GLADSTONE LAND Corp
Form 10-Q
August 08, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 001-35795

GLADSTONE LAND CORPORATION
(Exact name of registrant as specified in its charter)

MARYLAND	54-1892552
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VIRGINIA 22102
(Address of principal executive offices, including zip code)
(703) 287-5800
(Registrant’s telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

The number of shares of the registrant’s Common Stock, $0.001 par value per share, outstanding as of August 7, 2017, was 12,011,757.

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GLADSTONE LAND CORPORATION
FORM 10-Q FOR THE QUARTER ENDED
JUNE 30, 2017
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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per-share data)
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Investments in real estate, net	$405,222	$326,311
Lease intangibles, net	5,905	2,000
Cash and cash equivalents	2,766	2,438
Deferred financing costs related to borrowings under line of credit, net	217	239
Other assets, net	2,910	2,997
TOTAL ASSETS	$417,020	$333,985
LIABILITIES AND EQUITY		
LIABILITIES:		
Borrowings under lines of credit	$35,050	$16,550
Mortgage notes and bonds payable, net	236,941	190,797
Series A cumulative term preferred stock, par value $0.001 per share; $25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of June 30, 2017, and December 31, 2016, net[1]	27,773	27,655
Accounts payable and accrued expenses	4,684	2,801
Due to related parties, net[2]	836	751
Other liabilities, net	7,260	7,654
Total liabilities	312,544	246,208
Commitments and contingencies[3]		
EQUITY:		
Stockholders' equity:		
Common stock, $0.001 par value; 18,000,000 shares authorized, 11,850,624 shares issued and outstanding as of June 30, 2017; 18,000,000 shares authorized, 10,024,875 shares issued and outstanding as of December 31, 2016	12	10
Additional paid-in capital	109,020	90,082
Accumulated deficit	(15,941)	(13,402)
Total stockholders' equity	93,091	76,690
Non-controlling interests in the Operating Partnership	11,385	11,087
Total equity	104,476	87,777
TOTAL LIABILITIES AND EQUITY	$417,020	$333,985

(1) Refer to Note 5, "Mandatorily-Redeemable Preferred Stock," for additional information.
(2) Refer to Note 6, "Related-Party Transactions," for additional information.
(3) Refer to Note 8, "Commitments and Contingencies," for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per-share data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
OPERATING REVENUES:				
Rental revenue	$5,994	$ 4,241	$11,742	$ 7,921
Tenant recovery revenue	2	3	4	6
Total operating revenues	5,996	4,244	11,746	7,927
OPERATING EXPENSES:				
Depreciation and amortization	1,599	1,335	3,071	2,312
Property operating expenses	242	172	490	384
Acquisition-related expenses	37	25	46	120
Management fee[(1)]	530	385	924	773
Incentive fee[(1)]	76	159	427	159
Administration fee[(1)]	219	179	445	391
General and administrative expenses	387	395	834	794
Total operating expenses	3,090	2,650	6,237	4,933
OPERATING INCOME	2,906	1,594	5,509	2,994
OTHER INCOME (EXPENSE):				
Other income	—	9	185	103
Interest expense	(2,193)	(1,487)	(4,349)	(2,741)
Distributions attributable to mandatorily-redeemable preferred stock	(458)	—	(917)	—
Total other expense	(2,651)	(1,478)	(5,081)	(2,638)
NET INCOME	255	116	428	356
Less net income attributable to non-controlling interests	(28)	(8)	(49)	(14)
NET INCOME ATTRIBUTABLE TO THE COMPANY	$227	$ 108	$379	$ 342
EARNINGS PER COMMON SHARE:				
Basic and diluted	$0.02	$ 0.01	$0.03	$ 0.03
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	11,850,624	9,992,941	11,127,199	9,992,941

(1) Refer to Note 6, “Related-Party Transactions,” for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance at December 31, 2015	9,992,941	$ 10	$ 86,892	$ (8,895)	$ —	$ 78,007
Net income	—	—	—	342	14	356
Proceeds from issuance of common stock, net	—	—	(4)	—	(26)	(30)
Distributions	—	—	—	(2,436)	(122)	(2,558)
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	6,452	6,452
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	607	—	(607)	—
Balance at June 30, 2016	9,992,941	$ 10	$ 87,495	$ (10,989)	$ 5,711	$ 82,227
Balance at December 31, 2016	10,024,875	$ 10	$ 90,082	$ (13,402)	$ 11,087	$ 87,777
Net income	—	—	—	379	49	428
Proceeds from issuance of common stock, net	1,825,749	2	19,563	—	—	19,565
Distributions	—	—	—	(2,918)	(376)	(3,294)
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	(625)	—	625	—
Balance at June 30, 2017	11,850,624	$ 12	$ 109,020	$ (15,941)	$ 11,385	$ 104,476

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$428	$356
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,071	2,312
Amortization of deferred financing costs	236	70
Amortization of deferred rent assets and liabilities, net	(115)	(85)
Allowance for doubtful accounts	—	51
Changes in operating assets and liabilities:		
Other assets	48	10
Accounts payable, accrued expenses and due to related parties	1,318	522
Other liabilities	(307)	3,729
Net cash provided by operating activities	4,679	6,965
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate	(82,950)	(34,376)
Capital expenditures on existing real estate	(1,624)	(7,883)
Change in deposits on real estate acquisitions and investments, net	(565)	(367)
Net cash used in investing activities	(85,139)	(42,626)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of equity	20,722	—
Offering costs	(1,225)	(252)
Borrowings from mortgage notes and bonds payable	49,001	24,813
Repayments on mortgage notes and bonds payable	(2,568)	(420)
Borrowings from lines of credit	38,000	17,300
Repayments on lines of credit	(19,500)	(2,900)
Payment of financing fees	(348)	(78)
Distributions paid on common stock	(2,918)	(2,436)
Distributions paid to non-controlling interests in Operating Partnership	(376)	(122)
Payment of contingent consideration	—	(700)
Net cash provided by financing activities	80,788	35,205
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	328	(456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,438	2,533
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$2,766	$2,077
NON-CASH INVESTING AND FINANCING INFORMATION:		
Issuance of non-controlling interests in operating partnership in conjunction with acquisitions	$—	$6,452
Real estate additions included in Other assets	15	—
Real estate additions included in Accounts payable, accrued expenses and due to related parties	647	1,485
Real estate additions included in Other liabilities	33	624
Common stock offering and OP Unit issuance costs included in Accounts payable, accrued expenses and due to related parties	140	14
Financing fees included in Accounts payable, accrued expenses and due to related parties	45	8

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BUSINESS

Business

Gladstone Land Corporation is an agricultural real estate investment trust ("REIT") that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and having been originally incorporated in California on June 14, 1997. We are primarily in the business of owning and leasing farmland, and we conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the "Operating Partnership"), a Delaware limited partnership. The Company owned 89.1% and 87.4% of the limited partnership interests in the Operating Partnership ("OP Units") as of June 30, 2017, and December 31, 2016, respectively (see Note 7, "Equity," for additional discussion regarding OP Units).

Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by Gladstone Management Corporation (the "Adviser"), a Delaware corporation, and administrative services are provided to us by Gladstone Administration, LLC (the "Administrator"), a Delaware limited liability company. Our Adviser and Administrator are both affiliates of ours (see Note 6, "Related-Party Transactions," for additional discussion regarding our Adviser and Administrator).

All further references herein to "we," "us," "our" and the "Company" refer, collectively, to Gladstone Land Corporation and its consolidated subsidiaries, except where indicated otherwise.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

Our interim financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim period have been included. The interim financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission (the "SEC") on February 21, 2017 (the "Form 10-K"). The results of operations for the three and six months ended June 30, 2017, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Reclassifications

Certain line items on the accompanying Condensed Consolidated Statement of Operations and Condensed Consolidated Statement of Cash Flows for the three and six months ended June 30, 2016, have been reclassified to conform to the current period's presentation. These reclassifications had no impact on previously-reported stockholders' equity, net income or net change in cash and cash equivalents.

Non-controlling Interests

Non-controlling interests are interests in the Operating Partnership not owned by us. We evaluate whether non-controlling interests are subject to redemption features outside of our control. As of both June 30, 2017, and December 31, 2016, the non-controlling interests in the Operating Partnership are redeemable at the option of the holder for cash or, at our election, shares of our common stock and thus are reported in the equity section of the accompanying Condensed Consolidated Balance Sheet but separate from stockholders' equity. The amounts reported for non-controlling interests on the accompanying Condensed Consolidated Statement of Operations represent the portion of income from the Operating Partnership not attributable to us. At the end of each reporting period, we determine the amount of equity (at book value) that is allocable to non-controlling interests based upon the respective ownership interests. To reflect the non-controlling interests' equity interest in the Company, an

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adjustment is made to non-controlling interests, with a corresponding adjustment to paid-in capital, as reflected on the accompanying Condensed Consolidated Statements of Equity.

Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires management to make judgments that are subjective in nature in order to make certain estimates and assumptions, and our application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements included in our Form 10-K. There were no material changes to our significant accounting policies during the six months ended June 30, 2017.

Recently-Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which was amended in March 2016 by ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), in April 2016 by ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"), in May 2016 by ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), and in December 2016 by ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance and establishes a new, control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU 2014-09, as amended. ASU 2014-09, as amended, is now effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and interim periods within those years. We do not believe ASU 2014-09 will have a material impact on our results of operations or financial condition, as the primary impact of this update is related to common area maintenance and other material tenant reimbursements, whereas the majority of our revenue is from rental income pursuant to net-lease agreements, with very little being attributed to tenant recoveries.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the leases is effectively a financed purchase by the lessee, which classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of the classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leasing standard, ASC 840, “Leases,” and is effective on January 1, 2019, with early adoption permitted. We expect our legal expenses (included in General and administrative expenses on our Condensed Consolidated Statements of Operations) to increase marginally, as the new standard requires us to expense indirect leasing costs that were previously capitalized; however, we do not expect ASU 2016-02 to materially impact our condensed consolidated financial statements, as we currently only have two operating ground lease arrangements with terms greater than one year for which we are the lessee.

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions and disposals. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We have early adopted ASU 2017-01, effective October 1, 2016. As a result of our adoption of ASU 2017-01, we anticipate that most of our farmland acquisitions will be treated as asset acquisitions under Accounting Standards Codification ("ASC") 360, which will result in a lower amount of acquisition-related costs being expensed on our condensed consolidated statements of operations, as the majority of those costs will be capitalized and included as part of the fair value allocation of the purchase price.

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NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our farms are owned on a fee-simple basis, except where noted. The following table provides certain summary information about our 65 farms as of June 30, 2017 (dollars in thousands, except for footnotes):

Location	No. of Farms	Total Acres	Farm Acres	Net Cost Basis[1]	Encumbrances[2]
California	22	6,713	6,240	$182,226	$ 137,868
Florida	16	9,315	7,664	107,960	64,800
Colorado	9	30,170	23,257	42,140	25,227
Arizona[3]	6	6,280	5,228	40,748	23,314
Oregon	4	2,313	2,003	19,568	12,927
Nebraska	2	2,559	2,101	10,708	6,602
Michigan	4	270	183	2,993	1,653
North Carolina	2	310	295	2,317	1,301
	65	57,930	46,971	$408,660	$ 273,692

(1) Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs associated with the properties, and adjusted for accumulated depreciation and amortization. Includes Investments in real estate, net (excluding improvements paid for by the tenant) and Lease intangibles, net; plus net above-market lease values included in Other assets; and less net below-market lease values, deferred revenue and unamortized tenant improvements included in Other liabilities, each as shown on the accompanying Condensed Consolidated Balance Sheet.

(2) Excludes approximately $1.7 million of deferred financing costs related to mortgage notes and bonds payable included in Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheet.

(3) Includes two farms in which we own a leasehold interest via ground leases with the State of Arizona that expire in February 2022 and February 2025, respectively. In total, these two farms consist of 1,368 total acres and 1,221 farm acres and had a net cost basis of approximately $3.5 million as of June 30, 2017 (included in Lease intangibles, net on the accompanying Condensed Consolidated Balance Sheet).

Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of June 30, 2017, and December 31, 2016 (dollars in thousands):

	June 30, 2017	December 31, 2016
Real estate:		
Land and land improvements	$332,035	$ 265,985
Irrigation systems	45,829	33,969
Buildings	16,805	14,671
Horticulture	18,870	17,759
Other improvements	5,472	4,993
Real estate, at cost	419,011	337,377
Accumulated depreciation	(13,789)	(11,066)
Real estate, net	$405,222	$ 326,311

Real estate depreciation expense on these tangible assets was approximately $1.4 million and $2.7 million for the three and six months ended June 30, 2017, respectively, and $1.1 million and $1.9 million for the three and six months ended June 30, 2016, respectively.

Included in the figures above are amounts related to improvements on certain of our properties paid for by our tenants but owned by us, or tenant improvements. As of each of June 30, 2017, and December 31, 2016, we recorded tenant improvements, net of accumulated depreciation, of approximately $1.8 million. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of approximately $53,000 and $89,000 for the three and six months ended June 30, 2017, respectively, and $31,000 and $62,000 for the three and six months ended June 30, 2016, respectively.

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Intangible Assets and Liabilities

The following table summarizes the carrying values of lease intangible assets and the related accumulated amortization as of June 30, 2017, and December 31, 2016 (dollars in thousands):

	June 30, 2017	December 31, 2016
Lease intangibles:		
Leasehold interest – land	$3,498	$ —
In-place leases	1,675	1,481
Leasing costs	1,540	1,086
Tenant relationships	668	706
Lease intangibles, at cost	7,381	3,273
Accumulated amortization	(1,476)	(1,273)
Lease intangibles, net	$5,905	$ 2,000

Total amortization expense related to these lease intangible assets was approximately $210,000 and $348,000 for the three and six months ended June 30, 2017, respectively, and $198,000 and $375,000 for the three and six months ended June 30, 2016, respectively.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets and Other liabilities, respectively, on the accompanying Condensed Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of June 30, 2017, and December 31, 2016 (dollars in thousands).

	June 30, 2017		December 31, 2016	
Intangible Asset or Liability	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values[(1)]	$35	$ (18)	$19	$ (14)
Below-market lease values and deferred revenue[(2)]	(800)	91	(785)	61
	$(765)	$ 73	$(766)	$ 47

(1) Above-market lease values are included as part of Other assets in the accompanying Condensed Consolidated Balance Sheets, and the related amortization is recorded as a reduction of rental income.

(2) Below-market lease values and deferred revenue are included as a part of Other liabilities in the accompanying Condensed Consolidated Balance Sheets, and the related accretion is recorded as an increase to rental income.

Total amortization related to above-market lease values and deferred revenue was approximately $2,000 and $4,000 for the three and six months ended June 30, 2017, respectively, and $2,000 and $3,000 for the three and six months ended June 30, 2016, respectively. Total accretion related to below-market lease values and deferred revenue was approximately $15,000 and $30,000 for the three and six months ended June 30, 2017, respectively, and $7,000 and $15,000 for the three and six months ended June 30, 2016, respectively.

New Real Estate Activity

Until our adoption of ASU 2017-01, which clarified the definition of a business, certain acquisitions during the prior-year period were accounted for as business combinations in accordance with ASC 805, as there was a prior leasing history on the property. As such, the fair value of all assets acquired and liabilities assumed were determined in accordance with ASC 805, and all acquisition-related costs were expensed as incurred, other than those costs directly related to reviewing or assigning leases that we assumed upon acquisition, which were capitalized as part of leasing costs. Upon our early adoption of ASU 2017-01, effective October 1, 2016, most acquisitions, including those with a prior leasing history, are now generally treated as an asset acquisition under ASC 360. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs were capitalized and included as part of the fair value allocation of the identifiable tangible and intangible assets acquired, other than those costs that directly related to originating new leases we executed upon acquisition, which were capitalized as part of leasing costs.

In addition, total consideration for acquisitions may include a combination of cash and equity securities, such as OP Units. When OP Units are issued in connection with acquisitions, we determine the fair value of the OP Units issued based on the number of units issued multiplied by the closing price of the Company’s common stock on the date of acquisition.

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2017 New Real Estate Activity

During the six months ended June 30, 2017, we acquired seven new farms in three separate transactions, which are summarized in the table below (dollars in thousands).

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term[1]	Renewal Options	Total Purchase Price	Acquisition Costs[2]	Annualized Straight-line Rent[3]	New Long-term Debt
Citrus Boulevard	Martin, FL	1/12/2017	3,748	1	Organic Vegetables	7 years	3 (5 years)	$54,000	$80	$2,926	$32,400
Spot Road[4]	Yuma, AZ	6/1/2017	3,280	4	Melons and Alfalfa Hay	8.2 years	1 (10 years) & 1 (2 years)	27,500	88	1,673	15,300
Poplar Street	Bladen, NC	6/2/2017	310	2	Organic Blueberries	9.6 years	1 (5 years)	2,169	49	122 [5]	1,301
			7,338	7				$83,669	$217	$4,721	$49,001

(1) Where more than one lease was assumed or executed, represents the weighted-average lease term on the property.

(2) Unless noted otherwise, acquisitions were accounted for as asset acquisitions under ASC 360.

(3) Annualized straight-line amount is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.

(4) Includes two farms (1,368 total acres) acquired through a leasehold interest, with the State of Arizona as the lessor. These state leases expire in February 2022 (485 total acres) and February 2025 (883 total acres). In addition, in connection with the acquisition of this property, we assumed four in-place leases with us as the lessor or sublessor. Three of these leases are agricultural leases, with one lease expiring on June 30, 2019, and two leases expiring on September 15, 2026. The fourth lease is a residential lease that expires on September 30, 2019. If either of the state leases is not renewed upon its expiration, the subleases on the respective acreage shall terminate automatically.

(5) This lease provides for a variable rent component based on the gross crop revenues earned on the property. The figure above represents only the minimum cash rents guaranteed under the lease.

The allocation of the purchase price for the farm acquired during the six months ended June 30, 2017, is as follows (dollars in thousands, except for footnotes):

Property Name	Land and Land Improvements	Buildings	Irrigation Systems	Other Improvements	Horticulture	Leasehold Interest – Land	In-place Leases	Leasing Cost	Total Purchase Price
Citrus Boulevard	$ 52,375	$ 178	$ 1,447	$ —	$ —	$ —	$ —	$ —	$ 54,000
Spot Road[1]	12,354	1,897	8,584	455	—	3,488	254	468	27,500
Poplar Street	1,110	48	305	—	706	—	—	—	2,169
	$ 65,839	$ 2,123	$ 10,336	$ 455	$ 706	$ 3,488	$ 254	$ 468	$ 83,669

(1) In connection with the acquisition of this property, we recorded an above-market lease value of approximately $15,000 related to one agricultural lease assumed and a below-market lease value of approximately $15,000 related to the residential lease assumed.

Below is a summary of the total operating revenues and earnings (loss) recognized on the property acquired during the three and six months ended June 30, 2017 (dollars in thousands):

Property Name	Acquisition Date	For the three months ended June 30, 2017 Operating Revenues	For the three months ended June 30, 2017 Earnings (Loss)	For the six months ended June 30, 2017 Operating Revenues	For the six months ended June 30, 2017 Earnings (Loss)
Citrus Boulevard	1/12/2017	$732	$ 430	$1,377	$ 810

Spot Road	6/1/2017	141	(5)	141	(5)
Poplar Street					