KITE REALTY GROUP TRUST
Form 10-K
March 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x	Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the fiscal year ended December 31, 2011
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: 001-32268

Kite Realty Group Trust
(Exact name of registrant as specified in its charter)

Maryland	11-3715772
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

30 S. Meridian Street, Suite 1100
Indianapolis, Indiana 46204
(Address of principal executive offices) (Zip code)

(317) 577-5600
(Registrant’s telephone number, including area code)

Title of each class	Name of each exchange on which registered
Common Shares, $0.01 par value	New York Stock Exchange
8.25% Series A Cumulative Redeemable Perpetual Preferred Shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes o No x

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

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

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

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

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

The aggregate market value of the voting shares held by non-affiliates of the Registrant as the last business day of the Registrant's most recently completed second quarter was $291 million based upon the closing price of $4.98 per share on the New York Stock Exchange on such date.

The number of Common Shares outstanding as of February 24, 2012 was 63,622,095 ($.01 par value).

Documents Incorporated by Reference

Portions of the Proxy Statement relating to the Registrant's Annual Meeting of Shareholders, scheduled to be held on May 9, 2012, to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

KITE REALTY GROUP TRUST
Annual Report on Form 10-K
For the Fiscal Year Ended
December 31, 2011

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PART I

ITEM 1. BUSINESS

Unless the context suggests otherwise, references to “we,” “us,” “our” or the “Company” refer to Kite Realty Group Trust and our business and operations conducted through our directly or indirectly owned subsidiaries, including Kite Realty Group, L.P., our operating partnership (the “Operating Partnership”). References to “Kite Property Group” or the “Predecessor” mean our predecessor businesses.

Overview

Kite Realty Group Trust is a full-service, vertically integrated real estate company engaged in the development, construction, acquisition, ownership, and operation of high-quality neighborhood and community shopping centers in selected markets in the United States.

We conduct all of our business through our Operating Partnership, of which we are the sole general partner. As of December 31, 2011, we held an 89% interest in our Operating Partnership with limited partners owning the remaining 11%.

As of December 31, 2011, we owned interests in a portfolio of 54 retail operating properties totaling approximately 8.4 million square feet of gross leasable area (including approximately 2.9 million square feet of non-owned anchor space) located in nine states. Our retail operating portfolio was 93.3% leased to a diversified retail tenant base, with no single retail tenant accounting for more than 2.9% of our total annualized base rent. In the aggregate, our largest 25 tenants accounted for 38.1% of our annualized base rent. See Item 2, “Properties” for a list of our top 25 tenants by annualized base rent.

We also own interests in four commercial (office/industrial) operating properties totaling approximately 0.6 million square feet of net rentable area, all located in the state of Indiana. The leased percentage of our commercial operating portfolio was 93.3% as of December 31, 2011.

As of December 31, 2011, we also had an interest in five in-process development or redevelopment retail projects. Upon completion, these projects are anticipated to have approximately 0.8 million square feet of gross leasable area (including approximately 0.2 million square feet of non-owned anchor space). In addition to our in-process developments and redevelopments, we have future developments, which include land parcels that are undergoing pre-development activities and are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third-party financings. As of December 31, 2011, these future developments consisted of three projects that are expected to contain 2.0 million square feet of total gross leasable area (including non-owned anchor space) upon completion.

In addition, as of December 31, 2011, we owned interests in various land parcels totaling approximately 101 acres. These parcels are classified as “Land held for development” in the accompanying consolidated balance sheets and are expected to be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Significant 2011 Activities

Financing and Capital Raising Activities. As discussed in more detail below in “Business Objectives and Strategies,” our primary business objectives are to generate increasing cash flow, achieve long-term growth and maximize

shareholder value primarily through the operation, acquisition, development and redevelopment of well-located community and neighborhood shopping centers. In 2011, one of our primary objectives was the cost effective and opportunistic strengthening of our balance sheet to allow access to various sources of capital to fund our future commitments. We endeavor in 2012 to continue improving our key financial ratios including our debt to EBITDA ratio. We ended the year 2011 with approximately $38 million of combined cash and borrowing capacity on our unsecured revolving credit facility and Fishers Station revolving line of credit. We will remain focused on 2012 financing activity and will continue to aggressively manage our operating portfolio and development pipeline.

During 2011, we successfully completed various financing, refinancing and capital-raising activities including the following significant activities:

Unsecured Revolving Credit Facility

- In June 2011, we entered into an amended and restated three-year $200 million unsecured revolving credit facility with a one-year extension option. Terms of the agreement include pricing at LIBOR plus 225 to 325 basis points depending on the Company's leverage and an expansion feature allowing up to $300 million of total borrowing capacity, subject to certain conditions.

Secured Financing Activity

- In December 2011, we closed on a $16.8 million loan secured by the Eastgate Pavilion property to replace the existing secured variable rate loan that was scheduled to mature in April 2012. The loan has a maturity date of December 31, 2016 and a variable interest rate of LIBOR plus 225 basis points;

- In August 2011, we closed on $82 million of nonrecourse loans secured by our Bayport Commons, Eddy Street Commons, Hamilton Crossing, Boulevard Crossing, Publix at Acworth, and Naperville Marketplace properties. Each of these loans has a ten-year term and a fixed interest rate of 5.44%;

- In March 2011, we closed on a $7.8 million loan secured by land held for development in Naples, Florida. The loan has a 30-month term and a variable interest rate of LIBOR plus 300 basis points; and

- In March 2011, we closed on a $21.0 million loan secured by the International Speedway Square property in Daytona, Florida. The loan has a ten-year term and a fixed interest rate of 5.77%.

Construction Financing

- Draws totaling $15.7 million were made on the variable rate construction loans related to the Eddy Street, Commons, Cobblestone Plaza, South Elgin Commons, and Rivers Edge developments;

- In November 2011, we closed on a $62 million construction loan to fund the construction of the Delray Marketplace development in Delray Beach, Florida. The loan has a maturity date of November 18, 2014 and variable interest rate of LIBOR plus 200 basis points, which reduces to 175 basis points when a coverage ratio of 1.0 is achieved; and

- In December 2011, we closed on a $4.7 million construction loan to fund the construction of the Zionsville Walgreen's development in Zionsville, Indiana. The loan has a maturity date of June 30, 2015 and a variable interest rate of LIBOR plus 225 basis points.

2011 Development and Redevelopment Activities

- Rivers Edge in Indianapolis, Indiana was substantially completed and transitioned to the operating portfolio. This Indianapolis, Indiana center was successfully redeveloped and is 100% leased. The center is anchored by Nordstrom Rack, The Container Store, and buy buy Baby. Additional anchors Arhaus Furniture and an expanded BGI Fitness are projected to open in mid-2012;

- Cobblestone Plaza in Fort Lauderdale, Florida was substantially completed and transitioned to the operating portfolio. As of December 31, 2011, this Whole Foods-anchored center was 92.2% leased; and

- South Elgin Commons, Phase II, in Chicago, Illinois was completed and transitioned to the operating portfolio. This project is 100.0% leased and is anchored by Toys "R" Us/Babies "R" Us and Ross Stores and a non-owned Super Target.

As of December 31, 2011, we had five in-process development or redevelopment projects consisting of the following:

- Delray Marketplace in Delray Beach, Florida was transitioned to an in-process development in 2011. This center will be anchored by Publix and Frank Theatres along with multiple shop retailers including Charming Charlie's, Chico's, Jos. A Bank, Max's Grille, and White House | Black Market. The Company closed on a $62 million construction loan in November 2011 to fund future costs. The Company anticipates that total project costs of the development will be $93 million, of which $51.7 million had been incurred as of December 31, 2011;

- Oleander Pointe in Wilmington, North Carolina was acquired in February 2011. Subsequent to the acquisition, we executed a lease termination with the old anchor and a new lease with Whole Foods and transitioned the property to an in-process redevelopment. The Company anticipates its total investment in the redevelopment will be $5 million, of which $1.7 million had been incurred as of December 31, 2011;

- Four Corner Square/Maple Valley near Seattle, Washington was transitioned to an in-process development in 2011. In addition to the existing center, we also own approximately ten acres of adjacent land for the expansion of the shopping center. The center will be anchored by Johnson's Home & Garden, Walgreens, and Grocery Outlet. The Company currently anticipates its total investment in the redevelopment and expansion will be approximately $23.5 million (net of projected property sales), of which $11.2 million had been incurred as of December 31, 2011;

- New Hill Place – Phase I in Raleigh, North Carolina was transitioned to an in-process development in 2011. This center will be anchored by Dick's Sporting Goods, Marshall's, Michael's, and Petco and a non-owned Target. The Company anticipates its total investment in the development will be $57 million, of which $17.1 million had been incurred as of December 31, 2011; and

- Walgreens in Zionsville, Indiana was transitioned to an in-process development in 2011. The Company anticipates its total investment in the single-tenant development will be $5.2 million, of which $2.4 million had been incurred as of December 31, 2011.

2011 Acquisitions

- Oleander Pointe, a 52,000 square foot, retail shopping center in Wilmington, North Carolina, was acquired in February 2011 for a purchase price of $3.5 million. The Company is currently redeveloping this property, and the Whole Foods anchor is scheduled to open in May 2012;

- The Centre is an 81,000 square foot shopping center located in Carmel, Indiana, a suburb of Indianapolis. In February 2011, we completed the acquisition of the remaining 40% interest in the property from our joint venture partners and assumed leasing and management responsibilities. The purchase price was approximately $2.2 million, including the settlement of a $0.6 million loan made by the Company; and

- Lithia Crossing, an 87,000 square foot, retail shopping center in Tampa, Florida, was acquired in June 2011 for a purchase price of $13.3 million.

2011 Cash Distributions

In 2011, we declared quarterly cash distributions of $0.06 per common share with respect to each of the four quarters. We also declared quarterly cash distributions of $0.515625 per Series A preferred share with respect to each of the four quarters.

Business Objectives and Strategies

Our primary business objectives are to increase the cash flow and build or realize capital appreciation of our properties, achieve sustainable long-term growth and maximize shareholder value primarily through the operation, development, redevelopment and select acquisition of well-located community and neighborhood shopping centers. We invest in properties where cost effective renovation and expansion programs, combined with effective leasing and management strategies, can combine to improve the long-term values and economic returns of our properties. The Company believes that certain of its properties represent opportunities for future renovation and expansion.

We seek to implement our business objectives through the following strategies, each of which is more completely described in the sections that follow:

- Operating Strategy: Maximizing the internal growth in revenue from our operating properties by leasing and re-leasing those properties to a diverse group of retail tenants at increasing rental rates, when possible, and redeveloping or renovating certain properties to make them more attractive to existing and prospective tenants and consumers or to permit additional or more productive uses of the properties;

- Growth Strategy: Using debt and equity capital prudently to redevelop or renovate our existing properties, selectively acquire additional retail properties and develop shopping centers on land parcels that we currently own where we believe that investment returns would meet or exceed internal benchmarks; and

  - Financing and Capital Preservation Strategy: Maintaining a strong balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective manner; funding sources include borrowings under our existing revolving credit facility, new secured debt, accessing the public securities markets when conditions are favorable, with internally generated funds and proceeds from selling land and properties that no longer fit our strategy, and investment in strategic joint ventures. We continuously monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

Operating Strategy. Our primary operating strategy is to maximize revenue and maintain or increase occupancy levels by attracting and retaining a strong and diverse tenant base. Most of our properties are located in regional and neighborhood trade areas with attractive demographics, which has allowed us to maintain and, in some cases, increase occupancy and rental rates. We seek to implement our operating strategy by, among other things:

- increasing rental rates upon the renewal of expiring leases or re-leasing space to new tenants while minimizing vacancy to the extent possible;
- maximizing the occupancy of our existing operating portfolio;
- maximizing tenant absorption and minimizing tenant turnover;
- maintaining efficient leasing and property management strategies to emphasize and maximize rent growth and cost-effective facilities;
- maintaining a diverse tenant mix in an effort to limit our exposure to the financial condition of any one tenant or any category of tenants;
- monitoring the physical appearance, condition, and design of our properties and other improvements located on our properties to maximize our ability to attract customers;
- actively managing costs to minimize overhead and operating costs;
- maintaining strong tenant and retailer relationships in order to avoid rent interruptions and reduce marketing, leasing and tenant improvement costs that result from re-tenanting space; and
- taking advantage of under-utilized land or existing square footage, reconfiguring properties for better use, or adding ancillary income areas to existing facilities.

We employed our operating strategy in 2011 in a number of ways, including increasing our total leased percentage from 92.5% at December 31, 2010 to 93.3% at December 31, 2011, through the signing of over 490,000 square feet of new leases in 2011. We have also been successful in maintaining a diverse retail tenant mix with no tenant accounting for more than 2.9% of our annualized base rent. See Item 2, “Properties” for a list of our top tenants by gross leasable area and annualized base rent.

Growth Strategy. Our growth strategy includes the selective deployment of resources to projects that are expected to generate investment returns that meet or exceed our internal benchmarks. We intend to implement our growth strategy in a number of ways, including:

- continually evaluating our operating properties for redevelopment and renovation opportunities that we believe will make them more attractive for leasing to new tenants or re-leasing to existing tenants at increased rental rates;
- capitalizing on future development opportunities on currently owned land parcels through the achievement of anchor and small shop pre-leasing targets and obtaining financing prior to commencing construction;
- disposing of selected assets that no longer meet our long-term investment criteria and recycling the resulting capital into assets that provide maximum returns and upside potential in desirable markets; and
-

selectively pursuing the acquisition of retail operating properties and portfolios in markets with attractive demographics which we believe can support retail development and therefore attract strong retail tenants.

In evaluating opportunities for potential acquisition, development, redevelopment and disposition, we consider a number of factors, including:

- the expected returns and related risks associated with investments in these potential opportunities relative to our combined cost of capital to make such investments;
- the current and projected cash flow and market value of the property, and the potential to increase cash flow and market value if the property were to be successfully re-leased or redeveloped;
- the price being offered for the property, the current and projected operating performance of the property, the tax consequences of the sale and other related factors;

- the current tenant mix at the property and the potential future tenant mix that the demographics of the property could support, including the presence of one or more additional anchors (for example, value retailers, grocers, soft goods stores, office supply stores, or sporting goods retailers), as well as an overall diverse tenant mix that includes restaurants, shoe and clothing retailers, specialty shops and service retailers such as banks, dry cleaners and hair salons, some of which provide staple goods to the community and offer a high level of convenience;
- the configuration of the property, including ease of access, abundance of parking, maximum visibility, and the demographics of the surrounding area; and
- the level of success of existing properties in the same or nearby markets.

In 2011, we were successful in executing new leases for anchor tenants at multiple properties in our development, redevelopment, and operating portfolios. We signed leases totaling 99,000 square feet with Dick's Sporting Goods, Marshall's, Michael's, and Petco to anchor our New Hill Place – Phase I development near Raleigh, North Carolina. We also signed leases totaling 42,000 square feet with Home Goods and DSW at our Plaza at Cedar Hill operating property in Dallas, Texas and a 30,000 square foot anchor lease with Whole Foods at our Oleander Pointe redevelopment property in Wilmington, North Carolina.

Financing and Capital Preservation Strategy. We finance our development, redevelopment and acquisition activities seeking to use the most advantageous sources of capital available to us at the time. These sources may include the sale of common or preferred shares through public offerings or private placements, the reinvestment of proceeds from the disposition of assets, the incurrence of additional indebtedness through secured or unsecured borrowings, and investment in real estate joint ventures.

Our primary financing and capital preservation strategy is to maintain a strong balance sheet with sufficient flexibility to fund our operating and development activities in the most cost-effective way possible. We consider a number of factors when evaluating our level of indebtedness and when making decisions regarding additional borrowings, including the purchase price of properties to be developed or acquired with debt financing, the estimated market value of our properties and the Company as a whole upon consummation of the refinancing, and the ability of particular properties to generate cash flow to cover expected debt service. As discussed in more detail in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," recent market conditions have heightened the need for most REITs, including us, to continue to place an emphasis on financing and capital preservation strategies. Our efforts to strengthen our balance sheet are essential to the success of our business. We intend to continue implementing our financing and capital strategies in a number of ways, including:

- prudently managing our balance sheet, including reducing the aggregate amount of indebtedness outstanding under our unsecured revolving credit facility so that we have additional capacity available to fund our development and redevelopment projects and pay down maturing debt if refinancing that debt is not feasible;
- extending the maturity dates of and/or refinancing of our near-term mortgage, construction and other indebtedness. Subsequent to December 31, 2011, we retired $45 million of our 2012 maturities, leaving $11 million to be addressed over the balance of the year. We are pursuing financing alternative to enable us to repay, refinance, or extend the maturity date of this loan;
- staggering our maturities with long-term debt on recently completed projects;
- entering into construction loans typically prior to commencement of construction to fund our in-process developments, redevelopments, and future developments;

- raising additional capital through the issuance of common shares, preferred shares or other securities;
- managing our exposure to interest rate increases on our variable-rate debt through the use of fixed rate hedging transactions and securing property specific long-term nonrecourse financing; and
- investing in joint venture arrangements in order to access less expensive capital and to mitigate risk.

Business Segments

Our principal business is the ownership, operation, acquisition and development of high-quality neighborhood and community shopping centers in selected markets in the United States. Historically, the operations of the Company have been aligned into two business segments: (1) real estate operations and development activities, and (2) construction and advisory services. Over the last several years, the Company made a strategic decision to reduce its third party construction and advisory services activity. As a result of this decision, the Company has not entered into any new significant construction or advisory contracts in 2011. The operations of this segment are de minimis for the year ended December 31, 2011, and the Company expects they will remain so in the foreseeable future.

Competition

The United States commercial real estate market continues to be highly competitive. We face competition from other REITs and other owner-operators engaged in the development, acquisition, ownership and leasing of shopping centers as well as from numerous local, regional and national real estate developers and owners in each of our markets. Some of these competitors may have greater capital resources than we do; although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market.

We face significant competition in our efforts to lease available space to prospective tenants at our operating, development and redevelopment properties. The nature of the competition for tenants varies depending upon the characteristics of each local market in which we own and manage properties. We believe that the principal competitive factors in attracting tenants in our market areas are location, demographics, rental rates, the presence of anchor stores, competitor shopping centers in the same geographic area and the maintenance, appearance, access and traffic patterns of our properties. There can be no assurance in the future that we will be able to compete successfully with our competitors in our development, acquisition and leasing activities.

Government Regulation

We and our properties are subject to a variety of federal, state, and local environmental, health, safety and similar laws including:

Americans with Disabilities Act. Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily accessible accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

Environmental Regulations. Some properties in our portfolio contain, may have contained or are adjacent to or near other properties that have contained or currently contain underground storage tanks for petroleum products or other hazardous or toxic substances. These operations may have released, or have the potential to release, such substances into the environment.

In addition, some of our properties have tenants which may use hazardous or toxic substances in the routine course of their businesses. In general, these tenants have covenanted in their leases with us to use these substances, if any, in compliance with all environmental laws and have agreed to indemnify us for any damages we may suffer as a result of their use of such substances. However, these lease provisions may not fully protect us in the event that a tenant becomes insolvent. Finally, one of our properties has contained asbestos-containing building materials, or ACBM, and another property may have contained such materials based on the date of its construction. Environmental laws require that ACBM be properly managed and maintained, and fines and penalties may be imposed on building owners or operators for failure to comply with these requirements. The laws also may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to

environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future.

Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance that covers all properties in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage, and industry practice. We do not carry insurance for generally uninsurable losses such as loss from riots, war or acts of God, and, in some cases, flooding. Some of our policies, such as those covering losses due to terrorism and floods, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses.

Offices

Our principal executive office is located at 30 S. Meridian Street, Suite 1100, Indianapolis, IN 46204. Our telephone number is (317) 577-5600.

Employees

As of December 31, 2011, we had 77 full-time employees. The majority of these employees were “home office” personnel.

Available Information

Our Internet website address is www.kiterealty.com. You can obtain on our website, free of charge, a copy of our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments with, or furnish them to, the SEC. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Code of Ethics for Principal Executive Officer and Senior Financial Officers, our Corporate Governance Guidelines, and the charters for each of the committees of our Board of Trustees—the Audit Committee, the Corporate Governance and Nominating Committee, and the Compensation Committee. Copies of our Code of Business Conduct and Ethics, our Code of Ethics for Principal Executive Officer and Senior Financial Officers, our Corporate Governance Guidelines, and our committee charters are also available from us in print and free of charge to any shareholder upon request. Any person wishing to obtain such copies in print should contact our Investor Relations department by mail at our principal executive office.

ITEM 1A. RISK FACTORS

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by our management from time to time. These factors, among others, may have a material adverse effect on our business, financial condition, operating results and cash flows, and you should carefully consider them. It is not possible to predict or identify all such factors. You should not consider this list to be a complete statement of all potential risks or uncertainties. Past performance should not be considered an indication of future performance.

We have separated the risks into three categories:

- risks related to our operations;
- risks related to our organization and structure; and
- risks related to tax matters.

RISKS RELATED TO OUR OPERATIONS

Because of our geographical concentration in Indiana, Florida and Texas, a prolonged economic downturn in these states could materially and adversely affect our financial condition and results of operations.

The United States economy was in a recession during 2009 and for a portion of 2010. Similarly, the specific markets in which we operate continue to face challenging economic conditions that could persist into the future. In particular, as of December 31, 2011, 40% of our owned square footage and total annualized base rent was located in Indiana, 24% of our owned square footage and total annualized base rent was located in Florida, and 18% of our owned square footage and 16% of our total annualized base rent was located in Texas. This level of concentration could expose us to greater economic risks than if we owned properties in numerous geographic regions. Many states continue to deal with state fiscal budget shortfalls, high unemployment rates and home foreclosure rates. Continued adverse economic or real estate trends in Indiana, Florida, Texas, or the surrounding regions, or any continued decrease in demand for retail space resulting from the local regulatory environment, business climate or fiscal problems in these states, could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to our shareholders.

Severe disruptions in the financial markets could affect our ability to obtain financing for development of our properties and other purposes on reasonable terms, or at all, and have other material adverse effects on our business.

Disruptions in the credit markets generally, or relating to the real estate industry specifically, may adversely affect our ability to obtain debt financing at favorable rates or at all. In 2008 and 2009, the United States financial and credit markets experienced significant price volatility, dislocations and liquidity disruptions, which caused market prices of many financial instruments to fluctuate substantially and the spreads on prospective debt financings to widen considerably. Those circumstances materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases resulted in the unavailability of financing. Although the credit markets have recovered from this severe dislocation, there are a number of continuing effects, including a weakening of many traditional sources of debt financing, a reduction in the overall amount of debt financing available, lower loan to value ratios, a tightening of lender underwriting standards and terms and higher interest rate spreads. As a result, we may be unable to refinance or extend our existing indebtedness or the terms of any refinancing may not be as favorable as the terms of our existing indebtedness. For example, as of January 31, 2012, we had approximately $31 million and $94 million of debt maturing in 2012 and 2013, respectively. If we are not successful in refinancing our outstanding debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations.

If a dislocation similar to that which occurred in 2008 and 2009 occurs in the future, we may be forced to seek alternative sources of potentially less attractive financing, and have to adjust our business plan accordingly. In addition, we may be unable to obtain permanent financing on development projects we financed with construction loans. Our inability to obtain such permanent financing on favorable terms, if at all, could delay the completion of our development projects and/or cause us to incur additional capital costs in connection with completing such projects, either of which could have a material adverse effect on our business and our ability to execute our business strategy. These events also may make it more difficult or costly for us to raise capital through the issuance of our common stock or preferred stock. The disruptions in the financial markets have had and may continue to have a material adverse effect on the market value of our common shares and other adverse effects on our business.

If our tenants are unable to secure financing necessary to continue to operate their businesses and pay us rent, we could be materially and adversely affected.

Many of our tenants rely on external sources of financing to operate their businesses. As discussed above, there are a number of continuing effects of the disruptions experienced in the United States financial and credit markets in 2008 and 2009. If our tenants are unable to secure financing necessary to continue to operate their businesses, they may be unable to meet their rent obligations to us or enter into new leases with us or be forced to declare bankruptcy and reject our leases, which could materially and adversely affect us.

Ongoing challenging conditions in the United States and global economy, and the challenges facing our retail tenants and non-owned anchor tenants may have a material adverse affect on our financial condition and results of operations.

We are susceptible to adverse economic developments in the United States. The United States economy is still experiencing weakness from the recent recession, which resulted in increased unemployment, the bankruptcy or weakened financial condition of a number of retailers, decreased consumer spending, increased home foreclosures, low consumer confidence, a decline in residential and commercial property values and reduced demand and rental rates for retail space. Although the United States economy appears to have emerged from the recent recession, market conditions remain challenging as high levels of unemployment and low consumer confidence have persisted. There can be no assurance that the recovery will continue. General economic factors that are beyond our control, including, but not limited to, recessions, decreases in consumer confidence, reductions in consumer credit availability, increasing consumer debt levels, rising energy costs, tax rates, continued business layoffs, downsizing and industry slowdowns, and/or rising inflation, could have a negative impact on the business of our retail tenants. In turn, this could have a material adverse effect on our business because current or prospective tenants may, among other things (i) have difficulty paying us rent as they struggle to sell goods and services to consumers, (ii) be unwilling to enter into or renew leases with us on favorable terms or at all, (iii) seek to terminate their existing leases with us or seek downward rental adjustment to such leases, or (iv) be forced to curtail operations or declare bankruptcy. We are also susceptible to other developments that, while not directly tied to the economy, could have a material adverse effect on our business. These developments include relocations of businesses, changing demographics, increased Internet shopping, infrastructure quality, federal, state, and local budgetary constraints and priorities, increases in real estate and other taxes, costs of complying with government regulations or increased regulation, decreasing valuations of real estate, and other factors.

Further, we continually monitor events and changes in circumstances that could indicate that the carrying value of our real estate assets may not be recoverable. The ongoing challenging market conditions could require us to recognize an impairment charge, with respect to one or more of our properties, or a loss on disposition of one or more of our properties.

Our business is significantly influenced by demand for retail space generally, and a decrease in such demand may have a greater adverse effect on our business than if we owned a more diversified real estate portfolio.

Because our portfolio of properties consists primarily of community and neighborhood shopping centers, a decrease in the demand for retail space, due to the economic factors discussed above or otherwise, may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. The market for retail space has been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through the Internet. To the extent that any of these conditions occur, they are likely to negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to our shareholders.

Failure by any major tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, could have a material adverse effect on our results of operations.

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. Our leases generally do not contain provisions designed to ensure the creditworthiness of our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition,

particularly during periods of economic uncertainty such as what has recently occurred. For example, Sears Holdings, which leases 111,000 square feet and accounts for 1.1% of our annualized base rent has recently announced it is closing 100 stores. The store in our center is not one of those identified by Sears for closure; however, there is no assurance that this will continue to be the case in the future. In the event of a prolonged economic downturn, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by a major tenant or non-owned anchor or a failure by that major tenant or non-owned anchor to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers because of contractual co-tenancy termination or rent reduction rights under the terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant or a non-owned anchor with ground leases in multiple locations, could have a material adverse effect on our results of operations. As of December 31, 2011, the five largest tenants in our operating portfolio in terms of annualized base rent were Publix, Bed Bath & Beyond/Buy Buy Baby, PetSmart, Ross Stores and Toys "R" Us, representing 2.9%, 2.7%, 2.6%, 2.3%, and 2.2%, respectively, of our total annualized base rent.

We face potential material adverse effects from tenant bankruptcies, and we may be unable to collect balances due from any tenant in bankruptcy or replace the tenant at current rates, or at all.

Bankruptcy filings by our retail tenants occur from time to time. Such bankruptcies may increase in times of economic uncertainty such as what has recently occurred. We cannot make any assurance that any tenant who files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar all efforts by us to collect pre-bankruptcy debts from that tenant or the lease guarantor, or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws that limit the amount of the claim we can make if a lease is rejected. As a result, it is likely that we will recover substantially less than the full value of any unsecured claims we hold from a tenant in bankruptcy, which would result in a reduction in our cash flow and in the amount of cash available for distribution to our shareholders.

Moreover, we are continually re-leasing vacant spaces resulting from tenant lease terminations. The bankruptcy of a tenant, particularly an anchor tenant, may make it more difficult to lease the remainder of the affected properties. Future tenant bankruptcies could materially adversely affect our properties or impact our ability to successfully execute our re-leasing strategy.

We had $689 million of consolidated indebtedness outstanding as of December 31, 2011, which may have a material adverse effect on our financial condition and results of operations and reduce our ability to incur additional indebtedness to fund our growth.

Required repayments of debt and related interest may materially adversely affect our operating performance. We had $689 million of consolidated outstanding indebtedness as of December 31, 2011, of which $56 million is scheduled to mature in 2012, and $88 million is scheduled to mature in 2013 along with our share of mortgage debt of unconsolidated joint ventures of $6 million. At December 31, 2011, $313 million of our debt bore interest at variable rates ($283 million when reduced by our $30 million of fixed interest rate swaps) along with our share of mortgage debt of unconsolidated joint ventures of $6 million. Interest rates are currently low relative to historical levels and may increase significantly in the future. If our interest expense increased significantly, it could materially adversely affect our results of operations. For example, if market rates of interest on our variable rate debt outstanding, net of cash flow hedges, as of December 31, 2011 increased by 1%, the increase in interest expense on our variable rate debt would decrease future cash flows by $2.9 million annually.

We also intend to incur additional debt in connection with various development and redevelopment projects, and may incur additional debt with acquisitions of properties. Our organizational documents do not limit the amount of indebtedness that we may incur. We may borrow new funds to develop or acquire properties. In addition, we may incur or increase our mortgage debt by obtaining loans secured by some or all of the real estate properties we develop or acquire. We also may borrow funds if necessary to satisfy the requirement that we distribute to shareholders at least 90% of our annual REIT taxable income, or otherwise as is necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes or otherwise avoid paying taxes that can be eliminated through distributions to our shareholders.

Our substantial debt could materially and adversely affect our business in other ways, including by, among other things:

- requiring us to use a substantial portion of our funds from operations to pay principal and interest, which reduces the amount available for distributions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; and
- limiting our ability to borrow more money for operating or capital needs or to finance development and acquisitions in the future.

Agreements with lenders supporting our unsecured revolving credit facility and various other loan agreements contain default provisions which, among other things, could result in the acceleration of principal and interest payments or the termination of the facilities.

Our unsecured revolving credit facility and various other debt agreements contain certain Events of Default which include, but are not limited to, failure to make principal or interest payments when due, failure to perform or observe any term in the agreement, covenant or condition contained in the agreements, failure to maintain certain financial and operating ratios and other criteria, misrepresentations and bankruptcy proceedings. In the event of a default under any of these agreements, the lender would have various rights including, but not limited to, the ability to require the acceleration of the payment of all principal and interest due and/or to terminate the agreements, and to foreclose on the properties. The declaration of a default and/or the acceleration of the amount due under any such credit agreement could have a material adverse effect on our business. In addition, certain of our fixed-rate and variable-rate loans contain cross-default provisions which provide that a violation by the Company of any financial covenant set forth in our unsecured revolving credit facility agreement will constitute an event of default under the loans, which could allow the lending institutions to accelerate the amount due under the loans.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

A significant amount of our indebtedness is secured by our real estate assets. If a property or group of properties is mortgaged to secure payment of debt and we are unable to meet mortgage payments, the holder of the mortgage or lender could foreclose on the property, resulting in the loss of our investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code. If any of our properties are foreclosed on due to a default, our ability to pay cash distributions to our shareholders and our earnings will be limited.

We are subject to risks associated with hedging agreements.

We use a combination of interest rate protection agreements, including interest rate swaps, to manage risk associated with interest rate volatility. This may expose us to additional risks, including a risk that counterparty to a hedging arrangement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Further, should we choose to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our initial obligation under the hedging agreement.

A substantial number of common shares eligible for future sale could cause our common share price to decline significantly.

If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. As of December 31, 2011, we had outstanding 63,617,019 common shares. Of these shares, 63,281,688 are freely tradable with the remainder held generally by our “affiliates,” as that term is defined by Rule 144 under the Securities Act. In addition, 7,842,498 units of our Operating Partnership are owned by our executive officers and other individuals, and are redeemable by the holder for cash or, at our election, common shares. Pursuant to

registration rights of certain of our executive officers and other individuals, we filed a registration statement with the SEC in August 2005 to register 9,115,149 common shares issued (or issuable upon redemption of units in our Operating Partnership) in our formation transactions. As units are redeemed for common shares, the market price of our common shares could drop significantly if the holders of such shares sell them or are perceived by the market as intending to sell them.

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make expected distributions to our shareholders depends on our ability to generate substantial revenues from our properties. Periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. Such events would materially and adversely affect our financial condition, results of operations, cash flow, per share trading price of our common shares and ability to satisfy our debt service obligations and to make distributions to our shareholders.

In addition, other events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include but are not limited to:

- adverse changes in the national, regional and local economic climate, particularly in: Indiana, where 40% of our owned square footage and total annualized base rent is located; Florida, where 24% of our owned square footage and total annualized base rent is located; and Texas, where 18% of our owned square footage and 16% of our total annualized base rent is located;
- tenant bankruptcies;
- local oversupply of rental space, increased competition or reduction in demand for rentable space;
- inability to collect rent from tenants, or having to provide significant rent concessions to tenants;
- vacancies or our inability to rent space on favorable terms;
- changes in market rental rates;
- inability to finance property development, tenant improvements and acquisitions on favorable terms;
- increased operating costs, including costs incurred for maintenance, insurance premiums, utilities and real estate taxes;
- the need to periodically fund the costs to repair, renovate and re-lease space;
- decreased attractiveness of our properties to tenants;
- weather conditions that may increase or decrease energy costs and other weather-related expenses (such as snow removal costs);
- costs of complying with changes in governmental regulations, including those governing usage, zoning, the environment and taxes;
- civil unrest, acts of terrorism, earthquakes, hurricanes and other national disasters or acts of God that may result in underinsured or uninsured losses;
- the relative illiquidity of real estate investments;

- changing demographics; and
- changing traffic patterns.

Our financial covenants may restrict our operating and acquisition activities.

Our unsecured revolving credit facility contains certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur debt, make dividend payments, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain acquisition transactions. In addition, certain of our mortgages contain customary covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. Failure to meet any of the financial covenants could cause an event of default under and/or accelerate some or all of our indebtedness, which could have a material adverse effect on us.

Our current and future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners.

As of December 31, 2011, we owned six of our operating properties through joint ventures. As of December 31, 2011, the six properties represented 7.8% of our annualized base rent. In addition, one of our in-process development projects and one of our future development projects are currently owned through joint ventures, one of which is accounted for under the equity method as of December 31, 2011 as we do not exercise requisite control for consolidation treatment. Our joint ventures involve risks not present with respect to our wholly owned properties, including the following:

- we may share decision-making authority with our joint venture partners regarding certain major decisions affecting the ownership or operation of the joint venture and the joint venture property, such as the sale of the property or the making of additional capital contributions for the benefit of the property, which may prevent us from taking actions that are opposed by our joint venture partners;

- prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which restricts our ability to dispose of our interest in the joint venture;

- our joint venture partners might become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;

- our joint venture partners may have business interests or goals with respect to the property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;

- disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration that would increase our expenses and distract our officers and/or trustees from focusing their time and effort on our business, and possibly disrupt the day-to-day operations of the property such as by delaying the implementation of important decisions until the conflict or dispute is resolved; and

- we may suffer losses as a result of the actions of our joint venture partners with respect to our joint venture investments and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we may not control the joint venture.

In the future, we may seek to co-invest with third parties through joint ventures that may involve similar or additional risks.

We face significant competition, which may impede our ability to renew leases or re-lease space as leases expire or require us to undertake unbudgeted capital improvements.

We compete with numerous developers, owners and operators of retail shopping centers for tenants. These competitors include institutional investors, other REITs and other owner-operators of community and neighborhood shopping centers, some of which own or may in the future own properties similar to ours in the same markets in which our properties are located, but which have greater capital resources. As of December 31, 2011, leases were scheduled to expire on a total of 5.3% of the space at our properties in 2012. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may be unable to lease on satisfactory terms to potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our leases with them expire. We also may be required to offer more substantial

rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements than we have historically. As a result, our financial condition, results of operations, cash flow, trading price of our common shares and ability to satisfy our debt service obligations and to pay distributions to our shareholders may be materially adversely affected. In addition, increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any capital improvements we undertake may reduce cash available for distributions to shareholders.

Our future developments and acquisitions may not yield the returns we expect or may result in dilution in shareholder value.

We have five in-process development/redevelopment projects and six future development/redevelopment projects. New development projects and property acquisitions are subject to a number of risks, including, but not limited to:

- abandonment of development activities after expending resources to determine feasibility;
- construction delays or cost overruns that may increase project costs;
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller, may fail to reveal various liabilities or defects or identify necessary repairs until after the property is acquired, which could reduce the cash flow from the property or increase our acquisition costs;
- as a result of competition for attractive development and acquisition opportunities, we may be unable to acquire assets as we desire or the purchase price may be significantly elevated, which may impede our growth;
- financing risks;
- the failure to meet anticipated occupancy or rent levels;
- failure to receive required zoning, occupancy, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws; and
- the consent of third parties such as tenants, mortgage lenders and joint venture partners may be required, and those consents may be difficult to obtain or could be withheld.

In addition, if a project is delayed or if we are unable to lease designated space to anchor tenants, certain tenants may have the right to terminate their leases. If any of these situations occur, development costs for a project will increase, which will result in reduced returns, or even losses, from such investments. In deciding whether to acquire or develop a particular property, we make certain assumptions regarding the expected future performance of that property. If these new properties do not perform as expected, our financial performance may be materially and adversely affected or an impairment charge could occur. In addition, the issuance of equity securities as consideration for any acquisitions could be dilutive to our shareholders.

We may not be successful in identifying suitable acquisitions or development and redevelopment projects that meet our investment criteria, which may impede our growth.

Part of our business strategy is expansion through acquisitions and development and redevelopment projects, which requires us to identify suitable development or acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable real estate properties or other assets that meet our development or acquisition criteria, or we may fail to complete developments, acquisitions or investments on satisfactory terms. Failure to identify or complete developments or acquisitions could slow our growth, which could in turn materially adversely affect our operations.

Redevelopment activities may be delayed or otherwise may not perform as expected and, in the case of an unsuccessful redevelopment project, our entire investment could be at risk for loss.

We currently have two in-process redevelopment projects and three future redevelopment projects. We expect to redevelop certain of our other properties in the future. In connection with any redevelopment of our properties, we will bear certain risks, including the risk of construction delays or cost overruns that may increase project costs and make a project uneconomical, the risk that occupancy or rental rates at a completed project will not be sufficient to enable us to pay operating expenses or earn the targeted rate of return on investment, and the risk of incurrence of predevelopment costs in connection with projects that are not pursued to completion. In addition, various tenants may have the right to withdraw from a property if a development and/or redevelopment project is not completed on time. In the case of a redevelopment project, consents may be required from various tenants in order to redevelop a center. In the case of an unsuccessful redevelopment project, our entire investment could be at risk for loss or an impairment charge could occur.

We may not be able to sell properties when appropriate and could, under certain circumstances, be required to pay certain tax indemnities related to the properties we sell.

Real estate property investments generally cannot be sold quickly. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. In addition, in connection with our formation at the time of our initial public offering ("IPO"), we entered into an agreement that restricts our ability, prior to December 31, 2016, to dispose of six of our properties in taxable transactions and limits the amount of gain we can trigger with respect to certain other properties without incurring reimbursement obligations owed to certain limited partners of our Operating Partnership. We have agreed that if we dispose of any interest in six specified properties in a taxable transaction before December 31, 2016, we will indemnify the contributors of those properties for their tax liabilities attributable to the built-in gain that exists with respect to such property interest as of the time of our IPO (and tax liabilities incurred as a result of the reimbursement payment). The six properties to which our tax indemnity obligations relate represented 15.6% of our annualized base rent in the aggregate as of December 31, 2011. These six properties are International Speedway Square, Shops at Eagle Creek, Whitehall Pike, Ridge Plaza Shopping Center, Thirty South and Market Street Village. We also agreed to limit the aggregate gain certain limited partners of our Operating Partnership would recognize, with respect to certain other contributed properties through December 31, 2016, to not more than $48 million in total, with certain annual limits, unless we reimburse them for the taxes attributable to the excess gain (and any taxes imposed on the reimbursement payments), and take certain other steps to help them avoid incurring taxes that were deferred in connection with the formation transactions.

The agreement described above is extremely complicated and imposes a number of procedural requirements on us, which makes it more difficult for us to ensure that we comply with all of the various terms of the agreement and therefore creates a greater risk that we may be required to make an indemnity payment. The complicated nature of this agreement also might adversely impact our ability to pursue other transactions, including certain kinds of strategic transactions and reorganizations.

Also, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may be unable to adjust our portfolio mix promptly in response to market conditions, which may adversely affect our financial position. In addition, we will be subject to income taxes on gains from the sale of any properties owned by any taxable REIT subsidiary.

Potential losses may not be covered by insurance.

We do not carry insurance for generally uninsurable losses such as loss from riots, war or acts of God, and, in some cases, flooding. Some of our policies, such as those covering losses due to terrorism and floods, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover all losses. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Insurance coverage on our properties may be expensive or difficult to obtain, exposing us to potential risk of loss.

In the future, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts, environmental liabilities, or other catastrophic events including hurricanes and floods, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property after a covered period of time, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Events such as these could adversely affect our results of operations and our ability to meet our obligations.

Rising operating expenses could reduce our cash flow and funds available for future distributions, particularly if such expenses are not offset by corresponding revenues.

Our existing properties and any properties we develop or acquire in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. The expenses of owning and operating properties generally do not decrease, and may increase, when circumstances such as market factors and competition cause a reduction in income from the properties. As a result, if any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds for that property's operating expenses. Our properties continue to be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, regardless of such properties' occupancy rates. Therefore, rising operating expenses could reduce our cash flow and funds available for future distributions, particularly if such expenses are not offset by corresponding revenues.

We could incur significant costs related to government regulation and environmental matters.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with contamination. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership, operation and management of real properties, we are potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property. We may also be liable to third parties for damage and injuries resulting from environmental contamination emanating from the real estate. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property.

Some of the properties in our portfolio contain, may have contained or are adjacent to or near other properties that have contained or currently contain underground storage tanks for petroleum products or other hazardous or toxic substances. These operations may have released, or have the potential to release, such substances into the environment. In addition, some of our properties have tenants that may use hazardous or toxic substances in the routine course of their businesses. In general, these tenants have covenanted in their leases with us to use these substances, if any, in compliance with all environmental laws and have agreed to indemnify us for any damages that we may suffer as a result of their use of such substances. However, these lease provisions may not fully protect us in the event that a tenant becomes insolvent. Finally, one of our properties has contained asbestos-containing building materials, or ACBM, and another property may have contained such materials based on the date of its construction. Environmental laws require that ACBM be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. The laws also may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Our properties must also comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants and the incurrence of additional costs associated with bringing the properties into compliance, any of which could adversely affect our financial condition.

Our efforts to identify environmental liabilities may not be successful.

We test our properties for compliance with applicable environmental laws on a limited basis. We cannot give assurance that:

- existing environmental studies with respect to our properties reveal all potential environmental liabilities;

- any previous owner, occupant or tenant of one of our properties did not create any material environmental condition not known to us;
- the current environmental condition of our properties will not be affected by tenants and occupants, by the condition of nearby properties, or by other unrelated third parties; or
- future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations or the interpretation thereof) will not result in environmental liabilities.

Inflation may adversely affect our financial condition and results of operations.

Most of our leases contain provisions requiring the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, to the extent we are able to recover such costs from our tenants. However, increased inflation could have a more pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases or limits on such tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time, and limit our ability to recover all of our operating expenses. Inflation could also have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our average rents, and in some cases, our percentage rents, where applicable. In addition, renewals of leases or future leases may not be negotiated on current terms, in which event we may have to pay a greater percentage or all of our operating expenses.

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our shareholders' investment.

The stock markets (including The New York Stock Exchange, or the "NYSE," on which we list our common and preferred shares) have experienced significant price and volume fluctuations. The market price of our common and preferred shares could be similarly volatile, and investors in our shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our publicly traded securities are the following:

- our financial condition and operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication by securities analysts of research reports about us or our industry;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);

- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- actions by institutional shareholders or hedge funds;
- increase or decrease in dividends;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

Moreover, an active trading market on the NYSE for our Series A Preferred Shares that were issued in December 2010 may not develop or, if it does develop, may not last, in which case the trading price of our Series A Preferred Shares could be adversely affected. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Holders of our Series A Preferred Shares have extremely limited voting rights.

Holders of our Series A Preferred Shares have extremely limited voting rights. Our common shares are the only class of our equity securities carrying full voting rights. Voting rights for holders of Series A Preferred Shares exist primarily with respect to the ability to appoint additional trustees to our Board of Trustees in the event that six quarterly dividends (whether or not consecutive) payable on our Series A Preferred Shares are in arrears, and with respect to voting on amendments to our declaration of trust or our Series A Preferred Shares Articles Supplementary that materially and adversely affect the rights of Series A Preferred Shares holders or create additional classes or series of preferred shares that are senior to our Series A Preferred Shares. Other than very limited circumstances, holders of our Series A Preferred Shares will not have voting rights.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

Our organizational documents contain provisions that generally would prohibit any person (other than members of the Kite family who, as a group, are currently allowed to own up to 21.5% of our outstanding common shares) from beneficially owning more than 7% of our outstanding common shares (or up to 9.8% in the case of certain designated investment entities, as defined in our declaration of trust), which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.

Our organizational documents contain provisions that may have an anti-takeover effect and inhibit a change in our management.

(1) There are ownership limits and restrictions on transferability in our declaration of trust. In order for us to qualify as a REIT, no more than 50% of the value of our outstanding shares may be owned, actually or constructively, by five or fewer individuals at any time during the last half of each taxable year. To make sure that we will not fail to satisfy this requirement and for anti-takeover reasons, our declaration of trust generally prohibits any shareholder (other than an excepted holder or certain designated investment entities, as defined in our declaration of trust) from owning (actually, constructively or by attribution), more than 7% of the value or number of our outstanding common shares. Our declaration of trust provides an excepted holder limit that allows members of the Kite family (Al Kite, John Kite and Paul Kite, their family members and certain entities controlled by one or more of the Kites), as a group, to own more than 7% of our outstanding common shares, so long as, under the applicable tax attribution rules, no one excepted holder treated as an individual would hold more than 21.5% of our common shares, no two excepted holders treated as individuals would own more than 28.5% of our common shares, no three excepted holders treated as individuals would own more than 35.5% of our common shares, no four excepted holders treated as individuals would own more than 42.5% of our common shares, and no five excepted holders treated as individuals would own more than 49.5% of our common shares. Currently, one of the excepted holders would be attributed all of the common shares owned by each other excepted holder and, accordingly, the excepted holders as a group would not be allowed to own in excess of 21.5% of our common shares. If at a later time, there were not one excepted holder that would be attributed all of the shares owned by the excepted holders as a group, the excepted holder limit would not permit each excepted holder to own 21.5% of our common shares. Rather, the excepted holder limit would prevent two or more excepted holders who are treated as individuals under the applicable tax attribution rules from owning a higher

percentage of our common shares than the maximum amount of common shares that could be owned by any one excepted holder (21.5%), plus the maximum amount of common shares that could be owned by any one or more other individual common shareholders who are not excepted holders (7%). Certain entities that are defined as designated investment entities in our declaration of trust, which generally includes pension funds, mutual funds, and certain investment management companies, are permitted to own up to 9.8% of our outstanding common shares, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the 7% ownership limit if those beneficial owners owned directly their proportionate share of the common shares owned by the designated investment entity. Our Board of Trustees may waive, and has waived in the past, the 7% ownership limit or the 9.8% designated investment entity limit for a shareholder that is not an individual if such shareholder provides information and makes representations to the board that are satisfactory to the board, in its reasonable discretion, to establish that such person's ownership in excess of the 7% limit or the 9.8% limit, as applicable, would not jeopardize our qualification as a REIT. In addition, our declaration of trust contains certain other ownership restrictions intended to prevent us from earning income from related parties if such income would cause us to fail to comply with the REIT gross income requirements. The various ownership restrictions may:

- discourage a tender offer or other transactions or a change in management or control that might involve a premium price for our shares or otherwise be in the best interests of our shareholders; or

- compel a shareholder who has acquired our shares in excess of these ownership limitations to dispose of the additional shares and, as a result, to forfeit the benefits of owning the additional shares. Any acquisition of our common shares in violation of these ownership restrictions will be void ab initio and will result in automatic transfers of our common shares to a charitable trust, which will be responsible for selling the common shares to permitted transferees and distributing at least a portion of the proceeds to the prohibited transferees.

(2) Our declaration of trust permits our Board of Trustees to issue preferred shares with terms that may discourage a third party from acquiring us. Our declaration of trust permits our Board of Trustees to issue up to 40,000,000 preferred shares, having those preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our Board. Thus, our Board could authorize the issuance of additional preferred shares with terms and conditions that could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of our shares might receive a premium for their shares over the then-prevailing market price of our shares. In addition, any preferred shares that we issue likely would rank senior to our common shares with respect to payment of distributions, in which case we could not pay any distributions on our common shares until full distributions were paid with respect to such preferred shares.

(3) Our declaration of trust and bylaws contain other possible anti-takeover provisions. Our declaration of trust and bylaws contain other provisions that may have the effect of delaying, deferring or preventing a change in control of our company or the removal of existing management and, as a result, could prevent our shareholders from being paid a premium for their common shares over the then-prevailing market prices. These provisions include advance notice requirements for shareholder proposals and our Board of Trustees' power to reclassify shares and issue additional common shares or preferred shares and the absence of cumulative voting rights.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination moratorium/fair price" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares" from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

We have opted out of these provisions of Maryland law. However, our Board of Trustees may opt to make these provisions applicable to us at any time.

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Certain officers and trustees may have interests that conflict with the interests of shareholders.

Certain of our officers and members of our Board of Trustees own limited partner units in our Operating Partnership. These individuals may have personal interests that conflict with the interests of our shareholders with respect to business decisions affecting us and our Operating Partnership, such as interests in the timing and pricing of property sales or refinancings in order to obtain favorable tax treatment. As a result, the effect of certain transactions on these unit holders may influence our decisions affecting these properties.

Departure or loss of our key officers could have an adverse effect on us.

Our future success depends, to a significant extent, upon the continued services of our existing executive officers. Our executive officers' experience in real estate acquisition, development and finance are critical elements of our future success. We have employment agreements for one-year terms with each of our executive officers. These agreements automatically renew for a one-year term unless either we or the officer elects not to renew them. These agreements were automatically renewed for our three executive officers through December 31, 2012. If one or more of our key executives were to die, become disabled or otherwise leave the company's employ, we may not be able to replace this person with an executive officer of equal skill, ability, and industry expertise. Until suitable replacements could be identified and hired, if at all, our operations and financial condition could be impaired.

We depend on external capital to fund our capital needs.

To qualify as a REIT, we are required to distribute to our shareholders each year at least 90% of our net taxable income excluding net capital gains. In order to eliminate federal income tax, we are required to distribute annually 100% of our net taxable income, including capital gains. Partly because of these distribution requirements, we will not be able to fund all future capital needs, including capital for property development and acquisitions, with income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms, if at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing shareholders. Our access to third-party sources of capital depends on a number of things, including:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and potential future earnings;
- our cash flow and cash distributions;
- our ability to qualify as a REIT for federal income tax purposes; and
- the market price of our common shares.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make distributions to our shareholders.

Our rights and the rights of our shareholders to take action against our trustees and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests that an ordinarily prudent person in a like position would use under similar circumstances. Our declaration of trust and bylaws require us to indemnify our trustees and officers for actions taken by them in those capacities to the extent permitted by Maryland law. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our trustees or officers impede the performance of our company, our shareholders' ability to recover damages from such trustee or officer will be limited.

Our shareholders have limited ability to prevent us from making any changes to our policies that they believe could harm our business, prospects, operating results or share price.

Our Board of Trustees has adopted policies with respect to certain activities. These policies may be amended or revised from time to time at the discretion of our Board of Trustees without a vote of our shareholders. This means that our shareholders will have limited control over changes in our policies. Such changes in our policies intended to improve, expand or diversify our business may not have the anticipated effects and consequently may adversely affect our business and prospects, results of operations and share price.

TAX RISKS

Failure of our company to qualify as a REIT would have serious adverse consequences to us and our shareholders.

We believe that we have qualified for taxation as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2004. We intend to continue to meet the requirements for qualification and taxation as a REIT, but we cannot assure shareholders that we will qualify as a REIT. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Annual Report on Form 10-K are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on our income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income (excluding capital gains). The fact that we hold substantially all of our assets through our Operating Partnership and its subsidiaries and joint ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for us to remain qualified as a REIT.

If we fail to qualify as a REIT for federal income tax purposes, and are unable to avail ourselves of certain savings provisions set forth in the Internal Revenue Code, we would be subject to federal income tax at regular corporate rates. As a taxable corporation, we would not be allowed to take a deduction for distributions to shareholders in computing our taxable income or pass through long term capital gains to individual shareholders at favorable rates. We also could be subject to the federal alternative minimum tax and possibly increased state and local taxes. We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify unless the IRS were to grant us relief under certain statutory provisions. If we failed to qualify as a REIT, we would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. If we fail to qualify as a REIT, such failure would cause an event of default under our unsecured revolving credit facility and may adversely affect our ability to raise capital and to service our debt. This likely would have a significant adverse effect on our earnings and the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of $50,000 or more for each such failure.

We will pay some taxes even if we qualify as a REIT.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the IRS would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that our predecessors otherwise would have sold or that it might otherwise be in our best interest to sell.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by the taxable REIT subsidiaries if the economic arrangements between the REIT, the REIT's tenants, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities treat REITs the same way they are treated for federal income tax purposes. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our shareholders.

REIT distribution requirements may increase our indebtedness.

We may be required from time to time, under certain circumstances, to accrue income for tax purposes that has not yet been received. In such event, or upon our repayment of principal on debt, we could have taxable income without sufficient cash to enable us to meet the distribution requirements of a REIT. Accordingly, we could be required to borrow funds or liquidate investments on adverse terms in order to meet these distribution requirements.

Dividends paid by REITs generally do not qualify for reduced tax rates.

The maximum U.S. federal income tax rate applicable to income from "qualified dividends" payable to U.S. shareholders that are individuals, trusts and estates has been reduced by legislation to 15% (through 2010). Unlike dividends received from a corporation that is not a REIT, the Company's distributions to individual shareholders generally are not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Retail Operating Properties

As of December 31, 2011, we owned interests in a portfolio of 54 retail operating properties totaling 8.4 million square feet of gross leasable area ("GLA") (including non-owned anchor space). The following tables set forth more specific information with respect to the Company's retail operating properties as of December 31, 2011:

OPERATING RETAIL PROPERTIES - TABLE I

Property1	State	MSA	Year Built/Renovated	Year Added to Operating Portfolio	Acquired, Redeveloped, or Developed	Total GLA2	Owned GLA2	Percentage of Owned GLA Leased3	
Bayport Commons7	FL	Oldsmar	2008	2008	Developed	268,556	97,112	91.3	%
Cobblestone Plaza	FL	Ft. Lauderdale	2011	2011	Developed	143,493	133,214	92.2	%
Coral Springs	FL	Ft. Lauderdale	2004/2010	2004	Redeveloped	46,079	46,079	100.0	%
Estero Town Commons	FL	Naples	2006	2007	Developed	206,600	25,631	72.6	%
Indian River Square	FL	Vero Beach	1997/2004	2005	Acquired	379,246	142,706	93.5	%
International Speedway Square	FL	Daytona	1999	1999	Developed	242,995	233,495	92.7	%
King's Lake Square	FL	Naples	1986	2003	Acquired	85,497	85,497	90.5	%
Lithia Crossing	FL	Tampa	1993	2011	Acquired	86,950	81,504	87.9	%
Pine Ridge Crossing	FL	Naples	1993	2006	Acquired	258,874	105,515	96.3	%
Riverchase Plaza	FL	Naples	1991/2001	2006	Acquired	78,380	78,380	95.5	%
Shops at Eagle Creek	FL	Naples	1983	2003	Redeveloped	72,271	72,271	52.0	%
Tarpon Springs Plaza	FL	Naples	2007	2007	Developed	276,346	82,547	95.1	%
Wal-Mart Plaza	FL	Gainesville	1970	2004	Acquired	177,826	177,826	90.9	%
Waterford Lakes Village	FL	Orlando	1997	2004	Acquired	77,948	77,948	96.1	%
Kedron Village	GA	Atlanta	2006	2006	Developed	282,125	157,409	90.8	%
Publix at Acworth	GA	Atlanta	1996	2004	Acquired	69,628	69,628	81.6	%
	GA	Atlanta	2001	2004	Acquired	73,079	73,079	98.2	%

The Centre at Panola									
Fox Lake Crossing	IL	Chicago	2002	2005	Acquired	99,072	99,072	89.4	%
Naperville Marketplace	IL	Chicago	2008	2008	Developed	169,600	83,758	98.1	%
South Elgin Commons	IL	Chicago	2009	2009	Developed	128,000	128,000	100.0	%
50 South Morton	IN	Indianapolis	1999	1999	Developed	2,000	2,000	100.0	%
54th & College	IN	Indianapolis	2008	2008	Developed	20,100	—	*	
Beacon Hill7	IN	Crown Point	2006	2007	Developed	127,821	57,191	73.1	%
Boulevard Crossing	IN	Kokomo	2004	2004	Developed	213,696	123,629	93.3	%
Bridgewater Marketplace	IN	Indianapolis	2008	2008	Developed	50,820	25,975	68.3	%
Cool Creek Commons	IN	Indianapolis	2005	2005	Developed	137,107	124,583	96.4	%
Eddy Street Commons (Retail only)	IN	South Bend	2009	2010	Developed	88,143	88,143	93.8	%
Fishers Station4	IN	Indianapolis	1989	2004	Acquired	116,885	116,885	91.1	%
Geist Pavilion	IN	Indianapolis	2006	2006	Developed	64,114	64,114	72.8	%
Glendale Town Center	IN	Indianapolis	1958/2008	2008	Redeveloped	685,827	403,198	97.6	%
Greyhound Commons	IN	Indianapolis	2005	2005	Developed	153,187	—	*	
Hamilton Crossing Centre	IN	Indianapolis	1999	2004	Acquired	87,353	82,353	98.3	%
Red Bank Commons	IN	Evansville	2005	2006	Developed	324,308	34,258	77.8	%
Rivers Edge	IN	Indianapolis	2011	2011	Redeveloped	149,209	149,209	100.0	%
Stoney Creek Commons	IN	Indianapolis	2000	2000	Developed	189,527	49,330	100.0	%
The Corner	IN	Indianapolis	1984/2003	1984	Developed	42,612	42,612	92.9	%
Traders Point	IN	Indianapolis	2005	2005	Developed	348,835	279,684	99.2	%
Traders Point II	IN	Indianapolis	2005	2005	Developed	46,600	46,600	64.4	%
Whitehall Pike	IN	Bloomington	1999	1999	Developed	128,997	128,997	100.0	%
Zionsville Place	IN	Indianapolis	2006	2006	Developed	12,400	12,400	100.0	%
Ridge Plaza	NJ	Oak Ridge	2002	2003	Acquired	115,088	115,088	81.6	%
Eastgate Pavilion	OH	Cincinnati	1995	2004	Acquired	236,230	236,230	100.0	%
Cornelius Gateway7	OR	Portland	2006	2007	Developed	35,800	21,324	62.3	%
Shops at Otty5	OR	Portland	2004	2004	Developed	154,845	9,845	100.0	%

Burlington Coat Factory6	TX	San Antonio	1992/2000	2000	Redeveloped	107,400	107,400	100.0	%
Cedar Hill Village	TX	Dallas	2002	2004	Acquired	139,092	44,214	94.2	%
Market Street Village	TX	Hurst	1970/2004	2005	Acquired	163,625	156,625	100.0	%
Plaza at Cedar Hill	TX	Dallas	2000	2004	Acquired	303,531	303,531	95.3	%
Plaza Volente	TX	Austin	2004	2005	Acquired	160,333	156,333	92.1	%
Preston Commons	TX	Dallas	2002	2002	Developed	142,539	27,539	77.4	%
Sunland Towne Centre	TX	El Paso	1996	2004	Acquired	312,450	306,437	97.6	%
50th & 12th	WA	Seattle	2004	2004	Developed	14,500	14,500	100.0	%
Gateway Shopping Center	WA	Seattle	2008	2008	Developed	285,200	99,444	94.8	%
Sandifur Plaza7	WA	Pasco	2008	2008	Developed	12,552	12,552	82.5	%
					TOTAL	8,395,291	5,492,894	93.3	%

OPERATING RETAIL PROPERTIES - TABLE I (continued)

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* Property consists of ground leases only and, therefore, no Owned GLA. 54th & College is a single ground lease property; Greyhound Commons has two of four outlots leased.

1 All properties are wholly owned, except as indicated. Unless otherwise noted, each property is owned in fee simple by the Company.

2 Owned GLA represents gross leasable area that is owned by the Company. Total GLA includes Owned GLA, square footage attributable to non-owned anchor space, and non-owned structures on ground leases.

3 Percentage of Owned GLA Leased reflects Owned GLA leased as of December 31, 2011, except for Greyhound Commons and 54th & College (see *).

4 This property is divided into two parcels: a grocery store and small shops. The Company owns a 25% interest in the small shops parcel through a joint venture and a 100% interest in the grocery store. The joint venture partner is entitled to an annual preferred payment of $106,000. All remaining cash flow is distributed to the Company.

5 The Company does not own the land at this property. It has leased the land pursuant to two ground leases that expires in 2017. The Company has six five-year renewal options and a right of first refusal to purchase the land.

6 The Company does not own the land at this property. It has leased the land pursuant to a ground lease that expires in 2012. The Company has six five-year options to renew this lease.

7 The Company owns and manages the following properties through joint ventures with third parties: Beacon Hill (50%); Cornelius Gateway (80%); Bayport Commons (60%); and Sandifur Plaza (95%).

OPERATING RETAIL PROPERTIES – TABLE II

Property	State	MSA	Encumbrances	Annualized Base Rent Revenue1	Annualized Ground Lease Revenue	Annualized Total Retail Revenue	Percentage of Annualized Total Retail Revenue	Base Rent Per Leased Owned GLA2	Major Tenants and Non-Owned Anchors3
Bayport Commons	FL	Oldsmar	$13,070,487	$1,621,013	$—	$1,621,013	2.28%	$18.29	Petsmart, Best Buy, Michaels, Target (non-owned)
Cobblestone Plaza	FL	Ft. Lauderdale	33,637,744	2,950,595	250,000	3,200,595	4.50%	24.02	Whole Foods, Party City, All Pets Emporium
Coral Springs	FL	Ft. Lauderdale	—	663,538	—	663,538	0.93%	14.40	Toys “R” Us/Babies “R” Us, Lowe’s Home Improvement (non-owned), Wal-Mart (non-owned)
Estero Town Commons	FL	Naples	10,500,000	485,359	750,000	1,235,359	1.74%	26.08	Lowe's Home Improvement
Indian River Square	FL	Vero Beach	12,853,758	1,401,093	—	1,401,093	1.97%	10.50	Beall's, Office Depot, Target (non-owned), Lowe's Home Improvement (non-owned)
International Speedway Square	FL	Daytona	20,835,938	2,191,935	405,475	2,597,410	3.65%	10.13	Bed Bath & Beyond, Stein Mart, Old Navy, Staples, Michaels, Dick’s Sporting Goods
King's Lake Square	FL	Naples	—	999,293	—	999,293	1.40%	12.91	Publix, Retro Fitness
Lithia Crossing	FL	Tampa	—	1,003,212	72,000	1,075,212	1.51%	14.00	Stein Mart
Pine Ridge Crossing	FL	Naples	17,470,402	1,622,611	—	1,622,611	2.28%	15.97	Publix, Target (non-owned), Beall's (non-owned)
Riverchase Plaza	FL	Naples	10,482,241	1,045,378	—	1,045,378	1.47%	13.97	Publix
Shops at Eagle Creek	FL	Naples	—	610,844	55,104	665,948	0.94%	16.27	Staples, Lowe’s Home Improvement

									(non-owned)
Tarpon Springs Plaza	FL	Naples	12,187,942	1,609,775	100,000	1,709,775	2.40%	20.50	Cost Plus, AC Moore, Staples, Target (non-owned)
Wal-Mart Plaza	FL	Gainesville	—	856,486	—	856,486	1.20%	5.30	Books-A-Million, Save-A-Lot, Wal-Mart
Waterford Lakes Village	FL	Orlando	—	906,987	—	906,987	1.27%	12.11	Winn-Dixie
Kedron Village	GA	Atlanta	29,700,000	2,422,736	—	2,422,736	3.40%	16.95	Bed Bath & Beyond, Ross, PETCO, Target (non-owned)
Publix at Acworth	GA	Atlanta	7,070,510	632,643	—	632,643	0.89%	11.13	Publix
The Centre at Panola	GA	Atlanta	3,257,178	869,502	—	869,502	1.22%	12.11	Publix
Fox Lake Crossing	IL	Chicago	10,799,299	1,166,027	—	1,166,027	1.64%	13.17	Dominick's Finer Foods, Dollar Tree
Naperville Marketplace	IL	Chicago	9,560,127	1,044,205	—	1,044,205	1.47%	12.71	TJ Maxx, PetSmart, Caputo’s (non-owned)
South Elgin Commons	IL	Chicago	13,252,337	1,771,900	—	1,771,900	2.49%	13.84	LA Fitness, Target (non-owned), Ross, Toys “R” Us/Babies “R” Us
50 South Morton	IN	Indianapolis	—	126,000	—	126,000	0.18%	63.00	
54th & College	IN	Indianapolis	—	—	260,000	260,000	0.37%	—	The Fresh Market (non-owned)
Beacon Hill	IN	Crown Point	7,217,850	587,251	—	587,251	0.83%	14.05	Strack & VanTill (non-owned), Walgreens (non-owned)
Boulevard Crossing	IN	Kokomo	13,593,310	1,598,782	—	1,598,782	2.25%	13.86	PETCO, TJ Maxx, Ulta Salon, Kohl's (non-owned)
Bridgewater Marketplace	IN	Indianapolis	7,000,000	311,253	—	311,253	0.44%	17.55	Walgreens (non-owned)
Cool Creek Commons	IN	Indianapolis	17,410,311	1,938,301	—	1,938,301	2.72%	16.14	The Fresh Market, Stein Mart, Bang Fitness
Eddy Street Commons	IN	South Bend	25,394,089	1,904,440	—	1,904,440	2.68%	23.04	Hammes Bookstore, Urban

									Outfitters
Fishers Station	IN	Indianapolis	3,625,230	1,163,187	—	1,163,187	1.63%	10.92	Marsh Supermarkets, Goodwill, Dollar Tree
Geist Pavilion	IN	Indianapolis	11,125,000	754,203	—	754,203	1.06%	16.15	Goodwill, Ace Hardware
Glendale Town Center	IN	Indianapolis	—	2,518,762	—	2,518,762	3.54%	6.40	Macy’s, Landmark Theatres, Staples, Indianapolis Library, Lowe's Home Improvement (non-owned), Target (non-owned), Walgreens (non-owned)
Greyhound Commons	IN	Indianapolis	—	—	221,748	221,748	0.31%	—	Lowe's Home Improvement (non-owned)
Hamilton Crossing Centre	IN	Indianapolis	12,995,797	1,493,716	78,650	1,572,366	2.21%	18.44	Office Depot
Red Bank Commons	IN	Evansville	—	363,264	—	363,264	0.51%	13.63	Wal-Mart (non-owned), Home Depot (non-owned)
Rivers Edge	IN	Indianapolis	19,685,563	2,831,115	—	2,831,115	3.98%	18.97	Buy Buy Baby, Nordstrom Rack, The Container Store, Arhaus Furniture
Stoney Creek Commons	IN	Indianapolis	—	491,323	—	491,323	0.69%	9.96	HH Gregg, Office Depot, Lowe's Home Improvement (non-owned),
The Corner	IN	Indianapolis	—	604,131	—	604,131	0.85%	15.26	Hancock Fabrics
Traders Point	IN	Indianapolis	45,783,943	4,074,696	435,000	4,509,696	6.34%	14.69	Dick's Sporting Goods, AMC Theatre, Marsh, Bed Bath & Beyond, Michaels, Old Navy, Petsmart
Traders Point II	IN	Indianapolis	—	797,375	—	797,375	1.12%	26.58	
Whitehall Pike	IN	Bloomington	7,637,673	1,014,000	—	1,014,000	1.42%	7.86	Lowe's Home Improvement

Zionsville Place	IN	Indianapolis	—	252,400	—	252,400	0.35%	20.35

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OPERATING RETAIL PROPERTIES – TABLE II (continued)

Property	State	MSA	Encumbrances	Annualized Base Rent Revenue1	Annualized Ground Lease Revenue	Annualized Total Retail Revenue	Percentage of Annualized Total Retail Revenue	Base Rent Per Leased Owned GLA2	Major Tenants and Non-Owned Anchors3
Ridge Plaza	NJ	Oak Ridge	14,459,965	1,493,068	—	1,493,068	2.10 %	15.90	A&P Grocery, CVS
Eastgate Pavilion	OH	Cincinnati	16,800,000	2,119,766	—	2,119,766	2.98 %	8.97	Best Buy, Dick's Sporting Goods, Value City Furniture, Petsmart, DSW
Cornelius Gateway	OR	Portland	—	275,230	—	275,230	0.39 %	20.71	Fedex/Kinkos
Shops at Otty	OR	Portland	—	285,492	136,300	421,792	0.59 %	29.00	Wal-Mart (non-owned)
Burlington Coat Factory	TX	San Antonio	—	537,000	—	537,000	0.75 %	5.00	Burlington Coat Factory
Cedar Hill Village	TX	Dallas	—	723,651	—	723,651	1.02 %	17.37	24 Hour Fitness, JC Penny (non-owned)
Market Street Village	TX	Hurst	—	1,780,097	33,000	1,813,097	2.55 %	11.37	Jo-Ann Fabric, Ross, Office Depot, Buy Buy Baby
Plaza at Cedar Hill	TX	Dallas	24,722,234	3,487,280	—	3,487,280	4.90 %	12.05	Hobby Lobby, Office Max, Ross, Marshalls, Sprouts Farmers Market, Toys “R” Us/Babies “R” Us, DSW, Home Goods
Plaza Volente	TX	Austin	27,717,728	2,194,589	110,000	2,304,589	3.24 %	15.23	H-E-B Grocery
Preston Commons	TX	Dallas	4,135,348	526,332	—	526,332	0.74 %	24.69	Lowe's Home Improvement (non-owned)

Sunland Towne Centre	TX	El Paso	24,887,224	3,093,992	115,290	3,209,282	4.51 %	10.35	Petsmart, Ross, HMY Roomstore, Kmart, Bed Bath & Beyond, Specs Fine Wines
50th & 12th	WA	Seattle	4,211,416	475,000	—	475,000	0.67 %	32.76	Walgreens
Gateway Shopping Center	WA	Seattle	20,352,866	2,117,432	144,000	2,261,432	3.18 %	22.46	Petsmart, Ross, Rite Aid, Party City, Kohl's (non-owned), Winco (non-owned)
Sandifur Plaza	WA	Pasco	—	196,320	—	196,320	0.28 %	18.96	Walgreens (non-owned)
		TOTAL	$513,433,510	$68,004,580	$3,166,567	$71,171,147	100 %	$13.26	

1 Annualized Base Rent Revenue represents the contractual rent for December 2011 for each applicable property, multiplied by 12. Annualized Base Rent Revenue does not include tenant reimbursements. This table does not include Annualized Base Rent from development property tenants open for business as of December 31, 2011.

2 Owned GLA represents gross leasable area that is owned by the Company. Total GLA includes Owned GLA, square footage attributable to non-owned anchor space and non-owned structures on ground leases.

3 Represents the three largest tenants that occupy at least 10,000 square feet of GLA at the property, including non-owned anchors.

Commercial Properties

As of December 31, 2011, we owned interests in four operating commercial properties totaling 0.6 million square feet of net rentable area ("NRA") and an associated parking garage. The following sets forth more specific information with respect to the Company's commercial properties as of December 31, 2011:

OPERATING COMMERCIAL PROPERTIES

Property	MSA	Year Built/ Renovated	Acquired, Redeveloped or Developed	Encumbrances	Owned NRA	Percentage of Owned NRA Leased	Annualized Base Rent1	Percentage of Annualized Commercial Base Rent	Base Rent Per Leased Sq. Ft.	Major Tenan
Indiana										
30 South2	Indianapolis	1905/2002	Redeveloped	$20,900,992	298,346	87.0%	$4,628,044	64.2%	$17.82	Indiana Supreme Cou City Securitie Kite Realty Group, Lumi Foundation
Pen Products	Indianapolis	2003	Developed	—	85,875	100.0%	834,705	11.6%	9.72	Indiana Dept. of Administratio
Union Station Parking Garage3	Indianapolis	1986	Acquired	—	N/A	N/A	N/A	N/A	N/A	Denison Parking
Indiana State Motorpool	Indianapolis	2004	Developed	3,307,415	115,000	100.0%	639,400	8.8%	5.56	Indiana Dept. of Administratio
Eddy Street Office (part of Eddy Street Commons) 4	South Bend	2009	Developed	—	81,628	100.0%	1,108,719	15.4%	13.58	University of Notre Dame Offices
			TOTAL	$24,208,407	580,849	93.3%	$7,210,868	100.0%	$13.30	

1 Annualized Base Rent represents the monthly contractual rent for December 2011 for each applicable property, multiplied by 12. Annualized Base Rent does not include tenant reimbursements.

2 Annualized Base Rent includes $779,507 from the Company and subsidiaries as of December 31, 2011.

3	The garage is managed by a third party.
4	The Company also owns a parking garage that serves the office and retail components of the property.

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In-Process Development / Redevelopment Projects

In addition to our operating retail properties, as of December 31, 2011, we owned interests in five in-process development and redevelopment projects that are expected to contain 0.8 million square feet of gross leasable area (including non-owned anchor space) upon completion. The following sets forth more specific information with respect to the Company's retail development properties as of December 31, 2011:

Project	Company Ownership %	Project Type	MSA	Encumbrances	Actual/ Projected Opening Date1	Projected Owned GLA2	Projected Total GLA3	Percent of Owned GLA Pre-Leased/ Committed5	Total Estimated Project Cost6	Cost Incurred as of December 31, 2011 7	Major Tenants and Non-owne Anchors
Delray Marketplace, FL8	50%	Development	Delray Beach	$7,798,762	Q4 2012	253,371	258,084	71.7%	$ 93,000	$51,739	Publ Fran Thea Max Grill Char Char Chic Whit Hou Mark Jos. A Bank
New Hill Place, NC – Phase I	100%	Development	Raleigh	—	Q2 2013	204,936	374,334	65.1%	57,000	17,092	Targ (non Dick Spor Good Mars Mich Petc
Oleander Pointe, NC	100%	Redevelopment	Wilmington	—	Q1 2012	43,806	48,306	85.9%	5,000	1,685	Who Food
Four Corner Square / Maple Valley, WA9	100%	Development/ Redevelopment	Seattle	—	Q4 2011	108,523	118,523	81.0%	23,500	11,246	John Hom & Gard Walg Groc Outl
Walgreens, IN	100%	Development	Indianapolis	1,080,000	Q3 2012	14,550	14,550	100.0%	5,200	2,351	Walg
				$8,878,762		625,186	813,797	72.8%	$183,700	$84,113	

Total In-Process Development / Redevelopment Projects	
Cost incurred as of December 31, 2011 included in Construction in progress on consolidated balance sheet[7]	$ 83,863

1 Opening Date is defined as the first date a tenant is open for business or a ground lease payment is made. Stabilization (i.e., 85% occupied) typically occurs within six to twelve months after the opening date.

2 Projected Owned GLA represents gross leasable area we project we will own. It excludes square footage that we project will be attributable to non-owned outlot structures on land owned by us and expected to be ground leased to tenants. It also excludes non-owned anchor space.

3 Projected Total GLA includes Projected Owned GLA, projected square footage attributable to non-owned outlot structures on land that we own, and non-owned anchor space that currently exists or is under construction.

4 Includes tenants that have taken possession of their space or have begun paying rent.

5 Excludes outlot land parcels owned by the Company and ground leased to tenants. Includes leases under negotiation for 48,032 square feet for which the Company has signed non-binding letters of intent.

6 Dollars in thousands. Reflects both the Company's and partners' share of costs.

7 Cost incurred is reclassified to fixed assets on the consolidated balance sheet on a pro-rata basis as portions of the asset are placed in service.

8 The Company owns Delray Marketplace through a joint venture (preferred return, then 50%).

9 Total estimated project cost for Four Corner Square/Maple Valley is shown net of projected sales of $9.9 million. The existing Four Corner property will be redeveloped and is currently 71.2% leased. The cost incurred represents the cost primarily related to the Maple Valley land and site work to date.

Future Development and Redevelopment Activity

In addition to our in-process development and redevelopment pipeline, as displayed in the table above, we have interests in a future development and redevelopment projects, which includes land parcels that are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third party financings. With respect to each asset in the future development pipeline, our policy is to not commence vertical construction until pre-established leasing thresholds are achieved and the requisite third-party financing is in place. As of December 31, 2011, this future pipeline consisted of six projects that are expected to contain 2.4 million square feet at a total estimated project cost of $221.6 million, our share of which is expected to be $103.2 million, including our share of the unconsolidated project.

Project	Project Type	MSA	Company Ownership %	Encumbrances	Estimated Total GLA1	Total Estimated Project Cost1,2	Cost Incurred as of Dec. 31, 20112	Major Tenants and Non-owned Anchors
Unconsolidated –								
Parkside Town Commons, NC3	Development	Raleigh	40%	$14,440,000	1,500,000	$148,000	$ 63,966	Target (non-owned), Frank Theatres, Grocery, Jr. Boxes, Restaurants
KRG Current Share of Unconsolidated Project Cost3 3				$5,776,000		$ 29,600	$ 25,586	
Consolidated –								
The Centre, IN	Redevelopment	Indianapolis	100%	$ —	80,689	$ 2,000	$ —	Grocer, CVS Pharmacy
Bolton Plaza, FL	Redevelopment	Jacksonville	100%	—	172,938	5,700	3,149	Academy Sports & Outdoors
Courthouse Shadows, FL	Redevelopment	Naples	100%	—	134,867	2,500	388	Publix, Office Max
Broadstone Station, NC	Development	Raleigh	100%	—	345,000	19,100	13,501	Shops, Pad Sales, Jr. Boxes, Super Wal-Mart (non-owned)
New Hill Place, NC – Phase II	Development	Raleigh	100%	—	170,000	44,300	14,452	Target (non-owned), Frank Theatres, and three Junior Anchors
TOTAL				$ —	903,494	$ 73,600	$ 31,490	

KRG Current Share of Consolidated Project Cost	$103,200	$57,076

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1 Total Estimated Project Cost and Estimated Total GLA based on preliminary site plans and include non-owned anchor space that exists or is currently under construction. The current estimate of the total project costs may change depending on the outcome of negotiations with tenants.

2 Dollars in thousands. Reflects both the Company's and partners' share of costs.

3 Parkside Town Commons is owned through a joint venture with Prudential Real Estate Investors. The Company's interest in this joint venture was 40% as of December 31, 2011 and will be reduced to 20% at the time of project specific construction financing.

Land Held for Future Development

As of December 31, 2011, we owned interests in land parcels comprising 101 acres that are expected to be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Tenant Diversification

No individual retail or commercial tenant accounted for more than 2.9% of the portfolio's annualized base rent for the year ended December 31, 2011. The following table sets forth certain information for the largest 10 tenants and non-owned anchor tenants (based on total GLA) open for business or for which ground lease payments are being made at the Company's retail properties based on minimum rents in place as of December 31, 2011:

TOP 10 RETAIL TENANTS BY GROSS LEASABLE AREA

Tenant	Number of Locations	Total GLA	Number of Leases	Company Owned GLA[1]	Number of Anchor Owned Locations	Anchor Owned GLA[2]
Lowe's Home Improvement[3]	8	1,082,630	2	128,997	6	953,633
Target	6	665,732	—	—	6	665,732
Wal-Mart	4	618,161	1	103,161	3	515,000
Publix	6	289,779	6	289,779	—	—
Federated Department Stores	1	237,455	1	237,455	—	—
Bed Bath & Beyond/Buy Buy Baby	7	194,313	7	194,313	—	—
Kohl's	2	186,090	—	—	2	186,090
Ross Stores	6	172,648	6	172,648	—	—
Dick's Sporting Goods	3	171,737	3	171,737	—	—
Petsmart	6	147,079	6	147,079	—	—
	49	3,765,624	32	1,445,169	17	2,320,455

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1 Excludes the estimated size of the structures located on land owned by the Company and ground leased to tenants.

2 Includes the estimated size of the structures located on land owned by the Company and ground leased to tenants.

3 The Company has entered into one ground lease with Lowe's Home Improvement for a total of 163,000 square feet, which is included in Anchor Owned GLA.

The following table sets forth certain information for the largest 25 tenants open for business at the Company's retail and commercial properties based on minimum rents in place as of December 31, 2011:

TOP 25 TENANTS BY ANNUALIZED BASE RENT1, 2

Tenant	Type of Property	Number of Locations	Leased GLA/NRA2	% of Owned GLA/NRA of the Portfolio	Annualized Base Rent1	Annualized Base Rent per Sq. Ft.3	% of Total Portfolio Annualized Base Rent
Publix	Retail	6	289,779	4.8%	$ 2,366,871	$ 8.17	2.9%
Bed Bath & Beyond / Buy Buy Baby	Retail	7	194,313	3.2%	2,162,567	11.13	2.7%
Petsmart	Retail	6	147,079	2.5%	2,057,838	13.99	2.6%
Ross Stores	Retail	6	172,648	2.9%	1,887,521	10.93	2.3%
Toys "R" Us	Retail	3	138,600	2.3%	1,779,446	12.84	2.2%
Lowe's Home Improvement	Retail	2	128,997	2.2%	1,764,000	6.04	2.2%
State of Indiana	Commercial	3	210,393	3.5%	1,635,911	7.78	2.0%
Marsh Supermarkets	Retail	2	124,902	2.1%	1,605,139	12.85	2.0%
Dick's Sporting Goods	Retail	3	171,737	2.9%	1,404,508	8.18	1.7%
Indiana Supreme Court	Commercial	1	75,488	1.3%	1,339,164	17.74	1.7%
Staples	Retail	4	89,797	1.5%	1,226,835	13.66	1.5%
HEB Grocery Company	Retail	1	105,000	1.8%	1,155,000	11.00	1.4%
Office Depot	Retail	4	96,060	1.6%	1,080,922	11.25	1.3%
Best Buy	Retail	2	75,045	1.3%	911,993	12.15	1.1%
Kmart	Retail	1	110,875	1.9%	850,379	7.67	1.1%
LA Fitness	Retail	1	45,000	0.8%	843,750	18.75	1.0%
TJX Companies	Retail	3	88,550	1.5%	834,813	9.43	1.0%
Michaels	Retail	3	68,989	1.2%	792,515	11.49	1.0%
Mattress Firm	Retail	8	32,405	0.5%	788,354	24.33	1.0%
Dominick's	Retail	1	65,977	1.1%	775,230	11.75	1.0%
City Securities Corporation	Commercial	1	38,810	0.6%	771,155	19.87	1.0%
A & P	Retail	1	58,732	1.0%	763,516	13.00	0.9%
Stein Mart	Retail	3	106,000	1.8%	682,000	6.43	0.8%
Whole Foods	Retail	1	36,000	0.6%	697,320	19.37	0.9%
Nordstrom Rack	Retail	1	35,200	0.6%	633,600	18.00	0.8%
TOTAL			2,706,376	45.5%	$ 30,810,347	$ 10.79	38.1%

1 Annualized base rent represents the monthly contractual rent for December 2011 for each applicable tenant multiplied by 12. Annualized base rent does not include tenant reimbursements.

2

Excludes the estimated size of the structures located on land owned by the Company and ground leased to tenants.

3 Annualized base rent per square foot is adjusted to account for the estimated square footage attributed to structures on land owned by the Company and ground leased to tenants.

Geographic Information

The Company owns 54 operating retail properties, totaling approximately 5.5 million of owned square feet in nine states. As of December 31, 2011, the Company owned interests in four operating commercial properties, totaling approximately 0.6 million square feet of net rentable area. All of these commercial properties are located in the state of Indiana. The following table summarizes the Company's operating properties by state as of December 31, 2011:

	Number of Operating Properties1	Owned GLA/NRA2	Percent of Owned GLA/NRA	Total Number of Leases	Annualized Base Rent3	Percent of Annualized Base Rent	Annualized Base Rent per Leased Sq. Ft.
Indiana	24	2,412,010	39.8%	236	$ 30,035,068	39.9%	$ 13.27
· Retail	20	1,831,161	30.2%	217	22,824,199	30.4%	13.26
· Commercial	4	580,849	9.6%	19	7,210,869	9.5%	13.30
Florida	14	1,439,725	23.7%	195	17,968,119	23.9%	13.78
Texas	7	1,102,079	18.1%	81	12,342,942	16.4%	11.65
Illinois	3	310,830	5.1%	21	3,982,131	5.3%	13.33
Georgia	3	300,116	4.9%	56	3,924,880	5.2%	14.46
Washington	3	126,496	2.1%	20	2,788,752	3.7%	23.41
Ohio	1	236,230	3.9%	7	2,119,766	2.8%	8.97
New Jersey	1	115,088	1.9%	13	1,493,068	2.0%	15.90
Oregon	2	31,169	0.5%	13	560,722	0.8%	24.24
	58	6,073,743	100.0%	642	$ 75,215,448	100.0%	$ 13.27

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1 This table includes operating retail properties, operating commercial properties, and ground lease tenants who commenced paying rent as of December 31, 2011.

2 Owned GLA/NRA represents gross leasable area or net leasable area owned by the Company. It does not include 29 parcels or outlots owned by the Company and ground leased to tenants, which contain 18 non-owned structures totaling approximately 357,104 square feet. It also excludes the square footage of Union Station Parking Garage.

3 Annualized Base Rent excludes $3,166,567 in annualized ground lease revenue attributable to parcels and outlots owned by the Company and ground leased to tenants.

Lease Expirations

In 2012, leases representing 6.4% of total annualized base rent and 5.3% of total GLA/NRA expire. The following tables show scheduled lease expirations for retail and commercial tenants and in-process development property tenants open for business as of December 31, 2011, assuming none of the tenants exercise renewal options.

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO1

	Number of Expiring Leases1	Expiring GLA/NRA2	% of Total GLA/NRA Expiring	Expiring Annualized Base Rent3	% of Total Annualized Base Rent	Expiring Annualized Base Rent per Sq. Ft.	Expiring Ground Lease Revenue
2012	94	317,763	5.3%	$ 5,004,551	6.4%	$ 15.75	$ —
2013	83	539,924	9.1%	6,342,645	8.1%	11.75	72,000
2014	88	565,629	9.5%	7,636,691	9.8%	13.50	340,475
2015	88	716,194	12.0%	9,698,301	12.4%	13.54	198,650
2016	101	840,622	14.1%	7,914,152	10.1%	9.41	—
2017	66	525,557	8.8%	8,113,559	10.4%	15.44	266,300
2018	34	381,601	6.4%	5,361,279	6.9%	14.05	—
2019	19	191,174	3.2%	2,918,600	3.7%	15.27	33,000
2020	21	373,805	6.3%	3,880,090	5.0%	10.38	156,852
2021	30	401,815	6.7%	5,414,045	6.9%	13.47	—
Beyond	52	1,108,647	18.6%	15,874,038	20.3%	14.32	2,099,290
Total	676	5,962,731	100.0%	$78,157,951	100.0%	$ 13.11	$3,166,567

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO (continued)

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1 Lease expiration table reflects rents in place as of December 31, 2011, and does not include option periods; 2012 expirations include 18 month-to-month tenants. This column also excludes ground leases.

2 Expiring GLA excludes estimated square footage attributable to non-owned structures on land owned by the Company and ground leased to tenants.

3 Annualized base rent represents the monthly contractual rent for December 2011 for each applicable tenant multiplied by 12. Excludes tenant reimbursements and ground lease revenue.

LEASE EXPIRATION TABLE – RETAIL ANCHOR TENANTS1

	Number of Expiring Leases2	Expiring GLA/NRA3	% of Total GLA/NRA Expiring5	Expiring Annualized Base Rent4	% of Total Annualized Base Rent5	Expiring Annualized Base Rent per Sq. Ft.	Expiring Ground Lease Revenue
2012	5	101,539	1.7%	$ 783,752	1.0%	$ 7.72	$ —
2013	4	254,062	4.3%	1,256,461	1.6%	4.95	—
2014	9	236,834	4.0%	2,355,657	3.0%	9.95	—
2015	17	488,359	8.2%	4,798,887	6.1%	9.83	—
2016	13	609,387	10.2%	3,366,253	4.3%	5.52	—
2017	13	307,112	5.2%	3,703,488	4.7%	12.06	—
2018	8	300,576	5.0%	3,580,504	4.6%	11.91	—
2019	6	150,989	2.5%	2,070,625	2.7%	13.71	—
2020	9	326,354	5.5%	2,767,033	3.5%	8.48	—
2021	10	331,359	5.6%	3,790,787	4.9%	11.44	—
Beyond	27	927,535	15.5%	12,371,026	15.9%	13.34	990,000
Total	121	4,034,106	67.7%	$40,844,473	52.3%	$ 10.12	$ 990,000

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1 Retail anchor tenants are defined as tenants that occupy 10,000 square feet or more.

2 Lease expiration table reflects rents in place as of December 31, 2011 and does not include option periods; 2012 expirations include one month-to-month tenant. This column also excludes ground leases.

3 Expiring GLA excludes square footage for non-owned ground lease structures on land we own and ground leased to tenants.

4 Annualized base rent represents the monthly contractual rent for December 2010 for each applicable property multiplied by 12. Excludes tenant

reimbursements and ground lease revenue.

5 Percentage is percentage of base rent from all retail and commercial tenants

LEASE EXPIRATION TABLE – RETAIL SHOPS

	Number of Expiring Leases1	Expiring GLA/NRA1,2	% of Total GLA/NRA Expiring4	Expiring Annualized Base Rent3	% of Total Annualized Base Rent4	Expiring Annualized Base Rent per Sq. Ft.	Expiring Ground Lease Revenue
2012	88	206,706	3.5%	$ 4,058,993	5.2%	$ 19.64	$ —
2013	74	160,972	2.7%	3,534,237	4.5%	21.96	72,000
2014	76	166,107	2.8%	3,699,577	4.7%	22.27	340,475
2015	70	182,734	3.1%	4,119,907	5.3%	22.55	198,650
2016	88	231,235	3.9%	4,547,899	5.8%	19.67	—
2017	51	138,160	2.3%	2,984,794	3.8%	21.60	266,300
2018	25	73,986	1.2%	1,654,068	2.1%	22.36	—
2019	13	40,185	0.7%	847,975	1.1%	21.10	33,000
2020	11	37,382	0.6%	939,357	1.2%	25.13	156,852
2021	19	64,294	1.1%	1,481,525	1.9%	23.04	—
Beyond	21	84,721	1.4%	2,234,278	2.9%	26.37	1,109,290
Total	536	1,386,482	23.3%	$30,102,610	38.5%	$ 21.71	$ 2,176,567

LEASE EXPIRATION TABLE – RETAIL SHOPS (continued)

1 Lease expiration table reflects rents in place as of December 31, 2011, and does not include option periods; 2012 expirations include 17 month-to-month tenants. This column also excludes ground leases.

2 Expiring GLA excludes estimated square footage to non-owned structures on land we own and ground leased to tenants.

3 Annualized base rent represents the monthly contractual rent for December 2011 for each applicable property multiplied by 12. Excludes tenant reimbursements and ground lease revenue.

4 Percentage is percentage of base rent from all retail and commercial tenants.

LEASE EXPIRATION TABLE – COMMERCIAL TENANTS

	Number of Expiring Leases1	Expiring GLA/NLA1	% of Total GLA/NRA Expiring3	Expiring Annualized Base Rent2	% of Total Annualized Base Rent3	Expiring Annualized Base Rent per Sq. Ft.
2012	1	9,518	0.2%	$ 161,806	0.2%	$ 17.00
2013	5	124,890	2.1%	1,551,947	2.0%	12.43
2014	3	162,688	2.7%	1,581,457	2.0%	9.72
2015	1	45,101	0.8%	779,507	1.0%	17.28
2016	0	0	0.0%	0	0.0%	0.00
2017	2	80,285	1.4%	1,425,276	1.8%	17.75
2018	1	7,039	0.1%	126,708	0.2%	18.00
2019	0	0	0.0%	0	0.0%	0.00
2020	1	10,069	0.2%	173,700	0.2%	17.25
2021	1	6,162	0.1%	141,732	0.2%	23.00
Beyond	4	96,391	1.5%	1,268,736	1.6%	13.16
Total	19	542,143	9.1%	$ 7,210,869	9.2%	$ 13.30

1 Lease expiration table reflects rents in place as of December 31, 2011, and does not include option periods. This column also excludes ground leases.

2 Annualized base rent represents the monthly contractual rent for December 2011 for each applicable property multiplied by 12. Excludes tenant reimbursements.

3 Percentage is percentage of base rent from all retail and commercial tenants.

Lease Activity – New and Renewal

In 2011, the Company executed 156 new and renewal leases totaling 842,200 square feet. New leases with the original term exceeding one year were signed with 81 tenants for 491,600 square feet of GLA. Renewal leases were signed with 75 tenants for 350,600 square feet of GLA. The following table details additional information for the current year leasing activity.

	Number of Leases Signed	Square Footage Signed	Average Rental Rent per square foot
New	81	491,600	$ 16.01
Renewal	75	350,600	13.79
Total	156	842,200	$ 15.09

ITEM 3. LEGAL PROCEEDINGS

We are a party to various legal proceedings, which arise in the ordinary course of business. We are not currently involved in any litigation nor, to our knowledge, is any litigation threatened against us where the outcome would, in our judgment based on information currently available to us, have a material adverse effect on our consolidated financial position or consolidated results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common shares are currently listed and traded on the New York Stock Exchange ("NYSE") under the symbol "KRG". On February 24, 2012, the last reported sales price of our common shares on the NYSE was $5.23.

The following table sets forth, for the periods indicated, the high and low prices for our common shares:

	High	Low
Quarter Ended December 31, 2011	$ 4.77	$ 3.19
Quarter Ended September 30, 2011	$ 5.08	$ 3.53
Quarter Ended June 30, 2011	$ 5.43	$ 4.54
Quarter Ended March 31, 2011	$ 5.70	$ 4.70
Quarter Ended December 31, 2010	$ 5.65	$ 4.32
Quarter Ended September 30, 2010	$ 5.04	$ 3.75
Quarter Ended June 30, 2010	$ 5.97	$ 4.01
Quarter Ended March 31, 2010	$ 5.23	$ 3.24

Holders

The number of registered holders of record of our common shares was 86 as of January 31, 2012. This total excludes beneficial or non-registered holders that held their shares through various brokerage firms.

Distributions

Our Board of Trustees declared the following cash distributions per share to our common shareholders for the periods indicated:

Quarter	Record Date	Distribution Per Share	Payment Date
4th 2011	January 6, 2012	$ 0.06	January 13, 2012
3rd 2011	October 6, 2011	$ 0.06	October 13, 2011
2nd 2011	July 7, 2011	$ 0.06	July 14, 2011
1st 2011	April 6, 2011	$ 0.06	April 13, 2011
4th 2010	January 6, 2011	$ 0.06	January 13, 2011
3rd 2010	October 6, 2010	$ 0.06	October 13, 2010
2nd 2010	July 7, 2010	$ 0.06	July 14, 2010
1st 2010	April 7, 2010	$ 0.06	April 16, 2010

Our management and Board of Trustees will continue to evaluate our distribution policy on a quarterly basis as they monitor the capital markets and the impact of the economy on our operations. Future distributions will be declared and paid at the discretion of our Board of Trustees, and will depend upon a number of factors, including cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, and such other factors as our Board of Trustees deem relevant.

Distributions by us to the extent of our current and accumulated earnings and profits for federal income tax purposes will be taxable to shareholders as either ordinary dividend income or capital gain income if so declared by us. Distributions in excess of earnings and profits generally will be treated as a non-taxable return of capital. These distributions, to the extent that they do not exceed the shareholder's adjusted tax basis in its common shares, have the effect of deferring taxation until the sale of a shareholder's common shares. To the extent that distributions are both in excess of earnings and profits and in excess of the shareholder's adjusted tax basis in its common shares, the distribution will be treated as gain from the sale of common shares. In order to maintain our qualification as a REIT, we must make annual distributions to shareholders of at least 90% of our REIT taxable income and we must make distributions to shareholders equal to 100% of our net taxable income to eliminate federal income tax liability. Under certain circumstances, we could be required to make distributions in excess of cash available for distributions in order to meet such requirements. For the taxable year ended December 31, 2011, approximately 66% of our distributions to shareholders constituted a return of capital, approximately 8% constituted taxable ordinary income dividends and approximately 26% constituted taxable capital gains.

Under our unsecured revolving credit facility, we are permitted to make distributions to our shareholders that do not exceed 95% of our Funds From Operations ("FFO") provided that no event of default exists. If an event of default exists, we may only make distributions sufficient to maintain our REIT status. However, we may not make any distributions if any event of default resulting from nonpayment or bankruptcy exists, or if our obligations under the unsecured revolving credit facility are accelerated.

Issuer Repurchases; Unregistered Sales of Securities

We did not repurchase any of our common shares or sell any unregistered securities during the period covered by this report.

Performance Graph

Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate Securities and Exchange Commission filings, in whole or in part, the following performance graph will not be incorporated by reference into any such filings.

The following graph compares the cumulative total shareholder return of our common shares for the period from December 31, 2006 to December 31, 2011, to the S&P 500 Index and to the published NAREIT All Equity REIT Index over the same period. The graph assumes that the value of the investment in our common shares and each index was $100 at December 31, 2006 and that all cash distributions were reinvested. The shareholder return shown on the graph below is not indicative of future performance.

	12/06	6/07	12/07	6/08	12/08	6/09	12/09	6/10	12/10	6/11	12/11
Kite Realty Group Trust	100.00	104.21	85.42	71.87	33.16	19.16	27.71	29.22	38.91	36.62	34.09
S&P 500	100.00	106.96	105.49	92.93	66.46	68.57	84.05	78.46	96.71	102.54	98.75
FTSE NAREIT Equity REITs	100.00	94.11	84.31	81.28	52.50	46.09	67.20	70.93	85.98	94.75	93.11

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth, on a historical basis, selected financial and operating information. The financial information has been derived from our consolidated balance sheets and statements of operations. This information should be read in conjunction with our audited consolidated financial statements and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31				
	2011[1]	2010	2009[2]	2008[2, 3]	2007[2, 3, 4]
	($ in thousands, except share and per share data)				
Operating Data:					
Revenues:					
Rental related revenue	$ 101,536	$ 94,568	$ 95,841	$ 102,960	$ 95,604
Construction and service fee revenue	373	6,848	19,451	39,103	37,260
Total revenue	101,909	101,416	115,292	142,063	132,864
Expenses:					
Property operating	18,608	17,692	18,189	16,388	14,171
Real estate taxes	13,829	12,045	12,069	11,865	11,066
Cost of construction and services	309	6,142	17,192	33,788	32,077
General, administrative, and other	6,284	5,372	5,712	5,880	6,285
Depreciation and amortization	37,069	40,732	32,148	34,893	29,731
Total expenses	76,099	81,983	85,310	102,814	93,330
Operating income	25,810	19,433	29,982	39,249	39,534
Interest expense	(25,292)	(28,532)	(27,151)	(29,372)	(25,965)
Income tax benefit (expense) of taxable REIT subsidiary	1	(266)	22	(1,928)	(762)
Income (loss) from unconsolidated entities	334	(52)	226	843	291
Non-cash gain from consolidation of subsidiary	—	—	1,635	—	—
Gain on sale of unconsolidated property	4,320	—	—	1,233	—
Other income, net	210	231	225	158	778
Income (loss) from continuing operations	5,383	(9,186)	4,939	10,183	13,876
Discontinued operations:					
Discontinued operations	—	—	(732)	331	2,079
Non-cash loss on impairment of discontinued operation	—	—	(5,385)	—	—
(Loss) gain on sale of operating property	(398)	—	—	(2,690)	2,036
(Loss) income from discontinued operations	(398)	—	(6,117)	(2,359)	4,115
Consolidated net income (loss)	4,985	(9,186)	(1,178)	7,824	17,991
Net (income) loss attributable to noncontrolling interests	(4)	915	(604)	(1,731)	(4,468)
Net income (loss) to Kite Realty Group Trust	4,981	(8,271)	(1,782)	6,093	13,523
Dividends on preferred shares	(5,775)	(377)	—	—	—
	$ (794)	$ (8,648)	$ (1,782)	$ 6,093	$ 13,523

Net (loss) income attributable to common shareholders										
(Loss) income per common share – basic:										
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	$	(0.01)	$	(0.14)	$	0.07	$	0.26	$	0.36
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders		(0.00)		—		(0.10)		(0.06)		0.11
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$	(0.01)	$	(0.14)	$	(0.03)	$	0.20	$	0.47
(Loss) income per common share – diluted:										
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	$	(0.01)	$	(0.14)	$	0.07	$	0.26	$	0.35
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders		(0.00)		—		(0.10)		(0.06)		0.11
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$	(0.01)	$	(0.14)	$	(0.03)	$	0.20	$	0.46
Weighted average Common Shares outstanding – basic		63,557,322		63,240,474		52,146,454		30,328,408		28,908,274
Weighted average Common Shares outstanding – diluted		63,557,322		63,240,474		52,146,454		30,340,449		29,180,987
Distributions declared per Common Share	$	0.2400	$	0.2400	$	0.3325	$	0.8200	$	0.8000
Net (loss) income attributable to Kite Realty Group Trust common shareholders:										
(Loss) income from continuing operations	$	(440)	$	(8,648)	$	3,516	$	7,945	$	10,325
Discontinued operations		(354)		—		(5,298)		(1,852)		3,198
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$	(794)	$	(8,648)	$	(1,782)	$	6,093	$	13,523

1 In December 2011, we sold our Martinsville Shops operating property for net proceeds of $1.5 million and recognized a loss on sale of $0.4 million. The loss on sale for this property has been reflected as discontinued operations.

2 In December 2009, we conveyed the title to our Galleria Plaza operating property to the ground lessor. We had determined during the third quarter of 2009 that there was no value to the improvements and intangibles related to Galleria Plaza and recognized a non-cash impairment charge of $5.4 million to write off the net book value of the property. Since we ceased operating this property during the fourth quarter of 2009, it was appropriate to reclassify the non-cash impairment loss and the operating results related to this property to discontinued operations for each of the fiscal years presented above.

3 In December 2008, we sold our Silver Glen Crossing operating property for net proceeds of $17.2 million and recognized a loss on the sale of $2.7 million. The loss on sale and operating results for this property have been reflected as discontinued operations for each of the fiscal years presented above.

4 In November 2007, we sold our 176th & Meridian property for net proceeds of $7.0 million and a gain of $2.0 million. 176th & Meridian was a development property that was added to the operating portfolio in the third quarter of 2004. The gain and the operating results related to this property have been reflected as discontinued operations for fiscal year ended December 31, 2007.

	As of December 31				
	2011	2010	2009	2008	2007
	($ in thousands)				
Balance Sheet Data:					
Investment properties, net	$1,095,721	$1,047,849	$1,044,799	$1,035,454	$965,583
Cash and cash equivalents	$10,042	$15,395	$19,958	$9,918	$19,002
Total assets	$1,193,266	$1,132,783	$1,140,685	$1,112,052	$1,048,235
Mortgage and other indebtedness	$689,123	$610,927	$658,295	$677,661	$646,834
Total liabilities	$737,807	$658,689	$710,929	$755,400	$709,369
Redeemable noncontrolling interests in the Operating Partnership	$41,836	$44,115	$47,307	$67,277	$127,325
Kite Realty Group Trust shareholders' equity	$409,372	$423,065	$375,078	$284,958	$206,810
Noncontrolling interests	$4,251	$6,914	$7,371	$4,417	$4,731
Total liabilities and equity	$1,193,266	$1,132,783	$1,140,685	$1,112,052	$1,048,235

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and related notes thereto and Item 1A, "Risk Factors," appearing elsewhere in this Annual Report on Form 10-K. In this discussion, unless the context suggests otherwise, references to the "Company," "we," "us" and "our" mean Kite

Realty Group Trust and its subsidiaries.

Overview

In the following overview, we discuss, among other things, the status of our business and properties, the effect that current United States economic conditions is having on our retail tenants and us, and the current state of the financial markets as pertaining to our debt maturities and our ability to secure financing.

Our Business and Properties

Kite Realty Group Trust, through its majority-owned subsidiary, Kite Realty Group, L.P., is engaged in the ownership, operation, management, leasing, acquisition, redevelopment, and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. We derive revenues primarily from rents and reimbursement payments received from tenants under existing leases at each of our properties. We also derive revenues from providing management, leasing, and real estate development services through our taxable REIT subsidiary. Our operating results therefore depend materially on the ability of our tenants to make required rental payments, conditions in the United States retail sector and overall real estate market conditions.

As of December 31, 2011, we owned interests in a portfolio of 54 operating retail properties totaling 8.4 million square feet of gross leasable area (including non-owned anchor space) and also owned interests in four operating commercial properties totaling 0.6 million square feet of net rentable area and an associated parking garage. Also, as of December 31, 2011, we had an interest in five in-process development and redevelopment properties, which, upon completion, are anticipated to have 0.8 million square feet of gross leasable area (including non-owned anchor space).

In addition to our in-process developments and redevelopments, we have future developments, which include land parcels that are undergoing pre-development activity and are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third party financing. As of December 31, 2011, these future developments consisted of three projects that are expected to contain 2.0 million square feet of gross leasable area upon completion.

Finally, as of December 31, 2011, we also owned interests in other land parcels comprising 101 acres that may be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties. These land parcels are classified as "Land held for development" in the accompanying consolidated balance sheets.

Current Economic Conditions and Impact on Our Retail Tenants

Economic conditions remained uneven for the United States economy, businesses, consumers, housing and credit markets throughout 2011. A prolonged economic recovery has not yet been reached due to continued challenges in the housing market, mixed economic data, and concerns over the U.S. federal government's ability to respond to these challenges. Despite these uncertain conditions, consumer spending improved slightly in the second half of 2011. In addition, certain retailers continue to announce plans to increase their store openings over the next 24 months. However, there is no certainty that these trends will continue and the following factors could contribute to a decline in consumer spending at stores owned and/or operated by our retail tenants include, among others:

- Shortage or Unavailability of Financing: Economic and market conditions in the United States began to stabilize somewhat during 2011. Credit conditions have continued to improve with increased access and availability to secured mortgage debt and the unsecured bond and equity markets. Lending institutions continue to maintain tighter credit standards for individual and small business lending, making it difficult for individuals and local retailers (including our tenants) to obtain financing. In addition, continued depression of home values has caused individuals to utilize home equity as a source of funding for small businesses. This shortage of financing has caused, among other things, some consumers to have less disposable income available for retail spending. The shortage of financing has also made it difficult for some of our tenants to obtain capital to operate their businesses.

- Lower Home Values and Increased Home Foreclosures: The decline in U.S. home values started to level out in 2011, but difficult economic conditions have also contributed to a record number of home foreclosures. The U.S. continues to experience historically high levels of delinquencies and foreclosures.

- Continued High Unemployment Rates: The U.S. unemployment rate has declined in recent months (to 8.3% in January 2012) but continues to be higher than historical levels. Continued high unemployment rates could cause further decreases in consumer spending, thereby negatively affecting the businesses of our retail tenants. We continue to focus on markets where household income within a five mile radius of our properties is higher than statewide levels. As an example, the average household income within a five mile radius of our Indiana properties is approximately $89,000 compared to a statewide average of approximately $71,000.

During 2011, job growth and consumer spending improved somewhat from historically low levels experienced during the recent recession. In addition, some retailers reported improving same store sale results during the holiday season. However, it is uncertain if these improvements will continue, level off or reverse themselves. Lower consumer spending has a negative impact on the businesses of our retail tenants. While we did experience strong leasing activity in 2011, to the extent these conditions persist or deteriorate further, our tenants may be required to curtail or cease their operations, which could materially and negatively affect our business in general and our cash flow in particular.

Impact of Economy on REITs, Including Us

As an owner and developer of community and neighborhood shopping centers, our operating and financial performance is directly affected by economic conditions in the retail sector of those markets in which our operating centers and development properties are located, including the states of Indiana, Florida and Texas, where the majority of our operating properties are located, and in North Carolina, where a significant portion of our development projects are located. As discussed above, due to the challenges facing U.S. consumers, the operations of many of our retail tenants could be negatively affected. This could in turn have a negative impact on our business based on, but not limited to, the following:

- Difficulty in Collecting Rent; Rent Adjustments. When consumers spend less, our tenants typically experience decreased revenues and cash flows. This makes it more difficult for some of our local and regional tenants to pay their rent obligations, which is the primary source of our revenues. Our tenants' decreased cash flows may be even more pronounced if, given the tight credit markets, they are unable to obtain financing to operate their businesses. The number of tenants requesting decreases or deferrals in their rent obligations declined in 2011 in comparison to 2010 and 2009; however, there can be no assurance that this trend will continue. If granted, such decreases or deferrals negatively affect our cash flows.

- Termination of Leases. If our tenants find it difficult to meet their rental obligations, they may be forced to terminate their leases with us. During 2011, tenants at some of our properties terminated their leases with us. In some cases, we were able to secure replacement tenants at rental rates comparable to or greater than the rates of the terminated tenants.

- Tenant Bankruptcies. The number of bankruptcies by U.S. businesses has decreased from the historically high levels experienced during recent years. While we have seen a decrease over the past year in tenant bankruptcies, we have continued to experience bankruptcy levels higher than our historically normal levels, a trend which may continue into the foreseeable future. For example, Sears Holdings, which leases 111,000 square feet at Sunland Town Center in Texas and accounts for 1.1% of annualized base rent, has recently announced it is closing 100 stores. The store at our center is not among those identified by Sears; however, there is no assurance that this will continue to be the case in the future. As of January 31, 2012, this tenant was current on its rent payments.

- Decrease in Demand for Retail Space. Demand for retail space at our shopping centers and at our in-process developments continued to improve in 2011, most notably from national and regional retailers. Demand from local, small shop merchants has remained soft, reflecting the difficulty such potential tenants have securing financing for working capital and expansion plans. While our leasing activity remained high and the overall leased percentage of our retail shopping centers increased in 2011 overall demand for retail space may not continue and may decline in the future until financial markets, consumer confidence, and the economy stabilize for an extended period of time.

Financing Strategy; 2012 and 2013 Debt Maturities

Our ability to obtain financing on satisfactory terms and to refinance borrowings as they mature is affected by the condition of the economy in general and by instability of the financial markets in particular. Subsequent to December 31, 2011, we have retired $45 million of the $56 million of debt maturing in 2012 through asset sales and borrowing under our unsecured revolving credit facility. The remaining $11 million of our 2012 debt maturities relates to our Fox Lake Crossing shopping center. We are pursuing financing alternatives to enable us to repay, refinance, or extend the maturity date of this loan.

Based on our favorable experience with property level debt and the improvements in the lending environment over the last couple of years, we believe we will be able to satisfactorily address the remaining 2012 debt maturity; however, we cannot provide assurances about our ability to do so. Failure to comply with our obligations under these various property-level loan agreements could cause an event of default, which, among other things, could result in the loss of title to assets securing such loans, the acceleration of principal and interest payments, termination of the debt facilities, exposure to the risk of foreclosure, or charges to our earnings.

We believe we have good relationships with a number of banks and other financial institutions that will allow us to continue our strategy of refinancing our borrowings with the existing lenders or replacement lenders. However, in this current environment, it is imperative that we identify alternative sources of financing and other capital in the event we are not able to refinance these loans on satisfactory terms, or at all. If we are not able to refinance or extend these loans, our financial condition and liquidity could be adversely impacted. It is also important for us to obtain

additional financing in order to complete our in-process development and redevelopment projects.

In 2011, we strengthened our balance sheet by entering into an amended and restated three-year $200 million unsecured revolving credit facility. The unsecured facility has a maturity date of June 6, 2014 with a one-year extension option to renew under certain circumstances. We also entered into $213 million of additional financing and refinancing related activities in 2011.

As of December 31, 2011, we had a combined $38 million of available liquidity in the form of availability under our unsecured revolving credit facility ($22.7 million), cash and cash equivalents including our pro-rata share of unconsolidated joint ventures ($10.6 million), and a revolving line of credit secured by a portion of our Fishers Station property ($4.3 million). As of February 21, 2012, we had a combined $40 million of available liquidity.

In addition to refinancing our unsecured revolving credit facility, we were also successful in extending the maturity dates or refinancing all of our property-level loans originally maturing in 2011 and some of our loans originally maturing in 2012. For example in 2011, we extended the maturity date or refinanced the debt at five of our properties (Indiana State Motor Pool, to February 2014; Fishers Station, to June 2014; Bayport Commons, to September 2021; Eddy Street Commons, to September 2021; and Eastgate Pavilion, to December 2016). A schedule of our consolidated maturities (excluding regular principal payments) as of December 31, 2011 is set forth below:

Year	Amount
2012	$ 55,708,261
2013	88,405,513
2014	180,609,674
2015	39,381,942
2016	144,589,175
Thereafter	143,261,885
	$ 651,956,450
Regular Principal Payments	37,050,429
Unamortized Premiums	116,054
Total	$ 689,122,933

We will continue to assess and engage in negotiations with existing and alternative lenders for our near-term maturing indebtedness, with a view toward extending, refinancing or repaying debt to strengthen our balance sheet.

Obtaining new financing is also important to our business due to the capital needs of our existing development and redevelopment projects. As of December 31, 2011, the unfunded amount of the total estimated projects costs of our in-process development and redevelopment projects was approximately $99.6 million. While we believe we will have access to sufficient funding to be able to fund our investments in these projects through a combination of new and existing construction loans and uses of our available liquidity (which, as noted above, was $38 million as of December 31, 2011), adverse market conditions may make it more costly and difficult to raise additional capital, if necessary.

Summary of Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 to the accompanying consolidated financial statements. As disclosed in Note 2, the preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the compilation of our financial condition and results of operations and require management's most difficult, subjective, and complex judgments.

Capitalization of Certain Pre-Development and Development Costs

We incur costs prior to land acquisition and for certain land held for development, including acquisition contract deposits as well as legal, engineering, cost of internal resources and other external professional fees related to

evaluating the feasibility of developing a shopping center or other project. These pre-development costs are capitalized and included in construction in progress in the accompanying consolidated balance sheets. If we determine that the completion of a development project is no longer probable, all previously incurred pre-development costs are immediately expensed.

We also capitalize costs such as construction, interest, real estate taxes, and salaries and related costs of personnel directly involved with the development of our properties. As a portion of the development property becomes operational, we expense appropriate costs on a pro rata basis.

Impairment of Investment Properties and Joint Ventures

Management reviews both operational and development projects, land parcels and intangible assets for impairment on at least a quarterly basis or whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable. The review for possible impairment requires management to make certain assumptions and estimates and requires significant judgment. Impairment losses for investment properties are measured when the undiscounted cash flows estimated to be generated by the investment properties during the expected holding period are less than the carrying amounts of those assets. Impairment losses are recorded as the excess of the carrying value over the estimated fair value of the asset. Our impairment review for land and development properties assumes we have the intent and the ability to complete the developments or projected uses for the land parcels. If we determine those plans will not be completed or our assumptions with respect to operating assets are not realized, an impairment loss may be appropriate. Management does not believe any investment properties or development assets were impaired as of December 31, 2011.

Operating properties held for sale include only those properties available for immediate sale in their present condition and for which management believes it is probable that a sale of the property will be completed within one year, amongst other factors. Operating properties are carried at the lower of cost or fair value less costs to sell. Depreciation and amortization are suspended during the held-for-sale period. The Company had no investment properties or development assets held for sale as of December 31, 2011.

Our operating properties have operations and cash flows that can be clearly distinguished from the rest of our activities. The operations reported in discontinued operations include those operating properties that were sold or were considered held-for-sale and for which operations and cash flows can be clearly distinguished. The operations from these properties are eliminated from ongoing operations, and we will not have a continuing involvement after disposition. When material, current and prior period operating results are reclassified to reflect the operations of these properties as discontinued operations.

We also review our investments in unconsolidated entities for impairment. When circumstances indicate there may have been a loss in value of an equity method investment, we evaluate the investment for impairment by estimating our ability to recover our investments from future expected cash flows from the unconsolidated entity. If we determine the loss in value is other than temporary, we will recognize an impairment charge to reflect the investment at fair value. The use of projected future cash flows and other estimates of fair value and the determination of when a loss is other than temporary are complex and subjective. Use of other estimates and assumptions may result in different conclusions. Changes in economic and operating conditions that occur subsequent to our review could impact these assumptions and result in future impairment charges of our equity investments.

Revenue Recognition

As lessor, we retain substantially all of the risks and benefits of ownership of the investment properties and account for our leases as operating leases.

Base minimum rents are recognized on a straight-line basis over the terms of the respective leases. Certain lease agreements contain provisions that grant additional rents based on a tenant’s sales volume (contingent percentage rent). Percentage rent is recognized when tenants achieve the specified targets as defined in their lease agreements. Percentage rent is included in other property related revenue in the accompanying statements of

operations.

Reimbursements from tenants for real estate taxes and other operating expenses are recognized as revenue in the period the applicable expense is incurred.

Gains from sales of real estate are not recognized unless a sale has been consummated, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property, we have transferred to the buyer the usual risks and rewards of ownership, and we do not have a substantial continuing financial involvement in the property. As part of the Company's ongoing business strategy, it will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants, on a case by case basis.

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date to the estimated total cost for each contract. Project costs include all direct labor, subcontract, and material costs and those indirect costs related to contract performance incurred to date. Project costs do not include uninstalled materials. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

Development fees and fees from advisory services are recognized as revenue in the period in which the services are rendered. Performance-based incentive fees are recorded when the fees are earned.

Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs for identical instruments that are classified within Level 1 and observable inputs for similar instruments that are classified within Level 2) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3).

As further discussed in Note 10 to the accompanying consolidated financial statements, the only assets or liabilities that we record at fair value on a recurring basis are interest rate hedge agreements. The valuation is determined using widely accepted techniques including discounted cash flow analysis, which considers the contractual terms of the derivatives (including the period to maturity) and uses observable market-based inputs such as interest rate curves and implied volatilities. We also incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Income Taxes and REIT Compliance

We are considered a corporation for federal income tax purposes and qualify as a REIT. As a result, we generally will not be subject to federal income tax to the extent we distribute our REIT taxable income to our shareholders and meet certain other requirements on a recurring basis. REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates. We may also be subject to certain federal, state and local taxes on our income and property and to federal income and excise taxes on our undistributed income even if we do qualify as a REIT. For example, we will be subject to income tax to the extent we distribute less than 90% of our REIT taxable income (including capital gains).

Results of Operations

At December 31, 2011, we owned interests in 58 operating properties [consisting of 54 retail properties and four operating commercial (office/industrial) properties]. Also, as of December 31, 2011, we had an interest in five in-process development and redevelopment properties.

At December 31, 2010, we owned interests in 57 operating properties (consisting of 53 retail properties and four operating commercial (office/industrial) properties) and six entities that held development or redevelopment properties in which we have an interest. These redevelopment properties included Bolton Plaza, Courthouse Shadows, Rivers Edge and Four Corner Square. Of the 63 total properties held at December 31, 2010, only a limited service hotel component of an operating property was owned through an unconsolidated joint venture and was accounted for

under the equity method.

At December 31, 2009, we owned interests in 55 operating properties (consisting of 51 retail properties and four operating commercial properties) and seven entities that held development or redevelopment properties in which we have an interest. These redevelopment properties included Bolton Plaza, Coral Springs Plaza, Courthouse Shadows, Rivers Edge and Four Corner Square. Of the 62 total properties held at December 31, 2009, only a limited service hotel component of a development parcel was owned through an unconsolidated joint venture and was accounted for under the equity method.

The comparability of results of operations is affected by our development, redevelopment, and operating property acquisition and disposition activities in 2009 through 2011. Therefore, we believe it is most useful to review the comparisons of our results of operations for these years (as set forth below under "Comparison of Operating Results for the Years Ended December 31, 2011 and 2010" and "Comparison of Operating Results for the Years Ended December 31, 2010 and 2009") in conjunction with the discussion of our development, redevelopment, and operating property acquisition and disposition activities during those periods, which is set forth directly below.

Development Activities

During the years ended December 31, 2011, 2010 and 2009, the following development properties became operational or partially operational:

Property Name	MSA	Economic Occupancy Date1	Owned GLA
Eddy Street Commons, Phase I2	South Bend, IN	September 2009	169,771
South Elgin Commons, Phase I2	Chicago, IL	June 2009	45,000
South Elgin Commons, Phase II2	Chicago, IL	September 2011	83,000
Cobblestone Plaza2	Ft. Lauderdale, FL	March 2009	133,214

1 Represents the date in which we started receiving rental payments under tenant leases or ground leases at the property or the tenant took possession of the property, whichever was sooner.

2 Construction of these properties was completed in phases. The Economic Occupancy Dates indicated for these properties refers to its initial phase.

Property Acquisition Activities

During the year ended December 31, 2011, we acquired the properties below. We did not acquire any properties during the years ending December 31, 2010 and 2009.

Property Name	MSA	Acquisition Date	Acquisition Cost (Millions)	Financing Method	Owned GLA
Oleander Pointe1, 2	Wilmington, NC	February 2011	$ 3.5	Primarily Debt	52,000
Lithia Crossing	Tampa, FL	June 2011	13.3	Primarily Debt	81,504

1 This property was purchased with the intent to redevelop; therefore, it is included in our redevelopment activities, as discussed below. However, for purposes of the comparison of operating results, this property is classified as property acquired during 2011 in the comparison of operating results tables below.

2

Upon completion of redevelopment activities, the owned GLA is expected to be 43,800 square feet.

Operating Property Disposition Activities

During the year ended December 31, 2011, we sold the operating properties listed in the table below. We did not sell any operating properties in the years ended December 31, 2010 and 2009. However, in 2009, we conveyed the title on the Galleria Plaza operating property in Dallas, Texas to the ground lessor and recognized a non-cash impairment charge of $5.4 million. The operating results of Galleria Plaza are reflected as discontinued operations in the accompanying consolidated statements of operations.

Property Name	MSA	Disposition Date	Owned GLA
Martinsville Shops1	Indianapolis, IN	December 2011	10,886
Eddy Street Commons Limited Service Hotel2	South Bend, IN	November 2011	N/A

1 We realized net proceeds of $1.5 million from the sale of this property and recognized a loss on the sale of $0.4 million. The majority of the net proceeds from the sale of this property were used to pay down borrowings under our unsecured revolving credit facility.

2 We held a 50% interest in this unconsolidated joint venture. In November 2011, the joint venture sold this property for $17.5 million, resulting in a total gain on sale of $8.3 million. A portion of the net proceeds from the sale of this property were utilized to retire the $9.5 million construction loan, and the remaining proceeds were distributed to the partners. We used our share of the net proceeds to pay down borrowings under our unsecured revolving credit facility. Our share of the gain on sale was $4.3 million, including related tax effects.

Redevelopment Activities

During the years ended December 31, 2011, 2010 and 2009, the following properties were in our redevelopment pipeline:

Property Name	MSA	Transition Date1	Owned GLA
Coral Springs Plaza2	Boca Raton, FL	March 2009	46,079
Courthouse Shadows3	Naples, FL	September 2008	134,867
Four Corner Square4	Seattle, WA	September 2008	29,177
Bolton Plaza5	Jacksonville, FL	June 2008	172,938
Rivers Edge6	Indianapolis, IN	June 2008	149,209
Oleander Pointe7	Wilmington, NC	March 2011	43,806

1 Transition date represents the date the property was transitioned from our operating portfolio to a redevelopment project.

2 In December 2009, we executed a lease with a combined Toys "R" Us/Babies "R" Us for 100% of the available square feet of this center. This tenant opened in the second half of 2010 and the property was transitioned back to the operating portfolio in November 2010.

3 In 2009, Publix purchased the lease of the former anchor tenant and made certain improvements on the space and we anticipate updating the existing façade, signage, landscaping and lighting.

4 In the 4th quarter of 2011, we executed leases with three new anchor tenants as part of the redevelopment and expansion of the existing center and transitioned this center to an in-process redevelopment. We expect the GLA of the center upon completion of the expansion to be 118,523 square feet. We expect these tenants to open during the beginning of 2013.

5 We executed a 66,500 square foot lease with Academy Sports & Outdoors to anchor this center and this tenant opened during the second half of 2010.

6 We purchased this property in February 2008 with the intent to redevelop. The property was substantially completed and transitioned to the operating portfolio in the 4th quarter of 2011. The center is anchored by Nordstrom Rack, The Container Store, and buy buy Baby. Additional anchors Arhaus Furniture and an expanded BGI Fitness are projected to open in mid-2012.

7 We purchased this property in February 2011. Subsequent to the acquisition, we executed a lease termination agreement with the existing tenant and executed a lease with new anchor Whole Foods. The property is currently under construction and Whole Foods plans to open in the first half of 2012.

Other Property Activities

The Centre is a retail operating property in which the Company owned a 60% interest through January 31, 2011. During the first nine months of 2009, this entity was unconsolidated. The entity was consolidated beginning September 30, 2009. In the "Comparison of Operating Results for the Years Ended December 31, 2010 and 2009", the 2009 income (loss) from unconsolidated entities reflects nine months of activity from The Centre.

Same Property Net Operating Income

The Company believes that Net Operating Income ("NOI") is helpful to investors as a measure of its operating performance because it excludes various items included in net income that do not relate to or are not indicative of its operating performance, such as depreciation and amortization, interest expense, and impairment, if any. The Company believes that Same Property NOI is helpful to investors as a measure of its operating performance because it includes only the NOI of properties that have been owned for the full period presented, which eliminates disparities in net income due to the redevelopment, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent metric for the comparison of the Company's properties. NOI and Same Property NOI should not, however, be considered as alternatives to net income (calculated in accordance with GAAP) as indicators of the Company's financial performance.

The following table reflects same property net operating income (and reconciliation to net loss attributable to common shareholders) for the years ended December 31, 2011 and 2010:

	Twelve Months Ended December 31,		
	2011	2010	% Change
Number of comparable properties at period end	52	52	
Leased percentage at period end	93.0 %	92.6 %	
Net operating income – same properties (52 properties)2	$57,497,589	$55,429,228	3.7 %
Reconciliation to Most Directly Comparable GAAP Measure:			
Net operating income – same properties	$57,497,589	$55,429,228	
Other income (expense), net	(52,516,315)	(63,700,058)	
Less: dividends on preferred shares	(5,775,000)	(376,979)	
Net loss attributable to common shareholders	$(793,726)	$(8,647,809)	

1 Same Property analysis excludes Courthouse Shadows, The Centre and Bolton Plaza as the Company pursues redevelopment of these properties

2 Same Property net operating income is considered a non-GAAP measure because it excludes net gains from outlot sales, write offs of straight-line rent and lease intangibles, bad debt expense and related recoveries, lease termination fees and significant prior year expense recoveries and adjustments, if any.

The following table reflects same property net operating income (and reconciliation to net loss attributable to common shareholders) for the years ended December 31, 2010 and 2009:

	Twelve Months Ended December 31,		
	2010	2009	% Change
Number of comparable properties at period end	55	55	
Leased percentage at period end	92.5 %	90.6 %	
Net operating income – same properties (55 properties)2	$56,683,622	$57,410,314	-1.3 %
Reconciliation to Most Directly Comparable GAAP Measure:			
Net operating income – same properties	$56,683,622	$57,410,314	
Other income (expense), net	(64,954,452)	(59,192,080)	
Less: dividends on preferred shares	(376,979)	—	
Net loss attributable to common shareholders	$(8,647,809)	$(1,781,766)	

1 Same Property analysis excludes Courthouse Shadows, Four Corner Square, Rivers Edge, and Bolton Plaza as the Company pursues redevelopment of these properties

2 Same Property net operating income is considered a non-GAAP measure because it excludes net gains from outlot sales, write offs of straight-line rent and lease intangibles, bad debt expense and related recoveries, lease termination fees and significant prior year expense recoveries and adjustments, if any.

Comparison of Operating Results for the Years Ended December 31, 2011 and 2010

The following table reflects income statement line items from our consolidated statements of operations for the years ended December 31, 2011 and 2010:

	2011	2010	Net change 2010 to 2011
Revenue:			
Rental income (including tenant reimbursements)	$97,283,647	$89,502,860	$7,780,787
Other property related revenue	4,252,623	5,065,169	(812,546)
Construction and service fee revenue	373,105	6,848,073	(6,474,968)
Total revenue	101,909,375	101,416,102	493,273
Expenses:			
Property operating	18,607,865	17,691,738	916,127
Real estate taxes	13,828,995	12,044,966	1,784,029
Cost of construction and services	309,074	6,142,042	(5,832,968)
General, administrative, and other	6,284,397	5,372,056	912,341
Depreciation and amortization	37,068,830	40,732,228	(3,663,398)
Total expenses	76,099,161	81,983,030	(5,883,869)
Operating income	25,810,214	19,433,072	6,377,142
Interest expense	(25,291,512)	(28,532,440)	3,240,928
Income tax benefit (expense) of taxable REIT subsidiary	1,294	(265,986)	267,280
Income (loss) from unconsolidated entities	333,628	(51,964)	385,592
Gain on sale of unconsolidated property, net	4,320,155	-	4,320,155
Other income, net	208,870	231,178	(22,308)
Income (loss) from continuing operations	5,382,649	(9,186,140)	14,568,789
Discontinued operations:			
Loss on sale of operating property	(397,909)	-	(397,909)
Loss from discontinued operations	(397,909)	-	(397,909)
Consolidated net income (loss)	4,984,740	(9,186,140)	14,170,880
Net (income) loss attributable to noncontrolling interests	(3,466)	915,310	(918,776)
Net income (loss) attributable to Kite Realty Group Trust	4,981,274	(8,270,830)	13,252,104
Dividends on preferred shares	(5,775,000)	(376,979)	(5,398,021)
Net loss attributable to common shareholders	$(793,726)	$(8,647,809)	$7,854,083

Rental income (including tenant reimbursements) increased between years by $7.8 million, or 8.7%, due to the following:

	Net Change 2010 to 2011
Development properties that became operational or were partially operational in 2010 and/or 2011	$2,378,956
Properties acquired during 2011	1,210,731
Properties under redevelopment during 2010 and/or 2011	1,057,908
Properties fully operational during 2010 and 2011 & other	3,133,192
Total	$7,780,787

Excluding the changes due to transitioned development properties, acquired properties, and the properties under redevelopment, the net $3.1 million increase in rental income for our properties was primarily related to the following:

- $1.4 million increase in base rental revenue due to improved occupancy levels at operating properties along with improved rent spreads on new and renewal leases. In addition, to the increased rent payments from these new and existing tenants, these commencements met co-tenancy requirements at two operating properties, favorably impacting billable rents to other tenants; and

- $1.7 million increase in recovery income due to increase in recoverable expenses of $1.7 million along with improvement in recovery rates due to improved occupancy levels.

For the overall portfolio, the gross recovery ratio improved from 71.8% in 2010 to 74.3% in 2011, primarily due to the improved occupancy level of the operating portfolio. The gross recovery ratio is computed by dividing tenant reimbursements by the sum of recoverable property operating expense and real estate tax expense.

Other property related revenue primarily consists of parking revenues, percentage rent, lease settlement income and gains from land sales. This revenue decreased $0.8 million, or 16%, primarily as a result of lower gains on land sales of $2.4 million due to lower volume of residential land sales at Eddy Street Commons in 2011 and no retail outlot sales in 2011 as compared to three outlot sales in 2010. This decrease was partially offset by an increase in termination fees of $0.7 million and insurance recovery income of $0.7 million. The majority of the termination fee relates to the previous tenant at Oleander Pointe.

Construction revenue and service fees decreased by $6.5 million, or 95%, as a result of a decline in third party construction contracts and construction management fees due to our strategic decision to reduce third party construction activity.

Property operating expenses increased between years by $0.9 million, or 5.2%, due to the following:

	Net change 2010 to 2011
Development properties that became operational or were partially operational in 2010 and/or 2011	$858,251
Properties acquired during 2011	341,657
Properties under redevelopment during 2010 and/or 2011	(67,675)
Properties fully operational during 2010 and 2011 & other	(216,106)
Total	$916,127

Excluding the changes due to transitioned development properties, acquired properties, and the properties under redevelopment, the net $0.2 million decrease in property operating expenses for our properties was primarily due to the following:

- $0.2 million net decrease in bad debt expense at a number of our operating properties reflecting a general recovery in the economic condition of our tenants;

- $0.2 million decrease in snow removal costs offset by $0.1 million increases in repairs and maintenance and $0.1 million increase in landscaping costs; and

- The change in other categories of expense were not individually significant.

Real estate taxes increased $1.8 million, or 14.8%, due to the following:

	Net change 2010 to 2011
Development properties that became operational or were partially operational in 2010 and/or 2011	$475,724

Properties acquired during 2011	131,946
Properties under redevelopment during 2010 and/or 2011	162,870
Properties fully operational during 2010 and 2011 & other	1,013,489
Total	$1,784,029

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Excluding the changes due to transitioned development properties, acquired properties, and the properties under redevelopment, the net $1.0 million increase in real estate taxes for our properties was primarily due to increased assessments of the taxable value at a number of our operating properties. The majority of the increases and decreases in our real estate tax expense from increased assessments and subsequent appeals is recoverable from (or reimbursable to) tenants and, therefore, reflected in tenant reimbursement revenue.

Cost of construction and services decreased $5.8 million, or 95%, as a result of a decline in third party construction contracts and construction management fees due to our strategic decision to reduce third party construction activity.

General, administrative and other expenses increased $0.9 million, or 17%, due to an increase in personnel-related expenses along with an increase in other public company related costs.

Depreciation and amortization expense decreased $3.7 million, or 9%, due to the following:

	Net change 2010 to 2011
Development properties that became operational or were partially operational in 2010 and/or 2011	$1,107,450
Properties acquired during 2011	2,092,213
Properties under redevelopment during 2010 and/or 2011	(3,648,659)
Properties fully operational during 2010 and 2011 & other	(3,214,402)
Total	$(3,663,398)

Accelerated depreciation and amortization expense of $5.7 million was recorded in the prior year due to the commencement of redevelopment at Rivers Edge and Coral Springs Plaza. Redevelopment plans for these properties were finalized during the second quarter of 2010, resulting in a reduction of useful lives of certain assets that were scheduled to be demolished. These decreases in depreciation and amortization were partially offset by an increase of $2.0 million related to acquired properties, transition of development properties to the operating portfolio, and timing of lease commencement at fully operational properties. Of this $2.0 million, $1.5 million was due to accelerated depreciation on the redevelopment of Oleander Pointe that commenced in the second quarter of 2011.

Interest expense decreased $3.2 million, or 11%. This decrease was primarily due to reduction of indebtedness from the proceeds of our December 2010 preferred stock issuance. This decrease was partially offset by a higher interest rate on the Company’s line of credit and increased amortization of deferred financing fees related to current year borrowings and the Company’s objective of terming out debt on recently completed projects.

Income tax benefit (expense) of our taxable REIT subsidiary changed from an expense of $266,000 in 2010 to a benefit of $1,000 in 2011. The 2010 expense was due to income to our taxable REIT subsidiary related to the sale of residential assets at the Eddy Street Commons development in 2010. The slight benefit in 2011 was due to lower sales of residential assets at Eddy Streets Commons along with minimal construction volume.

Income (loss) from unconsolidated entities changed from a loss of $52,000 in 2010 to income of $334,000 in 2011. The loss of $52,000 in 2010 included our share of pre-operating expenses related to the limited service hotel at our Eddy Street Commons property, which opened in June 2010. The income in 2011 relates to ten months of operations at the limited service hotel as the hotel’s occupancy improved. The hotel was sold in November 2011. Our only remaining equity method joint venture is under development and is not yet generating operating results.

The $4.3 million gain on sale of unconsolidated property, including tax benefit represents our share of the gain on the sale of the limited service hotel at Eddy Street Commons property.

The $0.4 million of loss from discontinued operations resulted from the sale of our Martinsville Shops property located in Martinsville, Indiana.

Net (income) loss attributable to noncontrolling interests changed from a loss of $0.9 million in 2010 to income of $3,000 in 2011. Net loss (income) attributable to noncontrolling interests generally reflects the net income attributable to the Operating Partnership, less dividends on preferred shares, that is owned by the limited partners and interests in consolidated properties owned by others. The change is the result of higher earnings of the Operating Partnership.

Comparison of Operating Results for the Years Ended December 31, 2010 and 2009

The following table reflects income statement line items from our consolidated statements of operations for the years ended December 31, 2010 and 2009:

	Years Ended December 31,		
	2010	2009	Net change 2009 to 2010
Revenue:			
Rental income (including tenant reimbursements)	$89,502,860	$89,775,606	$(272,746)
Other property related revenue	5,065,169	6,065,708	(1,000,539)
Construction and service fee revenue	6,848,073	19,450,789	(12,602,716)
Total revenue	101,416,102	115,292,103	(13,876,001)
Expenses:			
Property operating	17,691,738	18,188,710	(496,972)
Real estate taxes	12,044,966	12,068,903	(23,937)
Cost of construction and services	6,142,042	17,192,267	(11,050,225)
General, administrative, and other	5,372,056	5,711,623	(339,567)
Depreciation and amortization	40,732,228	32,148,318	8,583,910
Total expenses	81,983,030	85,309,821	(3,326,791)
Operating income	19,433,072	29,982,282	(10,549,210)
Interest expense	(28,532,440)	(27,151,054)	(1,381,386)
Income tax (expense) benefit of taxable REIT subsidiary	(265,986)	22,293	(288,279)
(Loss) income from unconsolidated entities	(51,964)	226,041	(278,005)
Non-cash gain from consolidation of subsidiary			