RPT Realty
Form 10-K
February 21, 2019
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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 1-10093

RPT REALTY
(Exact Name of Registrant as Specified in its Charter)

Maryland	13-6908486
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
31500 Northwestern Highway, Suite 300 Farmington Hills, Michigan	48334 (Zip Code)
(Address of Principal Executive Offices)	

Registrant's Telephone Number, Including Area Code: 248-350-9900
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest, ($0.01 Par Value Per Share)	New York Stock Exchange
7.25% Series D Cumulative Convertible Perpetual Preferred Shares of Beneficial Interest ($0.01 Par Value Per Share)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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.

Large Accelerated Filer [X]	Accelerated Filer [ ]	Non-Accelerated Filer [ ]	Small Reporting Company [ ]	Emerging Growth Company [ ]

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 29, 2018) was $1,039,336,657. As of February 15, 2019 there were outstanding 80,154,911 Common Shares of Beneficial Interest.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of shareholders to be held in 2019 are incorporated by reference into Part III.

TABLE OF CONTENTS

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as “may,” “will,” “should,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” “predict,” or similar terms. Although the forward-looking statements made in this document are based on our good-faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; the cost and availability of capital, which depends in part on our asset quality and our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a real estate investment trust (“REIT”); and other factors detailed from time to time in our filings with the Securities and Exchange Commission (the “SEC”) and in particular those set forth under "Risk Factors" in this Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

PART I

Item 1. Business

The terms “Company,” “we,” “our,” or “us” refer to RPT Realty, RPT Realty, L.P., and/or its subsidiaries, as the context may require. The content of our website and the websites of third parties noted herein in not incorporated by reference in this Annual Report on Form 10-K.

General

RPT Realty owns and operates a national portfolio of open-air shopping destinations principally located in top U.S. markets. As of December 31, 2018, our property portfolio consisted of 51 shopping centers (including one shopping center owned through a joint venture) representing 12.4 million square feet of gross leasable area. As of December 31, 2018, the Company's aggregate portfolio was 94.3% leased.

The Company's principal executive offices are located at 19 West 44th Street, New York, New York 10036 and its telephone number is (212) 221-1261. The Company’s website is rptrealty.com. As of December 31, 2018, the Company had 95 full-time employees. None of our employees is represented by a collective bargaining unit, and we believe that our relations with our employees are good.

We conduct substantially all of our business through our operating partnership, RPT Realty, L.P. (the “Operating Partnership” or “OP”), a Delaware limited partnership. The Operating Partnership, either directly or indirectly through partnerships or limited liability companies, holds fee title to all owned properties. As the sole general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership. As of December 31, 2018, we owned approximately 97.7% of the Operating Partnership. The interests of the limited partners are reflected as noncontrolling interests in our financial statements and the limited partners are generally individuals or entities that contributed interests in certain assets or entities to the Operating Partnership in exchange for units of limited partnership interest (“OP Units”). The holders of OP units are entitled to exchange them for our common shares on a 1:1 basis or for cash. The form of payment is at our election.

We operate in a manner intended to qualify as a REIT pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the “Code”). Certain of our operations, including property and asset management, as well as ownership of certain land parcels, are conducted through taxable REIT subsidiaries (“TRSs”), which are subject to federal and state income taxes.

Business Strategy

In 2018, the new executive management team set and met several key foundational objectives which included the streamlining of the organizational platform, resetting the company culture, conducting a strategic asset review that resulted in the decision to sell approximately $200 million of non-core assets, cultivating a redevelopment pipeline and changing the name of the Company to RPT Realty. The asset sale proceeds are expected to be re-allocated into the Company’s balance sheet to lower leverage, as well as fund its near-term accretive internal growth initiatives, including the reconfiguration of anchor boxes and the increasing of small shop occupancy.

Our goal is to be a dominant shopping center owner, with a focus on the following:

- Own and manage high quality open-air shopping centers predominantly concentrated in the top U.S. metro areas;
- Maintain value creation redevelopment and expansion pipeline;
- Maximize balance sheet liquidity and flexibility; and
- Retain motivated, talented and high performing employees.

Key methods to achieve our strategy:

- Deliver above average relative shareholder return and generate outsized consistent and sustainable same property NOI and Operating FFO per share growth;
- Pursue selective redevelopment projects with significant pre-leasing for which we expect to achieve attractive returns on investment;
- Sell assets that no longer meet our long-term strategy and redeploy the proceeds to lease, redevelop and acquire assets in our core markets;
- Achieve lower leverage while maintaining low variable interest rate risk; and
- Retain access to diverse sources of capital, maintain liquidity through borrowing capacity under our unsecured line of credit and minimize the amount of debt maturities in a single year.

Our portfolio consists of town center and urban-infill neighborhood and power center properties that include national chain store tenants, market-leading supermarket tenants, as well as a strong lineup of smaller national retailers to optimize the overall merchandise mix. Our centers also include entertainment components, including theaters, fitness centers and restaurants, which, in addition to supermarkets, are daily drivers of consumer traffic at our properties. National chain anchor tenants in our centers include, among others, TJ Maxx/Marshalls, Dick’s Sporting Goods, and ULTA Salon. Supermarket anchor tenants in our centers include, among others, Publix Super Market, Whole Foods, Kroger, Aldi, and Sprouts. Theater, fitness and restaurant tenants include, among others, Regal Cinema, LA Fitness, Starbucks, Panera, and Rusty Bucket. Our shopping centers are primarily located in key growth markets in the 40 largest metropolitan markets in the United States such as Metro Detroit, Cincinnati, Southeast Florida, Milwaukee, St. Louis, Chicago, Tampa/Lakeland, Jacksonville, and Minneapolis-St. Paul.

Operating Strategies and Significant Transactions

Our operating objective is to maximize the risk-adjusted return on invested capital at our shopping centers. We seek to do so by increasing the property operating income of our centers, controlling our capital expenditures, monitoring our tenants' credit risk and taking actions to mitigate our exposure to that tenant credit risk.

During 2018, our consolidated properties reported the following leasing activity:

	Leasing Transactions	Square Footage	Base Rent/SF [1]	Prior Rent/SF [2]	Tenant Improvements/SF [3]	Leasing Commissions/SF
Renewals	173	969,782	$17.80	$16.87	$1.24	$0.16
New Leases - Comparable	22	142,339	$13.24	$9.27	$15.07	$7.48
New Leases - Non-Comparable [4]	93	495,131	$15.59	N/A	$43.51	$6.45
Total	288	1,607,252	$16.72	N/A	$15.48	$2.75

(1) Base rent represents contractual minimum rent under the new lease for the first 12 months of the term.
(2) Prior rent represents minimum rent, if any, paid by the prior tenant in the final 12 months of the term.
(3) Includes tenant improvement cost, tenant allowances, and landlord costs. Excludes first generation space and new leases related to development and redevelopment activity.
(4)

Non-comparable lease transactions include leases for space vacant for greater than 12 months and leases signed where the previous and current lease do not have a consistent lease structure. As a result, there is no comparable prior rent per square foot to compare to the base rent per square foot of the new lease.

Investing Activities and Significant Transactions

2

Our investing objective is to generate an attractive risk-adjusted return on capital invested in acquisitions, developments, and redevelopments. In addition we seek to sell land or shopping centers that we deem to be fully valued or that no longer meet our investment criteria. We underwrite acquisitions based upon current cash flow, projections of future cash flow and scenario analyses that take into account the risks and opportunities of ownership. We underwrite development of new shopping centers on the same basis, but also take into account the unique risks of entitling land, constructing buildings and leasing newly built space.

In January 2018, we acquired a 60,000 square foot leasehold interest in West Oaks, a shopping center in Novi, Michigan for $6.4 million. In addition, we sold six shopping centers and three land outparcels for gross proceeds of $125.1 million. Refer to Note 4 for additional information related to acquisitions and dispositions.

Financing Strategies and Significant Transactions

Our financing objective is to maintain a strong and flexible balance sheet to ensure access to capital at a competitive cost. In general, we seek to increase our financial flexibility by increasing our pool of unencumbered properties and borrowing on an unsecured basis. In keeping with our objective, we routinely benchmark our balance sheet on a variety of measures to our peers in the shopping center sector and REITs in general.

Specifically, we completed the following financing transactions:

Debt

During 2018, our outstanding debt balance decreased by approximately $36.1 million, primarily through repayments on our revolving credit facility with the net proceeds received from disposed properties during the year. Refer to Note 8 for additional information related to our debt.

At December 31, 2018 and 2017 we had $349.8 million and $318.7 million, respectively, available to draw under our unsecured revolving line of credit, subject to compliance with applicable covenants.

Equity

In June 2016, we terminated our previous controlled equity offering arrangement and commenced a new distribution agreement that registered up to 8.0 million common shares for issuance from time to time, in our sole discretion. For the year ended December 31, 2018, we did not issue any common shares through either arrangement. The shares issuable in the new distribution agreement are registered with the Securities and Exchange Commission ("SEC") on our registration statement on Form S-3 (No. 333-211925).

Sustainability

We continue to advance our commitment to sustainability, with a focus on achieving goals in each of the Environmental, Social and Governance (“ESG”) areas of sustainability. We believe that sustainability initiatives are a vital part of supporting our primary goal to maximize value for our shareholders.

Our commitment to ESG principles starts with our employees. We are establishing a culture that intentionally attracts and retains talented employees to work in an engaging and energetic team environment that shares a passion for innovation, transparency and excellence. Our employees are awarded competitive compensation packages, including healthcare benefits for employees and their families, participation in a 401(k) plan, paid time-off benefits and employee referral bonuses. In addition, we have recently adopted “RPT Remote”, a flexible work initiative that allows employees the ability to telecommute one day per week. We are focused on creating healthy workspaces and promote health and wellness for our employees and their families. In 2018, we were recognized for winning Michigan’s Best and Brightest in Wellness for the fifth year in a row. The Best and Brightest in Wellness awards program honors organizations that are making their workplaces, their employees and the community a healthier place to live and work. We are also devoted to philanthropy initiatives and partner with organizations that are committed to improving the overall quality of life in our communities. Each month, we support a local community organization through charitable giving or volunteerism.

In 2019, we intend to establish an environmental stewardship policy aimed at providing the necessary framework to commence comprehensive sustainability initiatives that meet our objectives of safeguarding the environment, while improving the energy efficiency of our portfolio and corporate office locations and lowering operating costs. We intend to establish measurable goals to reduce energy consumption, water usage and waste reduction across our portfolio and will report on actual performance in our environmental disclosures. Our New York City office is already a Leadership in Energy and Environmental Design ("LEED") certified location. LEED is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance metrics that matter most: energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts. We are committed to transparency with regard to our sustainability performance and will strive to enhance our disclosure using industry accepted measures.

Competition

See page 5 of Item 1A. “Risk Factors” for a description of competitive conditions in our business.

Environmental Matters

See page 11 of Item 1A. "Risk Factors" for a description of environmental risks for our business.

Available Information

All reports we electronically file with, or furnish to, the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports, are available, free of charge, on our website at rptrealty.com, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC. These filings are also available at the SEC's website at www.sec.gov. Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Board of Trustees’ committee charters also are available on our website.

Item 1A. Risk Factors

You should carefully consider each of the risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K, as well as any amendments or updates reflected in subsequent filings with the SEC. We believe these risks and uncertainties, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results and could materially and adversely affect our business operations, results of operations and financial condition. Further, additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our results and business operations.

Operating Risks

A shift in retail shopping from brick and mortar stores to online shopping may have an adverse impact on our cash flow, financial condition and results of operations.

In recent periods, sales by online retailers such as Amazon have increased, and many retailers operating brick and mortar stores have made online sales a vital piece of their businesses. Although many of the retailers operating in our properties sell groceries and other necessity-based soft goods or provide services, including entertainment and dining options, the shift to online shopping may cause declines in brick and mortar sales generated by certain of our tenants and/or may cause certain of our tenants to reduce the size or number of their retail locations in the future. As a result, our cash flow, financial condition and results of operations could be adversely affected.

National economic conditions and retail sales trends may adversely affect the performance of our properties.

Demand to lease space in our shopping centers generally fluctuates with the overall economy. Economic downturns often result in a lower rate of retail sales growth, or even declines in retail sales. In response, retailers that lease space in shopping centers typically reduce their demand for retail space during such downturns. As a result, economic downturns and unfavorable retail sales trends may diminish the income, cash flow, and value of our properties.

Our concentration of properties in Florida and Michigan makes us more susceptible to adverse market conditions in these states.

Our performance depends on the economic conditions in the markets in which we operate. As of December 31, 2018 and 2017, our wholly-owned properties located in Florida and Michigan accounted for approximately 23% and 19%, and 21% and 20%, respectively, of our annualized base rent. To the extent that market conditions in these or other states in which we operate deteriorate, the performance or value of our properties may be adversely affected.

Increasing sales through non-retail channels and changes in the supply and demand for the type of space we lease to our tenants could affect the income, cash flow and value of our properties.

Our tenants compete with alternate forms of retailing, including on-line shopping, home shopping networks and mail order catalogs. Alternate forms of retailing may reduce the demand for space in our shopping centers. Our shopping centers generally compete for tenants with similar properties located in the same neighborhood, community or region. Although we believe we own high quality centers, competing centers may be newer, better located or have a better tenant mix. In addition, new centers or retail stores may be developed, increasing the supply of retail space competing with our centers or taking retail sales from our tenants.

As a result, we may not be able to renew leases or attract replacement tenants as leases expire. When we do renew tenants or attract replacement tenants, the terms of renewals or new leases may be less favorable to us than current lease terms. In order to lease our vacancies, we often incur costs to reconfigure or modernize our properties to suit the needs of a particular tenant. Under competitive circumstances, such costs may exceed our budgets. If we are unable to lease vacant space promptly, if the rental rates upon a renewal or new lease are lower than expected, or if the costs incurred to lease space exceed our expectations, then the income and cash flow of our properties will decrease.

Our reliance on key tenants for significant portions of our revenues exposes us to increased risk of tenant bankruptcies that could adversely affect our income and cash flow.

As of December 31, 2018, we received 40.6% of our combined annualized base rents from our top 25 tenants, including our top five tenants: TJX Companies (4.8%), Dick's Sporting Goods (3.4%), Regal Cinemas (2.8%), Bed Bath & Beyond (2.8%) and LA Fitness (2.7%). No other tenant represented more than 2.0% of our total annualized base rent. The credit risk posed by our major tenants varies.

If any of our major tenants experiences financial difficulties or files for bankruptcy protection, our operating results could be adversely affected. Bankruptcy filings by our tenants or lease guarantors generally delay our efforts to collect pre-bankruptcy receivables and could ultimately preclude full collection of these sums. If a tenant rejects a lease, we would have only a general unsecured claim for damages, which may be collectible only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims.
Our properties generally rely on anchor tenants (tenants greater than or equal to 10,000 square feet) to attract customers. The loss of anchor tenants may adversely impact the performance of our properties.

If any of our anchor tenants becomes insolvent, suffers a downturn in business, abandons occupancy or decides not to renew its lease, such event could adversely impact the performance of the affected center. An abandonment or lease termination by an anchor tenant may give other tenants in the same shopping center the right to terminate their leases or pay less rent pursuant to the terms of their leases. Our leases with anchor tenants may, in certain circumstances, permit them to transfer their leases to other retailers. The transfer to a new anchor tenant could result in lower customer traffic to the center, which would affect our other tenants. In addition, a transfer of a lease to a new anchor tenant could give other tenants the right to make reduced rental payments or to terminate their leases.

We may be restricted from leasing vacant space based on existing exclusivity lease provisions with some of our tenants.

In a number of cases, our leases give a tenant the exclusive right to sell clearly identified types of merchandise or provide specific types of services at a particular shopping center. In other cases, leases with a tenant may limit the ability of other tenants to sell similar merchandise or provide similar services to that tenant. When leasing a vacant space, these restrictions may limit the number and types of prospective tenants suitable for that space. If we are unable to lease space on satisfactory terms, our operating results would be adversely impacted.

Increases in operating expenses could adversely affect our operating results.

Our operating expenses include, among other items, property taxes, insurance, utilities, repairs and the maintenance of the common areas of our shopping centers. We may experience increases in our operating expenses, some or all of which may be out of our control. Most of our leases require that tenants pay for a share of property taxes, insurance and common area maintenance costs. However, if any property is not fully occupied or if recovery income from tenants is not sufficient to cover operating expenses, then we could be required to expend our own funds for operating expenses. In addition, we may be unable to renew leases or negotiate new leases with terms requiring our tenants to pay all the property tax, insurance and common area maintenance costs that tenants currently pay, which would adversely affect our operating results.

Our real estate assets may be subject to additional impairment provisions based on market and economic conditions.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties and other investments may be impaired. Under generally accepted accounting principles ("GAAP") a property's value is impaired only if the estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. In our estimate of cash flows, we consider factors such as expected future operating income, trends and prospects, the effects of demand, competition and other factors. We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments.

No assurance can be given that we will be able to recover the current carrying amount of all of our properties and those of our unconsolidated joint ventures. There can be no assurance that we will not take charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken. We recorded an impairment provision of $13.7 million in 2018 related to our real estate properties. Refer to Note 1 Organization and Summary of Significant Accounting Policies - Accounting for the Impairment of Long-Lived Assets of the notes to the consolidated financial statements for further information related to impairment provisions.

Our redevelopment projects may not yield anticipated returns, which would adversely affect our operating results.

Our redevelopment activities generally call for a capital commitment and project scope greater than that required to lease vacant space. To the extent a significant amount of construction is required, we are susceptible to risks such as permitting, cost overruns and timing delays as a result of the lack of availability of materials and labor, the failure of tenants to commit or fulfill their commitments, weather conditions and other factors outside of our control. Any substantial unanticipated delays or expenses would adversely affect the investment returns from these redevelopment projects and adversely impact our operating results.

Current or future joint venture investments could be adversely affected by our lack of sole decision-making authority.

As of December 31, 2018, we were a party to three joint venture agreements pursuant to which one property was owned by one of the joint ventures, and we expect that we may enter into additional joint venture arrangements in the future. Our existing joint ventures are subject to various risks, and any additional joint venture arrangements in which we may engage in the future are likely to be subject to various risks, including the following:

- lack of exclusive control over the joint venture, which may prevent us from taking actions that are in our best interest;
- future capital constraints of our partners or failure of our partners to fund their share of required capital contributions, which may require us to contribute more capital than we anticipated to fund developments and/or cover the joint venture's liabilities;
- actions by our partners that could jeopardize our REIT status, require us to pay taxes or subject the properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture agreements;
- disputes between us and our partners that may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business;
- changes in economic and market conditions for any adjacent non-retail use that may adversely impact the cash flow of our retail property;
- joint venture agreements that may require prior consent of our joint venture partners for a sale or transfer to a third party of our interest in the joint venture, which would restrict our ability to dispose of our interest in such a joint venture; and
- joint venture agreements that may contain buy-sell provisions pursuant to which one partner may initiate procedures requiring us to buy the other partner's interest.

If any of the foregoing were to occur, our cash flow, financial condition and results of operations could be adversely affected.

If we suffer losses that are uninsured or in excess of our insurance coverage limits, we could lose invested capital and anticipated profits.

Catastrophic losses, such as losses resulting from wars, acts of terrorism, earthquakes, floods, hurricanes and tornadoes or other natural disasters, and pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. Although we currently maintain “all risk” replacement cost insurance for our buildings, rents and personal property, commercial general liability insurance and pollution and environmental liability insurance, our insurance coverage may be inadequate if any of the events described above occurs to, or causes the destruction of, one or more of our properties. Under that scenario, we could lose both our invested capital and anticipated profits from that property.

Investing Risks

We face competition for the acquisition and development of real estate properties, which may impede our ability to grow our operations or may increase the cost of these activities.

We compete with many other entities for the acquisition of shopping centers and land suitable for new developments, including other REITs, private institutional investors and other owner-operators of shopping centers. In particular, larger REITs may enjoy competitive advantages that result from, among other things, a lower cost of capital. These competitors may increase the market prices we would have to pay in order to acquire properties. If we are unable to acquire properties that meet our criteria at prices we deem reasonable, our ability to grow will be adversely affected.

Commercial real estate investments are relatively illiquid, which could hamper our ability to dispose of properties that no longer meet our investment criteria or respond to adverse changes in the performance of our properties.

Our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited because real estate investments are relatively illiquid. The real estate market is affected by many factors, such as general economic conditions, supply and demand, availability of financing, interest rates and other factors that are beyond our control. We cannot be certain that we will be able to sell any property for the price and other terms we seek, or that any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot estimate with certainty the length of time needed to find a willing purchaser and to complete the sale of a property. We may be required to expend funds to correct defects or to make improvements before a property can be sold. Factors that impede our ability to dispose of properties could adversely affect our financial condition and operating results.

We are seeking to develop new properties, an activity that has inherent risks that could adversely impact our cash flow, financial condition and results of operations. These activities are subject to the following risks:

- We may not be able to complete construction on schedule due to labor disruptions, construction delays, and delays or failure to receive zoning or other regulatory approvals;
- We may abandon our development, redevelopment and expansion opportunities after expending resources to determine feasibility and we may incur an impairment loss on our investment;
- Construction and other project costs may exceed our original estimates because of increases in material and labor costs, interest rates, operating costs, and leasing costs;
- We may not be able to obtain financing on favorable terms for construction;
- We might not be able to secure key anchor or other tenants;
- We may experience a decrease in customer traffic during the redevelopment period causing a decrease in tenant sales;
- Occupancy rates and rents at a completed project may not meet our projections; and
- The time frame required for development, constructions and lease-up of these properties means that we may have to wait years for a significant cash return.

If any of these events occur, our development activities may have an adverse effect on our results of operations, including additional impairment provisions. For a detailed discussion of development projects, refer to Notes 3 and 5 of the notes to the consolidated financial statements.

Financing Risks

Increases in interest rates may affect the cost of our variable-rate borrowings, our ability to refinance maturing debt and the cost of any such refinancings.

As of December 31, 2018, we had seven interest rate swap agreements in effect for an aggregate notional amount of $210.0 million converting our floating rate corporate debt to fixed rate debt. After accounting for these interest rate swap agreements, we had $28.1 million of variable rate debt outstanding at December 31, 2018. Increases in interest rates on our existing indebtedness would increase our interest expense, which would adversely affect our cash flow and our ability to distribute cash to our shareholders. For example, if market rates of interest on our variable rate debt outstanding as of December 31, 2018 increased by 1.0%, the increase in interest expense on our existing variable rate debt would decrease future earnings and cash flows by approximately $0.3 million annually. Interest rate increases could also constrain our ability to refinance maturing debt because lenders may reduce their advance rates in order to maintain debt service coverage ratios.

Our debt must be refinanced upon maturity, which makes us reliant on the capital markets on an ongoing basis.

We are not structured in a manner to generate and retain sufficient cash flow from operations to repay our debt at maturity. Instead, we expect to refinance our debt by raising equity, debt or other capital prior to the time that it matures. As of December 31, 2018, we had $964.1 million of outstanding indebtedness, net of deferred financing costs, including $1.0 million of capital lease obligations. The availability, price and duration of capital can vary significantly. If we seek to refinance maturing debt when capital market conditions are restrictive, we may find capital scarce, costly or unavailable. Refinancing debt at a higher cost would affect our operating results and cash available for distribution. The failure to refinance our debt at maturity would result in default and the exercise by our lenders of the remedies available to them, including foreclosure and, in the case of recourse debt, liability for unpaid amounts.

We could increase our outstanding debt.

Our management and Board of Trustees ("Board") generally have discretion to increase the amount of our outstanding debt at any time. Subject to existing financial covenants, we could become more highly leveraged, resulting in an increase in debt service

8

costs that could adversely affect our cash flow and the amount available for distribution to our shareholders. If we increase our debt, we may also increase the risk of default on our debt.

Our mortgage debt exposes us to the risk of loss of property, which could adversely affect our financial condition.

As of December 31, 2018, we had $118.0 million of mortgage debt, net of unamortized premiums and deferred financing costs, encumbering our properties. A default on any of our mortgage debt may result in foreclosure actions by lenders and ultimately our loss of the mortgaged property. We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan. For federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure but would not receive any cash proceeds.

Financial covenants may restrict our operating, investing or financing activities, which may adversely impact our financial condition and operating results.

The financial covenants contained in our mortgages and debt agreements reduce our flexibility in conducting our operations and create a risk of default on our debt if we cannot continue to satisfy them. The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. In addition, if we breach covenants in our debt agreements, the lender can declare a default and require us to repay the debt immediately and, if the debt is secured, can ultimately take possession of the property securing the loan.

Our outstanding line of credit contains customary restrictions, requirements and other limitations on our ability to incur indebtedness, including limitations on the maximum ratio of total liabilities to assets, the minimum fixed charge coverage and the minimum tangible net worth. Our ability to borrow under our line of credit is subject to compliance with these financial and other covenants. We rely on our ability to borrow under our line of credit to finance acquisition, development and redevelopment activities and for working capital. If we are unable to borrow under our line of credit, our financial condition and results of operations would be adversely impacted.

We must distribute a substantial portion of our income annually in order to maintain our REIT status, and as a result we may not retain sufficient cash from operations to fund our investing needs.

As a REIT, we are subject to annual distribution requirements under the Code. In general, we must distribute at least 90% of our REIT taxable income annually, excluding net capital gains, to our shareholders to maintain our REIT status. We intend to make distributions to our shareholders to comply with the requirements of the Code.

Differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement. In addition, the distribution requirement reduces the amount of cash we retain for use in funding our capital requirements and our growth. As a result, we have historically funded our acquisition, development and redevelopment activities by any of the following: selling assets that no longer meet our investment criteria; selling common shares and preferred shares; borrowing from financial institutions; and entering into joint venture transactions with third parties. Our failure to obtain funds from these sources could limit our ability to grow, which could have a material adverse effect on the value of our securities.

There may be future dilution to holders of our common shares.

Our Declaration of Trust authorizes our Board to, among other things, issue additional common or preferred shares, or securities convertible or exchangeable into equity securities, without shareholder approval. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional common or preferred shares or convertible securities could be dilutive to holders of our common shares. Moreover, to the extent that we issue restricted shares, options or warrants to purchase our common shares in the future and those options or warrants are exercised or the restricted shares vest, our shareholders will experience further dilution. Holders of our common shares have no preemptive rights that entitle them to purchase a pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders.

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common shares as to distributions and in liquidation, which could negatively affect the value of our common shares.

There were 354,029 shares of unvested restricted common shares outstanding at December 31, 2018.

Corporate Risks

The price of our common shares may fluctuate significantly.

The market price of our common shares fluctuates based upon numerous factors, many of which are outside of our control. A decline in our share price, whether related to our operating results or not, may constrain our ability to raise equity in pursuit of our business objectives. In addition, a decline in price may affect the perceptions of lenders, tenants or others with whom we transact. Such parties may withdraw from doing business with us as a result. An inability to raise capital at a suitable cost or at any cost, or to do business with certain tenants or other parties, would affect our operations and financial condition.

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our shareholders.

We intend to operate in a manner so as to qualify as a REIT for federal income tax purposes. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, investment, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset requirements depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals. In addition, our compliance with the REIT income and asset requirements depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the Internal Revenue Service ("IRS") will not contend that our interests in subsidiaries or other issuers constitute a violation of the REIT requirements. Moreover, future economic, market, legal, tax or other considerations may cause us to fail to qualify as a REIT.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates and distributions to shareholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of and trading prices for, our common shares. Unless entitled to relief under certain Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

Even as a REIT, we may be subject to various federal income and excise taxes, as well as state and local taxes.

Even as a REIT, we may be subject to federal income and excise taxes in various situations, such as if we fail to distribute all of our REIT taxable income. We also will be required to pay a 100% tax on non-arm's length transactions between us and our TRSs and on any net income from sales of property that the IRS successfully asserts was property held for sale to customers in the ordinary course of business. Additionally, we may be subject to state or local taxation in various state or local jurisdictions, including those in which we transact business. The state and local tax laws may not conform to the federal income tax treatment. Any taxes imposed on us would reduce our operating cash flow and net income.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the United States Treasury Department. Changes to tax laws, which may have retroactive application, could adversely affect our shareholders or us. We cannot predict how changes in tax laws might affect our shareholders or us.

We are party to litigation in the ordinary course of business, and an unfavorable court ruling could have a negative effect on us.

We are the defendant in a number of claims brought by various parties against us. Although we intend to exercise due care and consideration in all aspects of our business, it is possible additional claims could be made against us. We maintain insurance coverage including general liability coverage to help protect us in the event a claim is awarded; however, some claims may be uninsured. In the event that claims against us are successful and uninsured or underinsured, or we elect to settle claims that we determine are in our interest to settle, our operating results and cash flow could be adversely impacted. In addition, an increase in claims and/or payments could result in higher insurance premiums, which could also adversely affect our operating results and cash flow.

We are subject to various environmental laws and regulations which govern our operations and which may result in potential liability.

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances disposed, stored, released, generated, manufactured or discharged from, on, at, onto, under or in such property. Environmental laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substance. The presence of such substances, or the failure to properly remediate such substances when present, released or discharged, may adversely affect the owner’s ability to sell or rent such property or to borrow using such property as collateral. The cost of any required remediation and the liability of the owner or operator therefore as to any property is generally not limited under such environmental laws and could exceed the value of the property and/or the aggregate assets of the owner or operator. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the cost of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such persons. In addition to any action required by federal, state or local authorities, the presence or release of hazardous or toxic substances on or from any property could result in private plaintiffs bringing claims for personal injury or other causes of action.

In connection with ownership (direct or indirect), operation, management and development of real properties, we have the potential to be liable for remediation, releases or injury. In addition, environmental laws impose on owners or operators the requirement of ongoing compliance with rules and regulations regarding business-related activities that may affect the environment. Such activities include, for example, the ownership or use of transformers or underground tanks, the treatment or discharge of waste waters or other materials, the removal or abatement of asbestos-containing materials (“ACMs”) or lead-containing paint during renovations or otherwise, or notification to various parties concerning the potential presence of regulated matters, including ACMs. Failure to comply with such requirements could result in difficulty in the lease or sale of any affected property and/or the imposition of monetary penalties, fines or other sanctions in addition to the costs required to attain compliance. Several of our properties have or may contain ACMs or underground storage tanks; however, we are not aware of any potential environmental liability which could reasonably be expected to have a material impact on our financial position or results of operations. No assurance can be given that future laws, ordinances or regulations will not impose any material environmental requirement or liability, or that a material adverse environmental condition does not otherwise exist.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our senior management team to manage our day-to-day operations and strategic business direction. While we have retention and severance agreements with certain members of our executive management team that provide for certain payments in the event of a change of control or termination without cause, we do not have employment agreements with all of the members of our executive management team. Therefore, we cannot guarantee their continued service. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

Our business and operations would suffer in the event of system failures, security breaches, cyber security intrusions, cyber-attacks or other disruptions of our information technology systems.

We rely extensively upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage and support a variety of business processes and activities. Although we employ a number of security measures to prevent, detect and mitigate these risks, including a disaster recovery plan for our internal information technology systems, a dedicated IT team, employee training and background checks and password protection, along with purchasing cyber liability insurance coverage, there can be no assurance that these measures will be effective and our systems, networks and services remain vulnerable to damages from any number of sources, including system failures due to energy blackouts, natural disasters, terrorism, war or telecommunication failures, security breaches, cyber intrusions and cyber security attacks, such as computer viruses, malware or e-mail attachments or any unauthorized access to our data and/or computer systems. In recent years, there has been an increased number of significant cyber security attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. A system failure, security breach, cyber intrusion, cyber-attack or other disruption of our information technology systems may cause interruptions in our operations and other negative consequences, which may include but are not limited to the following, any of which could have a material adverse effect on our cash flow, financial condition and results of operations:

- Compromising of confidential information;
- Manipulation and destruction of data;

- System downtimes and operational disruptions;
- Remediation cost that may include liability for stolen assets or information, expenses related to repairing system damage, costs associated with damage to business relationships or due to legal requirements imposed;
- Loss of revenues resulting from unauthorized use of proprietary information;
- Cost to deploy additional protection strategies, training employees and engaging third party experts and consultants;
- Reputational damage adversely affecting investor confidence;
- Damage to tenant relationships;
- Violation of applicable privacy and other laws;
- Litigation; and
- Loss of trade secrets.

Restrictions on the ownership of our common shares are in place to preserve our REIT status.

Our Declaration of Trust restricts ownership by any one shareholder to no more than 9.8% of our outstanding common shares, subject to certain exceptions granted by our Board. The ownership limit is intended to ensure that we maintain our REIT status given that the Code imposes certain limitations on the ownership of the stock of a REIT. Not more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or indirectly by five or fewer individuals (as defined in the Code) during the last half of any taxable year. If an individual or entity were found to own constructively more than 9.8% in value of our outstanding shares, then any excess shares would be transferred by operation of our Declaration of Trust to a charitable trust, which would sell such shares for the benefit of the shareholder in accordance with procedures specified in our Declaration of Trust.

The ownership limit may discourage a change in control, may discourage tender offers for our common shares and may limit the opportunities for our shareholders to receive a premium for their shares. Upon due consideration, our Board previously has granted limited exceptions to this restriction for certain shareholders who requested an increase in their ownership limit. However, the Board has no obligation to grant such limited exceptions in the future.

Certain anti-takeover provisions of our Declaration of Trust and Bylaws may inhibit a change of our control.

Certain provisions contained in our Declaration of Trust and Bylaws and the Maryland General Corporation Law, as applicable to Maryland REITs, may discourage a third party from making a tender offer or acquisition proposal to us. These provisions and actions may delay, deter or prevent a change in control or the removal of existing management. These provisions and actions also may delay or prevent the shareholders from receiving a premium for their common shares of beneficial interest over then-prevailing market prices.

These provisions and actions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares of beneficial interest with powers, preferences or rights to be determined by our Board;
- special meetings of our shareholders may be called only by the chairman of our Board, the president, one-third of the Trustees, or the secretary upon the written request of the holders of shares entitled to cast not less than a majority of all the votes entitled to be cast at such meeting;
- a two-thirds shareholder vote is required to approve some amendments to our Declaration of Trust;
- our Bylaws contain advance-notice requirements for proposals to be presented at shareholder meetings; and
- our Board, without the approval of our shareholders, may from time to time (i) amend our Declaration of Trust to increase or decrease the aggregate number of shares of beneficial interest, or the number of shares of beneficial interest of any class, that we have authority to issue, and (ii) reclassify any unissued shares of beneficial interest into one or more classes or series of shares of beneficial interest.

12

In addition, the Trust, by Board action, may elect to be subject to certain provisions of the Maryland General Corporation Law that inhibit takeovers such as the provision that permits the Board by way of resolution to classify itself, notwithstanding any provision our Declaration of Trust or Bylaws.

Changes in accounting standards may adversely impact our financial results.

The Financial Accounting Standards Board, in conjunction with the SEC, has several projects on its agenda, as well as recently issued updates that could impact how we currently account for material transactions, including lease accounting. At this time, we are unable to predict with certainty which, if any, proposals may be passed or what level of impact that new standards may have on the presentation of our consolidated financial statements, results of operations and financial ratios required by our debt covenants. Refer to Note 2 Recently Issued Accounting Pronouncements of the notes to the consolidated financial statements for further information related to the impact of the new leasing standard (ASC Topic 842).

U.S. federal tax reform legislation could affect REITs generally, the geographic markets in which we operate, our stock and our results of operations, both positively and negatively in ways that are difficult to anticipate.

Changes to the federal income tax laws are proposed regularly. Additionally, the REIT rules are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Department of the Treasury, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain such changes could have an adverse impact on our business and financial results. In particular, H.R. 1, which generally took effect for taxable years that began on or after January 1, 2018 (subject to certain exceptions), made many significant changes to the federal income tax laws that profoundly impacted the taxation of individuals, corporations (both regular C corporations as well as corporations that have elected to be taxed as REITs), and the taxation of taxpayers with overseas assets and operations. A number of changes that affect non-corporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. These changes will impact us and our shareholders in various ways, some of which are adverse or potentially adverse compared to prior law. To date, the IRS has issued some guidance with respect to certain of the new provisions but there are numerous interpretive issues that still require further guidance. It is highly likely that technical corrections legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or further changes needed to prevent unintended or unforeseen tax consequences will be enacted by Congress in the near future. In addition, while certain elements of tax reform legislation do not impact us directly as a REIT, they could impact the geographic markets in which we operate, the tenants that populate our shopping centers and the customers who frequent our properties in ways, both positive and negative, that are difficult to anticipate. Other legislative proposals could be enacted in the future that could affect REITs and their shareholders. Prospective investors are urged to consult their tax advisors regarding the effect of H.R. 1 and any other potential tax law changes on an investment in our common stock.

We may have to borrow funds or sell assets to meet our distribution requirements.

Subject to some adjustments that are unique to REITs, a REIT generally must distribute 90% of its taxable income. For the purpose of determining taxable income, we may be required to accrue interest, rent and other items treated as earned for tax purposes but that we have not yet received. In addition, we may be required not to accrue as expenses for tax purposes some that which actually have been paid, including, for example, payments of principal on our debt, or some of our deductions might be disallowed by the Internal Revenue Service. As a result, we could have taxable income in excess of cash available for distribution. If this occurs, we may have to borrow funds or liquidate some of our assets in order to meet the distribution requirement applicable to a REIT.

Liquidation of our assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any gain if we sell assets in transactions that are considered to be “prohibited transactions,” which are explained in the risk factor “Even as a REIT, we may be subject to various federal income and excise taxes, as well as state and local taxes”. Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations. The maximum federal income tax rate applicable to “qualified dividend income” payable by non-REIT corporations to certain non-corporate U.S. stockholders is generally 20%, and a 3.8% Medicare tax may also apply. Dividends paid by REITs, however, generally are not eligible for the reduced rates applicable to qualified dividend income. Commencing with taxable years beginning on or after January 1, 2018 and continuing through 2025, H.R. 1 temporarily reduces the effective tax rate on ordinary REIT dividends (i.e., dividends other than capital gain dividends and dividends attributable to certain qualified dividend income received by us) for U.S. holders of our common stock that are individuals, estates or trusts by permitting such holders to claim a deduction in determining their taxable income equal to 20% of any such dividends they receive. Taking into account H.R. 1's reduction in the maximum individual federal income tax rate from 39.6% to 37%, this results in a maximum effective rate of regular income tax on ordinary REIT dividends of 29.6% through 2025 (as compared to the 20% maximum federal income tax rate applicable to qualified dividend income received from a non-REIT corporation). The more favorable rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay distributions. This could materially and adversely affect the value of the stock of REITs, including our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

As of December 31, 2018, we owned and managed a portfolio of 51 shopping centers with approximately 12.4 million square feet ("SF") of GLA. Our wholly-owned properties consist of 50 shopping centers comprising approximately 12.3 million square feet.

Property Name	Location City	State	Ownership %	Year Built / Acquired / Redeveloped	Total GLA	% Leased		Average base rent per leased SF (1)	Anchor Tenants (2)
Atlanta [MSA Rank 9]									
Holcomb Center	Alpharetta	GA	100%	1986/1996/2010	106,143	89.6	%	$ 12.81	Aspire Fitness, Studio Movie Grill
Peachtree Hill	Duluth	GA	100%	1986/2015/NA	154,700	99.3	%	14.02	Kroger, LA Fitness
Promenade at Pleasant Hill	Duluth	GA	100%	1993/2004/NA	265,398	96.4	%	10.26	K1 Speed, LA Fitness, Publix
Baltimore [MSA Rank 21]									
Crofton Centre	Crofton	MD	100%	1974/2015/NA	252,230	94.7	%	9.70	At Home, Gold's Gym, Shoppers Food Warehouse,
Chicago [MSA Rank 3]									
Deer Grove Centre	Palatine	IL	100%	1997/2013/2013	237,644	87.0	%	10.42	Aldi, Hobby Lobby, Ross Dress for Less, T.J. Maxx, (Target)
Market Plaza	Glen Ellyn	IL	100%	1965/2015/2009	166,572	94.7	%	16.24	Jewel-Osco, Ross Dress for Less
Mount Prospect Plaza	Mount Prospect	IL	100%	1958/2012/2013	227,785	76.8	%	14.52	Aldi, LA Fitness, Marshalls, Ross Dress for Less, (Walgreens)
Webster Place	Lincoln Park	IL	100%	1987/2017/NA	134,918	95.0	%	25.25	Barnes & Noble, Regal Cinema
Cincinnati [MSA Rank 28]									
Bridgewater Falls	Hamilton	OH	100%	2005/2014/NA	503,340	93.3	%	14.65	Bed Bath & Beyond, Best Buy, Dick's Sporting Goods, Five Below, J.C. Penney, Michaels, PetSmart, T.J. Maxx, (Target)
Buttermilk Towne Center	Crescent Springs	KY	100%	2005/2014/NA	290,033	100.0	%	10.19	Field & Stream, Home Depot, LA Fitness, Petco, Remke Market
Deerfield Towne Center	Mason	OH	100%	2004/2013/2018	469,583	89.0	%	20.69	Ashley Furniture HomeStore, Bed Bath & Beyond, buybuy Baby, Crunch Fitness Dick's

									Sporting Goods, Five Below, Regal Cinemas, Whole Foods Market
Columbus [MSA Rank 33]									
Olentangy Plaza	Columbus	OH	100%	1981/2015/1997	252,739	90.4	%	12.27	Aveda Institute Columbus, Eurolife Furniture, Marshalls, Micro Center, Tuesday Morning
The Shops on Lane Avenue	Upper Arlington	OH	100%	1952/2015/2004	183,381	98.2	%	23.59	Bed Bath & Beyond, CoHatch(4), Whole Foods Market
Denver [MSA Rank 19]									
Front Range Village	Fort Collins	CO	100%	2008/2014/NA	502,103	89.5	%	21.30	2nd and Charles, Charming Charlie, Cost Plus World Market, DSW, Microsoft Corporation, Party City, Sprouts Farmers Market, Staples, TruFut Athletic Club, Ulta Beauty, Urban Air Adventure Park(3), (Fort Collins Library), (Lowes), (Target)

15

Property Name	Location City	State	Ownership %	Year Built /Acquired / Redeveloped	Total GLA	% Leased		Average base rent per leased SF (1)	Anchor Tenants (2)
Detroit [MSA Rank 14]									
Clinton Pointe	Clinton Township	MI	100%	1992/2003/NA	135,450	97.6	%	9.92	Gibralter Rug, OfficeMax, T.J. Maxx, (Target)
Hunter's Square	Farmington Hills	MI	100%	1988/2013/NA	352,772	98.2	%	17.04	Bed Bath & Beyond, buybuy Baby, DSW Shoe Warehouse , Old Navy, Marshalls, Saks Fifth Avenue Off 5th, T.J. Maxx
Southfield Plaza	Southfield	MI	100%	1969/1996/2003	190,099	99.1	%	9.00	Big Lots, Burlington Coat Factory, Forman Mills
Tel-Twelve	Southfield	MI	100%	1968/1996/2005	523,392	100.0	%	11.94	Best Buy, DSW Shoe Warehouse, Lowe's, Meijer, Michaels, Office Depot, PetSmart
The Shops at Old Orchard	West Bloomfield	MI	100%	1972/2013/2011	96,768	98.2	%	18.34	Plum Market
Troy Marketplace	Troy	MI	100%	2000/2013/2010	240,608	100.0	%	19.94	Airtime, Golf Galaxy, LA Fitness, Nordstrom Rack, PetSmart, (REI)
West Oaks I Shopping Center	Novi	MI	100%	1979/1996/2004	284,973	91.0	%	17.28	Gardner White Furniture, Home Goods, Michaels, Nordstrom Rack, Old Navy, Rally House, The Container Store
West Oaks II Shopping Center	Novi	MI	100%	1986/1996/2000	167,954	97.8	%	18.22	Jo-Ann, Marshalls, (Art Van), (ABC Warehouse), (Bed Bath & Beyond), (Kohl's), (Value City Furniture)
Winchester Center	Rochester Hills	MI	100%	1980/2013/NA	320,134	100.0	%	12.36	Bed Bath & Beyond, Dick's Sporting Goods, Marshalls, Michaels, Party City, PetSmart, Stein Mart

Indianapolis [MSA Rank 34]								
Merchants' Square	Carmel	IN	100%	1970/2010/2014	246,630	86.0	% 13.53	Flix Brewhouse, Planet Fitness
Jacksonville [MSA Rank 40]								
Parkway Shops	Jacksonville	FL	100%	2013/2008/NA	144,114	100.0	% 11.61	Dick's Sporting Goods, Hobby Lobby, Marshalls, (Wal-Mart Supercenter)
River City Marketplace	Jacksonville	FL	100%	2005/2005/NA	562,998	84.5	% 19.41	Ashley Furniture HomeStore, Bed Bath & Beyond, Best Buy, Hollywood Theaters, Michaels, PetSmart, Ross Dress for Less, (Lowe's), (Wal-Mart Supercenter)
Miami [MSA Rank 8]								
Coral Creek Shops	Coconut Creek	FL	100%	1992/2002/NA	109,312	96.5	% 19.04	Publix
Marketplace of Delray	Delray Beach	FL	100%	1981/2013/2010	241,715	95.4	% 15.56	Office Depot, Ross Dress for Less, Winn-Dixie
Mission Bay Plaza	Boca Raton	FL	100%	1989/2013/NA	262,759	98.4	% 24.95	Dick's Sporting Goods, Five Below, LA Fitness, OfficeMax, Tuesday Morning, The Fresh Market
Rivertowne Square	Deerfield Beach	FL	100%	1980/1998/2010	146,666	92.6	% 10.77	Bealls, Winn-Dixie
The Crossroads	Royal Palm Beach	FL	100%	1988/2002/NA	121,509	99.2	% 17.11	Publix
West Broward Shopping Center	Plantation	FL	100%	1965/2005/NA	152,973	91.0	% 12.04	Badcock, DD's Discounts, Save-A-Lot
Milwaukee [MSA Rank 39]								
Nagawaukee Center	Delafield	WI	100%	1994/2012-13/NA	220,083	100.0	% 14.94	HomeGoods, Kohl's, Marshalls, Sierra Trading Post, (Sentry Foods)
The Shoppes at Fox River	Waukesha	WI	100%	2009/2010/2011	331,541	97.4	% 15.31	Hobby Lobby, Old Navy, Pick n' Save, Ross Dress for Less, T.J. Maxx, Tuesday Morning(4), (Target)
West Allis Towne Centre	West Allis	WI	100%	1987/1996/2011	326,223	83.2	% 10.79	Burlington Coat Factory, Five Below,

Hobby Lobby(3),
Ross Dress for Less,
Xperience Fitness

16

Property Name	Location City	State	Ownership %	Year Built /Acquired / Redeveloped	Total GLA	% Leased		Average base rent per leased SF [1]	Anchor Tenants [2]
Minneapolis [MSA Rank 16]									
Centennial Shops	Edina	MN	100%	2008/2016/NA	85,206	100.0	%	38.80	Pinstripes, The Container Store, West Elm
Woodbury Lakes	Woodbury	MN	100%	2005/2014/NA	360,028	91.3	%	21.15	Alamo Drafthouse Cinema, Athleta, DSW, H&M, Michaels, (Trader Joe's)
Nashville [MSA Rank 36]									
Providence Marketplace	Mt. Juliet	TN	100%	2006/2017/NA	634,088	98.2	%	13.09	Belk, Best Buy, Books A Million, Dick's Sporting Goods, J C Penney, JoAnn Fabrics, Old Navy, PetSmart, Regal Cinema, Ross Dress for Less, Staples, T.J. Maxx/HomeGoods, (Kroger), (Target)
St. Louis [MSA Rank 20]									
Central Plaza	Ballwin	MO	100%	1970/2012/2012	163,625	93.7	%	12.62	buybuy Baby, Jo-Ann, Old Navy, Ross Dress for Less
Deer Creek Shopping Center	Maplewood	MO	100%	1975/2013/2013	208,122	95.0	%	10.76	buybuy Baby, GFS, State of Missouri, Marshalls, Ross Dress for Less
Heritage Place	Creve Coeur	MO	100%	1989/2011/2005	269,127	98.9	%	14.69	Dierbergs Markets, Marshalls, Office Depot, T.J. Maxx
Town & Country Crossing	Town & Country	MO	100%	2008/2011/2011	186,590	99.0	%	24.17	HomeGoods, Starbucks, Stein Mart, Whole Foods Market, (Target)
Tampa [MSA Rank 18]									
Cypress Point	Clearwater	FL	100%	1983/2013/NA	167,197	97.7	%	13.14	Burlington Coat Factory, The Fresh Market
	Lakeland	FL	100%	2014/NA/NA	210,422	98.1	%	13.67	

Lakeland Park Center								Dick's Sporting Goods, Floor & Décor, Ross Dress for Less, (Target)
Shoppes of Lakeland	Lakeland	FL	100%	1985/1996/NA	183,702	100.0	% 13.28	Ashley Furniture HomeStore, Michaels, Staples, T.J. Maxx, (Target)
Village Lakes Shopping Center	Land O' Lakes	FL	100%	1987/1997/NA	166,485	98.7	% 9.73	Bealls Outlet, Marshalls, Ross Dress for Less
Properties Not in Top 40 MSA's								
East Town Plaza	Madison	WI	100%	1992/2000/2000	216,732	83.1	% 11.73	Burlington Coat Factory, Jo-Ann, Marshalls, Ross Dress for Less, (Shopko)
Spring Meadows Place	Holland	OH	100%	1987/1996/2005	314,514	95.4	% 11.20	Ashley Furniture HomeStore, Big Lots, DSW, Guitar Center, HomeGoods, Michaels, OfficeMax, PetSmart, T.J. Maxx, (Best Buy), (Dick's Sporting Goods), (Sam's Club), (Target), (Wal-Mart)
Treasure Coast Commons	Jensen Beach	FL	100%	1996/2013/NA	91,656	100.0	% 12.75	Barnes & Noble, Beall's Outlet Store, Dick's Sporting Goods
Vista Plaza	Jensen Beach	FL	100%	1998/2013/NA	109,761	100.0	% 14.18	Bed Bath & Beyond, Michaels, Total Wine & More
CONSOLIDATED SHOPPING CENTERS TOTAL/AVERAGE					12,292,497	94.3	% $ 15.28	
JOINT VENTURE PORTFOLIO								
Nora Plaza	Marion	IN	7%	1958/2007/2002	139,743	97.1	% $ 14.58	Marshalls, Whole Foods Market, (Target)
CONSOLIDATED AND JV PORTFOLIO TOTAL / AVERAGE					12,432,240	94.3	% $ 15.27	

(1) Average base rent per leased SF is calculated based on annual minimum contractual base rent pursuant to the tenant lease, excluding percentage rent and recovery income from tenants, and is net of tenant concessions.

Percentage rent and recovery income from tenants is presented separately in our consolidated statements of operations and comprehensive income (loss) statement.

(2) Anchor tenant is defined as any tenant leasing 10,000 square feet or more. Tenants in parenthesis represent non-company owned GLA.

(3) Space delivered to tenant.

(4) Space leased to tenant, not yet delivered.

Our leases for tenant space under 10,000 square feet generally have terms ranging from three to five years. Tenant leases greater than or equal to 10,000 square feet generally have lease terms of five years or longer, and are considered anchor leases. Many of the anchor leases contain provisions allowing the tenant the option of extending the lease term at expiration at contracted rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. The majority of our leases provide for monthly payment of base rent in advance, percentage rent based on the tenant's sales volume, reimbursement of the tenant's allocable real estate taxes, insurance and common area maintenance ("CAM") expenses and reimbursement for utility costs if not directly metered.

Major Tenants

The following table sets forth as of December 31, 2018 the breakdown of GLA between anchor and retail tenants, of our 50 existing properties for our wholly owned properties portfolio:

Type of Tenant	Annualized Base Rent	% of Total Annualized Base Rent		GLA	% of Total GLA	
Anchor [1]	$98,966,172	57.5	%	8,649,662	70.4	%
Retail (non-anchor)	73,232,133	42.5	%	3,642,835	29.6	%
Total	$172,198,305	100.0	%	12,292,497	100.0	%

[1] Anchor tenant is defined as any tenant leasing 10,000 square feet or more.

18

The following table depicts, as of December 31, 2018, information regarding leases with the 25 largest retail tenants (in terms of annualized base rent) for our wholly owned properties portfolio:

Tenant Name	Credit Rating S&P/Moody's [1]	Number of Leases	GLA	% of Total Company Owned GLA		Total Annualized Base Rent	Annualized Base Rent PSF	% of Annualized Base Rent	
TJX Companies [2]	A+/A2	25	780,111	6.3	%	$8,193,758	$ 10.50	4.8	%
Dick's Sporting Goods [3]	--/--	10	474,259	3.9	%	5,810,460	12.25	3.4	%
Regal Cinemas	--/Ba1	4	219,160	1.8	%	4,898,068	22.35	2.8	%
Bed Bath & Beyond [4]	BB+/Baa3	14	418,062	3.4	%	4,830,594	11.55	2.8	%
LA Fitness	B+/B2	6	252,000	2.0	%	4,701,626	18.66	2.7	%
Ross Stores [5]	A-/A3	14	353,909	2.9	%	3,205,117	9.06	1.9	%
PetSmart	CCC/Caa1	8	178,250	1.4	%	2,829,180	15.87	1.6	%
Michaels Stores	BB-/Ba2	9	217,456	1.8	%	2,761,113	12.70	1.6	%
ULTA Salon	--/--	10	103,719	0.8	%	2,554,155	24.63	1.5	%
Gap, Inc. [6]	BB+/Baa2	11	147,445	1.2	%	2,463,877	16.71	1.4	%
Whole Foods	A+/A3	3	118,879	1.0	%	2,457,592	20.67	1.4	%
Ascena Retail [7]	B/Ba3	24	126,425	1.0	%	2,449,246	19.37	1.4	%
DSW Designer Shoe Warehouse	--/--	7	135,680	1.1	%	2,414,627	17.80	1.4	%
Burlington Coat Factory	BB+/Ba1	4	260,115	2.1	%	2,337,021	8.98	1.4	%
Office Depot [8]	B/Ba3	7	166,011	1.4	%	2,258,632	13.61	1.3	%
Best Buy	BBB/Baa1	4	134,129	1.1	%	2,089,147	15.58	1.2	%
Dollar Tree	BBB-/Baa3	19	195,988	1.6	%	1,959,717	10.00	1.1	%
Jo-Ann Fabric and Craft Stores	B/B2	5	154,949	1.3	%	1,951,280	12.59	1.1	%
Meijer	--/--	1	189,635	1.5	%	1,530,650	8.07	0.9	%
Ashley Furniture HomeStore	--/--	4	147,778	1.2	%	1,463,243	9.90	0.9	%
Party City Corporation	B+/--	7	90,261	0.7	%	1,436,396	15.91	0.8	%
Five Below	--/--	9	82,904	0.7	%	1,429,611	17.24	0.8	%
Barnes & Noble	--/--	2	54,947	0.5	%	1,352,321	24.61	0.8	%
Pinstripes	--/--	1	32,414	0.3	%	1,301,098	40.14	0.8	%
Hobby Lobby	--/--	3	165,000	1.3	%	1,278,750	7.75	0.8	%
Total top 25 tenants		211	5,199,486	42.3	%	$69,957,279	$ 13.45	40.6	%

(1) Source: Latest Company filings, as of December 31, 2018, per CreditRiskMonitor.

(2) Marshalls (11) / TJ Maxx (9) / HomeGoods (4) / Sierra Trading Post (1)

(3) Dick's Sporting Goods (8) / Field & Stream (1) / Golf Galaxy (1)

(4) Bed Bath & Beyond (7) / Buy Buy Baby (5) / Cost Plus World Market (2)

(5) Ross Dress for Less (13) / DD's Discounts (1)

(6) Old Navy (7) / Gap (2) / Banana Republic (1) / Athleta (1)

(7) Ann Taylor (3) / Catherine's (3) / Dress Barn (3) / Justice (5) / Lane Bryant (6) / Maurice's (4)

(8) OfficeMax (4) / Office Depot (3)

Lease Expirations

The following tables set forth a schedule of lease expirations for our wholly owned portfolio, for the next ten years and thereafter, assuming that no renewal options are exercised:

ALL TENANTS
Expiring Leases As of December 31, 2018

Year	Number of Leases	GLA	Average Annualized Base Rent (per square foot)	Total Annualized Base Rent [(1)]	% of Total Annualized Base Rent	
2019	120	613,137	$ 17.77	$10,897,746	6.3	%
2020	157	1,166,122	14.55	16,961,891	9.9	%
2021	219	1,599,496	15.95	25,509,895	14.9	%
2022	172	1,106,753	17.13	18,964,062	11.0	%
2023	191	1,728,392	15.19	26,261,314	15.3	%
2024	81	943,955	12.82	12,100,216	7.0	%
2025	50	614,605	15.80	9,707,768	5.6	%
2026	55	954,272	13.00	12,407,253	7.2	%
2027	61	581,879	17.01	9,899,424	5.7	%
2028	83	840,268	16.62	13,966,083	8.1	%
2029+	53	1,023,917	13.35	13,673,463	7.9	%
Tenants month to month	27	100,083	18.48	1,849,190	1.1	%
Sub-Total	1,269	11,272,879	$ 15.28	$172,198,305	100.0	%
Leased [(2)]	50	318,269	N/A	N/A	N/A	
Vacant	163	701,349	N/A	N/A	N/A	
Total	1,482	12,292,497	N/A	$172,198,305	100.0	%

ANCHOR TENANTS (greater than or equal to 10,000 square feet)
Expiring Anchor Leases As of December 31, 2018

Year	Number of Leases	GLA	Average Annualized Base Rent (per square foot)	Total Annualized Base Rent [(1)]	% of Total Annualized Base Rent	
2019	12	284,343	$ 12.90	$3,667,890	3.7	%
2020	26	765,062	11.00	8,418,134	8.5	%
2021	47	1,131,786	12.98	14,688,803	14.9	%
2022	31	702,058	13.15	9,231,490	9.3	%
2023	37	1,256,703	11.59	14,561,205	14.7	%
2024	28	744,169	10.58	7,873,705	8.0	%
2025	17	466,734	13.38	6,243,341	6.3	%
2026	18	818,166	10.78	8,818,280	8.9	%
2027	18	420,153	13.88	5,833,037	5.9	%
2028	18	633,651	13.02	8,248,232	8.3	%
2029+	24	924,591	11.64	10,759,974	10.9	%
Tenants month to month	2	38,610	16.11	622,081	0.6	%

Sub-Total	278	8,186,026	$ 12.09	$98,966,172	100.0	%
Leased [2]	6	169,480	N/A	N/A	N/A	
Vacant	14	294,156	N/A	N/A	N/A	
Total	298	8,649,662	N/A	$98,966,172	100.0	%

[1] Annualized Base Rent is based upon rents currently in place.
[2] Includes signed leases where the space has not yet been delivered.

20

NON-ANCHOR TENANTS (less than 10,000 square feet)
Expiring Non-Anchor Leases As of December 31, 2018

Year	Number of Leases	GLA	Average Annualized Base Rent (per square foot)	Total Annualized Base Rent [1]	% of Total Annualized Base Rent	
2019	108	328,794	$ 21.99	$7,229,856	9.9	%
2020	131	401,060	21.30	8,543,757	11.6	%
2021	172	467,710	23.14	10,821,092	14.8	%
2022	141	404,695	24.05	9,732,572	13.3	%
2023	154	471,689	24.80	11,700,109	16.0	%
2024	53	199,786	21.16	4,226,511	5.8	%
2025	33	147,871	23.43	3,464,427	4.7	%
2026	37	136,106	26.37	3,588,973	4.9	%
2027	43	161,726	25.14	4,066,387	5.5	%
2028	65	206,617	27.67	5,717,851	7.8	%
2029+	29	99,326	29.33	2,913,489	4.0	%
Tenants month to month	25	61,473	19.96	1,227,109	1.7	%
Sub-Total	991	3,086,853	$ 23.72	$73,232,133	100.0	%
Leased [2]	44	148,789	N/A	N/A	N/A	
Vacant	149	407,193	N/A	N/A	N/A	
Total	1,184	3,642,835	N/A	$73,232,133	100.0	%

(1) Annualized Base Rent is based upon rents currently in place.
(2) Includes signed leases where the space has not yet been delivered.

Land Available for Development

At December 31, 2018, our three largest development sites, Hartland Towne Square, Lakeland Park Center and Parkway Shops, had environmental phase one assessments completed. We continue to evaluate the best use for land available for development, portions of which are adjacent to our existing shopping centers. It is our policy to start vertical construction on new development projects only after the project has received entitlements, significant anchor commitments and construction financing, if appropriate.

Our development and construction activities are subject to risks and uncertainties such as our inability to obtain the necessary governmental approvals for a project, our determination that the expected return on a project is not sufficient to warrant continuation of the planned development, or our change in plan or scope for the development. If any of these events occur, we may record an impairment provision.

The Company evaluates these assets each reporting period and records an impairment charge equal to the difference between the current carrying value and fair value, when the fair value is determined to be less than the asset's carrying value. During 2018, we recorded a $0.2 million impairment charge on a land parcel that was ultimately sold. We also recorded impairment provisions of $1.0 million in both 2017 and 2016 related to developable land that we decided to market for sale. Refer to Note 1 Organization and Summary of Significant Accounting Policies - Accounting for the Impairment of Long-Lived Assets of the notes to the consolidated financial statements for further information related to impairment provisions.

Insurance

Our tenants are generally responsible under their leases for providing adequate insurance on the spaces they lease. In addition we believe our properties are adequately covered by commercial general liability, fire, flood, terrorism, environmental, and where necessary, hurricane and windstorm insurance coverages, which are all provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

Item 3. Legal Proceedings

We are currently involved in certain litigation arising in the ordinary course of business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are currently listed and traded on the New York Stock Exchange ("NYSE") under the symbol "RPT". On February 15, 2019, the closing price of our common shares on the NYSE was $13.36.

Shareholder Return Performance Graph

The following line graph sets forth the cumulative total return on a $100 investment (assuming the reinvestment of dividends) in each of our common shares, the NAREIT Equity Index and the S&P 500 Index for the period December 31, 2013 through December 31, 2018. The stock price performance shown is not necessarily indicative of future price performance.

(1) On October 31, 2018, the Company announced it re-branded to RPT Realty.

Holders

The number of holders of record of our common shares was 1,087 at February 15, 2019. A substantially greater number of holders are beneficial owners whose shares of record are held by banks, brokers and other financial institutions.

Dividends

Under the Code, a REIT must meet requirements, including a requirement that it distribute to its shareholders at least 90% of its REIT taxable income annually, excluding net capital gain. Distributions paid by us are at the discretion of our Board and depend on our actual net income available to common shareholders, cash flow, financial condition, capital requirements, the annual distribution requirements under REIT provisions of the Code, and such other factors as the Board deems relevant. We do not believe that the preferential rights available to the holders of our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT. See "Dividends and Equity" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in this report.

For information on our equity compensation plans as of December 31, 2018, refer to Item 12 of Part III of this report and Note 15 of the notes to the consolidated financial statements for further information regarding our share-based compensation and other benefit plans.

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial data and should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included elsewhere in this report.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share)				
OPERATING DATA:					
Total revenue	$260,622	$265,082	$260,930	$251,790	$218,363
Operating income	52,260	63,399	70,908	65,497	23,330
Income (loss) from continuing operations	18,036	70,719	61,112	66,895	(2,412)
Gain on sale of depreciable real estate	3,699	51,977	34,108	13,529	10,022
Gain on sale of land	295	787	1,673	4,041	835
Net income (loss)	18,036	70,719	61,112	66,895	(2,412)
Net (income) loss attributable to noncontrolling partner interest	(417)	(1,659)	(1,448)	(1,786)	48
Preferred share dividends	(6,701)	(6,701)	(6,701)	(6,838)	(7,250)
Net income (loss) available to common shareholders	10,918	62,359	52,963	57,771	(9,614)
Earnings (loss) per common share:					
Basic	$0.13	$0.78	$0.66	$0.73	$(0.14)
Diluted	0.13	0.78	0.66	0.73	(0.14)
Weighted average shares outstanding:					
Basic	79,592	79,344	79,236	78,848	72,118
Diluted	80,088	79,530	79,435	79,035	72,118
Cash dividends declared per RPT preferred share	$3.625	$3.625	$3.625	$3.625	$3.625
Cash dividends declared per RPT common share	$0.880	$0.880	$0.860	$0.820	$0.775
Cash distributions to RPT preferred shareholders	$6,701	$6,701	$6,701	$6,977	$7,250
Cash distributions to RPT common shareholders	$70,458	$70,225	$67,710	$63,972	$54,149
BALANCE SHEET DATA (at December 31):					
Investment in real estate (before accumulated depreciation)	$2,025,773	$2,130,779	$2,132,670	$2,184,481	$1,934,032
Total assets	1,928,440	2,030,394	2,061,498	2,136,082	1,951,743
Total notes payable, net	963,149	999,215	1,021,223	1,083,711	917,658
Total liabilities	1,096,897	1,145,225	1,172,900	1,234,709	1,058,428
Total RPT shareholders' equity	811,962	864,322	867,701	879,391	867,525
Noncontrolling interest	19,581	20,847	20,897	21,982	25,790
Total shareholders' equity	831,543	885,169	888,598	904,466	896,408
OTHER DATA:					
Funds from operations ("FFO") available to common shareholders[1]	$109,417	$118,563	$118,683	$119,556	$77,574

Net cash provided by operating activities	106,322	117,925	116,601	105,630	110,592
Net cash provided by (used in) investing activities	42,262	(16,675)	11,250	(154,333)	(315,723)
Net cash (used in) provided by financing activities	(116,753)	(103,085)	(128,477)	46,012	208,671

[1] FFO is a non-GAAP financial measure that we believe provides useful information to investors. Under the NAREIT definition, FFO represents net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property and impairment provisions on depreciable real estate or on investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, plus depreciation and amortization, (excluding amortization of financing costs). Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis See "Funds From Operations" in Item 7 for a discussion of FFO and a reconciliation of FFO to net income.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements, the notes thereto, and the comparative summary of selected financial data appearing elsewhere in this report.

Overview

RPT Realty owns and operates a national portfolio of open-air shopping destinations principally located in top U.S. markets. As of December 31, 2018, our property portfolio consisted of 51 shopping centers (including one shopping center owned through a joint venture) representing 12.4 million square feet of gross leasable area. As of December 31, 2018, the Company's aggregate portfolio was 94.3% leased.

In 2018, the new executive management team completed several key foundational objectives which included the streamlining of the organizational platform, resetting the company culture, conducting a strategic asset review that resulted in the decision to sell approximately $200 million of non-core assets, cultivating a redevelopment pipeline and changing the name of the Company to RPT Realty. The asset sale proceeds are expected to be re-allocated into the Company's balance sheet to lower leverage, as well as fund its near-term accretive internal growth initiatives, including the reconfiguration of anchor boxes and the lease up of small shop occupancy.

Our goal is to be a dominant shopping center owner, with a focus on the following:

- Own and manage high quality open-air shopping centers predominantly concentrated in the top U.S. metro areas;
- Maintain value creation redevelopment and expansion pipeline;
- Maximize balance sheet liquidity and flexibility; and
- Retain motivated, talented and high performing employees.

Key methods to achieve our strategy:

- Deliver above average relative shareholder return and generate outsized consistent and sustainable same property NOI and Operating FFO per share growth;
- Pursue selective redevelopment projects with significant pre-leasing for which we expect to achieve attractive returns on investment;
- Sell assets that no longer meet our long-term strategy and redeploy the proceeds to lease, redevelop and acquire assets in our core markets;
- Achieve lower leverage while maintaining low variable interest rate risk; and
- Retain access to diverse sources of capital, maintain liquidity through borrowing capacity under our unsecured line of credit and minimize the amount of debt maturities in a single year.

The following highlights the Company's significant transactions, events and results that occurred during the year ended December 31, 2018:

Financial Results:

- Net income available to common shareholders was $10.9 million, or $0.13 per diluted share, for the year ended December 31, 2018, as compared to $62.4 million, or $0.78 per diluted share, for the same period in 2017.
- Funds from operations ("FFO") was $109.4 million, or $1.23 per diluted share, for the year ended December 31, 2018, as compared to $118.6 million, or $1.34 per diluted share, for the same period in 2017 (see additional disclosure on FFO beginning on page 36).
- Operating funds from operations ("Operating FFO") was $120.1 million, or $1.35 per diluted share, for the year ended December 31, 2018, as compared to $119.6 million, or $1.36 per diluted share, for the same period in 2017 (see

additional disclosure on FFO beginning on page 36).

- Same property net operating income with redevelopment increased 2.9% for the year ended December 31, 2018, as compared to the same period in 2017 (see additional disclosure on FFO beginning on page 38).
- Executed 288 new leases and renewals, totaling approximately 1.6 million square feet.

25

- As of December 31, 2018, the consolidated portfolio leased rate was 94.3%, as compared to 93.3% at December 31, 2017.

Acquisition Activity (See Note 4 of the Notes to Consolidated Financial Statements included in this Form 10-K):

- Acquired leasehold interest in one operating property for a purchase price of $6.4 million.

Disposition Activity (See Note 4 of the Notes to Consolidated Financial Statements included in this Form 10-K):

- Disposed of six operating properties and three land parcels for aggregate gross proceeds of $125.1 million. These transactions resulted in (i) an aggregate gain on real estate of $4.0 million and (ii) an aggregate impairment charge of $5.9 million.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies require our most subjective judgment and use of estimates in the preparation of our consolidated financial statements.

Revenue Recognition and Accounts Receivable

Most of our leases contain non-contingent rent escalations for which we recognize income on a straight-line basis over the non-cancelable lease term. This method results in rental income in the early years of a lease being higher than actual cash received, creating a straight-line rent receivable asset which is included in the "Other Assets" line item in our consolidated balance sheets. We review our unbilled straight-line rent receivable balance to determine the future collectability of revenue that will not be billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. An allowance to write down the straight-line receivable balance is taken in the period that future collectability is uncertain.

Additionally, we provide for bad debt expense based upon the allowance method of accounting. We continuously monitor the collectability of our accounts receivable from specific tenants, analyze historical bad debts, customer creditworthiness, current economic trends and changes in tenant payment terms when evaluating the adequacy of the allowance for bad debts. Allowances are taken for those balances that we have reason to believe will be uncollectible.

For more information refer to Note 1 Organization and Summary of Significant Accounting Policies, Revenue Recognition and Accounts Receivable subtopics of the notes to the consolidated financial statements.

Acquisitions

Acquisitions of properties are accounted for utilizing the acquisition method (which requires all assets acquired and liabilities assumed be measured at acquisition date fair value) and, accordingly, the results of operations of an acquired property are included in our results of operations from the date of acquisition. Estimates of fair values are based upon future cash flows and other valuation techniques in accordance with our fair value measurements policy, which are used to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, tenant improvements, identifiable intangibles and any gain on purchase. Identifiable intangible assets and liabilities include the effect of above-and below-market leases, the value of having leases in place ("as-is" versus "as if vacant" and absorption costs), other intangible assets such as assumed tax increment revenue bonds and out-of-market assumed mortgages. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of 40 years for buildings, and over the remaining terms of any intangible asset contracts and the respective tenant leases, which may include bargain renewal options. The impact of these estimates, including estimates in connection with acquisition values and estimated useful lives, could result in significant differences related to the purchased assets, liabilities and subsequent depreciation or amortization expense. For more information, refer to Note 1, Organization and Summary of Significant Accounting Policies - Real Estate of the notes to the consolidated financial statements.

Impairment

We review our investment in real estate, including any related intangible assets, for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. These changes in circumstances include, but are not limited to, changes in occupancy, rental rates, tenant sales, net operating income, geographic location, real estate values and expected holding period. The viability of all projects under construction or development, including those owned by unconsolidated joint ventures, is regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. To the extent a project or an individual component of the project, is no longer considered to have value, the related capitalized costs are charged against operations.

Impairment provisions resulting from any event or change in circumstances, including changes in our intentions or our analysis of varying scenarios, could be material to our consolidated financial statements.

We recognize an impairment of an investment in real estate when the estimated undiscounted cash flow are less than the net carrying value of the property. If it is determined that an investment in real estate is impaired, then the carrying value is reduced to the estimated fair value as determined by cash flow models and discount rates or comparable sales in accordance with our fair value measurement policy. Refer to Note 1 Organization and Summary of Significant Accounting Policies - Accounting for the Impairment of Long-Lived Assets for further information regarding impairment provisions.

Results of Operations

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

The following summarizes certain line items from our audited statements of operations which we believe are important in understanding our operations and/or those items that have significantly changed during the year ended December 31, 2018 as compared to 2017:

	Year Ended December 31,			
	2018	2017	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$260,622	$265,082	$(4,460)	(1.7)%
Real estate taxes	42,306	42,683	(377)	(0.9)%
Recoverable operating expenses	26,177	27,653	(1,476)	(5.3)%
Non-recoverable operating expense	4,808	4,664	144	3.1 %
Depreciation and amortization	87,327	91,335	(4,008)	(4.4)%
Acquisition costs	233	—	233	NM
General and administrative expense	33,861	25,944	7,917	30.5 %
Provision for impairment	13,650	9,404	4,246	45.2 %
Gain on sale of real estate	3,994	52,764	(48,770)	(92.4)%
Earnings from unconsolidated joint ventures	589	273	316	115.8 %
Interest expense	43,439	44,866	(1,427)	(3.2)%
Other gain on unconsolidated joint ventures	5,208	—	5,208	NM

NM - Not meaningful

Total revenue in 2018 decreased $4.5 million, or (1.7)%, from 2017. The decrease is primarily due to the following:

- $20.1 million decrease related to properties sold in 2018 and 2017; offset by

- $7.7 million increase related to our existing centers largely attributable to changes in estimates associated with recoveries of common area maintenance and real estate taxes, and higher minimum rent;
- $5.2 million increase from acceleration of a below market lease attributable to a specific tenant who vacated prior to the original estimated lease termination date; and
- $2.7 million increase related to properties acquired in 2017 and a leasehold interest acquired in 2018.

Real estate tax expense in 2018 decreased $0.4 million, or (0.9)%, from 2017 primarily due to properties sold during 2018 and 2017, partially offset by properties acquired in 2017 and higher net expense; specifically at two properties as a result of a change in estimates.

Recoverable operating expense in 2018 decreased $1.5 million, or (5.3)%, from 2017 primarily due to properties sold during 2018 and 2017, partially offset by additional expense from properties acquired in 2017.

Non-recoverable operating expense in 2018 remained flat from 2017.

Depreciation and amortization expense in 2018 decreased $4.0 million, or (4.4)%, from 2017. The decrease is primarily a result of properties sold during 2018 and 2017, partially offset by higher asset write offs in 2018 for tenant lease terminations prior to their original estimated term, and higher depreciation expense from acquisitions completed in 2017.

During 2018 we recorded acquisition costs of $0.2 million related to legal and professional fees associated with a potential shopping center acquisition that was abandoned during the year.

General and administrative expense in 2018 increased $7.9 million, or 30.5%, from 2017. The increase was primarily due to the following:

- $9.7 million of executive management reorganization expenses, which included severance costs associated with former executives as well as executive recruiting fees, sign on bonuses and relocation fees associated with the new executive team;
- $0.8 million of severance costs resulting from the reduction-in-force associated with the reorganization of the Company's operating structure; offset by
- $0.8 million decrease in service-based and performance-based stock compensation expense; and
- $0.5 million decrease in other severance costs.

During 2018 we recorded an impairment provision totaling $13.7 million, of which $13.4 million was on shopping centers classified as income producing and $0.2 million on land held for development. The adjustments related to shopping centers were triggered by changes in associated market prices and expected hold period assumptions, as well as a purchase price reduction at one property. The provision related to land held for development was triggered by changes in the expected use of the land and higher costs. During 2017 we recorded an impairment provision totaling $9.4 million, of which $8.4 million was on shopping centers classified as income producing and $1.0 million on land held for development. The adjustments were triggered by changes in associated sales price assumptions, a purchase price reduction at one property and changes in the expected use of land. Refer to Note 1 Organization and Summary of Significant Accounting Policies - Accounting for the Impairment of Long-Lived Assets of the notes to the consolidated financial statements for further information related to impairment provisions.

Gain on sale of real estate was $4.0 million in 2018. In the comparable period in 2017 we had a gain of $52.8 million. Refer to Note 4 of the notes to the consolidated financial statements for further detail on dispositions.

Earnings from unconsolidated joint ventures in 2018 increased $0.3 million from 2017. The increase was primarily due to our portion of the gain on sale of the Martin Square property which was disposed of by our joint venture during the year compared to no disposals by our unconsolidated joint ventures in the comparable period.

Interest expense decreased in 2018 by $1.4 million, or (3.2)% from 2017. The decrease is primarily a result of an 8% decrease in our average outstanding debt, offset partially by a 45 basis point increase in our weighted average interest rate. The decline in our average outstanding debt is primarily a result of using proceeds from asset sales in the second half of 2017 to paydown our revolving credit line.

Other gain on unconsolidated joint ventures increased $5.2 million primarily due to the sale of the Martin Square property by our joint venture during the year. The gain represents the difference between our share of the distributed proceeds and the carrying value of our equity investment in the joint venture.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

The following summarizes certain line items from our audited statements of operations which we believe are important in understanding our operations and/or those items which have significantly changed during the year ended December 31, 2017 as compared to 2016:

	Year Ended December 31,			
	2017	2016	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$265,082	$260,930	$4,152	1.6 %
Real estate taxes	42,683	41,739	944	2.3 %
Recoverable operating expenses	27,653	29,581	(1,928)	(6.5)%
Non-recoverable operating expenses	4,664	3,575	1,089	30.5 %
Depreciation and amortization	91,335	91,793	(458)	(0.5)%
General and administrative expense	25,944	22,041	3,903	17.7 %
Provision for impairment	9,404	977	8,427	862.5 %
Gain on sale of real estate	52,764	35,781	16,983	47.5 %
Earnings from unconsolidated joint ventures	273	454	(181)	(39.9)%
Interest expense	44,866	44,514	352	0.8 %
Other gain on unconsolidated joint ventures	—	215	(215)	NM
Loss on extinguishment of debt	—	(1,256)	1,256	NM

NM - Not meaningful

Total revenue in 2017 increased $4.2 million, or 1.6%, from 2016. The increase is primarily due to the following:

- $17.3 million increase related to acquisitions completed in 2017 and 2016;
- $3.1 million increase at existing centers; offset by
- $14.8 million decrease related to properties sold in 2017 and 2016;
- $1.1 million decrease related to disposal of our office building; and a
- $0.1 million decrease in management and other fee income.

The $3.1 million increase at existing centers was primarily the result of higher minimum rent. Recovery income from tenants decreased $1.4 million, or 2.2%, primarily due to lower net recoverable operating expenses and real estate taxes of $1.0 million.

Real estate tax expense in 2017 increased $0.9 million, or 2.3%, from 2016 primarily due to incremental tax increases within existing properties of $0.6 million, as well as net tax increases from acquisition and disposition activity of $0.3 million.

Recoverable operating expense in 2017 decreased $1.9 million, or (6.5)%, from 2016 primarily due to a decrease at existing centers of $1.3 million, as a result of lower spending, as well as a net decrease in operating expenses from acquisition and disposition activity of $0.6 million.

Non-recoverable operating expense in 2017 increased $1.1 million. or 30.5%, from 2016 primarily due to ground rent expense at a property acquired in the fourth quarter of 2016.

Depreciation and amortization expense in 2017 decreased $0.5 million, or (0.5)%, from 2016. The net decrease was primarily attributable to tenant bankruptcy and vacancy write-offs in 2017 resulting in partial year expense recognition, lease origination costs reaching full amortization and a reduction in expense from property dispositions.

The net decrease was partially offset by depreciations and amortization on new building and improvement assets and lease origination costs from the 2017 and 2016 acquisitions.

General and administrative expense in 2017 increased $3.9 million, or 17.7%, from 2016. The increase was primarily due to increased costs associated with professional fees, the change in performance-based executive compensation recognized in the respective periods and an increase in wages.

During 2017 we recorded an impairment provision totaling $9.4 million, of which $8.4 million was on shopping centers classified as income producing and $1.0 million on land held for development or sale. The adjustments were triggered by changes in associated sales price assumptions, a purchase price reduction at one property and changes in the expected use of the land. Impairment provisions of $1.0 million recorded in 2016 related to developable land held for sale triggered by unforeseen increases in development costs and changes in associated sales price assumptions. Refer to Note 1 Organization and Summary of Significant Accounting Policies - Accounting for the Impairment of Long-Lived Assets of the notes to the consolidated financial statements for further information related to impairment provisions.

Gain on sale of real estate was $52.8 million in 2017. In the comparable period in 2016 we had a gain of $35.8 million. Refer to Note 4 of the notes to the consolidated financial statements for further detail on dispositions.

Earnings from unconsolidated joint ventures in 2017 decreased $0.2 million from 2016. The decrease was primarily due to the reduced level of properties in unconsolidated joint ventures for the majority of 2017 as compared to 2016.

Interest expense increased in 2017 by $0.4 million, or 0.8%, from 2016 primarily due to a 7% increase in our average outstanding debt and lower debt premium amortization, offset partially by a 30 basis point decline in our weighted average interest rate.

Loss on extinguishment of debt of approximately $1.3 million in 2016 resulted from a $0.9 million loss upon the conveyance of our Aquia office property to the lender and a $0.4 million cash prepayment penalty on a mortgage payoff in 2016. There was no loss on extinguishment of debt in 2017.

Liquidity and Capital Resources

Our primary uses of capital include principal and interest payments on our outstanding indebtedness, recurring capital expenditures such as tenant improvements, leasing commissions, improvements made to individual properties, shareholder dividends, redevelopments, operating expenses of our business, debt maturities, acquisitions and developments. We generally strive to cover our principal and interest payments, operating expenses, shareholder distributions, and recurring capital expenditures from cash flow from operations, although from time to time we may borrow or sell assets to finance a portion of those uses. We believe the combination of cash flow from operations, cash balances, available borrowings under our Unsecured Credit Facility, issuance of long-term debt, property dispositions, and issuance of equity securities will provide adequate capital resources to fund all of our expected uses over at least the next 12 months. Although we believe that the combination of factors discussed above will provide sufficient liquidity, no such assurance can be given.

We believe our current capital structure provides us with the financial flexibility to fund our current capital needs. We intend to continue to enhance our financial and operational flexibility by extending the duration of our debt, appropriately laddering our debt maturities and further expanding our unencumbered asset base. In addition, we believe we have access to multiple forms of capital which includes unsecured corporate debt, preferred equity and common equity including our at-the-market equity program we have in place.

At December 31, 2018 and 2017, we had $44.7 million and $12.9 million, respectively, in cash and cash equivalents and restricted cash. Restricted cash of $3.7 million and $4.8 million as of December 31, 2018 and 2017, respectively, was comprised primarily of funds held in escrow by lenders to pay real estate taxes, insurance premiums and certain capital expenditures. As of December 31, 2018 we had no debt maturing in 2019. As of December 31, 2018 we had $349.8 million available to be drawn on our $350.0 million unsecured revolving credit facility subject to our compliance with certain covenants.

Our long-term liquidity needs consist primarily of funds necessary to pay indebtedness at maturity, potential acquisitions of properties, redevelopment of existing properties and the development of land. We continually search for investment opportunities that may require additional capital and/or liquidity, which will afford us the opportunity to significantly increase our return on total investment. We will continue to pursue the strategy of selling mature properties and non-core assets that no longer meet our investment criteria. Our ability to obtain acceptable selling prices and satisfactory terms and financing will impact the timing of future sales. We anticipate using net proceeds from the sale of properties to reduce outstanding debt and support current and future growth initiatives. To the extent that asset sales are not sufficient to meet our long-term liquidity needs, we expect to meet such needs by incurring debt or issuing equity.

The following is a summary of our cash flow activities:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Cash provided by operating activities	$106,322	$117,925	$116,601
Cash provided by (used in) investing activities	42,262	(16,675)	11,250
Cash used in financing activities	(116,753)	(103,085)	(128,477)

Operating Activities

Net cash flow provided by operating activities decreased $11.6 million in 2018 compared to 2017 primarily due to the following:

- Decrease of $13.4 million as a result of shopping centers sold in 2017; and
- a $4.4 million decrease related to executive management reorganization costs; partially offset by
- higher operating cash of $4.1 million from shopping centers owned and operated throughout all of 2017 and 2018.

Investing Activities

Net cash provided by investing activities was $42.3 million in 2018 compared to net cash used in investing activities of $(16.7) million in 2017. The $58.9 million change in net cash provided by (used in) investing activities was primarily due to:

- Acquisitions of real estate decreased $163.5 million; offset by
- net proceeds from the sale of real estate, including distributions on joint venture sales, decreased $93.7 million; and
- development and capital improvements to real estate increased $13.9 million.

In 2018 we acquired the leasehold interest in a ground lease at our existing West Oaks shopping center for approximately $6.4 million. In 2017 we acquired two properties at a combined gross purchase price of $168.3 million and three outparcel acquisitions with a combined gross purchase price of $1.6 million.

At December 31, 2018, we had four properties under redevelopment or expansion that have an estimated cost of $8.5 million, of which $5.1 million remains to be invested. Completion for these projects is expected over the next twelve months.

In 2018 we sold six properties and three outparcels with aggregate net proceeds of $116.5 million. During 2017 we closed eleven property dispositions, a Walgreen’s Data Center and five outparcel sales with aggregate net proceeds of $216.5 million. Refer to Note 4 Property Acquisitions and Dispositions of the notes to the consolidated financial statements for additional information related to dispositions.

Our development and capital improvements spend in 2018 and 2017 included $9.7 million and $6.1 million, respectively, for the retenanting of anchor tenants forced to close as a result of bankruptcy proceedings.

Financing Activities

Net cash used in financing activities increased $13.7 million compared to 2017 primarily because net borrowings on our mortgages and notes payable decreased $41.0 million, offset partially by lower net paydowns on our revolving credit facility of $26.0 million.

As of December 31, 2018, $349.8 million was available to be drawn on our $350.0 million unsecured revolving credit facility subject to our compliance with certain covenants. In addition, as of December 31, 2018, we had $44.7 million in cash and cash equivalents and restricted cash. It is anticipated that additional funds borrowed under our credit facilities will be used for general corporate purposes, including working capital, capital expenditures, the repayment of indebtedness or other corporate activities. For further information on the credit facilities and other debt, refer to Note 8 of notes to the consolidated financial statements.

Dividends and Equity

We currently qualify, and intend to continue to qualify in the future, as a REIT under the Code. As a REIT, we must distribute to our shareholders at least 90% of our REIT taxable income annually, excluding net capital gain. Distributions paid are at the discretion of our Board and depend on our actual net income available to common shareholders, cash flow, financial condition, capital requirements, restrictions in financing arrangements, the annual distribution requirements under REIT provisions of the Code and such other factors as our Board deems relevant.

We paid cash dividends of $0.88 per common share to shareholders in 2018. Cash dividends for 2017 and 2016 were $0.88 and $0.86 per common share, respectively. Our dividend policy is to make distributions to shareholders of at least 90% of our REIT taxable income, excluding net capital gain, in order to maintain qualification as a REIT. On an annualized basis, our current dividend is above our estimated minimum required distribution. Distributions paid by us are generally expected to be funded from cash flows from operating activities. To the extent that cash flows from operating activities are insufficient to pay total distributions for any period, alternative funding sources can be used. Examples of alternative funding sources include proceeds from sales of real estate and bank borrowings. During 2018, the sum of our principal and interest payments, operating expenses, shareholder distributions and recurring capital expenditures exceeded our cash flow, in order to fund our distributions from operations by $18.0 million, and we used other sources of liquidity, including a portion of the proceeds from asset sales. The $18.0 million shortfall was primarily a result of the $11.6 million year-over-year decrease in net cash provided by operating activities due to asset sales and $9.7 million for the retenanting of anchor tenants forced to close as a result of bankruptcy proceedings.

Additionally, we paid cash dividends of $3.625 per share of our 7.25% Series D Cumulative Convertible Perpetual Preferred Shares to preferred shareholders in 2018.

We have an equity distribution agreement pursuant to which we may sell up to 8.0 million common shares from time to time, in our sole discretion in an at-the-market equity program. For the year ended December 31, 2018, we did not issue any common shares through the arrangement. The sale of such shares issuable pursuant to the distribution agreement is registered with the Securities and Exchange Commission (“SEC”) on our registration statement on Form S-3 (No. 333-211925).

Debt

At December 31, 2018, we had no outstanding borrowings on our revolving credit facility, $115.1 million of fixed rate mortgage loans encumbering certain properties, $210.0 million of unsecured term loan facilities, $610.0 million in senior unsecured notes and $28.1 million of junior subordinated notes.

In September 2017, the Company closed on its amended and restated $350.0 million unsecured revolving credit facility. The credit facility matures September 2021 and can be extended one year to 2022 through two six-month options. Borrowings on the credit facility are priced on a leverage grid ranging from LIBOR plus 130 basis points to LIBOR plus 195 basis points. At December 31, 2018, borrowings were priced at LIBOR plus 130 basis points. Additionally, the facility allows for increased borrowing capacity up to $650.0 million through an accordion feature.

Our $115.1 million of fixed rate mortgages have interest rates ranging from 3.76% to 6.50% and are due at various maturity dates from April 2020 through June 2026. The fixed rate mortgage notes are secured by mortgages on properties that have an approximate net book value of $181.4 million as of December 31, 2018.

Our $820.0 million of senior unsecured notes and unsecured term loans have interest rates ranging from 2.84% to 4.74% and are due at various maturity dates from May 2020 through December 2029.

Our junior subordinated notes have a variable rate of LIBOR plus 3.30%, for an effective rate of 5.82% at December 31, 2018. The maturity date is January 2038.

In addition, we had interest rate swap derivative instruments in effect for an aggregate notional amount of $210.0 million converting a portion of our floating rate corporate debt to fixed rate debt. After taking into account the impact of converting our variable rate debt to fixed rate debt by use of the interest rate swap agreements, at December 31, 2018, we had $28.1 million of variable rate debt outstanding.

Off Balance Sheet Arrangements

Real Estate Joint Ventures

We consolidate entities in which we own less than 100% equity interest if we have a controlling interest or are the primary beneficiary in a variable interest entity, as defined in the Consolidation Topic of FASB ASC 810. From time to time, we enter into joint venture arrangements from which we believe we can benefit by owning a partial interest in one or more properties.

As of December 31, 2018, our investments in unconsolidated joint ventures were approximately $1.6 million representing our ownership interest in three joint ventures. We accounted for these entities under the equity method. Refer to Note 6 of the notes to the consolidated financial statements for further information regarding our equity investments in unconsolidated joint ventures.

We are engaged by certain our joint ventures to provide asset management, property management, leasing and investing services for such ventures' respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received.

Guarantee

A redevelopment agreement was entered into between the City of Jacksonville, the Jacksonville Economic Development Commission and the Company, to construct and develop River City Marketplace in 2005. As part of the agreement, the city agreed to finance up to $12.2 million of bonds. Repayment of the bonds is to be made in accordance with a level-payment amortization schedule over 20 years, and repayments are made out of tax revenues generated by the redevelopment. The remaining debt service payments due over the life of the bonds, including principal and interest, are $10.3 million. As part of the redevelopment, the Company executed a guaranty agreement whereby the Company would fund debt service payments if incremental revenues were not sufficient to fund repayment. There have been no payments made by the Company under this guaranty agreement to date.

Contractual Obligations

The following are our contractual cash obligations as of December 31, 2018:

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In thousands)				
Mortgages and notes payable:					
Scheduled amortization	$12,409	$2,611	$6,508	$1,708	$1,582
Payments due at maturity	950,850	—	287,666	253,559	409,625
Total mortgages and notes payable [(1)]	963,259	2,611	294,174	255,267	411,207
Interest expense [(2)]	243,515	40,436	102,106	46,829	54,144
Employment contracts	4,617	2,086	2,531	—	—
Capital lease	1,400	100	300	200	800
Operating leases	101,123	1,631	3,757	2,164	93,571
Construction commitments	6,668	6,668	—	—	—
Development obligations	3,665	517	974	463	1,711
Total contractual obligations	$1,324,247	$54,049	$403,842	$304,923	$561,433

(1) Excludes $2.9 million of unamortized mortgage debt premium and $3.1 million in deferred financing costs.
(2) Variable rate debt interest is calculated using rates at December 31, 2018.

At December 31, 2018, we did not have any contractual obligations that required or allowed settlement, in whole or in part, with consideration other than cash.

Mortgages and notes payable

See the analysis of our debt included in “Liquidity and Capital Resources” above.

Employment Contracts

At December 31, 2018, we had employment contract obligations with our Chief Executive Officer, Chief Financial Officer, former Chief Executive Officer and former Chief Operating Officer that contain minimum guaranteed compensation. All other employees are subject to at-will employment.

Operating and Capital Leases

We have an operating ground lease at Centennial Shops located in Edina, Minnesota. The lease includes rent escalations throughout the lease period and expires in April 2105.

We have an operating lease for our 29,802 square foot corporate office in Farmington Hills, Michigan, and an operating lease for our 5,629 square foot corporate office in New York, New York. These leases are set to expire in August 2019 and January 2024, respectively.

We also have a capital ground lease at our Buttermilk Towne Center with the City of Crescent Springs, Kentucky. The lease provides for fixed annual payments of $0.1 million through maturity in December 2032, at which time we can acquire the land for one dollar.

Construction Costs

In connection with the development and expansion of various shopping centers as of December 31, 2018, we have entered into agreements for construction activities with an aggregate cost of approximately $6.7 million.

Planned Capital Spending

We are focused on enhancing the value of our existing portfolio of shopping centers through successful leasing efforts, including the reconfiguration of anchor-space and small shop lease-up, and the completion of our redevelopment projects currently in process.

For 2019, we anticipate spending between $50.0 million and $60.0 million for capital expenditures, of which $6.7 million is reflected in the construction commitments in the above contractual obligations table. The total anticipated spending relates to redevelopment projects, tenant improvements and leasing costs. Estimates for future spending will change as new projects are approved.

Capitalization

At December 31, 2018 our total market capitalization was $2.0 billion and is detailed below:

	(In thousands)
Notes payable, net	$963,149
Capital lease obligation	975
Less: Cash and cash equivalents	(41,064)
Net debt	$923,060
Common shares outstanding	79,734
Operating Partnership Units outstanding	1,909
Restricted share awards (treasury method)	763
Total common shares and equivalents	82,406
Market price per common share (at December 31, 2018)	$11.95
Equity market capitalization	$984,752
7.25% Series D Cumulative Convertible Perpetual Preferred Shares	1,849
Market price per convertible preferred share (at December 31, 2018)	$49.45
Convertible perpetual preferred shares (at market)	$91,433
Total market capitalization	$1,999,245
Net debt to total market capitalization	46.2 %

At December 31, 2018, noncontrolling interests represented a 2.3% ownership in the Operating Partnership. The OP Units may, under certain circumstances, be exchanged for our common shares of beneficial interest on a one-for-one basis. We, as sole general partner of the Operating Partnership, have the option, but not the obligation, to settle exchanged OP Units held by others in cash. Assuming the exchange of all OP Units, there would have been approximately 81.6 million of our common shares of beneficial interest outstanding at December 31, 2018, with a market value of approximately $975.6 million.

Non-GAAP Financial Measures

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

Funds From Operations

We consider funds from operations, also known as “FFO,” to be an appropriate supplemental measure of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts "NAREIT" is an industry body public REITs participate in and provides guidance to its members. Under the NAREIT definition, FFO represents net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property and impairment provisions on depreciable real estate or on investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, plus depreciation and amortization, (excluding amortization of financing costs). Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis.

In addition to FFO available to common shareholders, we include Operating FFO available to common shareholders as an additional measure of our financial and operating performance. Operating FFO excludes acquisition costs and periodic items such as impairment provisions on land available for development, bargain purchase gains, accelerated amortization of debt premiums and gains or losses on extinguishment of debt that are not adjusted under the current NAREIT definition of FFO. We provide a reconciliation of FFO to Operating FFO. FFO and Operating FFO should not be considered alternatives to GAAP net income available to common shareholders or as alternatives to cash flow as measures of liquidity.

While we consider FFO available to common shareholders and Operating FFO available to common shareholders useful measures for reviewing our comparative operating and financial performance between periods or to compare our performance to different REITs, our computations of FFO and Operating FFO may differ from the computations utilized by other real estate companies, and therefore, may not be comparable.

We recognize the limitations of FFO and Operating FFO when compared to GAAP net income available to common shareholders. FFO and Operating FFO available to common shareholders do not represent amounts available for needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. In addition, FFO and Operating FFO do not represent cash generated from operating activities in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs, including the payment of dividends. FFO and Operating FFO are simply used as additional indicators of our operating performance. The following table illustrates the calculations of FFO and Operating FFO:

	Years Ended December 31,		
	2018	2017	2016
	(In thousands, except per share data)		
Net income	$18,036	$70,719	$61,112
Net (income) attributable to noncontrolling partner interest	(417)	(1,659)	(1,448)
Preferred share dividends	(6,701)	(6,701)	(6,701)
Net income (loss) available to common shareholders	10,918	62,359	52,963
Adjustments:			
Rental property depreciation and amortization expense	86,970	91,097	91,610
Pro-rata share of real estate depreciation from unconsolidated joint ventures	191	302	310
Gain on sale of depreciable real estate	(3,699)	(51,977)	(34,108)
Gain on sale of joint venture depreciable real estate	(307)	—	(26)
Provision for impairment on income-producing properties	13,434	8,422	—
Other gain on unconsolidated joint ventures	(5,208)	—	(215)
FFO available to common shareholders	102,299	110,203	110,534
Noncontrolling interest in Operating Partnership [1]	417	1,659	1,448
Preferred share dividends (assuming conversion) [2]	6,701	6,701	6,701
FFO available to common shareholders and dilutive securities	$109,417	$118,563	$118,683
Gain on sale of land	(295)	(787)	(1,673)
Provision for impairment for land available for development	216	982	977
Loss on extinguishment of debt	134	—	1,256
Accelerated amortization of debt premium	—	110	(128)
Severance expense [3]	1,117	715	492
Executive management reorganization, net [3][4][5]	9,673	—	—
Acquisition costs	233	—	316
Other gain	(398)	—	—
Operating FFO available to common shareholders and dilutive securities	$120,097	$119,583	$119,923
Weighted average common shares	79,592	79,344	79,236
Shares issuable upon conversion of Operating Partnership Units [1]	1,912	1,917	1,943
Dilutive effect of restricted stock	496	186	199
Shares issuable upon conversion of preferred shares [2]	6,858	6,740	6,630
Weighted average equivalent shares outstanding, diluted	88,858	88,187	88,008
Diluted earnings per share [6]	$0.13	$0.78	$0.66
Per share adjustments for FFO available to common shareholders and dilutive securities	1.10	0.56	0.69
FFO available to common shareholders and dilutive securities per share, diluted	$1.23	$1.34	$1.35
Per share adjustments for Operating FFO available to common shareholders and dilutive securities	0.12	0.02	0.01
Operating FFO available to common shareholders and dilutive securities per share, diluted	$1.35	$1.36	$1.36

[1] The total noncontrolling interest reflects OP units convertible 1:1 into common shares.

[2]

Series D convertible preferred shares paid annual dividends of $6.7 million and are currently convertible into approximately 6.9 million shares of common stock. They are dilutive only when earnings or FFO exceed approximately $0.98 per diluted share per year The conversion ratio is subject to adjustment based upon a number of factors, and such adjustment could affect the dilutive impact of the Series D convertible preferred shares on FFO and earnings per share in future periods.

(3) Amounts noted are included in General and Administrative expense.

(4) Includes severance, accelerated vesting of restricted stock and performance award charges and the benefit from the forfeiture of unvested restricted stock and performance awards associated with our former executives, in addition to recruiting fees, relocation expenses and cash inducement bonuses related to the Company's current executive team.

(5) The $9.7 million reported for the twelve months ended December 31, 2018 includes $0.4 million for the three months ended March 31, 2018 not previously reported.

(6) The denominator to calculate diluted earnings per share excludes shares issuable upon conversion of Operating Partnership Units and preferred shares for all periods reported.

Same Property Operating Income

Same Property Operating Income ("Same Property NOI with Redevelopment") is a supplemental non-GAAP financial measure of real estate companies' operating performance. Same Property NOI with Redevelopment is considered by management to be a relevant performance measure of our operations because it includes only the NOI of comparable properties for the reporting period. Same Property NOI with Redevelopment excludes acquisitions and dispositions. Same Property NOI with Redevelopment is calculated using consolidated operating income and adjusted to exclude management and other fee income, depreciation and amortization, general and administrative expense, provision for impairment and non-comparable income/expense adjustments such as straight-line rents, lease termination fees, above/below market rents, and other non-comparable operating income and expense adjustments.

In addition to Same Property NOI with Redevelopment, the Company also believes Same Property NOI without Redevelopment to be a relevant performance measure of our operations. Same Property NOI without Redevelopment follows the same methodology as Same Property NOI with Redevelopment, however it excludes redevelopment activity that significantly impacts the entire property, as well as lesser redevelopment activity where we are adding GLA or retenanting a specific space. A property is designated as redevelopment when projected costs exceed $1.0 million, and the construction impacts approximately 20% or more of the income producing property's gross leasable area ("GLA") or the location and nature of the construction significantly impacts or disrupts the daily operations of the property. Redevelopment may also include a portion of certain properties designated as same property for which we are adding additional GLA or retenanting space.

Same Property NOI should not be considered an alternative to net income in accordance with GAAP or as a measure of liquidity. Our method of calculating Same Property NOI may differ from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The following is a summary of our wholly owned properties for the periods noted with consistent classification in the prior period for presentation of Same Property NOI:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
Property Designation	2018	2017	2018	2017
Same-property	48	48	46	46
Acquisitions [1]	—	—	2	2
Redevelopment [2]	2	2	2	2
Total wholly owned properties	50	50	50	50

(1) Includes the following properties for the twelve months ended December 31, 2018 and 2017: Providence Marketplace and Webster Place.

(2) Includes the following properties for the three months and twelve months ended December 31, 2018 and 2017: Deerfield Towne Center and Woodbury Lakes. The entire property indicated for each period is completely excluded from the same property NOI without redevelopment.

The following is a reconciliation of our Operating Income to Same Property NOI:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Net (loss) income available to common shareholders	$(5,769)	$19,248	$10,918	$62,359
Preferred share dividends	1,675	1,675	6,701	6,701
Net (loss) income attributable to noncontrolling partner interest	(97)	501	417	1,659
Income tax provision	51	24	198	143
Interest expense	11,085	10,995	43,439	44,866
Costs associated with early extinguishment of debt	134	—	134	—
Earnings from unconsolidated joint ventures	(19)	(50)	(589)	(273)
Gain on sale of real estate	(3,813)	(16,843)	(3,994)	(52,764)
Gain on remeasurement of unconsolidated joint venture	—	—	(5,208)	—
Other expense, net	189	96	244	708
Management and other fee income	(32)	(141)	(254)	(455)
Depreciation and amortization	21,608	22,053	87,327	91,335
Acquisition costs	—	—	233	—
General and administrative expenses	6,465	7,383	33,861	25,944
Provision for impairment	13,434	982	13,650	9,404
Lease termination fees	(53)	(23)	(161)	(83)
Amortization of lease inducements	43	44	173	175
Amortization of acquired above and below market lease intangibles, net	(1,147)	(1,130)	(9,880)	(4,397)
Straight-line ground rent expense	70	70	281	281
Amortization of acquired ground lease intangibles	6	6	25	25
Straight-line rental income	(602)	(872)	(2,892)	(2,669)
NOI	43,228	44,018	174,623	182,959
NOI from Other Investments	(2,939)	(5,407)	(25,586)	(38,065)
Same Property NOI with Redevelopment	40,289	38,611	149,037	144,894
NOI from Redevelopment [1]	(3,828)	(2,944)	(14,185)	(11,659)
Same Property NOI without Redevelopment	$36,461	$35,667	$134,852	$133,235

(1) The NOI from Redevelopment adjustments represent 100% of the NOI related to Deerfield Towne Center and Woodbury Lakes, and a portion of the NOI related to specific GLA at Buttermilk Towne Center, Front Range Village, The Shoppes at Fox River, The Shops on Lane Avenue and Troy Marketplace for all periods presented. A portion of the NOI related to specific GLA at River City Marketplace, Spring Meadows and Town & Country Crossing is adjusted for only the twelve-month periods presented. Because of the redevelopment activity, the center or specific space is not considered comparable for the periods presented and is adjusted out of Same Property NOI with Redevelopment in arriving at Same Property NOI without Redevelopment.

The following table summarizes GLA and NOI at properties for which we are adding additional GLA or retenanting space. The property is included in same property NOI, however a portion of GLA and NOI is excluded.

		Three Months Ended December 31,				Twelve Months Ended December 31,			
	Stable	2018		2017		2018		2017	
Property	GLA	GLA	NOI	GLA	NOI	GLA	NOI	GLA	NOI
	(in thousands)								

Buttermilk Towne Center	278	13$(56)	13$(34)	13$(224)	13$(34)
Front Range Village	461	41(252)	41—	41(516)	41—
River City Marketplace	557	——	——	6 (78)	6 (19)
Spring Meadows	266	——	——	49(420)	49(205)
The Shoppes at Fox River	261	71(239)	71(141)	71(793)	71(422)
The Shops on Lane Avenue	177	6 (52)	6 (27)	6 (187)	6 (108)
Town & Country Crossing	167				