KIMCO REALTY CORP
Form 10-Q
August 01, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from ________ to ________

Commission File Number: 1-10899

Kimco Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland	**13-2744380**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

(516) 869-9000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of July 23, 2014, the registrant had 411,056,083 shares of common stock outstanding.

PART I FINANCIAL INFORMATION

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share information)

	June 30, 2014	**December 31, 2013**
Assets:		
Operating real estate, net of accumulated depreciation of $1,941,902 and $1,878,681, respectively	$7,752,897	$7,146,845
Investments and advances in real estate joint ventures	1,128,254	1,257,010
Real estate under development	79,760	97,818
Other real estate investments	264,687	274,641
Mortgages and other financing receivables	23,467	30,243
Cash and cash equivalents	192,183	148,768
Marketable securities	75,019	62,766
Accounts and notes receivable	162,148	164,326
Other assets	511,957	481,213
Total assets	$10,190,372	$9,663,630
Liabilities:		
Notes payable	$3,533,306	$3,186,047
Mortgages payable	1,197,065	1,035,354
Dividends payable	104,786	104,496
Other liabilities	515,133	482,054
Total liabilities	5,350,290	4,807,951
Redeemable noncontrolling interests	91,363	86,153
Stockholders' equity:		
Preferred stock, $1.00 par value, authorized 5,961,200 shares, 102,000 shares issued and outstanding (in series) Aggregate liquidation preference $975,000	102	102
Common stock, $.01 par value, authorized 750,000,000 shares issued and outstanding 411,019,382 and 409,731,058 shares, respectively	4,110	4,097
Paid-in capital	5,715,543	5,689,258
Cumulative distributions in excess of net income	(1,033,535)	(996,058)
Accumulated other comprehensive income	(59,592)	(64,982)
Total stockholders' equity	4,626,628	4,632,417
Noncontrolling interests	122,091	137,109
Total equity	4,748,719	4,769,526
Total liabilities and equity	$10,190,372	$9,663,630

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

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2014	**2013**	**2014**	**2013**
Revenues				
Revenues from rental properties	$251,723	$218,070	$484,592	$431,999
Management and other fee income	8,526	9,049	17,567	17,442
Total revenues	260,249	227,119	502,159	449,441
Operating expenses				
Rent	3,498	3,376	6,803	6,697
Real estate taxes	32,521	27,640	63,655	55,929
Operating and maintenance	31,394	27,074	60,041	51,751
General and administrative expenses	28,827	31,319	66,008	65,321
Provision for doubtful accounts	1,901	3,019	3,610	4,895
Impairment charges	88,373	24,839	90,643	25,237
Depreciation and amortization	65,963	58,673	125,647	116,385
Total operating expenses	252,477	175,940	416,407	326,215
Operating income	7,772	51,179	85,752	123,226
Other income/(expense)				
Mortgage financing income	428	1,430	2,127	2,416
Interest, dividends and other investment income	411	6,479	450	9,048
Other expense, net	(322)	(1,840)	(2,541)	(4,838)
Interest expense	(52,821)	(55,018)	(103,421)	(108,476)
Income/(loss) from continuing operations before income taxes, equity in income of joint ventures, gain/(loss) on change in control of interests and equity in income from other real estate investments	**(44,532)**	**2,230**	**(17,633)**	**21,376**
Benefit/(provision) for income taxes, net	586	12,204	(7,539)	(3,127)
Equity in income of joint ventures, net	45,025	59,504	98,286	83,616
Gain/(loss) on change in control of interests, net	65,598	(1,459)	69,342	21,711

Equity in income of other real estate investments, net	7,014	8,200	10,367	19,363
Income from continuing operations	**73,691**	**80,679**	**152,823**	**142,939**
Discontinued operations				
Income from discontinued operating properties, net of tax	2,299	9,095	13,688	17,138
Impairment/loss on operating properties sold, net of tax	(4,636)	(38,371)	(8,634)	(41,202)
Gain on disposition of operating properties, net of tax	20,207	1,869	29,544	4,365
Income/(loss) from discontinued operations	**17,870**	**(27,407)**	**34,598**	**(19,699)**
Gain on sale of operating properties, net of tax	**389**	**-**	**389**	**540**
Net income	**91,950**	**53,272**	**187,810**	**123,780**
Net income attributable to noncontrolling interests	(2,438)	(2,133)	(11,298)	(4,871)
Net income attributable to the Company	**89,512**	**51,139**	**176,512**	**118,909**
Preferred dividends	(14,573)	(14,573)	(29,147)	(29,147)
Net income available to the Company's common shareholders	**$74,939**	**$36,566**	**$147,365**	**$89,762**
Per common share:				
Income from continuing operations:				
-Basic	**$0.14**	**$0.16**	**$0.29**	**$0.27**
-Diluted	**$0.14**	**$0.16**	**$0.29**	**$0.27**
Net income attributable to the Company:				
-Basic	**$0.18**	**$0.09**	**$0.36**	**$0.22**
-Diluted	**$0.18**	**$0.09**	**$0.36**	**$0.22**
Weighted average shares:				
-Basic	**408,902**	**407,640**	**408,636**	**407,154**
-Diluted	**410,005**	**408,831**	**409,682**	**408,163**
Amounts attributable to the Company's common shareholders:				
Income from continuing operations	$57,871	$64,386	$120,166	$110,296
Income from discontinued operations	17,068	(27,820)	27,199	(20,534)
Net income	**$74,939**	**$36,566**	**$147,365**	**$89,762**

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

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2014	2013	2014	2013
Net income	$91,950	$53,272	$187,810	$123,780
Other comprehensive income:				
Change in unrealized gain/(loss) on marketable securities, net	11,789	(540)	8,111	6,228
Change in foreign currency translation adjustment, net	5,493	(35,515)	(2,896)	(2,504)
Other comprehensive income/(loss)	17,282	(36,055)	5,215	3,724
Comprehensive income	109,232	17,217	193,025	127,504
Comprehensive income attributable to noncontrolling interests	(2,441)	(200)	(11,123)	(4,211)
Comprehensive income attributable to the Company	$106,791	$17,017	$181,902	$123,293

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

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2014 and 2013

(Unaudited)

(in thousands)

	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Preferred Stock		Common Stock		Paid-in	Total Stockholders'	Noncontrolling	Total
			Issued	Amount	Issued	Amount	Capital	Equity	Interests	Equity
Balance, January 1, 2013	$(824,008)	$(66,182)	102	$102	407,782	$4,078	$5,651,170	$4,765,160	$167,320	$4,932,48
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	858	858
Comprehensive income:										
Net income	118,909	-	-	-	-	-	-	118,909	4,871	123,780
Other comprehensive income, net of tax:										
Change in unrealized gain on marketable securities	-	6,228	-	-	-	-	-	6,228	-	6,228
Change in foreign currency translation adjustment	-	(1,844)	-	-	-	-	-	(1,844)	(660)	(2,504
Redeemable noncontrolling interests	-	-	-	-	-	-	-	-	(3,222)	(3,222

Dividends ($0.42 per common share; $0.8625 per Class H Depositary Share and $0.7500 per Class I Depositary Share, and $0.6875 per Class J Depositary Share. and $0.7032 per Class K Depositary Share, respectively)	(200,971)		-	-	-	-	-	(200,971)	-	(200,971
Distributions to noncontrolling interests	-		-	-	-	-	-	-	(5,063)	(5,063
Issuance of common stock	-		-	-	560	5	9,208	9,213	-	9,213
Surrender of restricted stock	-		-	-	(212)	(2)	(3,174)	(3,176)	-	(3,176
Exercise of common stock options	-		-	-	1,487	15	27,927	27,942	-	27,942
Acquisition of noncontrolling interests	-		-	-	-	-	(5,430)	(5,430)	(20,096)	(25,526
Amortization of equity awards	-		-	-	-	-	6,242	6,242	-	6,242
Balance, June 30, 2013	$(906,070)	$(61,798)	102	$102	409,617	$4,096	$5,685,943	$4,722,273	$144,008	$4,866,28
Balance, January 1, 2014	$(996,058)	$(64,982)	102	$102	409,731	$4,097	$5,689,258	$4,632,417	$137,109	$4,769,52
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	2,313	2,313
Comprehensive income:										
Net income	176,512	-	-	-	-	-	-	176,512	11,298	187,810

Other comprehensive income, net of tax:										
Change in unrealized gain on marketable securities	-	8,111	-	-	-	-	-	8,111	-	8,111
Change in foreign currency translation adjustment	-	(2,721)	-	-	-	-	-	(2,721)	(175)	(2,896
Redeemable noncontrolling interests	-	-	-	-	-	-	-	-	(3,224)	(3,224
Dividends ($0.45 per common share; $0.8625 per Class H Depositary Share and $0.7500 per Class I Depositary Share, and $0.6875 per Class J Depositary Share. and $0.7032 per Class K Depositary Share, respectively)	(213,989)	-	-	-	-	-	-	(213,989)	-	(213,989
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(24,464)	(24,464
Issuance of common stock	-	-	-	-	697	7	11,444	11,451	-	11,451
Surrender of restricted stock	-	-	-	-	(175)	(2)	(3,727)	(3,729)	-	(3,729
Exercise of common stock options	-	-	-	-	766	8	12,328	12,336	-	12,336
Acquisition of noncontrolling interests	-	-	-	-	-	-	(53)	(53)	(766)	(819
	-	-	-	-	-	-	6,293	6,293	-	6,293

Amortization of equity awards										
Balance, June 30, 2014	$(1,033,535)	$(59,592)	102	$102	411,019	$4,110	$5,715,543	$4,626,628	$122,091	$4,748,71

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

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2014	2013
Cash flow from operating activities:		
Net income	$187,810	$123,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,296	127,042
Impairment charges	99,952	81,546
Gain on sale of operating properties	(30,907)	(5,446)
Equity in income of joint ventures, net	(98,286)	(83,616)
Gains on change in control of interests	(69,342)	(21,711)
Equity in income from other real estate investments, net	(10,367)	(19,363)
Distributions from joint ventures and other real estate investments	125,694	82,245
Change in accounts and notes receivable	2,178	11,142
Change in accounts payable and accrued expenses	(1,294)	6,755
Change in other operating assets and liabilities	(8,637)	(36,846)
Net cash flow provided by operating activities	326,097	265,528
Cash flow from investing activities:		
Acquisition of operating real estate	(362,160)	(145,303)
Improvements to operating real estate	(52,875)	(49,497)
Improvements to real estate under development	(107)	(326)
Investment in marketable securities	(4,556)	(33,588)
Proceeds from sale/repayments of marketable securities	219	10,758
Investments and advances to real estate joint ventures	(46,644)	(239,903)
Reimbursements of investments and advances to real estate joint ventures	113,757	295,186
Investment in other real estate investments	(1,372)	(23,227)
Reimbursements of investments and advances to other real estate investments	12,907	1,200
Investment in mortgage loans receivable	-	(11,017)
Collection of mortgage loans receivable	7,115	8,779
Investment in other investments	-	(21,366)
Reimbursements of other investments	-	463
Proceeds from sale of operating properties	161,737	110,389
Net cash flow used for investing activities	(171,979)	(97,452)
Cash flow from financing activities:		
Principal payments on debt, excluding normal amortization of rental property debt	(233,800)	(66,206)

Principal payments on rental property debt	(11,060)	(12,094)
Proceeds from mortgage loan financings	-	17,374
Proceeds/(repayments) under unsecured revolving credit facility, net	143,060	(62,966)
Proceeds from issuance of unsecured term loan/notes	500,000	428,118
Repayments under unsecured term loan/notes	(294,570)	(253,225)
Financing origination costs	(11,911)	(6,096)
Redemption of/distributions to noncontrolling interests, net	(1,059)	(27,184)
Dividends paid	(213,699)	(199,164)
Proceeds from issuance of stock	12,336	27,942
Net cash flow used for financing activities	(110,703)	(153,501)
Change in cash and cash equivalents	43,415	14,575
Cash and cash equivalents, beginning of period	148,768	141,875
Cash and cash equivalents, end of period	$192,183	$156,450
Interest paid during the period (net of capitalized interest of $737 and $579, respectively)	$102,478	$108,906
Income taxes paid during the period	$10,465	$798

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

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KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

Principles of Consolidation -

The accompanying Condensed Consolidated Financial Statements include the accounts of Kimco Realty Corporation and Subsidiaries, (the “Company”). The Company’s Subsidiaries includes subsidiaries which are wholly-owned, and all entities in which the Company has a controlling financial interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity (“VIE”) or meets certain criteria of a sole general partner or managing member in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). All inter-company balances and transactions have been eliminated in consolidation. The information furnished in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's 2013 Annual Report on Form 10-K for the year ended December 31, 2013 ("10-K"), as certain disclosures in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

Subsequent Events -

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements. (See Footnote 4).

Income Taxes -

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

Earnings Per Share -

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

	Three Months Ended		**Six Months Ended**	
	June 30,		**June 30,**	
	2014	**2013**	**2014**	**2013**
Computation of Basic Earnings Per Share:				
Income from continuing operations	$73,691	$80,679	$152,823	$142,939
Gain on sale of operating properties, net of tax	389	-	389	540
Net income attributable to noncontrolling interests	(2,438)	(2,133)	(11,298)	(4,871)
Discontinued operations attributable to noncontrolling interests	802	413	7,399	835
Preferred stock dividends	(14,573)	(14,573)	(29,147)	(29,147)
Income from continuing operations available to the common shareholders	57,871	64,386	120,166	110,296
Earnings attributable to unvested restricted shares	(410)	(352)	(819)	(705)
Income from continuing operations attributable to common shareholders	57,461	64,034	119,347	109,591
Income/(loss) from discontinued operations attributable to the Company	17,068	(27,820)	27,199	(20,534)
Net income attributable to the Company's common shareholders for basic earnings per share	$74,529	$36,214	$146,546	$89,057
Weighted average common shares outstanding	408,902	407,640	408,636	407,154
Basic Earnings Per Share Attributable to the Company's Common Shareholders:				
Income from continuing operations	$0.14	$0.16	$0.29	$0.27
Income/(loss) from discontinued operations	0.04	(0.07)	0.07	(0.05)
Net income	$0.18	$0.09	$0.36	$0.22
Computation of Diluted Earnings Per Share:				
Income from continuing operations attributable to common shareholders	$57,461	$64,034	$119,347	$109,591
Income/(loss) from discontinued operations attributable to the Company	17,068	(27,820)	27,199	(20,534)
Net income attributable to the Company's common shareholders for diluted earnings per share	$74,529	$36,214	$146,546	$89,057
Weighted average common shares outstanding – basic	408,902	407,640	408,636	407,154
Effect of dilutive securities (a):				

Equity awards	1,103	1,191	1,046	1,009
Shares for diluted earnings per common share	410,005	408,831	409,682	408,163
Diluted Earnings Per Share Attributable to the Company's Common Shareholders:				
Income from continuing operations	$0.14	$0.16	$0.29	$0.27
Income/(loss) from discontinued operations	0.04	(0.07)	0.07	(0.05)
Net income	$0.18	$0.09	$0.36	$0.22

(a) For the three and six months ended June 30, 2014 and 2013, the effect of certain convertible units would have an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations. Additionally, there were 8,952,148 and 9,070,328 stock options that were not dilutive at June 30, 2014 and 2013, respectively.

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

New Accounting Pronouncements –

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). The amendments in ASU 2014-08 change the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The amendments in ASU 2014-08 are effective for fiscal years beginning after December 15, 2014. Early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-08 will have on future disposals.

In February 2013, the FASB issued new guidance regarding liabilities, ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ("ASU 2013-04"), effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligations. The adoption of ASU 2013-04 did not have a material impact on the Company's financial position or results of operations.

2. Operating Property Activities

Acquisitions -

During the six months ended June 30, 2014, the Company acquired the following properties, in separate transactions (in thousands):

			Purchase Price				
Property Name	**Location**	**Month Acquired**	**Cash**	**Debt Assumed**	**Other**	**Total**	**GLA***
North Valley Leasehold	Peoria, AZ	Jan-14	$3,000	$-	$-	$3,000	-
LaSalle Properties (3 properties)	Various (1)	Jan-14	62,239	23,269	7,642	93,150	316
Harrisburg Land Parcel	Harrisburg, PA	Jan-14	2,550	-	-	2,550	-
Crossroads Plaza	Cary, NC	Feb-14	18,691	72,309	-	91,000	489
Quail Corners	Charlotte, NC (2)	Mar-14	9,398	17,409	4,943	31,750	110
KIF 1 Portfolio (12 properties)	Various (3)	Apr-14	128,699	157,010	122,291	408,000	1,589
Fountain at Arbor Lakes (2 Land Parcels)	Maple Grove, MN	Apr-14	900	-	-	900	-
Boston Portfolio (24 properties)	Various	Apr-14	149,486	120,514	-	270,000	1,426
Vinnin Square	Swampscott, MA	May-14	2,550	-	-	2,550	6
			$377,513	**$390,511**	**$134,876**	**$902,900**	**3,936**

* Gross leasable area ("GLA")

(1) The Company acquired three properties from a joint venture in which the Company has an 11% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB's Consolidation guidance and as such recognized a gain of $3.7 million from the fair value adjustment associated with the Company's original ownership

due to a change in control, which is reflected in the purchase price above in Other.

(2) The Company acquired a 65.4% controlling ownership interest in this property and the seller retained a 34.6% noncontrolling interest in the property. The partner has the ability to put its partnership interest to the Company. As such, the Company has recorded the partners share of the property's fair value of $4.9 million as Redeemable noncontrolling interests on the Company's Condensed Consolidated Balance Sheets.

(3) The Company acquired from its partners the remaining ownership interest in a joint venture which holds 12 encumbered properties for which the Company had a 39.1% noncontrolling interest. The Company evaluated this transaction pursuant to the FASB's Consolidation guidance and as a result, recognized a gain of $65.6 million from the fair value adjustment associated with the Company's original ownership due to a change in control, which is reflected in the purchase price above in Other. Subsequently, the Company repaid $128.4 million in debt encumbering ten of the properties. Additionally, during June 2014, the Company sold one of the properties to a third party.

The aggregate purchase price of the properties acquired during the six months ended June 30, 2014, has been preliminarily allocated as follows (in thousands):

Land	$257,277
Buildings	428,521
Above Market Rents	19,131
Below Market Rents	(51,359)
In-Place Leases	71,655
Building Improvements	183,619
Tenant Improvements	16,751
Mortgage Fair Value Adjustment	(22,944)
Other Assets	249
	$902,900

Dispositions –

During the six months ended June 30, 2014, the Company disposed of 18 operating properties, in separate transactions, for an aggregate sales price of $199.8 million, including five operating properties in Mexico. These transactions, which are included in Discontinued Operations on the Company's Condensed Consolidated Statements of Income, resulted in an aggregate gain of $30.3 million, before income taxes and noncontrolling interests and aggregate impairment charges of $3.1 million, before income taxes and noncontrolling interests.

Impairment Charges -

During the six months ended June 30, 2014, the Company recognized aggregate impairment charges of $90.6 million, which are included in Impairment charges under Operating expenses on the Company's Condensed Consolidated Statements of Income. These impairment charges consist of $88.4 million related to adjustments to property carrying values and $2.2 million related to a cost method investment. The adjustments to property carrying values were recognized in connection with the Company's efforts to market certain properties and management's assessment as to the likelihood and timing of such potential transactions and the anticipated hold period for such properties. During the second quarter ended June 30, 2014, the Company implemented its plan to accelerate its disposition of certain U.S. properties and in accordance with this strategy the Company identified approximately 150 operating properties to sell within the next 18 months. This plan effectively shortened the Company's anticipated hold period for these properties and as such caused the Company to recognize impairment charges on 18 consolidated operating properties. (See Footnote 12 for fair value disclosure).

During the six months ended June 30, 2013, the Company recognized aggregate impairment charges of $25.2 million, which are included in Impairment charges under Operating expenses on the Company's Condensed Consolidated Statements of Income. These impairment charges consist $17.4 million related to adjustments to property carrying values and $7.8 million relating to a cost method investment. The Company's estimated fair values as it relates to property carrying values were primarily based upon estimated sales prices from third party offers based on signed contracts or letters of intent. The impairment of the cost method investment was based upon a review of the underlying cause of the decline in value, as well as the severity and duration of the decline. As a result of such review, the Company determined that the decline was deemed to be other-than-temporary.

3. Discontinued Operations

The Company reports as discontinued operations, properties held-for-sale as of the end of the current period and assets sold during the period. The results of these discontinued operations are included as a separate component of income on the Condensed Consolidated Statements of Income under the caption Discontinued operations. This reporting has resulted in certain reclassifications of 2013 financial statement amounts.

The components of income and expense relating to discontinued operations for the three and six months ended June 30, 2014 and 2013 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2014 and 2013 and the operations for the applicable period for those assets classified as held-for-sale as of June 30, 2014 (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2014	**2013**	**2014**	**2013**
Discontinued operations:				
Revenues from rental property	$6,188	$21,607	$23,020	$40,841
Rental property expenses	(1,749)	(6,563)	(4,333)	(12,322)
Depreciation and amortization	(1,667)	(5,597)	(3,649)	(10,658)
Provision for doubtful accounts	(49)	(262)	(329)	(603)
Interest (expense)/income, net	(36)	338	(72)	173
Other expense, net	(141)	(207)	(456)	(317)
Income from discontinued operating properties, before income taxes	2,546	9,316	14,181	17,114
Impairment of property carrying value, net, before income taxes	(4,686)	(53,478)	(9,309)	(56,310)
Gain on disposition of operating properties, net, before income taxes	20,952	1,869	30,290	4,365
(Provision)/benefit for income taxes, net	(942)	14,886	(564)	15,132
Income/(loss) from discontinued operating properties	17,870	(27,407)	34,598	(19,699)
Net income attributable to noncontrolling interests	(802)	(413)	(7,399)	(835)
Income/(loss) from discontinued operations attributable to the Company	$17,068	$(27,820)	$27,199	$(20,534)

During the six months ended June 30, 2014, the Company classified as held-for-sale 15 operating properties. The aggregate book value of these properties was $144.7 million, net of accumulated depreciation of $32.6 million. The Company recognized impairment charges on four of these properties aggregating $7.1 million, of which $0.9 million related to a property that was sold during the six months ended June 30, 2014. The book value of the other properties did not exceed their estimated fair value, less costs to sell, and as such no impairment charges were recognized. The Company's determination of the fair value of these properties, aggregating $197.0 million, was based upon executed contracts of sale with third parties (see Footnote 12). The Company completed the sale of two held-for-sale operating properties during the six months ended June 30, 2014 (these dispositions are included in Footnote 2 above). At June 30, 2014, the Company had 13 operating properties classified as held-for-sale at a carrying amount of $108.8 million, net of accumulated depreciation of $25.9 million, which are included in Other assets on the Company's Condensed Consolidated Balance Sheets. Additionally, the Company reclassified $2.4 million in mortgage debt related to one of the properties classified as held-for-sale to Other liabilities on the Company's Condensed Consolidated Balance Sheets.

4. Investments and Advances in Real Estate Joint Ventures

The Company and its subsidiaries have investments in and advances to various real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting. The table below presents joint venture investments for which the Company held an ownership interest at June 30, 2014 and December 31, 2013 (in millions, except number of properties):

	As of June 30, 2014					**As of December 31, 2013**				
Venture	**Average Ownership Interest**	**Number of Properties**	**GLA**	**Gross Real Estate**	**The Company's Investment**	**Average Ownership Interest**	**Number of Properties**	**GLA**	**Gross Real Estate**	**The Company's Investment**
Prudential Investment Program ("KimPru" and "KimPru II") (1) (2) (9)	15.0%	60	10.6	$2,740.1	$ 180.6	15.0%	60	10.6	$2,724.0	$ 179.7
Kimco Income Opportunity Portfolio ("KIR") (2) (3)	48.6%	55	11.6	1,484.3	155.2	48.6%	57	12.0	1,496.0	163.6
Kimstone (2)	33.3%	39	5.6	1,095.5	93.3	33.3%	39	5.6	1,095.3	100.3
BIG Shopping Centers (2)*	37.9%	21	3.4	520.5	30.6	37.9%	21	3.4	520.1	29.5
The Canada Pension Plan Investment Board ("CPP") (2)	55.0%	6	2.4	438.4	155.9	55.0%	6	2.4	437.4	144.8
Kimco Income Fund ("KIF") (2) (8)	-	-	-	-	-	39.5%	12	1.5	288.7	50.6
SEB Immobilien (2) (17)	15.0%	13	1.8	362.6	0.5	15.0%	13	1.8	361.9	0.9
Other Institutional Programs (2) (4) (5)	Various	52	1.7	373.2	12.0	Various	56	2.1	385.3	17.9
RioCan	50.0%	45	9.3	1,305.7	161.4	50.0%	45	9.3	1,314.3	156.3
Latin America (6)	Various	19	1.5	125.4	73.5	Various	28	3.7	313.2	156.7
Other Joint Venture Programs (7)	Various	67	10.7	1,536.6	265.3	Various	75	11.5	1,548.9	256.7
Total		**377**	**58.6**	**$9,982.3**	**$ 1,128.3**		**412**	**63.9**	**$10,485.1**	**$ 1,257.0**

* Ownership % is a blended rate

The table below presents the Company's share of net income/(loss) for the above investments which is included in the Company's Condensed Consolidated Statements of Income in Equity in income of joint ventures, net for the three and six months ended June 30, 2014 and 2013 (in millions):

	Three months ended		**Six months ended**	
	June 30,		**June 30,**	
	2014	**2013**	**2014**	**2013**
KimPru and KimPru II (15)	$2.5	$2.3	$5.1	$4.2
KIR (3) (11)	6.2	7.4	13.0	14.5
Kimstone (10)	0.8	-	(0.7)	-
BIG Shopping Centers (14)	0.9	(0.5)	1.6	1.5
CPP	1.6	1.6	3.1	3.0
KIF (8)	-	0.9	0.9	1.5
SEB Immobilien	0.2	0.3	0.5	0.5
Other Institutional Programs (5)	0.1	1.2	0.1	2.4
RioCan	7.6	6.6	15.3	12.7
Latin America (6) (12)	3.0	30.5	34.1	32.1
Other Joint Venture Programs (7) (13) (16)	22.1	9.2	25.3	11.2
Total	$45.0	$59.5	$98.3	$83.6

(1) This venture represents four separate joint ventures, with four separate accounts managed by Prudential Real Estate Investors (“PREI”), three of these ventures are collectively referred to as KimPru and the remaining venture is referred to as KimPru II.

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

(3) During the six months ended June 30, 2014, KIR sold two operating properties for a sales price of $17.7 million. In connection with the two dispositions, the Company recognized its share of an aggregate net gain of $1.1 million.

(4) During the six months ended June 30, 2014, the Company acquired three properties from a joint venture in which the Company has a noncontrolling interest for a total sales price of $93.2 million. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance. As such, the Company recognized a gain of $3.7 million from the fair value adjustment associated with the Company’s original ownership due to a change in control and now consolidates these operating properties.

(5) During the six months ended June 30, 2014, a joint venture in which the Company holds a noncontrolling interest sold an operating property for a sales price of $11.3 million and recognized a gain of $0.3 million. The Company’s share of this gain was $0.1 million.

(6) During the six months ended June 30, 2014, the Company sold its noncontrolling interest in nine operating properties located throughout Mexico for a sales price of $175.0 million. The Company recognized a gain of $30.7 million, before income taxes, associated with these transactions.

(7) During the six months ended June 30, 2014, a joint venture in which the Company holds a noncontrolling interest sold eight operating properties for an aggregate sales price of $98.4 million and recognized an aggregate gain of $33.7 million. The Company’s share of this gain was $17.7 million.

(8) During the six months ended June 30, 2014, the Company purchased the remaining interest in KIF based on a gross fair value purchase price of $408.0 million. The Company evaluated this transaction pursuant to the FASB’s Consolidation guidance. As such, the Company recognized a gain of $65.6 million from the fair value adjustment associated with the Company’s original ownership due to a change in control and now consolidates these operating properties.

(9) During the six months ended June 30, 2014, KimPru acquired an additional parcel within one of its existing operating properties in Elk Grove, CA for a purchase price of $10.5 million. The Company’s capital contribution for this acquisition was $1.6 million.

(10) During June 2013, Blackstone Real Estate Partners VII and the Company entered into a new joint venture (Kimstone) in which the Company owns a 33.3% noncontrolling interest.

(11) During the six months ended June 30, 2014, KIR recognized aggregate impairment charges of $4.0 million related to two properties which KIR anticipates selling within the next 18 months. KIR effectively shortened its anticipated hold period for these assets which resulted in the expected future cash flows being less than the carrying value. The Company’s share of these impairment charges was $2.3 million.

(12) During the six months ended June 30, 2013, the Company sold nine operating properties located throughout Mexico for $274.0 million which were held in unconsolidated joint ventures in which the Company has noncontrolling interests. This transaction resulted in a net gain of $48.6 million, after tax, of which the Company’s share was $24.3 million.

(13) During the six months ended June 30, 2013, a joint venture in which the Company has a noncontrolling interest recognized an impairment charge of $1.8 million related to the pending sale of a property. The Company’s share of this impairment charge was $0.9 million.

(14) During the six months ended June 30, 2013, BIG recognized a gain on early extinguishment of debt of $13.7 million related to a property that was foreclosed on by a third party lender. The Company’s share of this gain was $2.4 million.

(15) During the six months ended June 30, 2013, the Company purchased the remaining interest in an operating property for a purchase price of $15.8 million. As a result of this transaction, KimPru recognized an impairment

charge of $4.0 million, of which the Company’s share was $0.6 million.

(16) During June 2013, the InTown portfolio was sold for a sales price of $735.0 million which included the assignment of $609.2 million in debt. This transaction resulted in a deferred gain to the Company of $21.7 million.

(17) During July 2014, the Company acquired 10 operating properties from the SEB joint venture based on a gross purchase price of $275.8 million, including the assumption of $193.6 million of mortgage debt. As a result of this transaction, the Company will consolidate these properties.

The table below presents debt balances within the Company’s unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at June 30, 2014 and December 31, 2013 (dollars in millions):

	As of June 30, 2014			**As of December 31, 2013**		
Venture	**Mortgages and Notes Payable**	**Weighted Average Interest Rate**	**Weighted Average Remaining Term (months)****	**Mortgages and Notes Payable**	**Weighted Average Interest Rate**	**Weighted Average Remaining Term (months)****
KimPru and KimPru II	$921.9	5.53 %	29.1	$923.4	5.53 %	35.0
KIR	881.0	5.05 %	69.2	889.1	5.05 %	75.1
Kimstone	734.4	4.56 %	33.7	749.9	4.62 %	39.3
BIG Shopping Centers	406.2	5.36 %	37.3	406.5	5.39 %	40.1
CPP	113.1	5.14 %	16.2	138.6	5.23 %	19.0
Kimco Income Fund	-	-	-	158.0	5.45 %	8.7
SEB Immobilien	243.8	5.11 %	37.3	243.8	5.11 %	43.3
RioCan	727.0	4.57 %	42.4	743.7	4.59 %	48.0
Other Institutional Programs	241.2	5.36 %	25.2	272.9	5.32 %	31.0
Other Joint Venture Programs	977.8	5.38 %	62.8	1,063.1	5.53 %	60.6
Total	$5,246.4			$5,589.0		

** Average Remaining Term includes extension options.

5. Other Real Estate Investments

Preferred Equity Capital -

The Company has provided capital to owners and developers of real estate properties through its Preferred Equity program. As of June 30, 2014, the Company's net investment under the Preferred Equity program was $230.8 million relating to 447 properties, including 386 net leased properties. During the six months ended June 30, 2014, the Company earned $13.1 million from its preferred equity investments, including $3.7 million in profit participation earned from three capital transactions. During the six months ended June 30, 2013, the Company earned $17.3 million from its preferred equity investments, including $4.4 million in profit participation earned from one capital transaction.

6. Variable Interest Entities

Consolidated Ground-Up Development Projects

Included within the Company's ground-up development projects at June 30, 2014, are two entities that are VIEs, for which the Company is the primary beneficiary. These entities were established to develop real estate property to hold as long-term investments. The Company's involvement with these entities is through its majority ownership and management of the properties. These entities were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The initial equity contributed to these entities was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest.

At June 30, 2014, total assets of these ground-up development VIEs were $88.2 million and total liabilities were $0.3 million. The classification of these assets is primarily within Real estate under development and the classification of liabilities is primarily within accounts payable and accrued expenses, which is included in Other liabilities in the Company's Condensed Consolidated Balance Sheets.

Substantially all of the projected development costs to be funded for these ground-up development VIEs, aggregating $35.6 million, will be funded with capital contributions from the Company and by the outside partners, when contractually obligated. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide.

Unconsolidated Redevelopment Investment

Included in the Company’s joint venture investments at June 30, 2014, is one unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture was primarily established to develop real estate property for long-term investment and was deemed a VIE primarily based on the fact that the equity investment at risk was not sufficient to permit the entity to finance its activities without additional financial support. The initial equity contributed to this entity was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity’s partners and therefore does not have a controlling financial interest.

As of June 30, 2014, the Company’s investment in this VIE was a negative $11.0 million, due to the fact that the Company had a remaining capital commitment obligation, which is included in Other liabilities in the Company’s Condensed Consolidated Balance Sheets. The Company’s maximum exposure to loss as a result of its involvement with this VIE is estimated to be $11.0 million, which is the remaining capital commitment obligation. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. All future costs of development will be funded with capital contributions from the Company and the outside partner in accordance with their respective ownership percentages.

7. Mortgages and Other Financing Receivables:

The Company has various mortgages and other financing receivables which consist of loans acquired and loans originated by the Company. The Company reviews payment status to identify performing versus non-performing loans. As of June 30, 2014, the Company had a total of 14 loans aggregating $23.5 million all of which were identified as performing loans.

During the six months ended June 30, 2014, the Company received full payment relating to two mortgage receivable loans which had an aggregate outstanding balance of $6.5 million. These loans bore interest at rates of 7.97% and 8.10% and were scheduled to mature in March 2014 and June 2019, respectively.

8. Marketable Securities and Other Investments

At June 30, 2014, the Company’s investment in marketable securities was $75.0 million which includes an aggregate unrealized gain of $34.1 million relating to marketable equity security investments.

9. Notes Payable

During March 2014, the Company established a new $1.75 billion unsecured revolving credit facility (the “Credit Facility”) with a group of banks, which is scheduled to expire in March 2018 with two additional six-month options to extend the maturity date at the Company’s discretion to March 2019. This Credit Facility replaced the Company’s existing $1.75 billion unsecured revolving credit facility which was scheduled to mature in October 2015. The new Credit Facility, which can be increased to $2.25 billion through an accordion feature, accrues interest at a rate of LIBOR plus 92.5 basis points on drawn funds. In addition, the Credit Facility includes a $500 million sub-limit which provides the Company the opportunity to borrow in alternative currencies including Canadian dollars, British Pounds Sterling, Japanese Yen or euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum leverage ratios on both unsecured and secured debt and (ii) minimum interest and fixed coverage ratios. As of June 30, 2014, the Credit Facility had a balance of $337.6 million outstanding and $1.1 million appropriated for letters of credit.

During April 2014, the Company issued $500.0 million of 7-year Senior Unsecured Notes at an interest rate of 3.20% payable semi-annually in arrears which are scheduled to mature in May 1, 2021. The Company used the net proceeds from the offering of $495.4 million after deducting the underwriting discount and offering expenses, for general corporate purposes including reducing borrowings under the Credit Facility and repayment of maturing debt. In connection with this issuance, the Company entered into a seventh supplemental indenture which, among other things, revised, for all securities created on or after the date of the seventh supplemental indenture, the definition of Unencumbered Total Asset Value, used to determine compliance with certain covenants within the indenture.

During the six months ended June 30, 2014, the Company repaid (i) its $100.0 million 5.95% senior unsecured notes, which matured in June 2014 and (ii) its remaining $194.6 million 4.82% senior unsecured notes, which also matured in June 2014.

10. Mortgages Payable

During the six months ended June 30, 2014, the Company (i) assumed $413.5 million of individual non-recourse mortgage debt relating to the acquisition of 38 operating properties, including an increase of $23.0 million associated with fair value debt adjustments and (ii) paid off $233.8 million of mortgage debt that encumbered 14 properties.

11. Noncontrolling Interests

Noncontrolling interests represent the portion of equity that the Company does not own in those entities it consolidates as a result of having a controlling financial interest in accordance with the provisions of the FASB's Consolidation guidance. The Company identifies its noncontrolling interests separately within the equity section on the Company's Condensed Consolidated Balance Sheets. Noncontrolling interests also includes amounts related to partnership units issued by consolidated subsidiaries of the Company in connection with certain property acquisitions. Partnership units which are determined to be mandatorily redeemable under the FASB's Distinguishing Liabilities from Equity guidance are classified as Redeemable noncontrolling interests and presented in the mezzanine section between Total liabilities and Stockholder's equity on the Company's Condensed Consolidated Balance Sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented on the Company's Condensed Consolidated Statements of Income.

The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the six months ended June 30, 2014 and June 30, 2013 (amounts in thousands):

	2014	**2013**
Balance at January 1,	$86,153	$81,076
Issuance of redeemable units/partnership interest	4,943	5,223
Fair market value adjustment, net	225	(900)
Other	42	87
Balance at June 30,	$91,363	$85,486

12. Fair Value Measurements

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

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

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

	June 30, 2014		**December 31, 2013**	
	Carrying Amounts	**Estimated Fair Value**	**Carrying Amounts**	**Estimated Fair Value**
Marketable securities (1)	$75,019	$74,969	$62,766	$62,824
Notes payable (2)	$3,533,306	$3,658,419	$3,186,047	$3,333,614
Mortgages payable (3)	$1,197,065	$1,254,995	$1,035,354	$1,083,801

(1) As of June 30, 2014 and December 31, 2013, the Company determined that $72.2 million and $59.7 million, respectively, of the Marketable securities estimated fair value were classified within Level 1 of the fair value hierarchy and the remaining $2.8 million and $3.1 million, respectively, were classified within Level 3 of the fair value hierarchy.

(2) The Company determined that its valuation of Notes payable was classified within Level 2 of the fair value hierarchy.

(3) The Company determined that its valuation of Mortgages payable was classified within Level 3 of the fair value hierarchy.

The Company has certain financial instruments that must be measured under the FASB's Fair Value Measurements and Disclosures guidance, including available for sale securities. The Company currently does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

The table below presents the Company's financial assets measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Balance at June 30, 2014	**Level 1**	**Level 2**	**Level 3**
Marketable equity securities	$72,230	$72,230	$ -	$ -

	Balance at December 31, 2013	**Level 1**	**Level 2**	**Level 3**
Marketable equity securities	$ 59,723	$59,723	$ -	$ -

Assets measured at fair value on a non-recurring basis at June 30, 2014 and December 31, 2013, are as follows (in thousands):

	Balance at June 30, 2014	**Level 1**	**Level 2**	**Level 3**
Real estate	$113,644	$ -	$ -	$113,644
Cost method investment	$2,591	$ -	$ -	$2,591

Level 3

	Balance at December 31, 2013	**Level 1**	**Level 2**	
Real estate	$ 217,529	$ -	$ -	$ 217,529
Joint venture investments	$ 59,693	$ -	$ -	$ 59,693
Other real estate investments	$ 2,050	$ -	$ -	$ 2,050
Cost method investment	$ 4,670	$ -	$ -	$ 4,670

During the six months ended June 30, 2014, the Company recognized impairment charges of $100.0 million of which $9.3 million, before noncontrolling interests, is included in discontinued operations. These impairment charges consist of (i) $97.8 million related to adjustments to property carrying values and (ii) $2.2 million related to a cost method investment. During the six months ended June 30, 2013, the Company recognized impairment charges of $81.5 million of which $56.3 million, before noncontrolling interests, is included in discontinued operations. These impairment charges consist of (i) $73.7 million related to adjustments to property carrying values based on signed contracts or letters of intent and (ii) $7.8 million related to a cost method investment.

The Company's estimated fair value as it relates to the cost method investment, was based upon a discounted cash flow model. The discounted cash flow model includes all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. The capitalization rate of 6.0% and discount rate of 9.1% which were utilized in this model were based upon observable rates that the Company believes to be within a reasonable range of current market rates for the respective investment.

The Company's estimated fair values, as it relates to property carrying values were primarily based upon (i) estimated sales prices from third party offers based on signed contracts or letters of intent (this method was used to determine $41.0 million of the $97.8 million in impairments recognized during the six months ended June 30, 2014), for which the Company does not have access to the unobservable inputs used to determine these estimated fair values, and (ii) discounted cash flow models (this method was used to determine $56.8 million of the $97.8 million in impairments recognized during the six months ended June 30, 2014). The discounted cash flow models include all estimated cash inflows and outflows over a specified holding period. These cash flows were comprised of unobservable inputs which include forecasted revenues and expenses based upon market conditions and expectations for growth. The capitalization rates primarily ranging from 5.0% to 15.0% and discount rates primarily ranging from 6.0% to 16.0% which were utilized in the models were based upon observable rates that the Company believes to be within a reasonable range of current market rates for each respective investments.

Based on these inputs the Company determined that its valuation of these investments was classified within Level 3 of the fair value hierarchy. (See Footnote 2 for additional discussion regarding impairment charges).

13. Preferred Stock

The Company's outstanding Preferred Stock is detailed below:

As of June 30, 2014 and December 31, 2013
Series of Preferred Stock

	Shares Authorized	Shares Issued and Outstanding	Liquidation Preference (in thousands)	Dividend Rate	Annual Dividend per Depositary Share	Par Value
Series H	70,000	70,000	$ 175,000	6.90 %	$ 1.72500	$ 1.00
Series I	18,400	16,000	400,000	6.00 %	$ 1.50000	$ 1.00
Series J	9,000	9,000	225,000	5.50 %	$ 1.37500	$ 1.00
Series K	8,050	7,000	175,000	5.625 %	$ 1.40625	$ 1.00
	105,450	102,000	$ 975,000			

14. Supplemental Schedule of Non-Cash Investing / Financing Activities

The following schedule summarizes the non-cash investing and financing activities of the Company for the six months ended June 30, 2014 and 2013 (in thousands):

	2014		**2013**	
Acquisition of real estate interests by assumption of mortgage debt	$	210,232	$	36,716
Acquisition of real estate interests by issuance of redeemable units/partnership interest	$	6,122	$	3,985
Acquisition of real estate interests through proceeds held in escrow	$	14,884	$	-
Proceeds held in escrow through sale of real estate interests	$	14,352	$	-
Issuance of restricted common stock	$	11,451	$	9,213
Surrender of restricted common stock	$	(3,729)	$	(3,176)
Disposition of real estate through the issuance of an unsecured obligation	$	-	$	3,513
Declaration of dividends paid in succeeding period	$	104,786	$	98,326
Consolidation of Joint Ventures:				
Increase in real estate and other assets	$	303,374	$	228,200
Increase in mortgages payable	$	180,279	$	206,489