	61,022	71,468
Equity in income of unconsolidated joint venture	—	187
Net income	61,022	71,655
Net income attributable to non-controlling interests	—	(76)
Net income attributable to common stockholders	$61,022	$71,579
Per common share:		
Net income attributable to common stockholders:		
Basic	$0.20	$0.23
Diluted	$0.20	$0.23
Weighted average shares:		
Basic	304,158	304,569
Diluted	304,278	304,795

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Net income	$61,022	$71,655
Other comprehensive income (loss)		
Change in unrealized gain on interest rate swaps, net (Note 6)	4,773	2,619
Change in unrealized gain (loss) on marketable securities	(86)	1
Total other comprehensive income	4,687	2,620
Comprehensive income	65,709	74,275
Comprehensive income attributable to non-controlling interests	—	(76)
Comprehensive income attributable to common stockholders	$65,709	$74,199

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in thousands, except per share data)

	Common Stock						
	Number	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Distributions in Excess of Net Income	Non-controlling Interests	Total
Beginning balance, January 1, 2017	304,343	$3,043	$3,324,874	$ 21,519	$(426,552)	$ 4,276	$2,927,160
Common stock dividends ($0.26 per common share)	—	—	—	—	(79,480)	—	(79,480)
Equity based compensation expense	—	—	2,123	—	—	3	2,126
Other comprehensive income	—	—	—	2,620	—	—	2,620
Issuance of common stock and OP Units	147	6	—	—	—	(6)	—
Conversion of OP Units into common stock	403	—	3,701	—	—	(3,701)	—
Share-based awards retained for taxes	—	—	(2,464)	—	—	—	(2,464)
Net income	—	—	—	—	71,579	76	71,655
Ending balance, March 31, 2017	304,893	$3,049	$3,328,234	$ 24,139	$(434,453)	$ 648	$2,921,617
Beginning balance, January 1, 2018	304,620	$3,046	$3,330,466	$ 24,211	$(449,375)	$ —	$2,908,348
Common stock dividends ($0.275 per common share)	—	—	—	—	(83,479)	—	(83,479)
Equity based compensation expense	—	—	2,484	—	—	—	2,484
Other comprehensive income	—	—	—	4,687	—	—	4,687
Issuance of common stock and OP Units	128	1	—	—	—	—	1
Repurchases of common stock	(1,922)	(19)	(29,746)	—	—	—	(29,765)
Share-based awards retained for taxes	—	—	(1,722)	—	—	—	(1,722)
Net income	—	—	—	—	61,022	—	61,022
Ending balance, March 31, 2018	302,826	$3,028	$3,301,482	$ 28,898	$(471,832)	$ —	$2,861,576

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

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BRIXMOR PROPERTY GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating activities:		
Net income	$61,022	$71,655
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	90,383	93,931
Debt premium and discount amortization	(952)	(1,684)
Deferred financing cost amortization	1,682	1,800
Above- and below-market lease intangible amortization	(6,824)	(7,796)
Provisions for impairment	15,902	5,686
Gain on disposition of operating properties	(11,448)	(8,805)
Equity based compensation	2,484	2,126
Other	824	344
Loss on extinguishment of debt	132	1,262
Changes in operating assets and liabilities:		
Receivables	12,171	(3,593)
Deferred charges and prepaid expenses	(5,309)	(12,321)
Other assets	40	(274)
Accounts payable, accrued expenses and other liabilities	(35,657)	(34,181)
Net cash provided by operating activities	124,450	108,150
Investing activities:		
Improvements to and investments in real estate assets	(76,803)	(39,260)
Acquisitions of real estate assets	—	(104,811)
Proceeds from sales of real estate assets	104,198	34,091
Purchase of marketable securities	(3,655)	(7,502)
Proceeds from sale of marketable securities	4,496	8,335
Net cash provided by (used in) investing activities	28,236	(109,147)
Financing activities:		
Repayment of secured debt obligations	(4,858)	(5,961)
Repayment of borrowings under unsecured revolving credit facility	—	(57,000)
Proceeds from borrowings under unsecured revolving credit facility	—	145,000
Proceeds from unsecured notes	—	396,036
Repayment of borrowings under unsecured term loan	(50,000)	(390,000)
Deferred financing costs	(184)	(3,508)
Distributions to common stockholders	(84,165)	(79,493)
Distributions to non-controlling interests	—	(101)
Repurchases of common shares	(29,765)	—
Repurchases of common shares in conjunction with equity award plans	(1,722)	(2,463)
Net cash provided by (used in) financing activities	(170,694)	2,510
Net change in cash, cash equivalents and restricted cash	(18,008)	1,513
Cash, cash equivalents and restricted cash at beginning of period	110,777	102,869
Cash, cash equivalents and restricted cash at end of period	$92,769	$104,382

Reconciliation to consolidated balance sheets		
Cash and cash equivalents	$27,332	$59,883
Restricted cash	65,437	44,499
Cash, cash equivalents and restricted cash at end of period	$92,769	$104,382
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amount capitalized of $654 and $946	$63,646	$66,815

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

BRIXMOR OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except unit information)

	March 31, 2018	December 31, 2017
Assets		
Real estate		
Land	$1,962,364	$1,984,309
Buildings and improvements	8,896,102	8,937,182
	10,858,466	10,921,491
Accumulated depreciation and amortization	(2,405,579)	(2,361,070)
Real estate, net	8,452,887	8,560,421
Cash and cash equivalents	27,303	56,908
Restricted cash	65,437	53,839
Marketable securities	26,844	27,787
Receivables, net of allowance for doubtful accounts of $17,498 and $17,205	219,312	232,111
Deferred charges and prepaid expenses, net	145,421	147,508
Other assets	50,406	75,103
Total assets	$8,987,610	$9,153,677
Liabilities		
Debt obligations, net	$5,622,111	$5,676,238
Accounts payable, accrued expenses and other liabilities	504,171	569,340
Total liabilities	6,126,282	6,245,578
Commitments and contingencies (Note 13)		
Capital		
Partnership common units; 305,075,180 and 304,947,144 units issued and 302,826,470 and 304,620,186 units outstanding	2,832,416	2,883,875
Accumulated other comprehensive income	28,912	24,224
Total capital	2,861,328	2,908,099
Total liabilities and capital	$8,987,610	$9,153,677

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

BRIXMOR OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Rental income	$243,345	$249,621
Expense reimbursements	70,878	73,190
Other revenues	2,952	2,995
Total revenues	317,175	325,806
Operating expenses		
Operating costs	35,490	37,425
Real estate taxes	45,725	46,467
Depreciation and amortization	90,383	93,931
Provision for doubtful accounts	2,415	1,050
Impairment of real estate assets	15,902	5,686
General and administrative	22,426	20,957
Total operating expenses	212,341	205,516
Other income (expense)		
Dividends and interest	96	73
Interest expense	(55,171)	(55,731)
Gain on sale of real estate assets	11,448	8,805
Loss on extinguishment of debt	(132)	(1,262)
Other	(53)	(707)
Total other expense	(43,812)	(48,822)
Income before equity in income of unconsolidated joint venture	61,022	71,468
Equity in income of unconsolidated joint venture	—	187
Net income attributable to Brixmor Operating Partnership LP	$61,022	$71,655
Per common unit:		
Net income attributable to partnership common units:		
Basic	$0.20	$0.23
Diluted	$0.20	$0.23
Weighted average number of partnership common units:		
Basic	304,158	304,888
Diluted	304,278	305,114

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

BRIXMOR OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Net income attributable to Brixmor Operating Partnership LP	$61,022	$71,655
Other comprehensive income (loss)		
Change in unrealized gain on interest rate swaps, net (Note 6)	4,773	2,619
Change in unrealized gain (loss) on marketable securities	(85)	2
Total other comprehensive income	4,688	2,621
Comprehensive income attributable to Brixmor Operating Partnership LP	$65,710	$74,276

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

BRIXMOR OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

(Unaudited, in thousands)

	Partnership Common Units	Accumulated Other Comprehensive Income	Total
Beginning balance, January 1, 2017	$2,905,378	$ 21,531	$2,926,909
Distributions to partners	(79,476)	—	(79,476)
Equity based compensation expense	2,126	—	2,126
Other comprehensive income	—	2,621	2,621
Share-based awards retained for taxes	(2,464)	—	(2,464)
Net income attributable to Brixmor Operating Partnership LP	71,655	—	71,655
Ending balance, March 31, 2017	$2,897,219	$ 24,152	$2,921,371
Beginning balance, January 1, 2018	$2,883,875	$ 24,224	$2,908,099
Distributions to partners	(83,479)	—	(83,479)
Equity based compensation expense	2,484	—	2,484
Other comprehensive income	—	4,688	4,688
Issuance of OP Units	1	—	1
Repurchases of OP Units	(29,765)	—	(29,765)
Share-based awards retained for taxes	(1,722)	—	(1,722)
Net income attributable to Brixmor Operating Partnership LP	61,022	—	61,022
Ending balance, March 31, 2018	$2,832,416	$ 28,912	$2,861,328

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

BRIXMOR OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating activities:		
Net income attributable to Brixmor Operating Partnership LP	$61,022	$71,655
Adjustments to reconcile net income attributable to Brixmor Operating Partnership LP to net cash provided by operating activities:		
Depreciation and amortization	90,383	93,931
Debt premium and discount amortization	(952)	(1,684)
Deferred financing cost amortization	1,682	1,800
Above- and below-market lease intangible amortization	(6,824)	(7,796)
Provisions for impairment	15,902	5,686
Gain on disposition of operating properties	(11,448)	(8,805)
Equity based compensation	2,484	2,126
Other	824	344
Loss on extinguishment of debt	132	1,262
Changes in operating assets and liabilities:		
Receivables	12,171	(3,593)
Deferred charges and prepaid expenses	(5,309)	(12,321)
Other assets	40	(274)
Accounts payable, accrued expenses and other liabilities	(35,657)	(34,181)
Net cash provided by operating activities	124,450	108,150
Investing activities:		
Improvements to and investments in real estate assets	(76,803)	(39,260)
Acquisitions of real estate assets	—	(104,811)
Proceeds from sales of real estate assets	104,198	34,091
Purchase of marketable securities	(3,654)	(7,502)
Proceeds from sale of marketable securities	4,496	8,335
Net cash provided by (used in) investing activities	28,237	(109,147)
Financing activities:		
Repayment of secured debt obligations	(4,858)	(5,961)
Repayment of borrowings under unsecured revolving credit facility	—	(57,000)
Proceeds from borrowings under unsecured revolving credit facility	—	145,000
Proceeds from unsecured notes	—	396,036
Repayment of borrowings under unsecured term loan	(50,000)	(390,000)
Deferred financing costs	(184)	(3,508)
Partner distributions	(115,652)	(82,054)
Net cash provided by (used in) financing activities	(170,694)	2,513
Net change in cash, cash equivalents and restricted cash	(18,007)	1,516
Cash, cash equivalents and restricted cash at beginning of period	110,747	102,834
Cash, cash equivalents and restricted cash at end of period	$92,740	$104,350

Reconciliation to consolidated balance sheets

Cash and cash equivalents	$27,303	$59,851
Restricted cash	65,437	44,499
Cash, cash equivalents and restricted cash at end of period	$92,740	$104,350
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amount capitalized of $654 and $946	$63,646	$66,815

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

BRIXMOR PROPERTY GROUP INC. AND BRIXMOR OPERATING PARTNERSHIP LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, dollars in thousands, unless otherwise stated)

1. Nature of Business and Financial Statement Presentation

Description of Business

Brixmor Property Group Inc. and subsidiaries (collectively, the “Parent Company”) is an internally-managed real estate investment trust (“REIT”). Brixmor Operating Partnership LP and subsidiaries (collectively, the “Operating Partnership”) is the entity through which the Parent Company conducts substantially all of its operations and owns substantially all of its assets. The Parent Company owns 100% of the common stock of BPG Subsidiary Inc. (“BPG Sub”), which, in turn, is the sole member of Brixmor OP GP LLC (the “General Partner”), the sole general partner of the Operating Partnership. The Parent Company engages in the ownership, management, leasing, acquisition, disposition and redevelopment of retail shopping centers through the Operating Partnership, and has no other substantial assets or liabilities other than through its investment in the Operating Partnership. The Parent Company, the Operating Partnership and their controlled subsidiaries on a consolidated basis (collectively the “Company” or “Brixmor”) believes it owns and operates one of the largest open air retail portfolios by gross leasable area (“GLA”) in the United States (“U.S.”), comprised primarily of community and neighborhood shopping centers. As of March 31, 2018, the Company’s portfolio was comprised of 480 shopping centers totaling approximately 82 million square feet of gross leasable area (the “Portfolio”). In addition, the Company has one land parcel currently under development. The Company’s high quality national Portfolio is primarily located within established trade areas in the top 50 Metropolitan Statistical Areas, and our shopping centers are primarily anchored by non-discretionary and value-oriented retailers, as well as consumer-oriented service providers.

The Company does not distinguish its principal business or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company has a single reportable segment for disclosure purposes in accordance with U.S. generally accepted accounting principles (“GAAP”).

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the unaudited Condensed Consolidated Financial Statements for the periods presented have been included. The Company has determined that it is preferable to present underwriter fees associated with the Company’s issuance of unsecured senior notes in the line item Deferred financing costs as opposed to deducting the amount of the fees within the line item Proceeds from unsecured notes. These line items are both within financing activities in the accompanying unaudited Condensed Consolidated Statements of Cash Flows. In connection with this revised presentation, certain prior period balances have been adjusted to conform to the current period presentation described above. The operating results for the periods presented are not necessarily indicative of the results that may be expected for a full fiscal year. These financial statements should be read in conjunction with the financial statements for the year ended December 31, 2017 and accompanying notes included in the Company’s annual report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 12, 2018.

Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of the Parent Company, the Operating Partnership, each of their wholly owned subsidiaries and all other entities in which they have a controlling financial interest. The portions of consolidated entities not owned by the Parent Company and the Operating Partnership are presented as non-controlling interests as of and during the periods presented. All intercompany transactions have been eliminated.

Income Taxes

The Parent Company has elected to qualify as a REIT in accordance with the Internal Revenue Code of 1986, as amended (the “Code”). To qualify as a REIT, the Parent Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute to its stockholders at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. It is management’s intention to adhere to these requirements and maintain the Parent Company’s REIT status.

As a REIT, the Parent Company generally will not be subject to U.S. federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code. The Parent Company conducts substantially all of its operations through the Operating Partnership which is organized as a limited partnership and treated as a pass-through entity for U.S. federal tax purposes. Therefore, U.S. federal income taxes on the Company's taxable income do not materially impact the unaudited Condensed Consolidated Financial Statements of the Company.

If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal taxes at regular corporate rates (including any applicable alternative minimum tax for tax years beginning before December 31, 2017) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Parent Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income.

The Company has elected to treat certain of its subsidiaries as taxable REIT subsidiaries (“TRS”), and the Company may in the future elect to treat newly formed and/or existing subsidiaries as TRSs. A TRS may participate in non-real estate-related activities and/or perform non-customary services for tenants and are subject to certain limitations under the Code. A TRS is subject to U.S. federal and state income taxes. Income taxes related to the Company’s TRSs do not materially impact the unaudited Condensed Consolidated Financial Statements of the Company.

The Company has considered the tax positions taken for the open tax years and has concluded that no provision for income taxes related to uncertain tax positions is required in the Company’s unaudited Condensed Consolidated Financial Statements as of March 31, 2018 and December 31, 2017. Open tax years generally range from 2014 through 2017, but may vary by jurisdiction and issue.

New Accounting Pronouncements
In August 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-12, “Derivatives and Hedging (Topic 815).” ASU 2017-12 amends guidance to more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. ASU 2017-12 was early adopted by the Company on January 1, 2018. The Company determined that these changes did not have a material impact on the unaudited Condensed Consolidated Financial Statements of the Company.

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation (Topic 718).” ASU 2017-09 clarifies guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The standard became effective for the Company on January 1, 2018. The Company determined that these changes did not have a material impact on the unaudited Condensed Consolidated Financial Statements of the Company.

In February 2017, the FASB issued ASU 2017-05, “Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance.” ASU 2017-05 focuses on recognizing gains and losses from the transfer of nonfinancial assets with noncustomers. It provides guidance as to the definition of an “in substance nonfinancial asset,” and provides guidance for sales of real estate, including partial sales. The standard became effective for the Company on January 1, 2018 in conjunction with ASU 2014-09 and the Company applied the same transition method as ASU 2014-09. The Company did not record any cumulative adjustment in connection with the adoption of the new pronouncement. The Company determined that these changes did not have a material impact on the unaudited Condensed Consolidated Financial Statements of the Company.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230).” ASU 2016-15 provides classification guidance for certain cash receipts and cash payments including payment of debt extinguishment costs, settlement of zero-coupon debt instruments, insurance claim payments and distributions from equity method investees. The standard became effective for the Company on January 1, 2018. The Company determined that these changes did not have a material impact on the unaudited Condensed Consolidated Financial Statements of the Company.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” ASU 2016-02 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 recognize 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. The pronouncement requires a modified retrospective method of adoption and is effective on January 1, 2019, with early adoption permitted. The Company will continue to evaluate the effect the adoption of ASU 2016-02 will have on the unaudited Condensed Consolidated Financial Statements of the Company. However, the Company currently believes that the adoption of ASU 2016-02 will not have a material impact for operating leases where it is a lessor and will continue to record revenues from rental properties for its operating leases on a straight-line basis. However, for leases where the Company is a lessee, primarily for the Company's ground leases and administrative office leases, the Company will be required to record a lease liability and a right of use asset on its unaudited Condensed Consolidated Balance Sheets at fair value upon adoption. In addition, direct internal leasing overhead costs will continue to be capitalized, however, indirect internal leasing overhead costs previously capitalized will be expensed under ASU 2016-02.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 contains a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The pronouncement allows either a full or modified retrospective method of adoption. The standard became effective for the Company on January 1, 2018 and the Company elected the modified retrospective approach of adoption, which requires a cumulative adjustment as of the date of the adoption, if applicable. The Company did not record any such cumulative adjustment in connection with the adoption of the new pronouncement. Substantially all of the Company's tenant-related revenue is recognized pursuant to lease agreements and is out of the scope of ASU 2014-09 and falls instead under ASU 2016-02, which is discussed above and will not be effective until January 1, 2019. As a result, the Company determined that ASU 2014-09 did not have a material impact on the process for, timing of, and presentation and disclosure of revenue recognition from contracts with tenants and other customers.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they either are not relevant to the Company, or they are not expected to have a material effect on the unaudited Condensed Consolidated Financial Statements of the Company.

2. Acquisition of Real Estate

During the three months ended March 31, 2018, the Company did not acquire any real estate assets.

During the three months ended March 31, 2017, the Company acquired the following assets, in separate transactions:

Description[(1)]	Location	Month Acquired	GLA	Aggregate Purchase Price
Outparcel building adjacent to Annex of Arlington	Arlington Heights, IL	Feb-17	5,760	$ 1,006
Outparcel adjacent to Northeast Plaza	Atlanta, GA	Feb-17	N/A	1,537
Arborland Center	Ann Arbor, MI	Mar-17	403,536	102,268
			409,296	$ 104,811

(1) No debt was assumed related to any of the listed acquisitions.

The aggregate purchase price of the properties acquired during the three months ended March 31, 2017 has been allocated as follows:

Assets	Three Months Ended March 31, 2017
Land	$16,130
Buildings	72,543
Building and tenant improvements	8,352
Above-market leases[1]	2,381
In-place leases[1]	8,259
Total assets	107,665
Liabilities	
Below-market leases[1]	2,854
Other liabilities	—
Total liabilities	2,854
Net assets acquired	$104,811

(1) The weighted average amortization period at the time of acquisition for above-market leases, in-place leases and below-market leases related to properties acquired during the three months ended March 31, 2017 was 5.0 years, 6.6 years and 16.9 years, respectively.

During the three months ended March 31, 2018, the Company incurred transaction costs of less than $0.1 million, which were included in Other on the Company's unaudited Condensed Consolidated Statements of Operations. During the three months ended March 31, 2017, the Company incurred transaction costs of $0.3 million, which were capitalized and included in Buildings and tenant improvements on the Company's unaudited Condensed Consolidated Balance Sheets.

3. Dispositions and Assets Held for Sale

During the three months ended March 31, 2018, the Company disposed of six shopping centers and one outparcel for net proceeds of $104.2 million resulting in a gain of $11.4 million and impairment of $0.2 million. The Company had no properties held for sale as of March 31, 2018.

During the three months ended March 31, 2017, the Company disposed of three shopping centers for net proceeds of $34.1 million resulting in a gain of $8.8 million. The Company had no properties held for sale as of March 31, 2017.

There were no discontinued operations for the three months ended March 31, 2018 and 2017 as none of the dispositions represented a strategic shift in the Company's business that would qualify as discontinued operations.

4. Real Estate

The Company’s components of Real estate, net consisted of the following:

	March 31, 2018	December 31, 2017
Land	$1,962,364	$1,984,309
Buildings and improvements:		
Buildings and tenant improvements[1]	8,121,758	8,145,085
Lease intangibles[2]	774,344	792,097
	10,858,466	10,921,491
Accumulated depreciation and amortization[3]	(2,405,579)	(2,361,070)
Total	$8,452,887	$8,560,421

(1) As of March 31, 2018 and December 31, 2017, Buildings and tenant improvements included accrued amounts of $20.3 million and $22.8 million, respectively, related to construction in progress, net of any anticipated insurance proceeds.

(2) As of March 31, 2018 and December 31, 2017, Lease intangibles consisted of $700.0 million and $715.1 million, respectively, of in-place leases and $74.4 million and $77.0 million, respectively, of above-market leases. These intangible assets are amortized over the term of each related lease.

(3) As of March 31, 2018 and December 31, 2017, Accumulated depreciation and amortization included $623.1 million and $629.1 million, respectively, of accumulated amortization related to Lease intangibles.

In addition, as of March 31, 2018 and December 31, 2017, the Company had intangible liabilities relating to below-market leases of $455.8 million and $463.3 million, respectively, and accumulated accretion of $284.3 million and $281.5 million, respectively. These intangible liabilities are included in Accounts payable, accrued expenses and other liabilities in the Company's unaudited Condensed Consolidated Balance Sheets. These intangible assets are accreted over the term of each related lease.

Below-market lease accretion income, net of above-market lease amortization expense for the three months ended March 31, 2018 and 2017 was $6.8 million and $7.8 million, respectively. These amounts are included in Rental income in the Company's unaudited Condensed Consolidated Statements of Operations. Amortization expense associated with in-place lease value for the three months ended March 31, 2018 and 2017 was $9.3 million and $12.1 million, respectively. These amounts are included in Depreciation and amortization in the Company's unaudited Condensed Consolidated Statements of Operations. The Company's estimated below-market lease accretion income, net of above-market lease amortization expense, and in-place lease amortization expense, for the next five years are as follows:

Year ending December 31,	Below-market lease accretion (income), net of above-market lease amortization	In-place lease amortization expense
2018 (remaining nine months)	$ (17,909)	$ 24,663
2019	(20,384)	26,802
2020	(16,624)	19,840
2021	(13,782)	14,295
2022	(11,539)	10,811

5. Impairments

On a periodic basis, management assesses whether there are any indicators, including property operating performance, changes in anticipated holding period and general market conditions, that the value of the Company's real estate assets (including any related intangible assets or liabilities) may be impaired. If management determines that the carrying value of a real estate asset is impaired, a loss is recognized for the excess of its carrying amount over its fair value. The Company recognized the following impairments during the three months ended March 31, 2018:

Three Months Ended March 31, 2018

Property Name(1)	Location	GLA	Impairment Charge
Crossroads Centre(2)	Fairview Heights, IL	242,752	$ 204
Roundtree Place	Ypsilanti, MI	246,620	3,772
Pensacola Square	Pensacola, FL	142,767	1,345
Southland Shopping Plaza	Toledo, OH	285,278	6,942
Skyway Plaza	St. Petersburg, FL	110,799	3,639
		1,028,216	$ 15,902

(1) The Company recognized impairment charges based upon a change in the estimated hold period of these properties in connection with the Company's capital recycling program.

(2) The Company disposed of this property during the three months ended March 31, 2018.

The Company recognized the following impairments during the three months ended March 31, 2017:

Three Months Ended March 31, 2017

Property Name[(1)]	Location	GLA	Impairment Charge
The Plaza at Salmon Run	Watertown, NY	68,761	$ 3,486
Smith's			