TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
November 03, 2015

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015
OR

o 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 1-11986 (Tanger Factory Outlet Centers, Inc.)
Commission file number 333-3526-01 (Tanger Properties Limited Partnership)

TANGER FACTORY OUTLET CENTERS, INC.
TANGER PROPERTIES LIMITED PARTNERSHIP
(Exact name of Registrant as specified in its charter)

North Carolina (Tanger Factory Outlet Centers, Inc.)	56-1815473
North Carolina (Tanger Properties Limited Partnership)	56-1822494
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Northline Avenue, Suite 360, Greensboro, NC 27408
(Address of principal executive offices)

(336) 292-3010
(Registrant's telephone number, including area code)

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.

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

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).

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

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” (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934).

Tanger Factory Outlet Centers, Inc.

x Large accelerated filer	o Accelerated filer	o Non-accelerated filer	o Smaller reporting company

Tanger Properties Limited Partnership

o Large accelerated filer	o Accelerated filer	x Non-accelerated filer	o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Tanger Factory Outlet Centers, Inc.	Yes o	No x
Tanger Properties Limited Partnership	Yes o	No x

As of October 30, 2015, there were 95,847,393 common shares of Tanger Factory Outlet Centers, Inc. outstanding, $.01 par value.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2015 of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership. Unless the context indicates otherwise, the term "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term "Operating Partnership" refers to Tanger Properties Limited Partnership and subsidiaries. The terms “we”, “our” and “us” refer to the Company or the Company and the Operating Partnership together, as the text requires.

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States and Canada. The Company is a fully-integrated, self-administered and self-managed real estate investment trust, ("REIT"), which, through its controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. The outlet centers and other assets are held by, and all of the operations are conducted by, the Operating Partnership and its subsidiaries. Accordingly, the descriptions of the business, employees and properties of the Company are also descriptions of the business, employees and properties of the Operating Partnership.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. As of September 30, 2015, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 95,843,493 units of the Operating Partnership and other limited partners (the "Non-Company LPs") collectively owned 5,078,406 Class A common limited partnership units. Each Class A common limited partnership unit held by the Non-Company LPs is exchangeable for one of the Company's common shares, subject to certain limitations to preserve the Company's status as a REIT. Class B common limited partnership units, which are held by Tanger LP Trust, are not exchangeable for common shares of the Company.

Management operates the Company and the Operating Partnership as one enterprise. The management of the Company consists of the same members as the management of the Operating Partnership. These individuals are officers of the Company and employees of the Operating Partnership. The individuals that comprise the Company's Board of Directors are also the same individuals that make up Tanger GP Trust's Board of Trustees.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are only a few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important, however to understand these differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated consolidated company.

As stated above, the Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership through its wholly-owned subsidiaries, the Tanger GP Trust and Tanger LP Trust. As a result, the Company does not conduct business itself, other than issuing public equity from time to time and incurring expenses required to operate as a public company. However, all operating expenses incurred by the Company are reimbursed by the Operating Partnership, thus the only material item on the Company's income statement is its equity in the earnings of the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. The Company itself does not hold any indebtedness but does guarantee certain debt of the Operating Partnership, as disclosed in this report.

The Operating Partnership holds all of the outlet centers and other assets, including the ownership interests in consolidated and unconsolidated joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by the Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, its incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership interests in the Operating Partnership held by the Non-Company LPs are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Consolidated financial statements;
- The following notes to the consolidated financial statements:
- Debt of the Company and the Operating Partnership;
- Shareholders' Equity and Partners' Equity;
- Earnings Per Share and Earnings Per Unit;
- Accumulated Other Comprehensive Income of the Company and the Operating Partnership;
- Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and

Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

The separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.

As the 100% owner of Tanger GP Trust, the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

TANGER FACTORY OUTLET CENTERS, INC. AND TANGER PROPERTIES LIMITED PARTNERSHIP
Index

PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements of Tanger Factory Outlet Centers, Inc.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data, unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Rental property		
Land	$225,306	$217,994
Buildings, improvements and fixtures	2,173,499	1,947,083
Construction in progress	63,445	98,526
	2,462,250	2,263,603
Accumulated depreciation	(727,921)	(662,236)
Total rental property, net	1,734,329	1,601,367
Cash and cash equivalents	20,661	16,875
Restricted cash	42,904	—
Rental property held for sale	19,286	46,005
Investments in unconsolidated joint ventures	197,964	208,050
Deferred lease costs and other intangibles, net	130,390	140,883
Deferred debt origination costs, net	10,688	12,126
Prepaids and other assets	74,577	72,354
Total assets	$2,230,799	$2,097,660
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $5,919 and $6,426, respectively)	$794,080	$793,574
Unsecured term loans (net of discount of $122 and $241, respectively)	267,378	267,259
Mortgages payable (including premiums of $2,469 and $3,031, respectively)	281,966	271,361
Unsecured lines of credit	195,800	111,000
Total debt	1,539,224	1,443,194
Accounts payable and accrued expenses	90,506	69,558
Deferred financing obligation	28,388	28,388
Other liabilities	31,405	32,634
Total liabilities	1,689,523	1,573,774
Commitments and contingencies	—	—
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 95,843,493 and 95,509,781 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	958	955
Paid in capital	802,638	791,566
Accumulated distributions in excess of net income	(256,180)	(281,679)
Accumulated other comprehensive loss	(33,943)	(14,023)
Equity attributable to Tanger Factory Outlet Centers, Inc.	513,473	496,819
Equity attributable to noncontrolling interests		
Noncontrolling interests in Operating Partnership	27,207	26,417

Noncontrolling interests in other consolidated partnerships	596	650
Total equity	541,276	523,886
Total liabilities and equity	$2,230,799	$2,097,660

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues				
Base rentals	$75,841	$69,612	$215,799	$204,748
Percentage rentals	2,625	2,634	6,896	6,632
Expense reimbursements	30,542	29,463	93,815	90,457
Management, leasing and other services	1,253	1,225	4,263	2,548
Other income	2,645	2,255	5,795	5,799
Total revenues	112,906	105,189	326,568	310,184
Expenses				
Property operating	36,231	32,798	108,921	102,454
General and administrative	11,514	11,334	34,431	32,817
Acquisition costs	—	—	—	7
Abandoned pre-development costs	—	—	—	1,596
Depreciation and amortization	28,785	25,774	77,046	77,034
Total expenses	76,530	69,906	220,398	213,908
Operating income	36,376	35,283	106,170	96,276
Other income/(expense)				
Interest expense	(13,933)	(13,902)	(40,110)	(43,404)
Gain on sale of assets and interests in unconsolidated entities	20,215	—	33,941	—
Other nonoperating income (expense)	89	437	(98)	560
Income before equity in earnings of unconsolidated joint ventures	42,747	21,818	99,903	53,432
Equity in earnings of unconsolidated joint ventures	3,713	2,479	8,302	6,200
Net income	46,460	24,297	108,205	59,632
Noncontrolling interests in Operating Partnership	(2,364)	(1,252)	(5,532)	(3,083)
Noncontrolling interests in other consolidated partnerships	(21)	(42)	395	(80)
Net income attributable to Tanger Factory Outlet Centers, Inc.	$44,075	$23,003	$103,068	$56,469
Basic earnings per common share				
Net income	$0.46	$0.24	$1.08	$0.59
Diluted earnings per common share				
Net income	$0.46	$0.24	$1.08	$0.59
Dividends paid per common share	$0.285	$0.240	$0.810	$0.705

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income	$46,460	$24,297	$108,205	$59,632
Other comprehensive income (loss)				
Reclassification adjustments for amounts recognized in net income	—	(99)	—	(293)
Foreign currency translation adjustments	(10,932)	(5,194)	(18,945)	(4,546)
Change in fair value of cash flow hedges	(1,156)	952	(2,045)	(386)
Other comprehensive income (loss)	(12,088)	(4,341)	(20,990)	(5,225)
Comprehensive income	34,372	19,956	87,215	54,407
Comprehensive income attributable to noncontrolling interests	(1,770)	(1,070)	(4,067)	(2,892)
Comprehensive income attributable to Tanger Factory Outlet Centers, Inc.	$32,602	$18,886	$83,148	$51,515

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share data, unaudited)

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive loss	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2013	$945	$788,984	$(265,242)	$ (2,428)	$522,259	$ 28,432	$ 6,904	$557,595
Net income	—	—	56,469	—	56,469	3,083	80	59,632
Other comprehensive loss	—	—	—	(4,954)	(4,954)	(271)	—	(5,225)
Compensation under Incentive Award Plan	—	11,458	—	—	11,458	—	—	11,458
Issuance of 46,700 common shares upon exercise of options	—	895	—	—	895	—	—	895
Issuance of 1,302,729 restricted common shares, net of forfeitures	13	(13)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	37	—	—	37	(37)	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	3	—	—	3	—	1,001	1,004
Exchange of 43,331 Operating Partnership units for 43,331 common shares	1	(1)	—	—	—	—	—	—
Common dividends ($0.705 per share)	—	—	(67,445)	—	(67,445)	—	—	(67,445)
Distributions to noncontrolling interests	—	—	—	—	—	(3,612)	(88)	(3,700)
Balance, September 30, 2014	$959	$801,363	$(276,218)	$ (7,382)	$518,722	$ 27,595	$ 7,897	$554,214

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share data, unaudited)

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive loss	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2014	$955	$791,566	$(281,679)	$ (14,023)	$496,819	$ 26,417	$ 650	$523,886
Net income	—	—	103,068	—	103,068	5,532	(395)	108,205
Other comprehensive loss	—	—	—	(19,920)	(19,920)	(1,070)	—	(20,990)
Compensation under Incentive Award Plan	—	12,180	—	—	12,180	—	—	12,180
Issuance of 16,400 common shares upon exercise of options	—	448	—	—	448	—	—	448
Issuance of 348,844 restricted common shares, net of forfeitures	3	(3)	—	—	—	—	—	—
Withholding of 31,532 common shares for employee income taxes	—	(1,115)	—	—	(1,115)	—	—	(1,115)
Contributions from noncontrolling interests	—	—	—	—	—	—	461	461
Adjustment for noncontrolling interests in Operating Partnership	—	(442)	—	—	(442)	442	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	4	—	—	4	—	(4)	—
Common dividends ($.810 per share)	—	—	(77,569)	—	(77,569)	—	—	(77,569)
Distributions to noncontrolling interests	—	—	—	—	—	(4,114)	(116)	(4,230)
Balance,	$958	$802,638	$(256,180)	$ (33,943)	$513,473	$ 27,207	$ 596	$541,276

September 30, 2015

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income	$108,205	$59,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,046	77,034
Amortization of deferred financing costs	1,896	1,654
Abandoned pre-development costs	—	1,596
Casualty gain	—	(329)
Gain on sale of assets and interests in unconsolidated entities	(33,941)	—
Equity in earnings of unconsolidated joint ventures	(8,302)	(6,200)
Share-based compensation expense	11,560	10,933
Amortization of debt (premiums) and discounts, net	65	(273)
Amortization (accretion) of market rent rate adjustments, net	2,124	2,250
Straight-line rent adjustments	(4,742)	(5,027)
Distributions of cumulative earnings from unconsolidated joint ventures	8,803	4,166
Changes in other assets and liabilities:		
Other assets	2,197	(1,784)
Accounts payable and accrued expenses	10,117	4,854
Net cash provided by operating activities	175,028	148,506
INVESTING ACTIVITIES		
Additions to rental property	(181,127)	(90,254)
Additions to investments in unconsolidated joint ventures	(31,517)	(114,476)
Net proceeds on sale of assets and interests in unconsolidated entities	58,799	—
Change in restricted cash	(42,904)	—
Proceeds from insurance reimbursements	253	1,784
Additions to non-real estate assets	(691)	(933)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	19,325	5,374
Additions to deferred lease costs	(5,592)	(4,109)
Net cash used in investing activities	(183,454)	(202,614)
FINANCING ACTIVITIES		
Cash dividends paid	(77,569)	(67,445)
Distributions to noncontrolling interests in Operating Partnership	(4,114)	(3,612)
Proceeds from debt issuances	469,663	410,300
Repayments of debt	(373,698)	(289,381)
Employee income taxes paid related to shares withheld upon vesting of equity awards	(1,115)	—
Distributions to noncontrolling interests in other consolidated partnerships	(116)	(88)
Additions to deferred financing costs	(758)	(778)
Proceeds from exercise of options	448	895
Contributions from noncontrolling interests	259	—
Net cash provided by financing activities	13,000	49,891
Effect of foreign currency rate changes on cash and cash equivalents	(788)	(200)
Net increase (decrease) in cash and cash equivalents	3,786	(4,417)
Cash and cash equivalents, beginning of period	16,875	15,241

Cash and cash equivalents, end of period	$20,661	$10,824

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

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Item 1 - Financial Statements of Tanger Properties Limited Partnership

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data, unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Rental property		
Land	$225,306	$217,994
Buildings, improvements and fixtures	2,173,499	1,947,083
Construction in progress	63,445	98,526
	2,462,250	2,263,603
Accumulated depreciation	(727,921)	(662,236)
Total rental property, net	1,734,329	1,601,367
Cash and cash equivalents	20,640	15,806
Restricted cash	42,904	—
Rental property held for sale	19,286	46,005
Investments in unconsolidated joint ventures	197,964	208,050
Deferred lease costs and other intangibles, net	130,390	140,883
Deferred debt origination costs, net	10,688	12,126
Prepaids and other assets	73,871	71,848
Total assets	$2,230,072	$2,096,085
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $5,919 and $6,426, respectively)	$794,080	$793,574
Unsecured term loans (net of discount of $122 and $241, respectively)	267,378	267,259
Mortgages payable (including premiums of $2,469 and $3,031, respectively)	281,966	271,361
Unsecured lines of credit	195,800	111,000
Total debt	1,539,224	1,443,194
Accounts payable and accrued expenses	89,779	67,983
Deferred financing obligation	28,388	28,388
Other liabilities	31,405	32,634
Total liabilities	1,688,796	1,572,199
Commitments and contingencies	—	—
Equity		
Partners' Equity		
General partner, 1,000,000 units outstanding at September 30, 2015 and December 31, 2014	5,093	4,828
Limited partners, 5,078,406 and 5,078,406 Class A units and 94,843,493 and 94,509,781 Class B units outstanding at September 30, 2015 and December 31, 2014, respectively	571,368	533,199
Accumulated other comprehensive loss	(35,781)	(14,791)
Total partners' equity	540,680	523,236
Noncontrolling interests in consolidated partnerships	596	650
Total equity	541,276	523,886
Total liabilities and equity	$2,230,072	$2,096,085

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

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues				
Base rentals	$75,841	$69,612	$215,799	$204,748
Percentage rentals	2,625	2,634	6,896	6,632
Expense reimbursements	30,542	29,463	93,815	90,457
Management, leasing and other services	1,253	1,225	4,263	2,548
Other income	2,645	2,255	5,795	5,799
Total revenues	112,906	105,189	326,568	310,184
Expenses				
Property operating	36,231	32,798	108,921	102,454
General and administrative	11,514	11,334	34,431	32,817
Acquisition costs	—	—	—	7
Abandoned pre-development costs	—	—	—	1,596
Depreciation and amortization	28,785	25,774	77,046	77,034
Total expenses	76,530	69,906	220,398	213,908
Operating income	36,376	35,283	106,170	96,276
Other income/(expense)				
Interest expense	(13,933)	(13,902)	(40,110)	(43,404)
Gain on sale of assets and interests in unconsolidated entities	20,215	—	33,941	—
Other nonoperating income (expense)	89	437	(98)	560
Income before equity in earnings of unconsolidated joint ventures	42,747	21,818	99,903	53,432
Equity in earnings of unconsolidated joint ventures	3,713	2,479	8,302	6,200
Net income	46,460	24,297	108,205	59,632
Noncontrolling interests in consolidated partnerships	(21)	(42)	395	(80)
Net income available to partners	46,439	24,255	108,600	59,552
Net income available to limited partners	45,979	24,012	107,525	58,952
Net income available to general partner	$460	$243	$1,075	$600
Basic earnings per common unit				
Net income	$0.46	$0.24	$1.08	$0.59
Diluted earnings per common unit				
Net income	$0.46	$0.24	$1.08	$0.59
Distribution paid per common unit	$0.285	$0.240	$0.810	$0.705

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

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income	$46,460	$24,297	$108,205	$59,632
Other comprehensive income (loss)				
Reclassification adjustments for amounts recognized in net income	—	(99)	—	(293)
Foreign currency translation adjustments	(10,932)	(5,194)	(18,945)	(4,546)
Changes in fair value of cash flow hedges	(1,156)	952	(2,045)	(386)
Other comprehensive income (loss)	(12,088)	(4,341)	(20,990)	(5,225)
Comprehensive income	34,372	19,956	87,215	54,407
Comprehensive (income) loss attributable to noncontrolling interests in consolidated partnerships	(21)	(42)	395	(80)
Comprehensive income attributable to the Operating Partnership	$34,351	$19,914	$87,610	$54,327

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

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except unit and per unit data, unaudited)

	General partner	Limited partners	Accumulated other comprehensive loss	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2013	$4,988	$548,424	$(2,721)	$550,691	$6,904	$557,595
Net income	600	58,952	—	59,552	80	59,632
Other comprehensive loss	—	—	(5,225)	(5,225)	—	(5,225)
Compensation under Incentive Award Plan	—	11,458	—	11,458	—	11,458
Issuance of 46,700 common units upon exercise of options	—	895	—	895	—	895
Issuance of 1,302,729 restricted common units, net of forfeitures	—	—	—	—	—	—
Adjustments for noncontrolling interests in consolidated partnerships	—	3	—	3	1,001	1,004
Common distributions ($.705 per common unit)	(705)	(70,352)	—	(71,057)	—	(71,057)
Distributions to noncontrolling interests	—	—	—	—	(88)	(88)
Balance, September 30, 2014	$4,883	$549,380	$(7,946)	$546,317	$7,897	$554,214

	General partner	Limited partners	Accumulated other comprehensive loss	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2014	$4,828	$533,199	$(14,791)	$523,236	$650	$523,886
Net income	1,075	107,525	—	108,600	(395)	108,205
Other comprehensive loss	—	—	(20,990)	(20,990)	—	(20,990)
Compensation under Incentive Award Plan	—	12,180	—	12,180	—	12,180
Issuance of 16,400 common units upon exercise of options	—	448	—	448	—	448
Issuance of 348,844 restricted common units, net of forfeitures	—	—	—	—	—	—
Withholding of 31,532 common units for employee income taxes	—	(1,115)	—	(1,115)	—	(1,115)
Contributions from noncontrolling interests	—	—	—	—	461	461
Adjustment for noncontrolling interests in consolidated partnerships	—	4	—	4	(4)	—
Common distributions ($.810 per common unit)	(810)	(80,873)	—	(81,683)	—	(81,683)
	—	—	—	—	(116)	(116)

Distributions to noncontrolling interests						
Balance, September 30, 2015	$5,093	$571,368	$(35,781)	$540,680	$596	$541,276

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

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TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income	$108,205	$59,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,046	77,034
Amortization of deferred financing costs	1,896	1,654
Abandoned pre-development costs	—	1,596
Casualty gain	—	(329)
Gain on sale of assets and interests in unconsolidated entities	(33,941)	—
Equity in earnings of unconsolidated joint ventures	(8,302)	(6,200)
Equity-based compensation expense	11,560	10,933
Amortization of debt (premiums) and discounts, net	65	(273)
Amortization (accretion) of market rent rate adjustments, net	2,124	2,250
Straight-line rent adjustments	(4,742)	(5,027)
Distributions of cumulative earnings from unconsolidated joint ventures	8,803	4,166
Changes in other assets and liabilities:		
Other assets	2,397	(1,439)
Accounts payable and accrued expenses	10,965	4,758
Net cash provided by operating activities	176,076	148,755
INVESTING ACTIVITIES		
Additions to rental property	(181,127)	(90,254)
Additions to investments in unconsolidated joint ventures	(31,517)	(114,476)
Net proceeds on sale of assets and interests in unconsolidated entities	58,799	—
Change in restricted cash	(42,904)	—
Proceeds from insurance reimbursements	253	1,784
Additions to non-real estate assets	(691)	(933)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	19,325	5,374
Additions to deferred lease costs	(5,592)	(4,109)
Net cash used in investing activities	(183,454)	(202,614)
FINANCING ACTIVITIES		
Cash distributions paid	(81,683)	(71,057)
Proceeds from debt issuances	469,663	410,300
Repayments of debt	(373,698)	(289,381)
Employee income taxes paid related to shares withheld upon vesting of equity awards	(1,115)	—
Distributions to noncontrolling interests in consolidated partnerships	(116)	(88)
Additions to deferred financing costs	(758)	(778)
Proceeds from exercise of options	448	895
Contributions from noncontrolling interests	259	—
Net cash provided by financing activities	13,000	49,891
Effect of foreign currency on cash and cash equivalents	(788)	(200)
Net increase (decrease) in cash and cash equivalents	4,834	(4,168)
Cash and cash equivalents, beginning of period	15,806	14,984
Cash and cash equivalents, end of period	$20,640	$10,816

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

TANGER FACTORY OUTLET CENTERS INC. AND SUBSIDIARIES
TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business
Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States and Canada. We are a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of September 30, 2015, we owned and operated 34 outlet centers, with a total gross leasable area of approximately 11.6 million square feet. We also had partial ownership interests in 9 outlet centers totaling approximately 2.8 million square feet, including 4 outlet centers in Canada.

Our outlet centers and other assets are held by, and all of our operations are conducted by, Tanger Properties Limited Partnership and subsidiaries. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. As of September 30, 2015, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 95,843,493 units of the Operating Partnership and other limited partners (the "Non-Company LPs") collectively owned 5,078,406 Class A common limited partnership units. Each Class A common limited partnership unit held by the Non-Company LPs is exchangeable for one of the Company's common shares, subject to certain limitations to preserve the Company's REIT status. Class B common limited partnership units, which are held by Tanger LP Trust, are not exchangeable for common shares of the Company.

2. Basis of Presentation
The unaudited consolidated financial statements included herein have been prepared pursuant to accounting principles generally accepted in the United States of America and should be read in conjunction with the consolidated financial statements and notes thereto of the Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2014. The December 31, 2014 balance sheet data in this Form 10-Q was derived from audited financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results of interim periods are not necessarily indicative of the results for a full year.

We consolidate properties that are wholly owned or properties where we own less than 100% but we control. Control is determined using an evaluation based on accounting standards related to the consolidation of voting interest entities and variable interest entities ("VIE"). For joint ventures that are determined to be a VIE, we consolidate the entity where we are deemed to be the primary beneficiary. Determination of the primary beneficiary is based on whether an entity has (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. Our determination of the primary beneficiary considers all relationships between us and the VIE, including management agreements and other contractual arrangements.

Investments in real estate joint ventures that we do not control but may exercise significant influence are accounted for using the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income or loss, cash contributions, distributions and other adjustments required under the equity method of accounting.

For certain of these investments, we record our equity in the venture's net income or loss under the hypothetical liquidation at book value ("HLBV") method of accounting due to the structures and the preferences we receive on the distributions from our joint ventures pursuant to the respective joint venture agreements for those joint ventures. Under this method, we recognize income and loss in each period based on the change in liquidation proceeds we would receive from a hypothetical liquidation of our investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what we may receive in the event of an actual liquidation. In the event a basis difference is created between our underlying interest in the venture's net assets and our initial investment, we amortize such amount over the estimated life of the venture as a component of equity in earnings of unconsolidated joint ventures.

We separately report investments in joint ventures for which accumulated distributions have exceeded investments in and our share of net income or loss of the joint ventures within other liabilities in the consolidated balance sheets. The carrying amount of our investments in the Charlotte and Galveston/Houston joint ventures are less than zero because of financing or operating distributions that were greater than net income, as net income includes non-cash charges for depreciation and amortization.

We have concluded that our Savannah and Southaven joint ventures are each considered a VIE because our voting rights are disproportionate to our economic interests and substantially all of each venture's activities either involve or are conducted on our behalf. Also, due to certain reconsideration events, we concluded during the quarter ended June 30, 2105 that our Westgate joint venture, previously considered a VIE since inception, was no longer considered a VIE.

The operating, development, leasing, and management agreements of Savannah provide that the activities that most significantly impact the economic performance of the venture require unanimous consent. Accordingly, we determined that we are not the primary beneficiary since we do not have the power to direct the significant activities that affect the economic performance of the venture, and have applied the equity method of accounting. The carrying amount of our investment in Savannah is reflected in investments in unconsolidated joint ventures on our consolidated balance sheets and was $46.7 million as of September 30, 2015. We are unable to estimate our maximum exposure to loss at this time because our guarantees are limited and based on the future operating performance of Savannah.

The management agreement and other contractual arrangements for Southaven give us, but not necessarily our joint venture partner, significant participating rights over activities that most significantly impact the economic performance of the ventures, thus we have concluded that we are the primary beneficiary and have consolidated the venture's balance sheet and results of operations. At September 30, 2015, total assets of this venture, which is currently under construction, were $57.1 million and total liabilities were $30.2 million. The primary classification of the assets on the consolidated balance sheets are total rental property, net of $53.2 million; cash of $1.3 million and other assets of $2.6 million (including deferred lease costs and other intangibles and deferred debt origination costs) and the primary classification of the liabilities include accounts payable and accrued expenses of $15.0 million and mortgages payable of $15.2 million. These assets include only those assets that can be used to settle obligations of the VIE. The liabilities include third party liabilities and exclude intercompany balances that are eliminated in consolidation.

"Noncontrolling interests in the Operating Partnership" reflects the Non-Company LP's percentage ownership of the Operating Partnership's units. "Noncontrolling interests in other consolidated partnerships" consist of outside equity interests in partnerships or joint ventures not wholly owned by the Company or the Operating Partnership that are consolidated with the financial results of the Company and Operating Partnership because the Operating Partnership exercises control over the entities that own the properties. Noncontrolling interests are initially recorded in the consolidated balance sheets at fair value based upon purchase price allocations. Income is allocated to the noncontrolling interests based on the allocation provisions within the partnership or joint venture agreements.

In the consolidated statement of operations, we have reclassified $1.2 million and $2.5 million related to management, leasing and other services for the three and nine months ended September 30, 2014, respectively, to the caption "management, leasing and other services" from the caption "other income" to conform to the presentation of the consolidated statement of operations for the three and nine months ended September 30, 2015. In addition, we have reclassified certain amounts related to other non-operating income and expenses for the three and nine months ended September 30, 2014 to the caption "other income/(expense)" from the caption "other income" to conform to the presentation of the consolidated statement of operations for the three and nine months ended September 30, 2015.

We have revised the previously reported amounts in the consolidated statement of cash flows to reclassify approximately $2.2 million related to tax increment financing for the nine months ended September 30, 2014 to the caption "additions to rental property" from the caption "proceeds from tax increment financing" to conform to the presentation of the consolidated statement of cash flows for the nine months ended September 30, 2015. We have concluded the previously reported financial statements were not materially misstated as a result of this revision.

3. Disposition of Properties and Properties Held for Sale

In the third quarter of 2015, we sold our Kittery, Tuscola, and West Branch outlet centers for a gain of $20.2 million. We received net proceeds of $43.3 million of which $42.9 million is recorded in restricted cash as of September 30, 2015. The restricted cash represents the cash proceeds from property sales that are being held by a qualified intermediary in anticipation of such amounts subsequently being invested in a tax efficient manner under Section 1031 of the Internal Revenue Code of 1986, as amended.

During the third quarter of 2015, we also entered into a contractual agreement to sell our Barstow outlet center, the sale of which closed in October 2015. The Barstow outlet center has been classified as rental property held for sale as of September 30, 2015 on the consolidated balance sheets.

The following table sets forth certain summarized information regarding the properties sold during the quarter and the property held for sale as of September 30, 2015:

Properties	Locations	Date Sold	Square Feet (in 000's)	Net Sales Price (in 000's)	Gain on Sale(in 000's)
Sold:					
Kittery I and II, Tuscola, and West Branch	Kittery, ME, Tuscola, IL, and West Branch, MI	September 2015	439	$43,304	$20,215
Held For Sale:					
Barstow	Barstow, CA	October 2015	171	$105,705	$86,419

The rental properties sold and held for sale did not meet the criteria set forth in the newly-adopted guidance for reporting discontinued operations, thus their results of operations have remained in continuing operations.

The carrying values of the assets held for sale at September 30, 2015 and December 31, 2014 were comprised of the following (in thousands):

	September 30, 2015	December 31, 2014
Rental property, net	$17,980	$43,532
Deferred lease costs and other intangibles, net	181	757
Prepaids and other assets	1,125	1,716

Rental property held for sale	$19,286	$46,005

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4. Developments of Consolidated Outlet Centers

Foxwoods

In May 2015, we opened a 312,000 square feet outlet center at the Foxwoods Resort Casino in Mashantucket, Connecticut. We own a controlling interest in the joint venture which is consolidated for financial reporting purposes. Construction began on the outlet center in September 2013. As of September 30, 2015, our partner’s equity contributions totaled approximately $1.0 million and our equity contributions totaled approximately $56.2 million. Contributions we make in excess of $40.0 million earn a preferred rate of return of 15% from the date of contribution. In addition, each partner earns a rate of return of 10% on their initial capital contributions from the date of contribution. Under the terms of the operating agreement, upon liquidation, we would receive all of our unreturned contributions and all unpaid returns earned on those contributions prior to any distributions being made to our partner. Based on capital contribution and distribution provisions in the joint venture agreement, we expect our economic interest in the venture's cash flow to be greater than our legal ownership percentage of 67%. As of September 30, 2015, based upon the liquidation proceeds we would receive from a hypothetical liquidation of our investment based at depreciated book value, our economic interest would represent substantially all of the economic benefit of the property. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from asset sales.

Grand Rapids

In July 2015, we opened a 351,000 square foot wholly-owned outlet center near Grand Rapids, Michigan. We commenced construction on the development in July 2014. The outlet center is located 11 miles south of downtown Grand Rapids at the southwest quadrant of US-131 and 84th Street in Byron Township, Michigan, with visibility from both roads.

Development continues for the following consolidated outlet center as of September 30, 2015:

Project	Approximate square feet (in 000's)	Costs Incurred to Date (in millions)	Borrowed to date (in millions)	Projected Opening
Southaven, Mississippi (Memphis)	320	47.5	15.2	Nov 2015

Southaven

In January 2015, we purchased land for approximately $14.8 million and commenced construction on the development of an approximately 320,000 square foot outlet center in Southaven, Mississippi. Tanger Outlets Southaven will be located less than five miles south of Memphis, Tennessee. The outlet center is being developed through a joint venture in which we own a controlling interest and is consolidated for financial reporting purposes. As of September 30, 2015, our partner’s equity contributions totaled approximately $461,000 and our equity contributions totaled approximately $26.5 million. From the date our equity contributions are made, we earn a preferred rate of return of 10% for senior contributions and 14% for junior contributions. As of September 30, 2015, the balance of our senior contributions was $17.7 million and our junior contributions was $8.3 million. Under the terms of the operating agreement, upon liquidation, we would receive all of our unreturned contributions and all unpaid returns earned on those contributions prior to any distributions being made to our partner.

In April 2015, the consolidated joint venture closed on a mortgage loan with the ability to borrow up to $60.0 million at an interest rate of LIBOR +1.75%. The loan initially matures on April 29, 2018, with one two-year extension option.

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5. Investments in Unconsolidated Real Estate Joint Ventures

The equity method of accounting is used to account for each of the individual joint ventures. We have an ownership interest in the following unconsolidated real estate joint ventures:

As of September 30, 2015

Joint Venture	Outlet Center Location	Ownership %	Square Feet (in 000's)	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Columbus	Columbus, OH	50.0 %	—	$10.2	$—
National Harbor	National Harbor, MD	50.0 %	339	8.6	83.7
RioCan Canada	Various	50.0 %	870	120.0	11.9
Savannah [(1)]	Savannah, GA	50.0 %	377	46.7	85.1
Westgate	Glendale, AZ	58.0 %	414	12.5	62.0
				$198.0	$242.7
Charlotte[(2)]	Charlotte, NC	50.0 %	398	$(0.9)	$90.0
Galveston/Houston [(2)]	Texas City, TX	50.0 %	353	(0.5)	65.0
				$(1.4)	$155.0

As of December 31, 2014

Joint Venture	Center Location	Ownership %	Square Feet (in 000's)	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Galveston/Houston	Texas City, TX	50.0 %	353	$1.3	$65.0
National Harbor	National Harbor, MD	50.0 %	339	9.5	83.7
RioCan Canada	Various	50.0 %	870	132.5	15.7
Savannah [(1)]	Savannah, GA	50.0 %	—	46.5	25.5
Westgate	Glendale, AZ	58.0 %	381	14.3	54.0
Wisconsin Dells	Wisconsin Dells, WI	50.0 %	265	2.4	24.3
Other			—	1.5	—
				$208.0	$268.2
Charlotte[(2)]	Charlotte, NC	50.0 %	398	$(2.2)	$90.0
				$(2.2)	$90.0

(1) Based on capital contribution and distribution provisions in the joint venture agreement, we expect our economic interest in the venture's cash flow to be greater than the ownership percentage indicated above, which in this case, states our legal interest in this venture. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from asset sales.

(2) The negative carrying value is due to the distributions of proceeds from mortgage loans and quarterly distributions of excess cash flow exceeding the original contributions from the partners.

Fees we received for various services provided to our unconsolidated joint ventures were recognized in management, leasing and other services as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Fee:				
Development and leasing	$325	$624	$1,632	$702
Loan guarantee	182	23	564	209
Management and marketing	746	578	2,067	1,637
Total Fees	$1,253	$1,225	$4,263	$2,548

Our investments in real estate joint ventures are reduced by the percentage of the profits earned for leasing and development services associated with our ownership interest in each joint venture. Our carrying value of investments in unconsolidated joint ventures differs from our share of the assets reported in the "Summary Balance Sheets - Unconsolidated Joint Ventures" shown below due to adjustments to the book basis, including intercompany profits on sales of services that are capitalized by the unconsolidated joint ventures. The differences in basis (totaling $3.9 million and $4.4 million as of September 30, 2015 and December 31, 2014, respectively) are amortized over the various useful lives of the related assets.

Columbus, Ohio

During the second quarter of 2015, the joint venture purchased land for approximately $8.9 million and began construction on Tanger Outlets Columbus. We and our partner currently expect to complete construction in time to open the center during the second quarter of 2016. As of September 30, 2015 our equity contributions have totaled $9.8 million and our partner's equity contributions have totaled $9.8 million. Our partner is providing development services to the joint venture and we, along with our partner, are providing joint leasing services. Once the center opens, we will provide property management, marketing and leasing services to the joint venture.

Savannah, Georgia

In January 2014, we announced a joint venture arrangement to develop Tanger Outlets Savannah. The center, which opened in April 2015, includes approximately 377,000 square feet. As of September 30, 2015, our equity contributions totaled $45.8 million and our partner’s equity contributions totaled $8.3 million. Contributions we made in excess of our partners' equity contributions are considered preferred equity and earned a preferred rate of return equal to 8% from the date the contributions were made until the outlet center’s grand opening in April 2015, and will earn 10% annually thereafter. Under the terms of the operating agreement, upon liquidation, we would receive all of our unreturned preferred equity contributions and all unpaid returns earned on those contributions prior to any distributions being made to our equity partner. As of September 30, 2015, based upon the liquidation proceeds we would receive from a hypothetical liquidation of our investment based at depreciated book value, our estimated economic interest in the venture was approximately 98%. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from asset sales.

In May 2014, the joint venture closed on a construction loan with the ability to borrow up to $97.7 million at an interest rate of LIBOR + 1.65%. In September 2015, the loan maximum borrowing amount was increased to $100.9 million. The construction loan has a maturity date of May 21, 2017, with two, one -year extension options. As of September 30, 2015, the balance on the loan was $85.1 million. The additional $15.8 million is available for construction of the approximately 42,000 square foot expansion that is currently in process. We are providing development, management and marketing services to the joint venture; and with our partner, are jointly providing leasing services to the outlet center.

Westgate, Glendale, Arizona

During the first quarter of 2015, the joint venture completed the remaining 28,000 square feet of a 78,000 square foot expansion of the existing property which brought the size of the outlet center to approximately 414,000 square feet. Construction commenced on the expansion during the second quarter of 2014 and was funded with borrowings under the amended Westgate mortgage loan. The joint venture's amended and restated construction loan is fully funded with a balance of $62.0 million. The loan initially matured in June 2015, and during the second quarter of 2015 the joint venture exercised the two year option to extend the maturity date of the loan to June 2017.

Tanger Outlets Westgate opened in November 2012 and was developed through, and is currently owned by, a joint venture that was formed in May 2012. We are providing property management, construction supervision, marketing and leasing services to the joint venture.

Wisconsin Dells, Wisconsin

In February 2015, we sold our equity interest in the joint venture that owned the Wisconsin Dells outlet center for approximately $15.6 million, representing our share of the sales price totaling $27.7 million less our share of the outstanding debt, which totaled $12.1 million. As a result of this transaction, we recorded a gain of approximately $13.7 million in the first quarter of 2015, which represents the difference between the carrying value of our equity method investment and the net proceeds received.

Condensed combined summary financial information of unconsolidated joint ventures accounted for using the equity method is as follows (in thousands):

Condensed Combined Balance Sheets - Unconsolidated Joint Ventures	September 30, 2015	December 31, 2014
Assets		
Land	$104,518	$102,601
Buildings, improvements and fixtures	617,732	542,501
Construction in progress, including land	33,850	104,780
	756,100	749,882
Accumulated depreciation	(53,098)	(48,233)
Total rental property, net	703,002	701,649
Cash and cash equivalents	29,745	46,917
Deferred lease costs, net	19,305	21,234
Deferred debt origination costs, net	4,403	5,995
Prepaids and other assets	14,367	12,766
Total assets	$770,822	$788,561
Liabilities and Owners' Equity		
Mortgages payable	$397,715	$358,219
Accounts payable and other liabilities	29,621	70,795
Total liabilities	427,336	429,014
Owners' equity	343,486	359,547
Total liabilities and owners' equity	$770,822	$788,561

Condensed Combined Statements of Operations - Unconsolidated Joint Ventures	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$27,495	$19,969	$77,648	$52,803
Expenses				
Property operating	9,601	7,292	29,912	20,562
General and administrative	92	198	400	354
Abandoned development costs	—	472	—	472
Depreciation and amortization	9,003	5,831	25,381	15,369
Total expenses	18,696	13,793	55,693	36,757
Operating income	8,799	6,176	21,955	16,046
Interest expense	(2,324)	(1,316)	(6,304)	(3,925)
Other nonoperating income (expense)	4	—	17	—
Net income	$6,479	$4,860	$15,668	$12,121
The Company and Operating Partnership's share of:				
Net income	$3,713	$2,479	$8,302	$6,200
Depreciation expense (real estate related)	$5,411	$3,040	$14,525	$8,048

6. Debt of the Company

All of the Company's debt is held by the Operating Partnership and its consolidated subsidiaries.

The Company guarantees the Operating Partnership's obligations with respect to its unsecured lines of credit which have a total borrowing capacity of $520.0 million. The Company also guarantees the Operating Partnership's unsecured term loan. In addition, as of December 31, 2014, the Company guaranteed the Operating Partnership's obligation with respect to the mortgage assumed in connection with the acquisition of the outlet center in Ocean City, Maryland in July 2011. The Ocean City mortgage was subsequently repaid in July 2015.

The Operating Partnership had the following amounts outstanding on the debt guaranteed by the Company (in thousands):

	September 30, 2015	December 31, 2014
Unsecured lines of credit	$195,800	$111,000
Unsecured term loan	$250,000	$250,000
Ocean City mortgage	$—	$17,827

7. Debt of the Operating Partnership

The debt of the Operating Partnership consisted of the following (in thousands):

	Stated Interest Rate(s)	Maturity Date	As of September 30, 2015 Principal	As of September 30, 2015 Premium (Discount)	As of December 31, 2014 Principal	As of December 31, 2014 Premium (Discount)
Senior, unsecured notes:						
Senior notes	6.125 %	June 2020	$300,000	$(1,123)	$300,000	$(1,276)
Senior notes	3.875 %	December 2023	250,000	(3,468)	250,000	(3,732)
Senior notes	3.750 %	December 2024	250,000	(1,328)	250,000	(1,418)
Mortgages payable:						
Atlantic City [(1)]	5.14%-7.65%	November 2021- December 2026	43,998	3,393	45,997	3,694
Deer Park	LIBOR + 1.50%	August 2018	150,000	(924)	150,000	(1,161)
Foxwoods	LIBOR + 1.65%	December 2017	70,250	—	25,235	—
Hershey [(1)]	5.17%-8.00%	—	—	—	29,271	399
Ocean City [(1)]	5.24 %	—	—	—	17,827	99
Southaven	LIBOR + 1.75%	April 2018	15,248	—	—	—
Note payable [(1)]	1.50 %	June 2016	10,000	(122)	10,000	(241)
Unsecured term loan	LIBOR + 1.05%	February 2019	250,000	—	250,000	—
Unsecured term note	LIBOR + 1.30%	August 2017	7,500	—	7,500	—
Unsecured lines of credit	LIBOR + 1.00%	October 2017	195,800	—	111,000	—
			$1,542,796	$(3,572)	$1,446,830	$(3,636)

(1) The effective interest rates assigned during the purchase price allocation to these assumed mortgages and note payable during acquisitions in 2011 were as follows: Atlantic City 5.05%, Hershey 3.40%, Ocean City 4.68%, and note payable 3.15%.

Certain of our properties, which had a net book value of approximately $604.1 million at September 30, 2015 and $602.7 million at December 31, 2014, serve as collateral for mortgages payable. We maintain unsecured lines of credit that provide for borrowings of up to $520.0 million. The unsecured lines of credit include a $20.0 million liquidity line and a $500.0 million syndicated line. The syndicated line may be increased to $750.0 million through an accordion feature in certain circumstances.

We provide guarantees to lenders for our joint ventures which include standard non-recourse carve out indemnifications for losses arising from items such as but not limited to fraud, physical waste, payment of taxes, environmental indemnities, misapplication of insurance proceeds or security deposits and failure to maintain required insurance. For construction and term loans, we may include a guaranty of completion as well as a principal guaranty ranging from 5% to 100% of principal. The principal guarantees include terms for release or reduction based upon satisfactory completion of construction and performance targets including occupancy thresholds and minimum debt service coverage tests. With regard to the Southaven mortgage discussed below which is held within a consolidated VIE, we have provided to the lenders a guaranty of completion as well as a principle guaranty of 50% of the principle which may be reduced to 10% of principle based upon satisfactory completion of certain construction and performance targets. The maximum amount of the guaranty, once the mortgage is fully funded, will be approximately $30.0 million.

The unsecured lines of credit and senior unsecured notes include covenants that require the maintenance of certain ratios, including debt service coverage and leverage, and limit the payment of dividends such that dividends and distributions will not exceed funds from operations, as defined in the agreements, for the prior fiscal year on an annual basis or 95% of funds from operations on a cumulative basis. As of September 30, 2015, we were in compliance with all of our debt covenants.

Ocean City Mortgage

In July 2015, we repaid the mortgage associated with our Ocean City, Maryland outlet center, which was assumed as part of the acquisition of the property in 2011. The maturity date of the mortgage was January 6, 2016 and had a principal balance at the date of extinguishment of $17.6 million. We also wrote off the remaining unamortized premium associated with the mortgage totaling approximately $51,000.

Hershey Mortgage

During the second quarter of 2015, we repaid the mortgages associated with our Hershey, Pennsylvania property, which were assumed as part of the acquisition of the property in 2011. The maturity date of the mortgages was August 1, 2015 and had a principal balance at the date of extinguishment of $29.0 million. We also wrote off the remaining unamortized premiums associated with the mortgages totaling approximately $201,000.

Southaven Mortgage

In April 2015, the consolidated joint venture closed on a mortgage loan with the ability to borrow up to $60.0 million at an interest rate of LIBOR +1.75%. The loan initially matures on April 29, 2018, with one two-year extension option.

Debt Maturities

Maturities of the existing long-term debt as of September 30, 2015 are as follows (in thousands):

Calendar Year	Amount
2015	$686
2016	12,842
2017	276,558
2018	168,432
2019	253,369
Thereafter	830,909
Subtotal	1,542,796
Net discount	(3,572)
Total	$1,539,224

8. Deferred Financing Obligation

On September 30, 2015, the noncontrolling interest in our outlet center in Deer Park, New York exercised its right to require us to acquire their ownership interest in the property for $28.4 million. Closing on the transaction is scheduled to occur on January 5, 2016. The obligation to acquire its interest is recorded as a deferred financing obligation in the other liabilities section of the consolidated balance sheet.

9. Derivative Financial Instruments

The following table summarizes the terms and fair values of our derivative financial instruments, as well as their classifications within the consolidated balance sheets (in thousands):

Effective Date	Maturity Date	Notional Amount	Bank Pay Rate	Company Fixed Pay Rate	Fair Value September 30, 2015	Fair Value December 31, 2014
Assets (Liabilities):						
November 14, 2013	August 14, 2018	$50,000	1 month LIBOR	1.3075 %	$(657)	$26
November 14, 2013	August 14, 2018	50,000	1 month LIBOR	1.2970 %	(643)	40
November 14, 2013	August 14, 2018	50,000	1 month LIBOR	1.3025 %	(650)	29
Total		$150,000			$(1,950)	$95

The derivative financial instruments are comprised of interest rate swaps, which are designated and qualify as cash flow hedges, each with a separate counterparty. We do not use derivatives for trading or speculative purposes and currently do not have any derivatives that are not designated as hedges.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivative, if any, is recognized directly in earnings. For the three and nine months ended September 30, 2015, the ineffective portion was not significant.

The following table represents the effect of the derivative financial instruments on the accompanying consolidated financial statements (in thousands):

	Location of Reclassification from Accumulated OCI Into Income	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Interest Rate Swaps (Effective Portion):					
Amount of gain (loss) recognized in OCI on derivative		$(1,156)	$952	$(2,046)	$(386)
Treasury Rate Lock (Effective Portion):					
Amount of gain reclassified from accumulated OCI into income	Interest Expense	$—	$99	$—	$293

In 2005, we settled two US treasury rate lock agreements associated with a 10 year senior, unsecured bond offering and received approximately $3.2 million. We fully amortized the remaining balance in December 2014 in connection with the early redemption of the associated 10 year senior, unsecured notes.

10. Fair Value Measurements

Fair value guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Tier	Description
Level 1	Observable inputs such as quoted prices in active markets
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable
Level 3	Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

The following table sets forth our assets and liabilities that are measured at fair value within the fair value hierarchy (in thousands):

	Total	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Fair value as of September 30, 2015:				
Liabilities:				
Interest rate swaps (other liabilities)	$(1,950)	$—	$(1,950)	$—
Total liabilities	$(1,950)	$—	$(1,950)	$—

	Total	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Fair value as of December 31, 2014:				
Assets:				
Interest rate swaps (prepaids and other assets)	$95	$—	$95	$—
Total assets	$95	$—	$95	$—

The estimated fair value and recorded value of our debt consisting of senior unsecured notes, unsecured term loans, secured mortgages and unsecured lines of credit were as follows (in thousands):

	September 30, 2015	December 31, 2014
Fair value of debt	$1,608,042	$1,493,519
Recorded value of debt	1,539,224	1,443,194

With the exception of the unsecured term loan and unsecured lines of credit, that have variable rates and considered at market value, fair values of the senior notes and mortgage loans are determined using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements. Because the Company's senior unsecured notes are publicly traded with limited trading volume, these instruments are classified as Level 2 in the hierarchy. In contrast, mortgage loans are classified as Level 3 given the unobservable inputs utilized in the valuation. Considerable judgment is necessary to develop estimated fair values of financial instruments. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on the disposition of the financial instruments.

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The carrying values of cash and cash equivalents, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

11. Shareholders' Equity of the Company

During the nine months ended September 30, 2014, Non-Company LPs exchanged a total of 43,331 Class A common limited partnership units of the Operating Partnership for an equal number of common shares of the Company. No Class A common limited partnership units of the Operating Partnership were exchanged during the nine months ended September 30, 2015. As of September 30, 2015, the Non-Company LPs owned 5,078,406 Class A common limited partnership units. Each Class A common limited partnership unit is exchangeable for one common share of the Company.

12. Partners' Equity of the Operating Partnership

All units of partnership interest issued by the Operating Partnership have equal rights with respect to earnings, dividends and net assets. When the Company issues common shares upon the exercise of options, the issuance of restricted share awards or the exchange of Class A common limited partnership units, the Operating Partnership issues a corresponding Class B common limited partnership unit to Tanger LP trust, a wholly owned subsidiary of the Company.

The following table sets forth the changes in outstanding partnership units for the nine months ended September 30, 2015 and September 30, 2014.

		Limited Partnership Units		
	General Partnership Units	Class A	Class B	Total
Balance December 31, 2013	1,000,000	5,145,012	93,505,685	98,650,697
Exchange of Class A limited partnership units	—	(43,331)	43,331	—
Issuance of restricted units	—	—	1,302,729	1,302,729
Units issued upon exercise of options	—	—	46,700	46,700
Balance September 30, 2014	1,000,000	5,101,681	94,898,445	100,000,126
Balance December 31, 2014	1,000,000	5,078,406	94,509,781	99,588,187
Issuance of restricted units	—	—	348,844	348,844
Units issued upon exercise of options	—	—	16,400	16,400
Units withheld for employee income taxes	—	—	(31,532)	(31,532)
Balance September 30, 2015	1,000,000	5,078,406	94,843,493	99,921,899

13. Earnings Per Share of the Company

The following table sets forth a reconciliation of the numerators and denominators in computing the Company's earnings per share (in thousands, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Numerator				
Net income attributable to Tanger Factory Outlet Centers, Inc.	$44,075	$23,003	$103,068	$56,469
Less allocation of earnings to participating securities	(494)	(481)	(1,210)	(1,391)
Net income available to common shareholders of Tanger Factory Outlet Centers, Inc.	$43,581	$22,522	$101,858	$55,078
Denominator				
Basic weighted average common shares	94,746	93,834	94,675	93,741
Effect of notional units	—	—	—	—
Effect of outstanding options and certain restricted common shares	53	67	62	70
Diluted weighted average common shares	94,799	93,901	94,737	93,811
Basic earnings per common share:				
Net income	$0.46	$0.24	$1.08	$0.59
Diluted earnings per common share:				
Net income	$0.46	$0.24	$1.08	$0.59

The notional units are considered contingently issuable common shares and are included in earnings per share if the effect is dilutive using the treasury stock method. Notional units granted in 2010 were converted into 933,769 restricted common shares in January 2014. The restricted common shares vested on December 31, 2014 and were considered participating securities through the vesting date.

The computation of diluted earnings per share excludes options to purchase common shares when the exercise price is greater than the average market price of the common shares for the period. For the three and nine months ended September 30, 2015, 250,400 and 250,500 options were excluded from the computation, respectively. For the both the three and nine months ended September 30, 2014, 273,500 options were excluded from the computation. The assumed exchange of the partnership units held by the Non-Company LPs as of the beginning of the year, which would result in the elimination of earnings allocated to the noncontrolling interest in the Operating Partnership, would have no impact on earnings per share since the allocation of earnings to a common limited partnership unit, as if exchanged, is equivalent to earnings allocated to a common share.

Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to dividends or dividend equivalents. The impact of these unvested restricted common share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted common share awards based on dividends declared and the unvested restricted common shares' participation rights in undistributed earnings. Unvested restricted common shares that do not contain non-forfeitable rights to dividends or dividend equivalents are included in the diluted earnings per share computation if the effect is dilutive, using the treasury stock method.

14. Earnings Per Unit of the Operating Partnership

The following table sets forth a reconciliation of the numerators and denominators in computing earnings per unit (in thousands, except per unit amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Numerator				
Net income attributable to partners of the Operating Partnership	$46,439	$24,255	$108,600	$59,552
Less allocation of earnings to participating securities	(495)	(482)	(1,211)	(1,392)
Net income available to common unitholders of the Operating Partnership	$45,944	$23,773	$107,389	$58,160
Denominator				
Basic weighted average common units	99,824	98,936	99,753	98,860
Effect of notional units	—	—	—	—
Effect of outstanding options and certain restricted common units	53	67	62	70
Diluted weighted average common units	99,877	99,003	99,815	98,930
Basic earnings per common unit:				
Net income	$0.46	$0.24	$1.08	$0.59
Diluted earnings per common unit:				
Net income	$0.46	$0.24	$1.08	$0.59

The notional units are considered contingently issuable common units and are included in earnings per unit if the effect is dilutive using the treasury stock method. Notional units granted in 2010 were converted into 933,769 restricted common units in January 2014. The restricted common units vested on December 31, 2014 and were considered participating securities through the vesting date.

The computation of diluted earnings per unit excludes options to purchase common units when the exercise price is greater than the average market price of the common units for the period. The market price of a common unit is considered to be equivalent to the market price of a Company common share. For the three and nine months ended September 30, 2015, 250,400 and 250,500 options were excluded from the computation, respectively. For the both the three and nine months ended September 30, 2014, 273,500 options were excluded from the computation.

Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the corresponding unvested restricted unit awards on earnings per unit has been calculated using the two-class method whereby earnings are allocated to the unvested restricted unit awards based on distributions declared and the unvested restricted units' participation rights in undistributed earnings. Unvested restricted common units that do not contain non-forfeitable rights to dividends or dividend equivalents are included in the diluted earnings per unit computation if the effect is dilutive, using the treasury stock method.

15. Equity Based Compensation of the Company

We have a shareholder approved equity-based compensation plan, the Incentive Award Plan of Tanger Factory Outlet Centers and Tanger Properties Limited Partnership (Amended and Restated as of April 4, 2014) (the "Plan"), which covers our independent directors, officers, employees and consultants. For each common share issued by the Company, the Operating Partnership issues one corresponding unit of partnership interest to the Company's wholly owned subsidiaries. Therefore, when the Company grants an equity based award, the Operating Partnership treats each award as having been granted by the Operating Partnership. In the discussion below, the term "we" refers to the Company and the Operating Partnership together and the term "shares" is meant to also include corresponding units of the Operating Partnership.

During February 2015, the Company issued 357,844 restricted common shares to the Company's independent directors and the Company's senior executive officers. The grant date fair value of the awards ranged from $32.77 to $38.55 per share. The independent directors' restricted common shares vest ratably over a three year period and the senior executive officers' restricted shares vest ratably over a five year period. For the restricted shares issued to our chief executive officer, the restricted share agreement requires him to hold the shares for a minimum of three years following each vesting date. Compensation expense related to the amortization of the deferred compensation is being recognized in accordance with the vesting schedule of the restricted shares.

In February 2015, the Compensation Committee of the Company approved the general terms of the Tanger Factory Outlet Centers, Inc. 2015 Outperformance Plan (the “2015 OPP"). The 2015 OPP is a long-term performance based incentive compensation plan pursuant to which award recipients may earn up to an aggregate of 306,600 restricted common shares based on the Company’s absolute share price appreciation (or total shareholder return) and its share price appreciation relative to its peer group, over a three year measurement period from January 1, 2015 through December 31, 2017.

We recorded share-based compensation expense in general and administrative expenses in our consolidated statements of operations as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Restricted common shares	$2,865	$2,540	$8,362	$7,406
Notional unit performance awards	1,012	1,125	2,853	3,184
Options	117	116	345	343
Total share-based compensation	$3,994	$3,781	$11,560	$10,933

Share-based compensation expense capitalized as a part of rental property and deferred lease costs were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Share-based compensation expense capitalized	$217	$184	$620	$525

We withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total number of shares withheld was 954 and 31,532 for the three and nine months ended September 30, 2015, respectively, and was based on the value of the restricted common shares on the vesting date as determined by our closing share price on the day prior to the vesting date. No shares were withheld for the three and nine months ended September 30, 2014. Total amounts paid for the employees' tax obligation to taxing authorities was $1.1 million for the nine months ended September 30, 2015 and is reflected as a financing activity within the consolidated statements of cash flows.

16. Accumulated Other Comprehensive Income of the Company

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and nine months ended September 30, 2015 (in thousands):

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance June 30, 2015	$(21,716)	$(754)	$(22,470)	$(1,183)	$(40)	$(1,223)
Unrealized gain on foreign currency translation adjustments	(10,376)	—	(10,376)	(556)	—	(556)
Change in fair value of cash flow hedges	—	(1,097)	(1,097)	—	(59)	(59)
Balance September 30, 2015	$(32,092)	$(1,851)	$(33,943)	$(1,739)	$(99)	$(1,838)

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance December 31, 2014	$(14,113)	$90	$(14,023)	$(773)	$5	$(768)
Unrealized loss on foreign currency translation adjustments	(17,979)	—	(17,979)	(966)	—	(966)
Change in fair value of cash flow hedges	—	(1,941)	(1,941)	—	(104)	(104)
Balance September 30, 2015	$(32,092)	$(1,851)	$(33,943)	$(1,739)	$(99)	$(1,838)

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and nine months ended September 30, 2014 (in thousands):

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance June 30, 2014	$(3,974)	$709	$(3,265)	$(222)	$(118)	$(340)
Amortization of cash flow hedges	—	(94)	(94)	—	(5)	(5)
Unrealized gain on foreign currency translation adjustments	(4,926)	—	(4,926)	(268)	—	(268)
Change in fair value of cash flow hedges	—	903	903	—	49	49
Balance September 30, 2014	$(8,900)	$1,518	$(7,382)	$(490)	$(74)	$(564)

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance December 31, 2013	$(4,590)	$2,162	$(2,428)	$(254)	$(39)	$(293)
Amortization of cash flow hedges	—	(278)	(278)	—	(15)	(15)
Unrealized gain on foreign currency translation adjustments	(4,310)	—	(4,310)	(236)	—	(236)
Change in fair value of cash flow hedges	—	(366)	(366)	—	(20)	(20)
Balance September 30, 2014	$(8,900)	$1,518	$(7,382)	$(490)	$(74)	$(564)

The following represents amounts reclassified out of accumulated other comprehensive income and into earnings (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in Statement of Operations
	Three months ended September 30,		Nine months ended September 30,		
	2015	2014	2015	2014	
Amortization of cash flow hedges	$—	$(94)	$—	$(278)	Interest expense

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17. Accumulated Other Comprehensive Income of the Operating Partnership

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and nine months ended September 30, 2015 (in thousands):

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance June 30, 2015	$(22,899)	$(794)	$(23,693)
Unrealized gain on foreign currency translation adjustments	(10,932)	—	(10,932)
Change in fair value of cash flow hedges	—	(1,156)	(1,156)
Balance September 30, 2015	$(33,831)	$(1,950)	$(35,781)

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2014	$(14,886)	$95	$(14,791)
Unrealized loss on foreign currency translation adjustments	(18,945)	—	(18,945)
Change in fair value of cash flow hedges	—	(2,045)	(2,045)
Balance September 30, 2015	$(33,831)	$(1,950)	$(35,781)

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and nine months ended September 30, 2014 (in thousands):

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance June 30, 2014	$(4,196)	$591	$(3,605)
Amortization of cash flow hedges	—	(99)	(99)
Unrealized gain on foreign currency translation adjustments	(5,194)	—	(5,194)
Change in fair value of cash flow hedges	—	952	952
Balance September 30, 2014	$(9,390)	$1,444	$(7,946)

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2013	$(4,844)	$2,123	$(2,721)
Amortization of cash flow hedges	—	(293)	(293)
Unrealized gain on foreign currency translation adjustments	(4,546)	—	(4,546)
Change in fair value of cash flow hedges	—	(386)	(386)
Balance September 30, 2014	$(9,390)	$1,444	$(7,946)

The following represents amounts reclassified out of accumulated other comprehensive income and into earnings:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in Statement of Operations
	Three months ended September 30,		Nine months ended September 30,		
	2015	2014	2015	2014	
Amortization of cash flow hedges	$—	$(99)	$—	$(293)	Interest expense

18. Non-Cash Activities

We purchase capital equipment and incur costs relating to construction of facilities, including tenant finishing allowances. Expenditures included in accounts payable and accrued expenses were as follows (in thousands):

	September 30, 2015	September 30, 2014
Costs relating to construction included in accounts payable and accrued expenses	$33,622	$23,216

Additionally, for the nine months ended September 30, 2015 additions to rental property excludes $202,000 in equity contributions made by our noncontrolling interest partner for pre-development costs at our Southaven outlet center which is currently under development. For the nine months ended September 30, 2014, additions to rental property excludes $1.0 million in equity contributions made by our noncontrolling interest partner related to pre-development costs at our Foxwoods outlet center, which opened in May 2015.

19. New Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The guidance in the new standard is limited to the presentation of debt issuance costs. The standard does not affect the recognition and measurement of debt issuance costs. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We do not expect the adoption of ASU 2015-03 to have a material impact on our consolidated financial statements.

In February 2015, FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU

2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In April 2014, the FASB issued ASU No. 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 (the "Final Standard"). Under the Final Standard, only disposals representing a strategic shift in operations (e.g., a disposal of a major geographic area, a major line of business or a major equity method investment) will be presented as discontinued operations. Under current GAAP, companies that sell a single investment property are generally required to report the sale as a discontinued operation, which requires the companies to reclassify earnings from continuing operations for all periods presented. The Final Standard is effective in the first quarter of 2015 for public entities with calendar year ends. The FASB will permit early adoption of the Final Standard, beginning in the first quarter of 2014, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We early adopted the standard in the first quarter of 2014. See Note 3 Disposition of Properties and Properties Held for Sale for further information.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We are required to adopt the new pronouncement in the first quarter of fiscal 2018 using one of two retrospective application methods. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

20. Subsequent Events

In October 2015, we closed on amendments to our unsecured lines of credit, extending the maturity, and reducing our interest rate. The maturity date of these facilities was extended from October 2017 to October 2019 with the ability to further extend the maturity date for an additional year at our option. The interest rate was reduced from LIBOR + 1.00% to LIBOR + 0.90% based on our current credit rating and the maximum borrowings to which the syndicated line could be increased through an accordion feature in certain circumstances was increased from $750.0 million to $1.0 billion. Loan origination costs associated with the amendments totaled approximately $2.0 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion of our results of operations reported in the unaudited, consolidated statements of operations compares the three and nine months ended September 30, 2015 with the three and nine months ended September 30, 2014. The results of operations discussion is combined for Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership because the results are virtually the same for both entities. The following discussion should be read in conjunction with the unaudited consolidated financial statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the unaudited, consolidated statements of operations, including trends which might appear, are not necessarily indicative of future operations. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Cautionary Statements

Certain statements made below are 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. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, beliefs and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. Such forward-looking statements include, but are not limited to, statements regarding our: future issuances of equity and debt and the expected use of proceeds from such issuances; potential sales or purchases of outlet centers; anticipated results of operations, liquidity and working capital; new outlet center developments and expansions; and real estate joint ventures. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other important factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Important factors which may cause actual results to differ materially from current expectations include, but are not limited to, our inability to develop new outlet centers or expand existing outlet centers successfully; risks related to the economic performance and market value of our outlet centers; the relative illiquidity of real property investments; impairment charges affecting our properties; competition for the acquisition and development of outlet centers, and our inability to complete outlet centers we have identified; environmental regulations affecting our business; our dependence on rental income from real property; our dependence on the results of operations of our retailers; the fact that certain of our properties are subject to ownership interests held by third parties, whose interests may conflict with ours; risks related to uninsured losses; the risk that consumer, travel, shopping and spending habits may change; risks associated with our Canadian expansion; risks associated with debt financing; our potential failure to qualify as a REIT; our legal obligation to make distributions to our shareholders; our dependence on distributions from the Operating Partnership to meet our financial obligations, including dividends; the risk of a cyber-attack or an act of cyber-terrorism; and those factors set forth under Item 1A - "Risk Factors" in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2014.

General Overview

At September 30, 2015, we had 34 consolidated outlet centers in 21 states totaling 11.6 million square feet. We also had 9 unconsolidated outlet centers in 7 states or provinces totaling 2.8 million square feet. The table below details our new developments, expansions and dispositions of consolidated and unconsolidated outlet centers that significantly impacted our results of operations and liquidity from January 1, 2014 to September 30, 2015:

		Consolidated Outlet Centers		Unconsolidated Joint Venture Outlet Centers	
Outlet Center	Quarter Acquired/Open/Disposed/Demolished	Square Feet (in thousands)	Number of Outlet Centers	Square Feet (in thousands)	Number of Outlet Centers
As of January 1, 2014		11,537	37	1,719	7
New Developments:					
Charlotte	Third Quarter	—	—	398	1
Ottawa	Fourth Quarter	—	—	288	1
Expansion:					
Charleston	Second Quarter	17	—	—	—
Cookstown	Fourth Quarter	—	—	149	—
Branson	Fourth Quarter	27	—	—	—
Westgate	Fourth Quarter	—	—	50	—
Park City	Fourth Quarter	21	—	—	—
Sevierville	Fourth Quarter	10	—	—	—
Disposition:					
Lincoln City	Fourth Quarter	(270)	(1)	—	—
Other		4	—	2	—
As of December 31, 2014		11,346	36	2,606	9
New Developments:					
Foxwoods	Second Quarter	312	1	—	—
Savannah	Second Quarter	—	—	377	1
Grand Rapids	Third Quarter	350	1	—	—
Expansion:					
Westgate	First Quarter	—	—	28	—
Disposition:					
Wisconsin Dells	First Quarter	—	—	(265)	(1)
Kittery I	Third Quarter	(52)	(1)	—	—
Kittery II	Third Quarter	(25)	(1)	—	—
Tuscola	Third Quarter	(250)	(1)	—	—
West Branch	Third Quarter	(113)	(1)	—	—
Other		—	—	4	—
As of September 30, 2015		11,568	34	2,750	9

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The following table summarizes certain information for our existing outlet centers in which we have an ownership interest as of September 30, 2015. Except as noted, all properties are fee owned.

Consolidated Outlet Centers Location	Square Feet	% Occupied	
Deer Park, New York	749,074	95	
Riverhead, New York [(1)]	729,734	98	
Rehoboth Beach, Delaware [(1)]	565,707	100	
Foley, Alabama	557,014	93	
Atlantic City, New Jersey [(1)]	489,706	94	
Sevierville, Tennessee [(1)]	448,335	100	
San Marcos, Texas	441,821	98	
Myrtle Beach Hwy 501, South Carolina	425,247	97	
Jeffersonville, Ohio	411,776	99	
Myrtle Beach Hwy 17, South Carolina [(1)]	402,791	99	
Charleston, South Carolina	382,117	99	
Pittsburgh, Pennsylvania	372,958	100	
Commerce II, Georgia	371,408	97	
Grand Rapids, Michigan	350,671	93	
Branson, Missouri	329,861	100	
Locust Grove, Georgia	321,070	100	
Howell, Michigan	319,889	94	
Park City, Utah	319,661	99	
Mebane, North Carolina	318,910	95	
Gonzales, Louisiana	318,666	100	
Mashantucket, Connecticut (Foxwoods)	311,640	94	
Westbrook, Connecticut	289,898	93	
Williamsburg, Iowa	276,331	99	
Lancaster, Pennsylvania	254,002	99	
Hershey, Pennsylvania	247,500	98	
Tilton, New Hampshire	245,698	98	
Hilton Head II, South Carolina	206,544	95	
Fort Myers, Florida	198,877	90	
Ocean City, Maryland [(1)]	198,840	99	
Terrell, Texas	177,800	97	
Hilton Head I, South Carolina	177,199	97	
Barstow, California	171,300	100	
Blowing Rock, North Carolina	104,052	100	
Nags Head, North Carolina	82,161	100	
Totals	11,568,258	97	[(2), (3)]

(1) These properties or a portion thereof are subject to a ground lease.

(2) Excludes the occupancy rate at our Foxwoods center and Grand Rapids center which opened during the second and third quarters of 2015, respectively, and have not yet stabilized.

(3) Excludes the occupancy rate at our Barstow outlet center which was sold on October 5, 2015.

Unconsolidated joint venture properties Location	Square Feet	% Occupied
Glendale, Arizona (Westgate) (58% owned)	413,527	100
Charlotte, North Carolina (50% owned)	397,837	99
Savannah, Georgia (50% owned)	377,286	99
Texas City, Texas (50% owned)	352,705	99
Washington D.C. (50% owned)	338,786	99
Cookstown, Ontario (50% owned)	308,803	100
Ottawa, Ontario (50% owned) (1)	284,218	97
Bromont, Quebec (50% owned)	161,449	74
Saint-Sauveur, Quebec (50% owned)	115,717	97
Total	2,750,328	97

(1) Excludes square feet to be completed and turned over to a magnet tenant at a later date.

Leasing Activity

The following table provides information for our consolidated outlet centers regarding space re-leased or renewed:

	Nine months ended September 30, 2015 (1)					
	# of Leases	Square Feet (in 000's)	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) (2)
Re-tenant	115	430	$31.64	$27.56	9.27	$28.67
Renewal	242	1,131	$26.54	$0.13	5.33	$26.52

	Nine months ended September 30, 2014 (3)					
	# of Leases	Square Feet (in 000's)	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) (2)
Re-tenant	131	460	$32.84	$40.20	8.91	$28.33
Renewal	233	1,097	$23.18	$0.24	4.65	$23.13

(1) Excludes Kittery, Tuscola, and West Branch outlet centers, which were sold in September 2015 and Barstow outlet center, which was sold in October 2015.

(2) Net average straight-line rent is calculated by dividing the average tenant allowance costs per square foot by the average initial term and subtracting this calculated number from the average straight-line rent per year amount. The average annual straight-line rent disclosed in the table above includes all concessions, abatements and reimbursements of rent to tenants. The average tenant allowance disclosed in the table above includes landlord costs.

(3) Excludes Lincoln City outlet center, which was sold in December 2014.

RESULTS OF OPERATIONS
Comparison of the three months ended September 30, 2015 to the three months ended September 30, 2014

NET INCOME
Net income increased $22.2 million in the 2015 period to $46.5 million as compared to $24.3 million for the 2014 period. The majority of this increase was due to the $20.2 million gain on the sale of our Kittery, Tuscola, and West Branch outlet centers, which were sold in September 2015. In addition, property operating revenues and property operating expenses have increased in the 2015 period due to the incremental income from four small expansions of our consolidated properties completed since January, 2014, the opening of two new consolidated centers in May and June of 2015, as well as from overall growth in the operating income of our existing properties. These increases were partially offset by an increase in property operating expenses due to the four small expansions and two new developments of our consolidated properties since January 2014, and lower operating income due to the sale of our Lincoln City outlet center in December 2014. Equity in earnings of unconsolidated joint ventures also increased in the 2015 period due to three new properties and two significant expansions completed within our unconsolidated joint ventures June of 2014, partially offset by lower earnings as a result of the sale of our equity interest in the Wisconsin Dells joint venture.

In the tables below, information set forth for new developments includes new centers in Grand Rapids and Foxwoods. Properties disposed includes the Lincoln City center that was sold in December of 2014. Properties disposed on September 30, 2015 have been included in existing properties for the comparable periods presented.

BASE RENTALS
Base rentals increased $6.2 million, or 9%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of base rentals (in thousands):

	2015	2014	Change
Base rentals from existing properties	$70,638	$68,905	$1,733
Base rentals from new developments	4,329	—	4,329
Base rentals from property disposed	—	1,209	(1,209)
Termination fees	1,585	122	1,463
Amortization of above and below market rent adjustments, net	(711)	(624)	(87)
	$75,841	$69,612	$6,229

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces. and incremental income from the expansion of our Sevierville, Branson and Park City outlet centers. Base rental from new developments represent incremental base rental income from our Grand Rapids outlet center, which opened in July 2015, and our Foxwoods outlet center, which opened in May 2015.

Termination fees, which are generally based on the lease term remaining at the time of termination, increased in the 2015 period compared to the 2014 period as a result of certain brand-wide store closures throughout our portfolio. The 2014 period did not have any significant tenant closures.

At September 30, 2015, the combined net value representing the amount of unamortized above market lease assets and below market lease liability values, recorded as a part of the purchase price of acquired properties, was a net above market lease asset which totaled approximately $6.1 million. If a tenant terminates its lease prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related above or below market lease value would be written off and could materially impact our net income positively or negatively.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased $1.1 million, or 4%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of expense reimbursements (in thousands):

	2015	2014	Change
Expense reimbursements from existing properties	$29,669	$28,762	$907
Expense reimbursements from new development	873	—	873
Expense reimbursements from property disposed			