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Seritage Growth Properties
Form 10-Q
May 04, 2018
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 MARCH 31, 2018

or

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

For the transition period from _____ to _____

Commission File Number 001-37420

SERITAGE GROWTH PROPERTIES

(Exact name of registrant as specified in its charter)

Maryland 38-3976287
(State of Incorporation) (I.R.S. Employer Identification No.)

500 Fifth Avenue, Suite 1530, New York, New York 10110
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 355-7800

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, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of April 27, 2018, the registrant had the following common shares outstanding:

Class	Shares Outstanding
Class A common shares of beneficial interest, par value \$0.01 per share	35,260,258
Class B common shares of beneficial interest, par value \$0.01 per share	1,328,866
Class C common shares of beneficial interest, par value \$0.01 per share	320,418

SERITAGE GROWTH PROPERTIES

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED MARCH 31, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, amounts in thousands, except share and per share amounts)

	March 31, 2018	December 31, 2017
ASSETS		
Investment in real estate		
Land	\$750,870	\$799,971
Buildings and improvements	851,416	829,168
Accumulated depreciation	(148,926)	(139,483)
	1,453,360	1,489,656
Construction in progress	252,350	224,904
Net investment in real estate	1,705,710	1,714,560
Investment in unconsolidated joint ventures	330,322	282,990
Cash and cash equivalents	135,091	241,569
Restricted cash	177,419	175,665
Tenant and other receivables, net	32,021	30,787
Lease intangible assets, net	291,613	310,098
Prepaid expenses, deferred expenses and other assets, net	23,839	20,148
Total assets	\$2,696,015	\$2,775,817
LIABILITIES AND EQUITY		
Liabilities		
Mortgage loans payable, net	\$1,130,793	\$1,202,314
Unsecured term loan, net	143,590	143,210
Accounts payable, accrued expenses and other liabilities	99,063	109,433
Total liabilities	1,373,446	1,454,957
Commitments and contingencies (Note 9)		
Shareholders' Equity		
Class A common shares \$0.01 par value; 100,000,000 shares authorized;		
35,208,666 and 32,415,734 shares issued and outstanding as of		
March 31, 2018 and December 31, 2017, respectively	352	324
Class B common shares \$0.01 par value; 5,000,000 shares authorized;		
1,328,866 and 1,328,866 shares issued and outstanding as of		
March 31, 2018 and December 31, 2017, respectively	13	13
Class C common shares \$0.01 par value; 50,000,000 shares authorized;		
372,010 and 3,151,131 shares issued and outstanding as of		

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March 31, 2018 and December 31, 2017, respectively		
Series A preferred shares \$0.01 par value; 10,000,000 shares authorized;		
2,800,000 shares issued and outstanding as of March 31, 2018		
and December 31, 2017; liquidation preference of \$70,000	28	28
Additional paid-in capital	1,116,841	1,116,060
Accumulated deficit	(229,652)	(229,760)
Total shareholders' equity	887,586	886,696
Non-controlling interests	434,983	434,164
Total equity	1,322,569	1,320,860
Total liabilities and equity	\$2,696,015	\$2,775,817

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

SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
REVENUE		
Rental income	\$37,079	\$49,174
Tenant reimbursements	16,698	16,224
Total revenue	53,777	65,398
EXPENSES		
Property operating	7,241	4,742
Real estate taxes	11,381	12,422
Depreciation and amortization	34,667	58,663
General and administrative	7,797	6,274
Provision for doubtful accounts	61	39
Total expenses	61,147	82,140
Operating loss	(7,370)	(16,742)
Equity in (loss) income of unconsolidated joint ventures	(2,582)	1,002
Gain on sale of real estate	41,831	—
Interest and other income	680	78
Interest expense	(16,419)	(16,592)
Unrealized gain (loss) on interest rate cap	165	(471)
Income (loss) before income taxes	16,305	(32,725)
Provision for income taxes	(104)	(119)
Net income (loss)	16,201	(32,844)
Net (income) loss attributable to non-controlling interests	(5,873)	13,006
Net income (loss) attributable to Seritage	\$10,328	\$(19,838)
Preferred dividends	(1,228)	—
Net income (loss) attributable to Seritage common shareholders	\$9,100	\$(19,838)
Net income (loss) per share attributable to Seritage Class A and Class C common shareholders - Basic		
	\$0.26	\$(0.59)
Net income (loss) per share attributable to Seritage Class A and Class C common shareholders - Diluted		
	\$0.26	\$(0.59)
Weighted average Class A and Class C common shares outstanding - Basic		
	35,414	33,510

Weighted average Class A and Class C common shares

outstanding - Diluted	35,501	33,510
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The accompanying notes are an integral part of these condensed consolidated financial statements.

SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited, amounts in thousands)

	Class A Common Shares		Class B Common Shares		Class C Common Shares		Series A Preferred Shares	Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interests	Total Equity	
Balance at January 1, 2017	25,843	\$ 258	1,589	\$ 16	5,755	\$ 58	—	\$ —	\$ 925,563	\$(121,338)	\$ 619,754	\$ 1,424,311
Net loss	—	—	—	—	—	—	—	—	—	—	—	—