KITE REALTY GROUP TRUST
Form 10-K
March 16, 2010

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, 2009
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

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 o 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. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" 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 $181.6 million based upon the closing price of $2.92 per share on the New York Stock Exchange on such date.

The number of Common Shares outstanding as of March 5, 2010 was 63,186,339 ($.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 4, 2010, 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, 2009

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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

We are a full-service, vertically integrated real estate company engaged in the ownership, operation, management, leasing, acquisition, construction, expansion and development and redevelopment of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. We also provide real estate facility management, construction, development and other advisory services to third parties.

We conduct all of our business through our Operating Partnership, of which we are the sole general partner. As of December 31, 2009, we held an approximate 89% interest in our Operating Partnership. Limited partners owned the remaining 11% of the interests in our Operating Partnership at December 31, 2009.

As of December 31, 2009, we owned interests in a portfolio of 51 retail operating properties totaling approximately 7.9 million square feet of gross leasable area (including approximately 2.9 million square feet of non-owned anchor space). Our retail operating portfolio was 90.1% leased as of December 31, 2009 to a diversified retail tenant base, with no single retail tenant accounting for more than 3.3% of our total annualized base rent. In the aggregate, our largest 25 tenants account for approximately 41% of our annualized base rent as of December 31, 2009. See Item 2, “Properties” for a list of our top 25 tenants by annualized base rent.

We also own interests in three commercial (office/industrial) operating properties totaling approximately 0.5 million square feet of net rentable area and an associated parking garage, all located in the state of Indiana. The occupancy of our commercial operating portfolio was 96.2% as of December 31, 2009.

As of December 31, 2009, we also had an interest in seven retail properties in our development and redevelopment pipelines. Upon completion, our development and redevelopment properties are anticipated to have approximately 1.1 million square feet of gross leasable area (including approximately 0.3 million square feet of non-owned anchor space). In addition to our current development and redevelopment pipelines, we have a “shadow” development pipeline which includes 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, 2009, this shadow pipeline consisted of six projects that are expected to contain approximately 2.8 million square feet of total gross leasable area (including non-owned anchor space) upon completion.

In addition, as of December 31, 2009, we owned interests in various land parcels totaling approximately 95 acres. These parcels are classified as “Land held for development” in the accompanying consolidated balance sheets and may be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Our operating portfolio, current development and redevelopment pipelines and land parcels are located in the states of Florida, Georgia, Illinois, Indiana, New Jersey, North Carolina, Ohio, Oregon, Texas and Washington.

Difficult economic conditions during the last two years have had a negative impact on consumer confidence and spending. This, in turn, is causing segments of the retail industry to be negatively impacted as retailers struggle to sell goods and services. As an owner and developer of community and neighborhood shopping centers, our performance is directly linked to economic conditions in the retail industry in those markets where our operating centers and development properties are located. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” for further discussion of the current economic conditions and their impact on us.

Significant 2009 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, development, redevelopment and acquisition of well-located community and neighborhood shopping centers. However, as discussed in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” current economic and financial market conditions have created a need for most REITs, including us, to place a significant amount of emphasis on our financing and capital preservation strategy. Therefore, our primary objective recently has been, and in the future will continue to be, the strengthening of our balance sheet, managing of our debt maturities and conservation of cash. We ended the year 2009 with approximately $87 million of combined cash and borrowing capacity on the unsecured revolving credit facility and, as of February 17, 2010, have extended all of our 2010 debt maturities. We will remain focused on 2011 refinancing activity and will continue to aggressively manage our operating portfolio.

During 2009, we successfully completed various financing, refinancing and capital-raising activities. As a result of these actions, we reduced the amount outstanding under our unsecured revolving credit facility to $78 million at December 31, 2009 from $105 million at December 31, 2008 and paid down the balances of various other loans. The significant financing, refinancing and capital raising activities completed during 2009 included the following:

New Financings in 2009

- Permanent financing of $15.4 million was placed on the Eastgate Pavilion operating property in Cincinnati, Ohio, a previously unencumbered property. This variable rate loan bears interest at LIBOR + 295 basis points and matures in April 2012. We simultaneously hedged this loan to fix the interest rate at 4.84% for the full term; and

- A construction loan in the amount of $10.9 million was placed on the Eddy Street Commons development property in South Bend, Indiana to finance the construction of a limited service hotel in which we have a 50% interest. This joint venture entity is unconsolidated in the accompanying consolidated financial statements. The construction loan bears interest at a rate of LIBOR + 315 basis points and matures in August 2014.

Refinancings & Maturity Date Extensions in 2009

- The $8.2 million fixed rate loan on the Bridgewater Crossing operating property in Indianapolis, Indiana was refinanced with a variable rate loan bearing interest at LIBOR + 185 basis points and maturing in June 2013;

- The maturity date of the $31.4 million variable rate construction loan on the Cobblestone Plaza development property in Ft. Lauderdale, Florida was extended to March 2010 at an interest rate of LIBOR + 250 basis points;

- The $4.1 million variable rate loan on the Fishers Station operating property in Indianapolis, Indiana was refinanced at an interest rate of LIBOR + 350 basis points and maturing in June 2011;

- The maturity date of the $9.4 million construction loan on our Delray Marketplace development property in Delray Beach, Florida was extended to June 2011 at an interest rate of LIBOR + 300 basis points;

- The maturity date of the variable rate loan on the $11.9 million Beacon Hill operating property in Crown Point, Indiana was extended to March 2014 at an interest rate of LIBOR + 125 basis points;

- The $15.8 million fixed rate loan on our Ridge Plaza operating property in Oak Ridge, New Jersey was refinanced with a permanent loan in the same amount. This loan has a maturity date of January 2017 and bears interest at a rate of LIBOR + 325 basis points. We simultaneously hedged this loan to fix the interest rate at 6.56% for the full term;

- The maturity date of the $17.8 million variable rate loan on our Tarpon Springs Plaza operating property in Naples, Florida was extended to January 2013 at an interest rate of LIBOR + 325 basis points; and
    - The maturity date of the $14.0 million variable rate loan on our Estero Town Commons operating property in Naples, Florida was extended to January 2013 at an interest rate of LIBOR + 325 basis points.

In addition, in the first quarter of 2010, we completed the following financing activities:

- The maturity date of the $14.9 million variable rate loan on the Shops at Rivers Edge operating property in Indianapolis, Indiana was extended to February 2013 at an interest rate of LIBOR + 400 basis points;

- The maturity date of the $30.9 million variable rate construction loan on the Cobblestone Plaza development property was extended to February 2013 at an interest rate of LIBOR + 350 basis points; and

- The maturity date of the $11.0 million construction loan on the South Elgin Commons property in a suburb of Chicago was extended to September 2013 at an interest rate of LIBOR + 325 basis points.

Construction Financing

- Draws totaling approximately $18.8 million were made on the variable rate construction loan at the Eddy Street Commons development project; and

- We used proceeds from our unsecured revolving credit facility, other borrowings and cash totaling approximately $30.0 million for other development and redevelopment activities.

Repayments of Outstanding Indebtedness

- We used approximately $57 million of proceeds from our May 2009 common share offering to pay down the outstanding balance on our unsecured revolving credit facility;

- We repaid the $11.8 million fixed rate loan on our Boulevard Crossing operating property in Kokomo, Indiana and contributed the related asset to the unsecured revolving credit facility collateral pool; and

- In addition, we partially paid down the balances of various permanent and construction loans in 2009 in connection with the extensions of their respective maturity dates. The aggregate amount of such paydowns was $32.4 million in 2009.

Other Financing-Related Activities

- We utilized our unsecured revolving credit facility to contribute approximately $8.8 million of equity to our Parkside Town Commons unconsolidated joint venture property in Raleigh, North Carolina. Our joint venture partner also made a contribution as a means to reduce the joint venture's outstanding variable rate debt;

- We placed an interest rate hedge on the $20.0 million variable rate loan maturing in December 2011 on our Glendale Town Center operating property in Indianapolis, Indiana. This hedge fixed the interest rate at 4.40% for the full term; and

- We placed an interest rate hedge on the $19.7 million variable rate loan maturing in December 2011on our Bayport Commons operating property in Oldsmar, Florida. This hedge fixed the interest rate at 4.48% for the full term;

Common Equity Offering

- In May 2009, we completed an offering of 28,750,000 common shares at an offering price of $3.20 per share for net proceeds of approximately $87.5 million. Approximately $57 million of the net proceeds were used to reduce the outstanding balance on our unsecured revolving credit facility. The remaining proceeds were initially retained and a portion subsequently used to retire outstanding indebtedness as described above.

2009 Development and Redevelopment Activities

- In the second quarter of 2009, we completed South Elgin Commons, Phase I, a 45,000 square foot LA Fitness facility located in a suburb of Chicago, Illinois, and transitioned it into our operating portfolio;

- We partially completed the construction of Cobblestone Plaza, a 138,000 square foot neighborhood shopping center located in Ft. Lauderdale, Florida. This property was 73.9% leased or committed as of December 31, 2009 and is anchored by Whole Foods, Staples, and Party City; and

- We substantially completed the construction of the retail and office components of Eddy Street Commons, Phase I, a 465,000 square foot center located in South Bend, Indiana that includes a 300,000 square foot non-owned multi-family component. This project was 72.4% leased or committed as of December 31, 2009 and is anchored by Follett Bookstore and the University of Notre Dame.

- No new development projects were commenced in 2009.

As of December 31, 2009, we had a redevelopment pipeline that included five properties undergoing various stages of redevelopment:

- Bolton Plaza, Jacksonville, Florida. This 173,000 square foot neighborhood shopping center was previously anchored by Wal-Mart. We recently executed a 66,500 square foot lease with Academy Sports & Outdoors to anchor this center and expect this tenant to open during the second half of 2010. We currently estimate the cost of this redevelopment to be approximately $5.7 million;

- Coral Springs Plaza, Boca Raton, Florida. In early 2009, Circuit City declared bankruptcy and vacated this center. We recently executed a 47,000 square foot lease with Toys "R" Us/Babies "R" Us to occupy 100% of this center. We expect this tenant to open during the second half of 2010. We currently estimate the cost of this redevelopment to be approximately $4.5 million;

- Courthouse Shadows, Naples, Florida. In 2008, we transferred this 135,000 square foot neighborhood shopping center from our operating portfolio to our redevelopment pipeline. We intend to modify the existing facade and pylon signage and upgrade the landscaping and lighting. In 2009, Publix purchased the lease of the former anchor tenant and made certain improvements on the space. We currently anticipate our total investment in the redevelopment at Courthouse Shadows will be approximately $2.5 million;

- Four Corner Square, Seattle, Washington. In 2008, we transferred this 29,000 square foot neighborhood shopping center from our operating portfolio to our redevelopment pipeline. In addition to the existing center, we also own an adjacent ten acres of land in our shadow pipeline that may be used as part of the redevelopment. We currently estimate the cost of this redevelopment to be approximately $0.5 million; and

- Shops at Rivers Edge, Indianapolis, Indiana. In 2008, we purchased this 111,000 square foot neighborhood shopping center with the intent to redevelop it. The current anchor tenant's lease at this property expires on March 31, 2010. The tenant may continue to occupy the space for a period of time while the Company markets the space to several potential anchor tenants. We currently estimate the cost of this redevelopment to be approximately $2.5 million which may increase depending on the outcome of current negotiations with potential anchor tenants.

- No new redevelopment projects were commenced in 2009.

2009 Property Dispositions

In 2009, as part of our regular quarterly review, we determined that it was appropriate to write off the net book value on the Galleria Plaza operating property in Dallas, Texas and recognize a non-cash impairment charge of $5.4 million. Our estimated future cash flows, which considered recent negative property-specific events, were anticipated to be insufficient to recover the carrying value due to significant ground lease obligations and expected future required capital expenditures. We conveyed the title to the property to the ground lessor in the fourth quarter of 2009.

2009 Cash Distributions

In 2009, we declared quarterly per share cash distributions for the following periods:

First Quarter	$	0.1525
Second Quarter	$	0.0600
Third Quarter	$	0.0600
Fourth Quarter (paid in January 2010)	$	0.0600
Full Year	$	0.3325

Business Objectives and Strategies

Our primary business objectives are to increase the cash flow and consequently the value 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 certain properties to make them more attractive to existing and prospective tenants 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 and to selectively acquire and develop additional shopping centers on land parcels that we currently own where we project that investment returns would meet or exceed internal benchmarks for above average returns; and

- Financing and Capital Preservation Strategy: Financing our capital requirements with borrowings under our existing credit facility and newly issued secured debt, internally generated funds and proceeds from selling properties that no longer fit our strategy, investment in strategic joint ventures and by accessing the public securities markets when market conditions permit.

Operating Strategy. Our primary operating strategy is to maximize rents and maintain or increase occupancy levels by attracting and retaining a strong and diverse tenant base. Most of our properties are 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:

- 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;

- 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;

- maximizing the occupancy of our existing operating portfolio;

- increasing rental rates upon the renewal of expiring leases or re-leasing space to new tenants while minimizing vacancy to the extent possible; and

- taking advantage of under-utilized land or existing square footage, or reconfiguring properties for better use.

We employed our operating strategy in 2009 in a number of ways, including maintaining a diverse retail tenant mix with no tenant accounting for more than 3.3% of our annualized base rent. See Item 2, “Properties” for a list of our top tenants by gross leasable area and annualized base rent. We also had a renewed focus on tenant leasing in 2009 and, as a part of that focus, we hired a new executive in April 2009 who has substantial industry experience and is dedicated to developing and managing our leasing strategy. This new leasing executive implemented a number of key initiatives to strengthen our overall leasing program, resulting in the execution of 735,000 square feet of new and renewal leases during 2009, which is the most square feet leased in a single year since we became a public company in 2004.

Growth Strategy. While we are focused on conserving capital in the current difficult economic environment, our growth strategy includes the selective deployment of resources to projects that are expected to generate investment returns that meet or exceed our expectations. We intend to implement our investment strategy in a number of ways, including:

- evaluating redevelopment and renovation opportunities that we believe will make our properties more attractive for leasing or re-leasing to tenants at increased rental rates where possible;

- disposing of selected assets that no longer meet our long-term investment criteria and recycling the capital into assets that provide maximum returns and upside potential in desirable markets; and
- selectively pursuing the acquisition of retail 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 development, redevelopment, acquisition 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 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 our existing properties, if any, in the same or nearby markets.

In 2009, we were successful in executing leases for anchor tenants at two properties in our redevelopment portfolio. We signed a lease for a 47,000 square foot combined Toys “R” Us/Babies “R” Us to occupy 100% of our Coral Springs property in Boca Raton, Florida. We also signed a lease for 66,500 square feet with Academy Sports & Outdoors to anchor our Bolton Plaza property in Jacksonville, Florida. We expect both of these tenants to open for business during the last half of 2010.

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 equity through public offerings or private placements, the incurrence of additional indebtedness through secured or unsecured borrowings, investment in real estate joint ventures and the reinvestment of proceeds from the disposition of assets.

Our primary finance and capital strategy is to maintain a strong balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective way. 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 our 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,” the current market conditions have created a necessity for most REITs, including us, to place a significant emphasis on financing and capital preservation strategies. While these conditions continue, along with the current turmoil in the credit markets, our efforts to strengthen our balance sheet are essential to our business. We intend to implement 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;

- seeking to extend the maturity dates of and/or refinancing our unsecured revolving credit facility and term loan borrowings, which had a combined aggregate balance of $132.8 million at December 31, 2009 and which both mature in 2011. Our unsecured revolving credit facility has a one-year extension option to February 2012 if we are in compliance with the covenants under the related agreement;

- managing our exposure to variable-rate debt through the use of interest rate hedging transactions;
- entering into new project-specific construction loans, property loans, and other borrowings;
- investing in joint venture arrangements in order to access less expensive capital and to mitigate risk; and
- raising additional capital through the issuance of common shares, preferred shares or other securities.

In 2009, we implemented our financing and capital strategy in a number of ways, including issuing 28,750,000 common shares at an offering price of $3.20 per common share for net proceeds of $87.5 million. The majority of the net proceeds from this offering were used to repay the borrowings under our unsecured revolving credit facility and pay down other forms of indebtedness. In addition, as discussed above in “Significant 2009 Activities”, we have extended or refinanced all of our 2009 and 2010 debt maturities. We were also able to reduce the amount outstanding under our unsecured revolving credit facility to $78 million, net of additional borrowings, at December 31, 2009 from $105 million at December 31, 2008.

Business Segments

Our principal business is the ownership, operation, acquisition, development and construction of high-quality neighborhood and community shopping centers in selected markets in the United States. We have aligned our operations into two business segments: (1) real estate operation and development, and (2) construction and advisory services. See Note 14 to the accompanying consolidated financial statements for information on our two business segments and the reconciliation of total segment revenues to total revenues, total segment operating income to operating income, total segment net income to consolidated net income, and total segment assets to total assets for the years ended December 31, 2009, 2008 and 2007.

Competition

The United States commercial real estate market continues to be highly competitive. We face competition from institutional investors, other REITs, and 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 our competitors may have more resources than we do.

We face significant competition in our efforts to lease available space to prospective tenants at our operating, development and redevelopment properties. Generally, the challenging economic conditions have caused a greater than normal amount of space to be available for lease. 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 and appearance 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

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. We are not currently aware of any environmental issues that may materially affect the operation of any of our properties.

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, 2009, we had 90 full-time employees. Of these employees, 69 were “home office” executive and administrative personnel and 21 were on-site construction, facilities management and maintenance 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

Ongoing challenging conditions in the United States and global economy, the challenges being faced by our retail tenants and non-owned anchor tenants and the decrease in demand for retail space 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 economy of the United States continued to be very challenged during 2009 and early 2010, and these conditions may persist into the future. There can be no assurance that government responses to disruptions in the economy and in the financial markets will restore consumer confidence. 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, state 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.

In addition, 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 catalogues or 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.

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. For example, in the third quarter of 2009, we determined to write off the net book value on the Galleria Plaza operating property in Dallas, Texas, and recognized a non-cash impairment charge of $5.4 million.

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 challenging economic conditions have continued into 2010. Similarly, the specific markets in which we operate continue to face very challenging economic conditions that will likely persist into the future. In particular, as of December 31, 2009, approximately 40% of our owned square footage and approximately 39% of our total annualized base rent is located in Indiana, approximately 21% of our owned square footage and approximately 22% of our total annualized base rent is located in Florida, and approximately 20% of our owned square footage and approximately 17% of our total annualized base rent is 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, rising 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.

Ongoing 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.

Over the last few years, the United States financial and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many financial instruments to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing.

Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing for development of our properties and other purposes at reasonable terms, or at all, which may materially adversely affect our business. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, we may be unable to obtain permanent financing on development projects we financed with construction loans or mezzanine debt. 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. In addition, 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. 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 may have a material adverse effect on the market value of our common stock and have 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, the United States financial and credit markets continue to experience significant liquidity disruptions, resulting in the unavailability of financing for many businesses. 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.

We had approximately $658 million of consolidated indebtedness outstanding as of December 31, 2009, 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 approximately $658 million of consolidated outstanding indebtedness as of December 31, 2009. Approximately $250 million of this debt is scheduled to mature in 2011. At December 31, 2009, approximately $356 million of our debt bore interest at variable rates (approximately $136 million when reduced by our $220 million of interest rate swaps for fixed interest rates). 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 as of December 31, 2009 increased by 1%, the increase in interest expense on our variable rate debt would decrease future cash flows by approximately $1.4 million annually.

We also intend to incur additional debt in connection with projects in our current development, redevelopment and shadow development pipelines, as well as 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 acquisitions in the future.

Agreements with lenders supporting our unsecured revolving credit facility, unsecured term loan 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, unsecured term loan 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, 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 permanent and construction 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.

As of December 31, 2009, a significant amount of our indebtedness was 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. Also, certain of these 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.

We are subject to risks associated with hedging agreements.

We use a combination of interest rate protection agreements, including interest rate swaps and locks, to manage risk associated with interest rate volatility. This may expose us to additional risks, including a risk that a 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.

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 (including the current challenging economic conditions), 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:

- adverse changes in the national, regional and local economic climate, particularly in: Indiana, where approximately 40% of our owned square footage and 39% of our total annualized base rent is located; Florida, where approximately 21% of our owned square footage and 22% of our total annualized base rent is located; and Texas, where approximately 20% of our owned square footage and 17% of our total annualized base rent is located;
- tenant bankruptcies;
- local oversupply, increased competition or reduction in demand for space;
- inability to collect rent from tenants, or having to provide significant tenant concessions;
- 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-let 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.

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 we are currently experiencing. As a result, 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, 2009, the five largest tenants in our operating portfolio in terms of annualized base rent were Publix, PetSmart, Lowe's Home Improvement, Ross Stores and Dick's Sporting Goods, representing 3.3%, 2.9%, 2.5%, 2.4%, and 2.3%, respectively, of our total annualized base rent.

We face potential material adverse effects from increasing numbers of tenant bankruptcies, and we may be unable to collect balances due from any tenant bankruptcy.

Bankruptcy filings by our retail tenants occur from time to time. Such bankruptcies may increase in times of economic uncertainty such as what we are currently experiencing. The number of bankruptcies among United States companies increased in 2009 and current economic conditions suggest this trend could continue. Similarly, bankruptcies of tenants renting space at properties in our portfolio continue to be well above historical levels. 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.

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.

Our financial covenants may restrict our operating and acquisition activities.

Our unsecured revolving credit facility and unsecured term loan contain 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, 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. We are closely monitoring all of our debt covenants. Maintaining our covenant compliance is an integral aspect of our capital decision making.

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, 2009, we owned eight of our operating properties through joint ventures. For the twelve months ended December 31, 2009, the eight properties represented approximately 10.5% of our annualized base rent. In addition, one of the properties and a component of another property in our current development pipeline and two properties in our shadow pipeline are currently owned through joint ventures, two of which are accounted for under the equity method as of December 31, 2009 as we do not exercise requisite control for consolidation treatment. We have also entered into an agreement with Prudential Real Estate Investors to pursue joint venture opportunities for the development and selected acquisition of community shopping centers in the United States. These 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 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 intend 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-let space as leases expire, require us to undertake unbudgeted capital improvements, or impede our ability to make future developments or acquisitions or increase the cost of these developments or acquisitions.

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 submarkets in which our properties are located, but which have greater capital resources. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. 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. As of December 31, 2009, leases were scheduled to expire on a total of approximately 5.9% of the space at our properties in 2010. 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 unbudgeted 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 shareholder dilution.

We have two properties in our current development pipeline and six properties in our shadow pipeline. New developments and 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;

- 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 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. In addition, the issuance of equity securities as consideration for any acquisitions could be substantially 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 five properties in our redevelopment pipeline. 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.

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. In connection with our formation at the time of our 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 approximately 18% of our annualized base rent in the aggregate as of December 31, 2009. 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, 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 are not necessarily reduced 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. As of December 31, 2009, our retail operating portfolio was approximately 90% leased compared to approximately 91% as of December 31, 2008. 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.

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.

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. 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. 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.

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 shares) have experienced significant price and volume fluctuations. The market price of our common shares could be similarly volatile, and investors in our common 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;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

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.

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, 2009, we had outstanding 63,062,083 common shares. Of these shares, approximately 62,416,712 are freely tradable, and the remainder of which are mostly held by our "affiliates," as that term is defined by Rule 144 under the Securities Act. In addition, 7,978,498 units of our Operating Partnership are owned by certain of 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.

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 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 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.

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 with each of our executive officers that provided for a term that ended in December 2009, with automatic one-year renewals unless either we or the officer elects not to renew the agreement. These agreements were automatically renewed for our three executive officers through December 31, 2010. 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 will be 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 will be 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. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings and our ability to qualify as a REIT for federal income tax purposes.

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.

We may in the future choose to pay dividends in our own common shares, in which case shareholders may be required to pay income taxes in excess of the cash dividends they receive.

We may in the future distribute taxable dividends that are payable partly in cash and partly in our common shares. Under existing IRS guidance with respect to taxable years ending on or before December 31, 2011, up to 90% of such a dividend could be payable in our common shares. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes, regardless of whether such shareholder receives cash, REIT shares or a combination of cash and REIT shares. As a result, a shareholder may be required to pay income tax with respect to such dividends in excess of the cash dividend. If a shareholder sells the REIT shares it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, if the market value of our shares decreases following the distribution. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to dividends paid in our common shares. In addition, if a significant number of our shareholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common shares.

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, 2009, we owned interests in a portfolio of 51 retail operating properties totaling approximately 7.9 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, 2009:

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 Commons6	FL	Oldsmar	2008	2008	Developed	268,556	97,112	90.2%
Estero Town Commons6	FL	Naples	2006	2007	Developed	206,600	25,631	69.5%
Indian River Square	FL	Vero Beach	1997/2004	2005	Acquired	379,246	144,246	97.6%
International Speedway Square	FL	Daytona	1999	1999	Developed	242,995	229,995	98.3%
King's Lake Square	FL	Naples	1986	2003	Acquired	85,497	85,497	92.0%
Pine Ridge Crossing	FL	Naples	1993	2006	Acquired	258,874	105,515	95.4%
Riverchase Plaza	FL	Naples	1991/2001	2006	Acquired	78,380	78,380	100.0%
Shops at Eagle Creek	FL	Naples	1983	2003	Redeveloped	72,271	72,271	55.2%
Tarpon Springs Plaza	FL	Naples	2007	2007	Developed	276,346	82,547	93.3%
Wal-Mart Plaza	FL	Gainesville	1970	2004	Acquired	177,826	177,826	98.0%
Waterford Lakes Village	FL	Orlando	1997	2004	Acquired	77,948	77,948	92.6%
Kedron Village	GA	Atlanta	2006	2006	Developed	282,125	157,409	89.4%
Publix at Acworth	GA	Atlanta	1996	2004	Acquired	69,628	69,628	98.3%
The Centre at Panola	GA	Atlanta	2001	2004	Acquired	73,079	73,079	100.0%
Fox Lake Crossing	IL	Chicago	2002	2005	Acquired	99,072	99,072	81.4%
Naperville Marketplace	IL	Chicago	2008	2008	Developed	169,600	83,758	89.6%
South Elgin Commons	IL	Chicago	2009	2009	Developed	45,000	45,000	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 Hill6	IN	Crown Point	2006	2007	Developed	127,821	57,191	50.4%
Boulevard Crossing	IN	Kokomo	2004	2004	Developed	213,696	123,696	87.0%
Bridgewater Marketplace	IN	Indianapolis	2008	2008	Developed	50,820	25,975	53.1%
Cool Creek Commons	IN	Indianapolis	2005	2005	Developed	137,107	124,578	98.6%
Fishers Station4	IN	Indianapolis	1989	2004	Acquired	114,457	114,457	75.2%
Geist Pavilion	IN	Indianapolis	2006	2006	Developed	64,114	64,114	83.6%
Glendale Town Center	IN	Indianapolis	1958/2008	2008	Redeveloped	685,827	403,198	94.1%
Greyhound Commons	IN	Indianapolis	2005	2005	Developed	153,187	—	*
Hamilton Crossing Centre	IN	Indianapolis	1999	2004	Acquired	87,424	82,424	92.3%
Martinsville Shops	IN	Martinsville	2005	2005	Developed	10,986	10,986	58.2%
Red Bank Commons	IN	Evansville	2005	2006	Developed	324,308	34,308	74.2%
Stoney Creek Commons	IN	Indianapolis	2000	2000	Developed	189,527	49,330	100.0%
The Centre5	IN	Indianapolis	1986	1986	Developed	80,689	80,689	96.5%
The Corner	IN	Indianapolis	1984/2003	1984	Developed	42,612	42,612	88.4%
Traders Point	IN	Indianapolis	2005	2005	Developed	348,835	279,674	98.2%
Traders Point II	IN	Indianapolis	2005	2005	Developed	46,600	46,600	54.5%
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	115,063	115,063	82.6%
Eastgate Pavilion	OH	Cincinnati	1995	2004	Acquired	236,230	236,230	100.0%
Cornelius Gateway6	OR	Portland	2006	2007	Developed	35,800	21,324	62.3%
Shops at Otty7	OR	Portland	2004	2004	Developed	154,845	9,845	100.0%
Burlington Coat Factory8	TX	San Antonio	1992/2000	2000	Redeveloped	107,400	107,400	100.0%
Cedar Hill Village	TX	Dallas	2002	2004	Acquired	139,092	44,262	87.7%
Market Street Village	TX	Hurst	1970/2004	2005	Acquired	163,625	156,625	77.6%
Plaza at Cedar Hill	TX	Dallas	2000	2004	Acquired	299,847	299,847	79.2%
Plaza Volente	TX	Austin	2004	2005	Acquired	160,333	156,333	85.1%
	TX	Dallas	2002	2002	Developed	142,539	27,539	92.5%

Preston Commons								
Sunland Towne Centre	TX	El Paso	1996	2004	Acquired	312,450	307,474	91.2%
50th & 12th	WA	Seattle	2004	2004	Developed	14,500	14,500	100.0%
Gateway Shopping Center9	WA	Seattle	2008	2008	Developed	285,200	99,444	91.9%
Sandifur Plaza6	WA	Pasco	2008	2008	Developed	12,552	12,552	82.5%
					TOTAL	7,884,026	4,996,581	90.1%

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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/NRA leased as of December 31, 2009, 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 $96,000. All remaining cash flow is distributed to the Company.
5	The Company owns a 60% interest in this property through a joint venture with a third party that manages the property.
6	The Company owns and manages the following properties through joint ventures with third parties: Bayport Commons (60%); Beacon Hill (50%); Cornelius Gateway (80%); Estero Town Commons (40%); and Sandifur Plaza (95%).
7	The Company does not own the land at this property. It has leased the land pursuant to two ground leases that expire in 2017. The Company has six five-year options to renew this lease.
8	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 renewal options and a right of first refusal to purchase the land.
9	The Company owns a 50% interest in Gateway Shopping Center through a joint venture with a third party. The joint venture partner and manages the property.

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	Tampa	$20,078,916	$1,592,840	$ —	$1,592,840	2.65%	$18.18	Petsmart, Best Buy, Michaels
Estero Town Commons4	FL	Naples	10,500,000	535,225	750,000	1,285,225	2.14%	30.05	Lowe's Home Improvement, Mattress Giant
Indian River Square	FL	Vero Beach	13,216,389	1,442,184	—	1,442,184	2.40%	10.25	Beall's, Target (non-owned), Lowe's Home Improvement (non-owned), Office Depot
International Speedway Square	FL	Daytona	18,596,954	2,359,439	394,643	2,754,082	4.58%	9.84	Bed, Bath & Beyond, Stein Mart, Old Navy, Staples, Michaels, Dick's Sporting Goods
King's Lake Square	FL	Naples	—	1,051,239	—	1,051,239	1.75%	13.36	Publix, Retro Fitness
Pine Ridge Crossing	FL	Naples	17,500,000	1,506,599	—	1,506,599	2.51%	14.96	Publix, Target (non-owned), Beall's (non-owned)
Riverchase Plaza	FL	Naples	10,500,000	1,122,326	—	1,122,326	1.87%	14.32	Publix
Shops at Eagle Creek	FL	Naples	—	649,979	—	649,979	1.08%	16.29	Staples, Lowe's (non-owned)
Tarpon Springs Plaza	FL	Naples	14,000,000	1,687,456	228,820	1,916,276	3.19%	21.91	Cost Plus, AC Moore, Staples
Wal-Mart Plaza	FL	Gainesville	—	954,704	—	954,704	1.59%	5.48	Books-A-Million, Save-A-Lot, Wal-Mart
Waterford Lakes Village	FL	Orlando	—	846,958	—	846,958	1.41%	11.74	Winn-Dixie
Kedron Village	GA	Atlanta	29,700,000	2,391,490	—	2,391,490	3.98%	16.99	Target (non-owned), Bed Bath &

									Beyond, Ross Dress for Less, PETCO
Publix at Acworth	GA	Atlanta	—	756,987	—	756,987	1.26%	11.06	Publix
The Centre at Panola	GA	Atlanta	3,658,067	881,669	—	881,669	1.47%	12.06	Publix
Fox Lake Crossing	IL	Chicago	11,288,753	1,117,501	—	1,117,501	1.86%	13.85	Dominick's Finer Foods
Naperville Marketplace	IL	Chicago	—	973,392	—	973,392	1.62%	12.97	TJ Maxx, PetSmart
South Elgin Commons	IL	Chicago	11,063,419	843,750	—	843,750	1.40%	18.75	LA Fitness
50 South Morton	IN	Indianapolis	—	114,000	—	114,000	0.19%	57.00	
54th & College	IN	Indianapolis	—	—	260,000	260,000	0.43%	—	The Fresh Market (non-owned)
Beacon Hill	IN	Crown Point	7,565,349	518,021	—	518,021	0.86%	17.97	Strack & VanTill (non-owned)
Boulevard Crossing	IN	Kokomo	—	1,478,142	—	1,478,142	2.46%	13.73	PETCO, TJ Maxx, Kohl's (non-owned)
Bridgewater Marketplace	IN	Indianapolis	7,000,000	248,597	—	248,597	0.41%	18.01	Walgreens (non-owned)
Cool Creek Commons	IN	Indianapolis	17,862,709	2,008,539	—	2,008,539	3.34%	16.35	The Fresh Market, Stein Mart, Cardinal Fitness
Fishers Station	IN	Indianapolis	3,937,444	1,000,657	—	1,000,657	1.67%	11.63	Marsh Supermarkets
Geist Pavilion	IN	Indianapolis	11,125,000	920,342	—	920,342	1.53%	17.17	Partytree Superstore, Ace Hardware
Glendale Town Center	IN	Indianapolis	20,553,000	2,192,211	—	2,192,211	3.65%	5.78	Federated Dept Store, Kerasotes Theater, Staples, Indianapolis Library, Lowe's Home Improvement Center (non-owned), Target (non-owned), Walgreens (non-owned)
Greyhound Commons	IN	Indianapolis	—	—	202,500	202,500	0.34%	—	Lowe's Home Improvement Center (non-owned)
	IN	Indianapolis	—	1,311,324	71,500	1,382,824	2.30%	17.23	Office Depot

Hamilton Crossing Centre									
Martinsville Shops	IN	Martinsville	—	99,009	—	99,009	0.16%	15.50	Walgreens (non-owned)
Red Bank Commons	IN	Evansville	—	375,328	—	375,328	0.62%	14.74	Wal-Mart (non-owned), Home Depot (non-owned)
Stoney Creek Commons	IN	Indianapolis	—	464,755	—	464,755	0.77%	9.42	Lowe's Home Improvement (non-owned), HH Gregg, Office Depot
The Centre4	IN	Indianapolis	—	1,058,170	—	1,058,170	1.76%	13.59	Osco Drug
The Corner	IN	Indianapolis	1,574,412	570,936	—	570,936	0.95%	15.16	Hancock Fabrics
Traders Point	IN	Indianapolis	48,000,000	3,965,682	435,000	4,400,682	7.32%	14.44	Dick's Sporting Goods, Kerasotes Theater, Marsh, Bed, Bath & Beyond, Michaels, Old Navy, Petsmart
Traders Point II	IN	Indianapolis	—	702,724	—	702,724	1.17%	$27.66	
Whitehall Pike	IN	Bloomington	8,415,622	1,014,000	—	1,014,000	1.69%	7.86	Lowe's Home Improvement Center
Zionsville Place	IN	Indianapolis	—	236,404	—	236,404	0.39%	19.06	
Ridge Plaza	NJ	Oak Ridge	15,000,000	1,563,530	—	1,563,530	2.60%	16.45	A&P Grocery, CVS
Eastgate Pavilion	OH	Cincinnati	15,209,670	2,392,056	—	2,392,056	3.98%	10.13	Best Buy, Dick's Sporting Goods, Value City Furniture, Petsmart

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
Cornelius Gateway	OR	Portland	—	258,365	—	258,365	0.43%	19.44	Fedex/Kinkos
Shops at Otty	OR	Portland	—	272,962	136,300	409,262	0.68%	27.73	Wal-Mart (non-owned)
Burlington Coat Factory	TX	San Antonio	—	510,150	—	510,150	0.85%	4.75	Burlington Coat Factory
Cedar Hill Village	TX	Dallas	—	628,247	—	628,247	1.05%	16.19	24 Hour Fitness, JC Penny (non-owned)
Market Street Village	TX	Hurst	—	1,464,961	120,000	1,584,961	2.64%	12.05	Jo-Ann Fabric, Ross Dress for Less, Office Depot
Plaza at Cedar Hill	TX	Dallas	25,596,611	3,167,530	—	3,167,530	5.27%	13.34	Hobby Lobby, Office Max, Ross Dress for Less, Marshalls, Sprouts Farmers Market
Plaza Volente	TX	Austin	28,499,703	1,922,670	110,000	2,032,670	3.38%	14.45	H-E-B Grocery
Preston Commons	TX	Dallas	4,305,964	634,579	—	634,579	1.06%	24.91	Lowe's Home Improvement (non-owned)
Sunland Towne Centre	TX	El Paso	25,000,000	2,630,156	104,809	2,734,965	4.55%	9.38	Petsmart, Ross Dress for Less, HMY Roomstore, Kmart, Bed Bath & Beyond, Furniture Factory
50th & 12th	WA	Seattle	4,370,103	475,000	—	475,000	0.79%	32.76	Walgreens
Gateway Shopping Center4	WA	Seattle	21,042,866	2,013,908	144,000	2,157,908	3.59%	22.04	Petsmart, Ross Dress for Less, Rite Aid, Party City, Kohl’s (non-owned)
Sandifur Plaza	WA	Pasco	—	196,320	—	196,320	0.33%	18.96	Walgreens (non-owned)
		TOTAL	$425,160,951	$57,123,013	$2,957,572	$60,080,585	100%	$12.66	

1	Annualized Base Rent Revenue represents the contractual rent for December 2009 for each applicable property, multiplied by 12. This table does not include Annualized Base Rent from development property tenants open for business as of December 31, 2009.
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.
4	A third party manages this property.

Commercial Properties

As of December 31, 2009, we owned interests in three operating commercial properties totaling approximately 0.5 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, 2009:

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 Tenants
Indiana										
30 South2	Indianapolis	1905/2002	Redeveloped	$21,682,906	298,346	93.6%	$4,972,509	77.1%	$17.80	Indiana Supreme Court, City Securities, Kite Realty Group
Pen Products	Indianapolis	2003	Developed	—	85,875	100.0%	834,705	12.9%	9.72	Indiana Dept. of Administration
Union Station Parking Garage3	Indianapolis	1986	Acquired	—	N/A	N/A	N/A	N/A	N/A	Denison Parking Management Agreement
Indiana State Motorpool	Indianapolis	2004	Developed	3,652,440	115,000	100.0%	639,400	9.9%	5.56	Indiana Dept. of Administration
			TOTAL	$25,335,346	499,221	96.2%	$6,446,614	100.0%	$13.43	

1 Annualized Base Rent represents the monthly contractual rent for December 2009 for each applicable property, multiplied by 12.

2 Annualized Base Rent includes $779,507 from the Company and subsidiaries as of December 31, 2009.

3 The garage is managed by a third party.

Retail Development Properties

In addition to our operating retail properties, as of December 31, 2009, we owned two retail development properties that are expected to contain approximately 0.6 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, 2009:

ent pment ects	Company Ownership %1	MSA	Encumbrances	Actual/ Projected Opening Date2	Projected Owned GLA3	Projected Total GLA4	Percent of Owned GLA Occupied5	Percent of Owned GLA Pre-Leased/ Committed6	Total Estimated Project Cost7	Cost Incurred as of December 31, 20097	M Tena Non An
stone L1	50%	Ft. Lauderdale	$30,853,252	Q2 2009	132,743	138,386	17.7%	73.9%	$52,000	$45,335	Stapl Who Food City
reet ns, IN	100%	South Bend	18,802,194	Q3 2009	165,000	465,000	41.3%	72.4%	35,000	27,476	Folle Book Othe Reta Univ of No Dam
urrent Development Projects			$49,655,446		297,743	603,386	30.8%	73.1%	$87,000	$72,811	
curred as of 12/31/2009 included in Construction in progress on consolidated balance										$ 51,586	

1 The Company owns Cobblestone Plaza through a joint venture.

2 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.

3 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.

4 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.

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

6 Excludes outlot land parcels owned by the Company and ground leased to tenants. Includes leases under negotiation for approximately 8,411 square feet for which the Company has signed non-binding letters of intent.

7 Dollars in thousands. Reflects both the Company's and partners' share of costs, except for Eddy Street Commons (see Note 8).

8 The Company is the master developer for this project. The total estimated cost of the mixed-use component of the project is approximately $70 million, the Company's share of which is approximately $35 million. The remaining $35 million of the project cost is attributable to apartments which will be funded and owned by a third party. The Company has also entered into a 50/50 joint venture with White Lodging Services Corporation and commenced construction of a 119 room Fairfield Inn and Suites, limited service hotel. The Company's share of the cost of this hotel is approximately $5.5 million which will be funded by a third-party construction loan.

9 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.

Redevelopment Properties

In addition to our current development pipeline, as displayed in the table above, as of December 31, 2009, we owned five retail redevelopment properties that contain approximately 0.5 million square feet of gross leasable area. The following sets forth more specific information with respect to the Company's retail redevelopment properties as of December 31, 2009:

Redevelopment Projects[1]	Company Ownership %	MSA	Encumbrances	Existing Owned GLA	Projected Owned GLA[2]	Projected Total GLA[3]	Total Estimated Project Cost[4]	Cost Incurred as of December 31, 2009[4]	Major Tenants and Non-owned Anchors
Shops at Rivers Edge, IN	100%	Indianapolis	$14,940,000	110,875	110,875	110,875	$ 2,500	$ 39	Pending
Bolton Plaza, FL	100%	Jacksonville	—	172,938	172,938	172,938	5,700	397	Academy Sports & Outdoors
Courthouse Shadows, FL	100%	Naples	—	134,867	134,867	134,867	2,500	307	Publix, Office Max
Four Corner Square, WA	100%	Seattle	—	29,177	29,177	29,177	500	40	Johnson Hardware Store
Coral Springs Plaza, FL	100%	Boca Raton	—	45,906	45,906	45,906	4,500	225	Toys "R" Us/Babies "R" Us
Total Redevelopment Projects			$14,940,000	493,763	493,763	493,763	$15,700	$ 1,008	

1 Redevelopment properties have been removed from the operating portfolio statistics.

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

Other Development Activity

In addition to our current retail development and redevelopment pipeline, as displayed in the tables above, we have a "shadow" development pipeline, 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. As of December 31, 2009, this visible shadow pipeline consisted of six projects that are expected to contain approximately 2.8 million square feet at a total estimated project cost of approximately $304.9 million, our share of which is expected to be approximately $141.5 million, including our share of the unconsolidated project.

Project	MSA	KRG Ownership %	Encumbrances	Estimated Start Date	Estimated Total GLA1	Total Estimated Project Cost1,2	Cost Incurred as of Dec. 31, 20092	Potential Tenancy
Unconsolidated –								
Parkside Town Commons, NC3	Raleigh	40%	$ 33,873,000	TBD	1,500,000	$148,000	$60,027	Frank Theatres, Discount Department Store, Jr. Boxes, Restaurants
KRG Current Share of Unconsolidated Project Cost3			$13,549,200			$ 29,600	$24,011	
						20%	40%	
Consolidated –								
Delray Marketplace, FL4	Delray Beach	50%	$ 9,425,000	TBD	296,000	$ 90,000	$43,898	Publix, Frank Theatres, Jr. Boxes, Shops, Restaurants
Maple Valley, WA5	Seattle	100%	—	TBD	127,000	11,000	10,073	Hardware Store, Shops
Broadstone Station, NC	Raleigh	100%	—	TBD	345,000	19,100	12,825	Super Wal-Mart (non-owned), Shops, Pad Sales, Jr. Boxes
South Elgin Commons, IL – II	Chicago	100%	—	TBD	263,000	6,800	6,347	Jr. Boxes, Super Target (non-owned), LA Fitness
New Hill Place, NC – I6	Raleigh	100%	—	TBD	310,000	30,000	13,264	Target, Frank Theatres
TOTAL			$ 9,425,000		1,341,000	156,900	86,407	
KRG Current Share of Consolidated Project Cost						$111,900	$64,458	

1 Total Estimated Project Cost and Estimated Total GLA based on preliminary site plans and includes non-owned anchor space that exists or is currently under construction.

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 is 40% as of December 31, 2009 and will be reduced to 20% at the time of project specific construction financing.

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

5 “Total Estimated Project Cost” includes a portion of the acquisition cost of the Four Corner Square shopping center which is a component of the Maple Valley redevelopment.

Land Held for Future Development

As of December 31, 2009, we owned interests in land parcels comprising approximately 95 acres that may 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 3.3% of the portfolio’s annualized base rent for the year ended December 31, 2009. 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, 2009:

TOP 10 RETAIL TENANTS BY GROSS LEASABLE AREA

Tenant	Number of Locations	Total GLA	Number of Leases	Company Owned GLA1	Number of Anchor Owned Locations	Anchor Owned GLA2
Lowe's Home Improvement3	8	1,082,630	2	128,997	6	953,633
Target	6	665,732	0	0	6	665,732
Wal-Mart	4	618,161	1	103,161	3	515,000
Publix	6	289,779	6	289,779	0	0
Federated Department Stores	1	237,455	1	237,455	0	0
Dick's Sporting Goods	3	171,737	3	171,737	0	0
Ross Stores	5	147,648	5	147,648	0	0
Petsmart	6	147,069	6	147,069	0	0
Home Depot	1	140,000	0	0	1	140,000
Bed Bath & Beyond	5	134,298	5	134,298	0	0
	45	3,634,509	29	1,360,144	16	2,274,365

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, 2009:

TOP 25 TENANTS BY ANNUALIZED BASE RENT1,2

Tenant	Type of Property	Number of Locations	Leased GLA/NRA3	% of Owned GLA/NRA of the Portfolio	Annualized Base Rent1,2	Annualized Base Rent per Sq. Ft.	% of Total Portfolio Annualized Base Rent
Publix	Retail	6	289,779	5.2%	$ 2,366,871	$ 8.17	3.3%
Petsmart	Retail	6	147,069	2.6%	2,045,138	13.91	2.9%
Lowe's Home Improvement	Retail	2	128,997	2.3%	1,764,000	6.04	2.5%
Ross Stores	Retail	5	147,648	2.6%	1,681,504	11.39	2.4%
Dick's Sporting Goods	Retail	3	171,737	3.1%	1,666,152	9.70	2.3%
State of Indiana	Commercial	3	210,393	3.8%	1,635,911	7.78	2.3%
Marsh Supermarkets	Retail	2	124,902	2.2%	1,633,958	13.08	2.3%
Bed Bath & Beyond	Retail	5	134,298	2.4%	1,581,884	11.78	2.2%
Office Depot	Retail	5	129,099	2.3%	1,353,866	10.49	1.9%
Indiana Supreme Court	Commercial	1	75,488	1.3%	1,339,164	17.74	1.9%
Staples	Retail	4	89,797	1.6%	1,220,849	13.60	1.7%
HEB Grocery Company	Retail	1	105,000	1.9%	1,155,000	11.00	1.6%
Best Buy	Retail	2	75,045	1.3%	934,493	12.45	1.3%
Kmart	Retail	1	110,875	2.0%	850,379	7.67	1.2%
LA Fitness	Retail	1	45,000	0.8%	843,750	18.75	1.2%
Michaels	Retail	3	68,989	1.2%	823,544	11.94	1.2%
TJX Companies	Retail	3	88,550	1.6%	818,313	9.24	1.2%
Kerasotes Theaters4	Retail	2	43,050	0.8%	776,496	18.04	1.1%
Dominick's	Retail	1	65,977	1.2%	775,230	8.91	1.1%
City Securities Corporation	Commercial	1	38,810	0.7%	771,155	19.87	1.1%
The Great Atlantic & Pacific Tea Co.	Retail	1	58,732	1.0%	763,516	13.00	1.1%
Petco	Retail	3	40,778	0.7%	595,945	14.61	0.8%
Beall's	Retail	2	79,611	1.4%	588,000	7.39	0.8%
Old Navy	Retail	2	39,800	0.7%	511,800	12.86	0.7%
Burlington Coat Factory	Retail	1	107,400	1.9%	510,150	4.75	0.7%
TOTAL			2,616,824	46.8%	$ 29,007,066	$ 10.27	40.8%

1 Annualized base rent represents the monthly contractual rent for December 2009 for each applicable tenant multiplied by 12.

2 Excludes tenants at development properties that are designated as Build-to-Suits for sale.

3

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

4 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.

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Geographic Information

The Company owns 51 operating retail properties, totaling approximately 5.0 million of owned square feet in nine states. As of December 31, 2009, the Company owned interests in three operating commercial properties, totaling approximately 0.5 million square feet of net rentable area, and an associated parking garage. 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, 2009:

	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	2,182,450	39.7%	222	$ 24,725,455	38.9%	$ 12.43
· Retail	20	1,683,229	30.6%	208	18,278,841	28.8%	12.12
· Commercial	4	499,221	9.1%	14	6,446,614	10.1%	13.43
Florida	11	1,180,641	21.4%	153	13,748,950	21.6%	12.58
Texas	7	1,099,480	20.0%	76	10,958,292	17.2%	11.60
Georgia	3	300,116	5.5%	58	4,030,147	6.4%	14.28
Washington	3	126,496	2.3%	18	2,685,228	4.2%	23.10
Ohio	1	236,230	4.3%	7	2,392,056	3.8%	10.13
Illinois	3	227,830	4.1%	18	2,934,643	4.6%	14.62
New Jersey	1	115,063	2.1%	13	1,563,530	2.5%	16.45
Oregon	2	31,169	0.6%	13	531,327	0.8%	22.97
	55	5,499,475	100.0%	578	$ 63,569,628	100.0%	$ 12.77

1 This table includes operating retail properties, operating commercial properties, and ground lease tenants who commenced paying rent as of December 31, 2009.

2 Owned GLA/NRA represents gross leasable area or net leasable area owned by the Company. It does not include 30 parcels or outlots owned by the Company and ground leased to tenants, which contain 20 non-owned structures totaling approximately 466,604 square feet. It also excludes the square footage of Union Station Parking Garage.

3 Annualized Base Rent excludes $2,957,572 in annualized ground lease revenue attributable to parcels and outlots owned by the Company and ground leased to tenants.

Lease Expirations

Approximately 6.4% of total annualized base rent and approximately 5.9% of total GLA/NRA expire in 2010. The following tables show scheduled lease expirations for retail and commercial tenants and development and redevelopment property tenants open for business as of December 31, 2009, assuming none of the tenants exercise renewal options. The tables include tenants open for business at operating retail and commercial properties as of

December 31, 2009.

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO1

	Number of Expiring Leases1,2	Expiring GLA/NRA3	% of Total GLA/NRA Expiring	Expiring Annualized Base Rent4	% of Total Annualized Base Rent	Expiring Annualized Base Rent per Sq. Ft.	Expiring Ground Lease Revenue
2010	84	314,153	5.9%	$ 4,412,681	6.4%	$ 14.05	$ 0
2011	106	722,828	13.6%	7,140,454	10.4%	9.88	0
2012	106	423,350	8.0%	6,949,465	10.1%	16.42	0
2013	73	509,346	9.6%	6,112,357	8.9%	12.00	0
2014	76	553,125	10.4%	7,377,971	10.8%	13.34	459,643
2015	62	678,791	12.8%	8,336,360	12.2%	12.28	181,504
2016	25	231,304	4.3%	2,933,242	4.3%	12.68	0
2017	27	400,300	7.5%	5,763,091	8.4%	14.40	266,300
2018	22	336,523	6.3%	4,518,666	6.6%	13.43	128,820
2019	19	202,657	3.8%	2,920,014	4.3%	14.41	273,000
Beyond	32	946,141	17.8%	12,136,831	17.7%	12.83	1,888,305
	632	5,318,518	100.0%	$68,601,130	100.0%	$ 12.90	$3,197,572

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO (continued)

1 Excludes tenants at development properties that are designated as Build-to-Suits for sale.

2 Lease expiration table reflects rents in place as of December 31, 2009, and does not include option periods; 2010 expirations include 21 month-to-month tenants. This column also excludes ground leases.

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

4 Annualized base rent represents the monthly contractual rent for December 2009 for each applicable tenant multiplied by 12. Excludes ground lease revenue.

LEASE EXPIRATION TABLE – RETAIL ANCHOR TENANTS1

	Number of Expiring Leases1,2	Expiring GLA/NRA3	% of Total GLA/NRA Expiring	Expiring Annualized Base Rent4	% of Total Annualized Base Rent	Expiring Annualized Base Rent per Sq. Ft.	Expiring Ground Lease Revenue
2010	5	131,269	2.5%	$ 1,214,584	1.8%	$ 9.25	$ 0
2011	9	480,134	9.0%	2,487,357	3.6%	5.18	0
2012	8	179,471	3.4%	1,678,862	2.5%	9.35	0
2013	3	222,521	4.2%	993,053	1.5%	4.46	0
2014	9	236,834	4.5%	2,355,657	3.4%	9.95	0
2015	18	508,219	9.6%	4,863,562	7.1%	9.57	0
2016	5	153,782	2.9%	1,318,562	1.9%	8.57	0
2017	11	277,102	5.2%	3,381,502	4.9%	12.20	0
2018	8	300,576	5.7%	3,580,504	5.2%	11.91	0
2019	7	160,999	3.0%	2,048,256	3.0%	12.72	0
Beyond	21	880,778	16.6%	10,819,453	15.8%	12.28	990,000
	104	3,531,685	66.4%	$34,741,351	50.7%	$ 9.84	$ 990,000

1 Retail anchor tenants are defined as tenants that occupy 10,000 square feet or more. Excludes tenants at development properties that are designated as Build-to-Suits for sale.

2 Lease expiration table reflects rents in place as of December 31, 2009, and does not include option periods; 2010 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 2009 for each applicable property multiplied by 12. Excludes ground lease revenue.

LEASE EXPIRATION TABLE – RETAIL SHOPS

	Number of Expiring Leases1	Expiring GLA/NRA1,2	% 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
2010	76	170,544	3.2%	$ 2,970,822	4.3%	$ 17.42	$ 0
2011	96	225,656	4.2%	4,359,181	6.4%	19.32	0
2012	97	234,361	4.4%	5,108,797	7.5%	21.80	0
2013	66	152,606	2.9%	3,399,481	5.0%	22.28	0
2014	65	162,481	3.1%	3,611,759	5.3%	22.23	459,643
2015	43	125,471	2.4%	2,693,291	3.9%	21.47	181,504
2016	20	77,522	1.5%	1,614,680	2.4%	20.83	0
2017	15	47,710	0.9%	1,042,425	1.5%	21.85	266,300
2018	14	35,947	0.7%	938,162	1.4%	26.10	128,820
2019	12	41,658	0.8%	871,758	1.3%	20.93	273,000
Beyond	10	32,692	0.6%	802,809	1.2%	24.56	898,305
	514	1,306,648	24.6%	$27,413,165	40.0%	$ 20.98	$ 2,207,572

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LEASE EXPIRATION TABLE – RETAIL SHOPS (continued)

1 Lease expiration table reflects rents in place as of December 31, 2009, and does not include option periods; 2010 expirations include 20 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 2009 for each applicable property multiplied by 12. Excludes ground lease revenue.

LEASE EXPIRATION TABLE – COMMERCIAL TENANTS

	Number of Expiring Leases1	Expiring NLA1	% of Total NRA Expiring	Expiring Annualized Base Rent2	% of Total Annualized Base Rent	Expiring Annualized Base Rent per Sq. Ft.
2010	3	12,340	0.2%	$ 227,276	0.3%	$ 18.42
2011	1	17,038	0.3%	293,916	0.4%	17.25
2012	1	9,518	0.2%	161,806	0.2%	17.00
2013	4	134,219	2.5%	1,719,822	2.5%	12.81
2014	2	153,810	2.9%	1,410,555	2.1%	9.17
2015	1	45,101	0.9%	779,507	1.1%	17.28
2016	0	0	0.0%	0	0.0%	0.00
2017	1	75,488	1.4%	1,339,164	2.0%	17.74
2018	0	0	0.0%	0	0.0%	0.00
2019	0	0	0.0%	0	0.0%	0.00
Beyond	1	32,671	0.6%	514,568	0.8%	15.75
	14	480,185	9.0%	$ 6,446,614	9.4%	$ 13.43

1 Lease expiration table reflects rents in place as of December 31, 2009, and does not include option periods. This column also excludes ground leases.

2 Annualized base rent represents the monthly contractual rent for December 2009 for each applicable property multiplied by 12.

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 the outcome of which 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Reserved

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 March 5, 2010, the last reported sales price of our common shares on the NYSE was $4.92.

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

	High	Low	Closing
Quarter Ended December 31, 2009	$ 4.40	$ 2.95	$ 4.07
Quarter Ended September 30, 2009	$ 4.28	$ 2.60	$ 4.17
Quarter Ended June 30, 2009	$ 4.77	$ 2.25	$ 2.92
Quarter Ended March 31, 2009	$ 6.46	$ 2.03	$ 2.45
Quarter Ended December 31, 2008	$ 11.67	$ 1.94	$ 5.56
Quarter Ended September 30, 2008	$ 13.44	$ 9.78	$ 11.00
Quarter Ended June 30, 2008	$ 15.52	$ 12.49	$ 12.50
Quarter Ended March 31, 2008	$ 15.65	$ 11.50	$ 14.00

Holders

The number of registered holders of record of our common shares was 142 as of March 5, 2010. 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 2009	January 7, 2010	$ 0.0600	January 18, 2010
3rd 2009	October 7, 2009	$ 0.0600	October 16, 2009
2nd 2009	July 7, 2009	$ 0.0600	July 17, 2009
1st 2009	April 7, 2009	$ 0.1525	April 17, 2009
4th 2008	January 7, 2009	$ 0.2050	January 16, 2009
3rd 2008	October 7, 2008	$ 0.2050	October 17, 2008
2nd 2008	July 7, 2008	$ 0.2050	July 17, 2008
1st 2008	April 4, 2008	$ 0.2050	April 17, 2008

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, 2009, approximately 93% of our distributions to shareholders constituted a return of capital, and approximately 7% constituted taxable ordinary income dividends.

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. See pages 67-68 for a discussion of FFO. 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, 2004 to December 31, 2009, 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, 2004 and that all cash distributions were reinvested. The shareholder return shown on the graph below is not indicative of future performance.

	12/04	6/05	12/05	6/06	12/06	6/07	12/07	6/08	12/08	6/09	12/09
Kite Realty Group Trust	100.00	100.72	105.18	108.61	132.81	138.40	113.44	95.45	44.03	25.45	36.80
S&P 500	100.00	99.19	104.91	107.75	121.48	129.94	128.16	112.89	80.74	83.30	102.11
FTSE NAREIT Equity REITs	100.00	106.38	112.16	126.65	151.49	142.57	127.72	123.13	79.53	69.82	101.79

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. Periods prior to 2009 have been reclassified pursuant to the provisions of SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements,” which was primarily codified into Topic 810—“Consolidation” in the ASC. 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				
	2009[1]	2008[1,2]	2007[1,2,3]	2006[1,2,3]	2005[1,2,3]
	($ in thousands, except share and per share data)				
Operating Data:					
Revenues:					
Rental related revenue	$ 95,841	$ 102,960	$ 95,604	$ 85,651	$ 68,759
Construction and service fee revenue	19,451	39,103	37,260	41,447	26,420
Total revenue	115,292	142,063	132,864	127,098	95,179
Expenses:					
Property operating	18,189	16,388	14,171	12,687	11,082
Real estate taxes	12,069	11,865	11,066	10,687	6,950
Cost of construction and services	17,192	33,788	32,077	35,901	21,823
General, administrative, and other	5,712	5,880	6,285	5,323	5,328
Depreciation and amortization	32,148	34,893	29,731	28,578	20,788
Total expenses	85,310	102,814	93,330	93,176	65,971
Operating income	29,982	39,249	39,534	33,922	29,208
Interest expense	(27,151)	(29,372)	(25,965)	(21,222)	(17,836)
Income tax benefit (expense) of taxable REIT subsidiary	22	(1,928)	(762)	(965)	(1,041)
Income from unconsolidated entities	226	843	291	286	252
Non-cash gain from consolidation of subsidiary	1,635	—	—	—	—
Gain on sale of unconsolidated property	—	1,233	—	—	—
Loss on sale of asset	—	—	—	(764)	—
Other income, net	225	158	778	345	215
Income from continuing operations	4,939	10,183	13,876	11,602	10,798
Discontinued operations:					
Discontinued operations	(732)	331	2,079	1,685	2,022
Non-cash loss on impairment of discontinued operation	(5,385)	—	—	—	—
(Loss) gain on sale of operating property	—	(2,690)	2,036	—	7,212
(Loss) income from discontinued operations	(6,117)	(2,359)	4,115	1,685	9,234
Consolidated net (loss) income	(1,178)	7,824	17,991	13,287	20,032
Net income attributable to noncontrolling interests	(604)	(1,731)	(4,468)	(3,107)	(6,596)
Net (loss) income attributable to Kite Realty Group Trust	$ (1,782)	$ 6,093	$ 13,523	$ 10,180	$ 13,436
(Loss) income per common share – basic:					

Income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ 0.07	$ 0.26	$ 0.36	$ 0.31	$ 0.32
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders	(0.10)	(0.06)	0.11	0.04	0.31
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (0.03)	$ 0.20	$ 0.47	$ 0.35	$ 0.63
(Loss) income per common share – diluted:					
Income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ 0.07	$ 0.26	$ 0.35	$ 0.31	$ 0.31
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders	(0.10)	(0.06)	0.11	0.04	0.31
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (0.03)	$ 0.20	$ 0.46	$ 0.35	$ 0.62
Weighted average Common Shares outstanding – basic	52,146,454	30,328,408	28,908,274	28,733,228	21,406,980
Weighted average Common Shares outstanding – diluted	52,146,454	30,340,449	29,180,987	28,903,114	21,520,061
Distributions declared per Common Share	$ 0.3325	$ 0.8200	$ 0.8000	$ 0.7650	$ 0.7500
Net income attributable to Kite Realty Group Trust common shareholders:					
Income from continuing operations	$ 3,516	$ 7,945	$ 10,325	$ 8,878	$ 6,815
Discontinued operations	(5,298)	(1,852)	3,198	1,302	6,621
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (1,782)	$ 6,093	$ 13,523	$ 10,180	$ 13,436

1 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.

2 In December 2008, we sold our Silver Glen Crossing operating property for net proceeds of approximately $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. Amounts related to this particular property had not previously been reclassified for fiscal years 2007 or prior as they were not considered material to the financial statements. However, when considered together with the results of the Galleria Plaza property, it was determined that collectively the results of the properties which qualify as discontinued operations are material. Thus, all fiscal years reflect the presentation of discontinued operations.

3 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 years ended December 31, 2007, 2006, and 2005.

	Year Ended December 31				
	2009	2008	2007	2006	2005
			($ in thousands)		
Balance Sheet Data:					
Investment properties, net	$ 1,044,799	$ 1,035,454	$ 965,583	$ 892,625	$ 738,734
Cash and cash equivalents	$ 19,958	$ 9,918	$ 19,002	$ 23,953	$ 15,209
Total assets	$ 1,140,685	$ 1,112,052	$ 1,048,235	$ 983,161	$ 799,230
Mortgage and other indebtedness	$ 658,295	$ 677,661	$ 646,834	$ 566,976	$ 375,246
Total liabilities	$ 710,929	$ 755,400	$ 709,369	$ 630,139	$ 431,258
Redeemable noncontrolling interests in the Operating Partnership	$ 47,307	$ 67,277	$ 127,325	$ 156,457	$ 133,331
Kite Realty Group Trust shareholders’ equity	$ 375,078	$ 284,958	$ 206,810	$ 192,269	$ 229,793
Noncontrolling interests	$ 7,371	$ 4,417	$ 4,731	$ 4,296	$ 4,848
Total liabilities and equity	$ 1,140,685	$ 1,112,052	$ 1,048,235	$ 983,161	$ 799,230

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, construction, expansion 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, real estate development, construction and real estate advisory services through our taxable REIT subsidiary. Our operating results therefore depend materially on the ability of our tenants to make required rental payments, our ability to provide such services to third parties, conditions in the United States retail sector and overall real estate market conditions.

As of December 31, 2009, we owned interests in a portfolio of 51 operating retail properties totaling approximately 7.9 million square feet of gross leasable area (including non-owned anchor space) and also owned interests in three operating commercial properties totaling approximately 0.5 million square feet of net rentable area and an associated parking garage. Also, as of December 31, 2009, we had an interest in seven properties in our development and redevelopment pipelines. Upon completion, we anticipate our development and redevelopment properties will have approximately 1.1 million square of total gross leasable area.

Finally, as of December 31, 2009, we also owned interests in other land parcels comprising approximately 95 acres that we expect to 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

The difficult economic conditions for the United States economy, businesses, consumers, housing and credit markets continued throughout 2009. These difficult conditions had a negative impact on consumer spending during 2009, and we expect these conditions to continue into 2010, and possibly longer. Factors contributing to consumers spending less at stores owned and/or operated by our retail tenants include, among others:

- Shortage or Unavailability of Financing: Lending institutions continue to maintain very tight credit standards, making it difficult for individuals and companies (including our tenants) to obtain financing. The shortage of financing has caused, among other things, 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.

- Decreased Home Values and Increased Home Foreclosures: U.S. home values have decreased sharply over the last few years, and 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, particularly among sub-prime mortgage borrowers.

- Rising Unemployment Rates: The U.S. unemployment rate continues to be much higher than historical norms. Unemployment reached 10.2% in November 2009, the highest level in 26 years. High unemployment rates could cause further decreases in consumer spending, thereby negatively affecting the businesses of our retail tenants.

- Deceasing Consumer Confidence: Consumer confidence continues to be at low levels, leading to consumers spending less money on discretionary purchases. The significant increases in both personal and business bankruptcies during 2009 reflect an economy that continues to be challenged, with financially over-extended consumers less likely to purchase goods and/or services from our retail tenants.

During 2009, decreasing consumer spending had a negative impact on the businesses of our retail tenants, as reflected in weak retail sales for much of the year 2009. As discussed below, these conditions in turn had a negative impact on our business. While we did experience an increase in leasing activity in the fourth quarter of 2009, 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. This is particularly true in the states of Indiana, Florida and Texas, where the majority of our properties are located, and in North Carolina, where a significant portion of our development projects and land parcels held for development are located. As discussed above, due to the challenges facing U.S. consumers, the operations of many of our retail tenants are being negatively affected. In turn, this has a negative impact on our business, including in the following ways:

- 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 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 continued to be above historical norms in 2009, although such requests leveled off in the second half of the year. If granted, such decreases or deferrals negatively affect our cash flows.

- Termination of Leases. If our tenants continue to struggle to meet their rental obligations, they may be forced to terminate their leases with us. During 2009, tenants at some of our properties terminated their leases with us. In some cases we were able to negotiate lease termination fees from these tenants but in other cases our negotiations were unsuccessful.

- Tenant Bankruptcies. The number of bankruptcies by U.S. businesses continued to be at elevated levels during 2009. This trend has continued into 2010 and may continue into the foreseeable future. Likewise, bankruptcies of our retail tenants were also higher than historical norms during 2009.

- Decrease in Demand for Retail Space. Reflecting the extremely difficult current market conditions, demand for retail space at our shopping centers continued to be low while availability has increased due to tenant terminations and bankruptcies. While our leasing activity did see an increase in the fourth quarter of 2009, the overall tenancy at our shopping centers declined over the last 12 months and may continue to decline in the future until financial markets, consumer confidence, and the economy stabilize. In addition, these conditions have made it significantly more difficult for us to lease space in our development projects, which may adversely affect the expected returns from these projects or delay their completion.

The factors discussed above, among others, had a negative impact on our business during 2009. We expect that these conditions may continue well into the foreseeable future.

Financing Strategy; 2010 and 2011 Maturities

Our ability to obtain financing on satisfactory terms and to refinance borrowings as they mature has also been affected by the condition of the economy in general and by the current instability of the financial markets in particular. As of February 17, 2010, we had refinanced or extended the maturity dates for all of our 2010 debt maturities, as discussed below. Currently, approximately $250 million of our consolidated indebtedness is scheduled to mature in 2011. In particular, (i) our unsecured term loan, which had a balance of $55 million as of December 31, 2009, will mature on July 15, 2011 and (ii) our unsecured revolving credit facility, which had a balance of approximately $78 million as of December 31, 2009, will mature on February 20, 2011 (with a one-year extension option to February 20, 2012 available if we are in compliance with all applicable covenants under the related agreement). We are conducting negotiations with our existing and potential replacement lenders to refinance or obtain extensions on our term loan and unsecured revolving credit facility. 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 challenging 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, particularly our unsecured term loan, our financial condition and liquidity could be adversely impacted. It is also important for us to obtain additional financing in order to complete our development and redevelopment projects.

To strengthen our balance sheet, we continued to consider appropriate financing transactions in 2009. For example, in May 2009, we completed an equity offering of 28,750,000 common shares at an offering price of $3.20 per share for aggregate gross and net proceeds of $92.0 million and $87.5 million, respectively. Approximately $57 million of the net proceeds were used to repay borrowings under our unsecured revolving credit facility and the remainder was retained as cash, which we used to address future debt maturities and capital needs. In addition, in December 2009 we entered into an Equity Distribution Agreement pursuant to which we may sell, from time to time, up to an aggregate amount of $25 million of our common shares. To date, we have not utilized this program. As of December 31, 2009, we had combined approximately $87 million of available liquidity in the form of cash and cash equivalents ($20 million) and availability under our unsecured revolving credit facility ($67 million).

In addition to raising new capital, we have also been successful in extending the maturity dates or refinancing loans originally maturing in 2010. For example, during the fourth quarter of 2009, we extended the maturity date or refinanced the debt at three of our properties (Ridge Plaza, to January 2017; Tarpon Springs Plaza, to January 2013; and Estero Town Commons, to January 2013). Further, in the first quarter of 2010, we negotiated the extension of the maturity dates on the debt at three other properties (South Elgin Commons, to September 2013; Cobblestone Plaza, to February 2013; and Shops at Rivers Edge, to February 2013). As a result of these actions and others, we refinanced or extended the maturity dates to 2013 on approximately $57 million of indebtedness originally due in 2010. A schedule of our maturities (excluding regular principal payments) after consideration of these early 2010 refinancing actions follows:

	Balances As of December 31, 2009	Annual Maturities	Subsequent Activity	Amounts Due At Maturity After 2010 Maturity Date Extensions
2010	$ 60,001,404	$ (3,144,733)	$ (56,856,671)	$ —
2011	252,871,911	(3,124,697)	—	249,747,214
2012	54,114,603	(3,549,537)	—	50,565,066
2013	39,084,352	(3,556,861)	56,856,671	92,384,162
2014	34,802,465	(3,262,898)	—	31,539,567
Thereafter	216,442,008	(7,765,780)	—	208,676,228
	$ 657,316,743	$ (24,404,506)	$ —	$ 632,912,237
Unamortized Premiums	977,770			
Total	$ 658,294,513			

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, 2009, our unfunded share of the total estimated cost of the properties in our current development and redevelopment pipelines was approximately $26 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 draws on our unsecured revolving credit facility (which, as noted above, has $67 million of availability as of December 31, 2009), a prolonged credit crisis will 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.

Purchase Accounting

In accordance with Topic 805—"Business Combinations" in the ASC, we measure identifiable assets acquired, liabilities assumed, and any non-controlling interests in an acquiree at fair value on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. In making estimates of fair values for the purpose of allocating purchase price, a number of sources are utilized, including information obtained as a result of pre-acquisition due diligence, marketing and leasing activities.

A portion of the purchase price is allocated to tangible assets and intangibles, including:

- the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, independent appraisals or other relevant data;

- above-market and below-market in-place lease values for acquired properties are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the leases. The capitalized above-market and below-market lease values are amortized as a reduction of or addition to rental income over the remaining non-cancelable terms of the respective leases. Should a tenant vacate, terminate its lease, or otherwise notify us of its intent to do so, the unamortized portion of the lease intangibles would be charged or credited to income; and

- the value of leases acquired. We utilize independent sources for estimates to determine the respective in-place lease values. Our estimates of value are made using methods similar to those used by independent appraisers. Factors we consider in their analysis include an estimate of costs to execute similar leases including tenant improvements, leasing commissions and foregone costs and rent received during the estimated lease-up period as if the space was vacant. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

We also consider whether a portion of the purchase price should be allocated to in-place leases that have a related customer relationship intangible value. Characteristics we consider in allocating these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality, and expectations of lease renewals, among other factors. To date, a tenant relationship has not been developed that is considered to have a current intangible value.

Due to the January 1, 2009 adoption of new accounting guidance regarding business combinations, the costs of an acquisition are expensed in the period incurred.

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 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

Management reviews investment properties, land parcels and intangible assets within the real estate operation and development segment 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, an impairment loss may be appropriate.

In the third quarter of 2009, as part of our regular quarterly review, we determined that it was appropriate to write off the net book value on the Galleria Plaza operating property in Dallas, Texas and recognize a non-cash impairment charge of $5.4 million. Our estimated future cash flows, which considered recent negative property-specific events, were anticipated to be insufficient to recover the carrying value due to significant ground lease obligations and expected future required capital expenditures. We conveyed the title to the center to the ground lessor in the fourth quarter of 2009. Management does not believe any other investment properties or development assets are impaired as of December 31, 2009.

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. 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.

Our 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, prior periods are reclassified to reflect the operations of these properties as discontinued operations.

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 and losses from sales 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.

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 11 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.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, as of December 31, 2009, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Income Taxes and REIT Compliance

We are considered a corporation for federal income tax purposes and qualify as a REIT. As such, 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, 2009, we owned interests in 55 operating properties (consisting of 51 retail properties, three operating commercial (office/industrial) properties and an associated parking garage) and seven entities that held development or redevelopment properties in which we have an interest. These redevelopment properties include Bolton Plaza, Coral Springs Plaza, Courthouse Shadows, Shops at Rivers Edge and Four Corner Square, all of which are undergoing major redevelopment. Of the 62 total properties held at December 31, 2009, a component of a development parcel was owned through an unconsolidated joint venture and accounted for under the equity method.

At December 31, 2008, we owned interests in 56 operating properties (consisting of 52 retail properties, three operating commercial properties and an associated parking garage) and eight entities that held development or redevelopment properties in which we have an interest. Of the 64 total properties held at December 31, 2008, one operating property was owned through an unconsolidated joint venture and accounted for under the equity method.

At December 31, 2007, we owned interests in 55 operating properties (consisting of 50 retail properties, four commercial operating properties and an associated parking garage) and had interests in 11 entities that held development or redevelopment properties. These redevelopment properties included our Glendale Town Center and Shops at Eagle Creek properties, which were both undergoing major redevelopment. Of the 66 total properties held at December 31, 2007, two operating properties were owned through joint ventures that were accounted for under the equity method.

The comparability of results of operations is significantly affected by our development, redevelopment, and operating property acquisition and disposition activities in 2007, 2008 and 2009. Therefore, we believe it is most useful to review the comparisons of our 2007, 2008 and 2009 results of operations (as set forth below under "Comparison of Operating Results for the Years Ended December 31, 2009 and 2008" and "Comparison of Operating Results for the Years Ended December 31, 2008 and 2007") 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, 2009, 2008 and 2007, 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	165,000
South Elgin Commons, Phase I2	Chicago, IL	June 2009	45,000
Cobblestone Plaza2	Ft. Lauderdale, FL	March 2009	157,957
54th & College	Indianapolis, IN	June 2008	N/A3
Beacon Hill Phase II	Crown Point, IN	December 2007	19,160
Bayport Commons	Tampa, FL	September 2007	94,756
Cornelius Gateway	Portland, OR	September 2007	21,000
Tarpon Springs Plaza	Naples, FL	July 2007	82,546
Gateway Shopping Center	Seattle, WA	April 2007	100,949
Bridgewater Marketplace	Indianapolis, IN	January 2007	26,000
Sandifur Plaza	Pasco, WA	January 2007	12,552

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,

3 Property is ground leased to a single tenant.

Property Acquisition Activities

During the year ended December 31, 2008, we acquired the property below. We did not acquire any properties for the years ending December 31, 2009 and 2007.

Property Name	MSA	Acquisition Date	Acquisition Cost (Millions)	Financing Method	Owned GLA
Shops at Rivers Edge1	Indianapolis, IN	February 2008	$ 18.3	Primarily Debt	110,875

1 This property was purchased with the intent to redevelop; therefore, it is included in our redevelopment pipeline, as discussed below. However, for purposes of the comparison of operating results, this property is classified as property acquired during 2008 in the comparison of operating results tables below.

Operating Property Disposition Activities

During the years ended December 31, 2008 and 2007, we sold the operating properties listed in the table below. We did not sell any operating properties in the year ended December 31, 2009. However, as part of our regular quarterly review for possible asset impairments, we determined that it was appropriate to write off the net book value on the Galleria Plaza operating property in Dallas, Texas and recognize a non-cash impairment charge of $5.4 million. Our estimated future cash flows, which considered recent negative property-specific events, were anticipated to be insufficient to recover the carrying value due to significant ground lease obligations and expected future required capital expenditures. We conveyed the title to the property to the ground lessor in the fourth quarter of 2009. 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
Spring Mill Medical, Phase I1	Indianapolis, IN	December 2008	63,431
Silver Glen Crossing2	Chicago, IL	December 2008	132,716
176th & Meridian3	Seattle, WA	November 2007	14,560

1 We held a 50% interest in this unconsolidated joint venture. In December 2008, the joint venture sold this property for $17.5 million, resulting in a total gain on sale of approximately $3.5 million. Net proceeds of approximately $14.4 million from the sale of this property were utilized to defease the related mortgage loan. Our share of the gain on sale was approximately $1.2 million, net of our excess investment. We used the majority of our share of the net proceeds to pay down borrowings under our unsecured revolving credit facility. Prior to the sale of this property, the joint venture sold a parcel of land for net proceeds of approximately $1.1 million, of which our share was $0.6 million.

2 We realized net proceeds of approximately $17.2 million from the sale of this property and recognized a loss on the sale of $2.7 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. The sale of this property and the property's operating results are reflected as discontinued operations in the accompanying consolidated statements of operations.

3 This property was sold for net proceeds of $7.0 million and a gain of $2.0 million. We utilized the proceeds from the sale with the intention to execute a like-kind exchange under Section 1031 of the Internal Revenue Code and, in February 2008 we did so by purchasing Shops at Rivers Edge, as discussed above. The sale of this property and the property's operating results are reflected as discontinued operations in the accompanying consolidated statements of operations.

Redevelopment Activities

During the years ended December 31, 2009, 2008 and 2007, we transitioned the following properties from our operating portfolio to our redevelopment pipeline:

Property Name	MSA	Transition Date1	Owned GLA
Coral Springs Plaza2	Boca Raton, FL	March 2009	45,906
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
Shops at Rivers Edge6	Indianapolis, IN	June 2008	110,875

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

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. We expect this tenant to open in the second half of 2010.

3 In 2009, Publix purchased the lease of the former anchor tenant and made certain improvements on the space.

4 In addition to the existing center, we also own approximately ten acres of adjacent land which may be utilized in the redevelopment. We anticipate the majority of the existing center will remain open during the redevelopment.

5 The former anchor tenant's lease at the shopping center expired in May 2008 and was not renewed. We recently executed a 66,500 square foot lease with Academy Sports & Outdoors to anchor this center and expect this tenant to open during the second half of 2010.

6 We purchased this property in February 2008 with the intent to redevelop. The existing anchor tenant's lease at this property will expire in March 2010 and we are currently in discussion with several prospective anchor tenants.

Comparison of Operating Results for the Years Ended December 31, 2009 and 2008

The following table reflects income statement line items from our consolidated statements of operations for the years ended December 31, 2009 and 2008:

	Year Ended December 31,		
	2009	2008	Increase (Decrease) 2009 to 2008
Revenue:			
Rental income (including tenant reimbursements)	$ 89,775,606	$ 89,043,270	$ 732,336
Other property related revenue	6,065,708	13,916,680	(7,850,972)
Construction and service fee revenue	19,450,789	39,103,151	(19,652,362)
Total revenue	115,292,103	142,063,101	(26,770,998)
Expenses:			
Property operating	18,188,710	16,388,515	1,800,195
Real estate taxes	12,068,903	11,864,552	204,351
Cost of construction and services	17,192,267	33,788,008	(16,595,741)
General, administrative, and other	5,711,623	5,879,702	(168,079)
Depreciation and amortization	32,148,318	34,892,975	(2,744,657)
Total expenses	85,309,821	102,813,752	(17,503,931)
Operating income	29,982,282	39,249,349	(9,267,067)
Interest expense	(27,151,054)	(29,372,181)	(2,221,127)
Income tax benefit (expense) of taxable REIT subsidiary	22,293	(1,927,830)	(1,950,123)
Income from unconsolidated entities	226,041	842,425	(616,384)
Gain on sale of unconsolidated property	—	1,233,338	(1,233,338)
Non-cash gain from consolidation of subsidiary	1,634,876	—	1,634,876
Other income, net	224,927	157,955	66,972
Income from continuing operations	4,939,365	10,183,056	(5,243,691)
Discontinued operations:			
Discontinued operations	(732,621)	330,482	(1,063,103)
Non-cash loss on impairment of discontinued operation	(5,384,747)	—	5,384,747
Loss on sale of operating property	—	(2,689,888)	(2,689,888)
(Loss) income from discontinued operations	(6,117,368)	(2,359,406)	3,757,962
Consolidated net (loss) income	(1,178,003)	7,823,650	(9,001,653)
Less: Net (loss) income attributable to noncontrolling interests	(603,763)	(1,730,524)	(1,126,761)
Net (loss) income attributable to Kite Realty Group Trust	$ (1,781,766)	$ 6,093,126	$ (7,874,892)

Rental income (including tenant reimbursements) increased approximately $0.7 million, or 1%, due to the following:

	Increase (Decrease) 2009 to 2008
Property acquired during 2008	$ 90,910
Development properties that became operational or were partially operational in 2008 and/or 2009	4,086,790
Properties under redevelopment during 2008 and/or 2009	(1,209,450)
Properties fully operational during 2008 and 2009 & other	(2,235,914)
Total	$ 732,336

The $2.2 million decrease in rental income for properties fully operational in 2009 and 2008 was primarily related to the following:

- $0.8 million reduction in base rent from the 2008 bankruptcy of Circuit City, offset by increases of $1.2 million from the 2008 write off to rental income of straight-line rent receivables and in-place lease liabilities;

- $2.3 million net reduction in minimum rent at a number of our properties due to the termination of other leases with tenants in 2009 and 2008, which includes the write off to rental income of straight-line rent receivables and in-place lease liabilities;

- $0.4 million reduction as a result of the 2009 sale of a parcel of land adjacent to our Shops at Eagle Creek operating property; and

- $0.2 million net decrease in reimbursements due to a decline in recoverable operating expenses.

Offsetting these decreases is $0.3 million of rental income from the consolidation of The Centre operating property as of September 30, 2009.

Other property related revenue primarily consists of parking revenues, percentage rent, lease settlement income and gains on land sales. This revenue decreased approximately $7.9 million, or 57%, primarily as a result of lower gains on land sales of $7.0 million and lease settlement income of $1.3 million. This revenue decrease was partially offset by a $0.4 million reversal of an estimated liability for which we are no longer obligated.

Construction service fee revenue decreased approximately $19.7 million, or 50%. This decrease reflects 2008 proceeds of $10.6 million from the sale of our Spring Mill Medical, Phase II build-to-suit commercial development asset and net declines in the level of third-party construction and services activity of $9.1 million.

Property operating expenses increased approximately $1.8 million, or 11%, due to the following:

	Increase (Decrease) 2009 to 2008
Property acquired during 2008	$ 148,210
Development properties that became operational or were partially operational in 2008 and/or 2009	688,617
Properties under redevelopment during 2008 and/or 2009	(232,616)
Properties fully operational during 2008 and 2009 & other	1,195,984
Total	$ 1,800,195

The $1.2 million increase in property operating expense for properties fully operational in 2009 and 2008 was primarily related to the following:

- $1.0 million net increase in bad debt expense at a number of our operating properties which is reflective of financial difficulties (including bankruptcies) experienced by a number of our tenants; and
- $0.5 million net increase in landscaping and parking lot expense, the majority of which is recoverable from tenants.

These increases in property operating expenses were partially offset by a $0.3 million decrease in repairs and maintenance expense.

Real estate taxes increased approximately $0.2 million, or 0.2%, due to the following:

	Increase (Decrease) 2009 to 2008
Property acquired during 2008	$ (22,689)
Development properties that became operational or were partially operational in 2008 and/or 2009	608,602
Properties under redevelopment during 2008 and/or 2009	(172,830)
Properties fully operational during 2008 and 2009 & other	(208,732)
Total	$ 204,351

The $0.2 million decrease in real estate tax expense for properties fully operational in 2009 and 2008 was primarily related to the timing of property reassessments by the taxing authorities and our related appeals of these assessments. The appeals process can last many months, resulting in the assessments and appeals settlements occurring in different periods. Typically, the majority of any increase (decrease) in our real estate tax expense is recoverable from (refundable to) our tenants.

Cost of construction and services decreased approximately $16.6 million, or 49%. This decrease is due to 2008 cost of $9.4 million associated with the sale of our Spring Mill Medical, Phase II build-to-suit commercial development asset and net declines in the level of third-party construction and services activity of $7.2 million.

General, administrative and other expenses decreased approximately $0.2 million, or 3% due to small declines in personnel-related expenses and various costs of operating as a public company. General, administrative and other expenses were 5.0% and 4.1% of total revenue in 2009 and 2008, respectively.

Depreciation and amortization expense decreased approximately $2.7 million, or 8%, due to the following:

	Increase (Decrease) 2009 to 2008
Property acquired during 2008	$ (107,604)
Development properties that became operational or were partially operational in 2008 and/or 2009	1,078,122
Properties under redevelopment during 2008 and/or 2009	(2,593,484)
Properties fully operational during 2008 and 2009 & other	(1,121,691)
Total	$ (2,744,657)

The $1.1 million decrease in depreciation and amortization expense for properties fully operational in 2009 and 2008 was primarily related to the following:

- $1.5 million decline from accelerated depreciation and amortization on tangible and intangible assets associated with the 2008 bankruptcy of Circuit City involving three of our properties; and

- $0.4 million decrease in accelerated depreciation and amortization on tangible and intangible assets at a number of our other properties resulting from the termination of other tenant leases with us.

These decreases in depreciation and amortization expenses were partially offset by the following increases:

- $0.4 million from the consolidation of The Centre operating property as of September 30, 2009; and
- $0.3 million as a result of the 2009 sale of a parcel of land adjacent to our Shops at Eagle Creek operating property.

Interest expense decreased approximately $2.2 million, or 8%, primarily as a result of lower average borrowings (proceeds from our October 2008 and May 2009 common equity offerings were used to pay down borrowings), and an average decrease in the LIBOR interest rate of approximately 230 basis points.

Income taxes on our taxable REIT subsidiary changed from an expense of $1.9 million in 2008 to a minor benefit (credit) in 2009. This change is primarily caused by taxable gains on the sales of a land parcel and our Spring Mill Medical, Phase II build-to-suit commercial development asset in 2008 and lower taxable third-party construction and services activity in 2009.

Income from unconsolidated entities decreased $0.6 million due to the 2008 sale of a land parcel, our share of which was $0.6 million.

Gain on sale of unconsolidated property in 2008 of $1.2 million represents the gain from the sale of our interest in Spring Mill Medical, Phase I, one of our unconsolidated commercial operating properties.

The $1.6 million non-cash gain from consolidation of subsidiary in 2009 represents a gain that was recognized upon the consolidation of The Centre operating property which is owned in a joint venture. We paid off a third-party loan on this previously unconsolidated entity and contributed approximately $2.1 million of capital to the entity. In accordance with the provisions of Topic 810 – "Consolidation" of the ASC, the financial statements of The Centre were consolidated as of September 30, 2009, and its assets and liabilities were recorded at fair value, resulting in a non-cash gain of $1.6 million, of which our share was approximately $1.0 million.

Discontinued operations changed from income of $0.3 million in 2008 to a loss of $0.7 million in 2009. Discontinued operations result from the 2008 sale of our Silver Glen Crossings operating property and the 2009 transfer of our Galleria Plaza property to the ground lessor. Galleria Plaza had a net loss in both 2009 and 2008 while Silver Glen Crossings had net income in 2008.

The $5.4 million non-cash loss on impairment of a real estate asset in 2009 relates to the write-off of the net book value of our Galleria Plaza property in Dallas, Texas, which was transferred to the ground lessor.

The 2008 loss on sale of operating property of $2.7 million results from the sale of our Silver Glen Crossings property, located in Chicago, Illinois.

Net income attributable to noncontrolling interests decreased $1.1 million from $1.7 million in 2008 to $0.6 million in 2009. In 2009, noncontrolling interests includes the minority interest in the non-cash gain from consolidation of The Centre of $0.7 million and the minority interest from the sale of an outlot parcel of $0.2 million, offset by our operating partnership limited partners' share of the consolidated net loss of $0.3 million.

Comparison of Operating Results for the Years Ended December 31, 2008 and 2007

The following table reflects income statement line items from our consolidated statements of operations for the years ended December 31, 2008 and 2007:

	Year Ended December 31,		
	2008	2007	Increase (Decrease) 2008 to 2007
Revenue:			
Rental income (including tenant reimbursements)	$ 89,043,270	$ 85,590,681	$ 3,452,589
Other property related revenue	13,916,680	10,012,934	3,903,746
Construction and service fee revenue	39,103,151	37,259,934	1,843,217
Total revenue	142,063,101	132,863,549	9,199,552
Expenses:			
Property operating	16,388,515	14,171,192	2,217,323
Real estate taxes	11,864,552	11,065,723	798,829
Cost of construction and services	33,788,008	32,077,014	1,710,994
General, administrative, and other	5,879,702	6,285,267	(405,565)
Depreciation and amortization	34,892,975	29,730,654	5,162,321
Total expenses	102,813,752	93,329,850	9,483,902
Operating income	39,249,349	39,533,699	(284,350)
Interest expense	(29,372,181)	(25,965,141)	3,407,040
Income tax benefit (expense) of taxable REIT subsidiary	(1,927,830)	(761,628)	1,166,202
Income from unconsolidated entities	842,425	290,710	551,715
Gain on sale of unconsolidated property	1,233,338	—	1,233,338
Other income, net	157,955	778,434	(620,479)
Income from continuing operations	10,183,056	13,876,074	(3,693,018)
Discontinued operations:			
Discontinued operations	330,482	2,078,860	(1,748,378)
(Loss) gain on sale of operating properties	(2,689,888)	2,036,189	(4,726,077)
(Loss) income from discontinued operations	(2,359,406)	4,115,049	(6,474,455)
Consolidated net (loss) income	7,823,650	17,991,123	(10,167,473)
Net income attributable to noncontrolling interests	(1,730,524)	(4,468,440)	(2,737,916)
Net income attributable to Kite Realty Group Trust	$ 6,093,126	$ 13,522,683	$ (7,429,557)

Rental income (including tenant reimbursements) increased approximately $3.5 million, or 4%, due to the following:

	Increase (Decrease) 2008 to 2007
Property acquired during 2008	$ 1,780,008
Development properties that became operational or were partially operational in 2007 and/or 2008	5,863,617
Properties under redevelopment during 2007 and/or 2008	322,686
Properties fully operational during 2007 and 2008 & other	(4,513,722)
Total	$ 3,452,589

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Excluding the changes due to the acquisition of properties, transitioned development properties, and properties under redevelopment, the net $4.5 million decrease in rental income was primarily related to the following:

- $1.9 million net decrease at a number of our properties primarily due to the termination of leases with tenants in 2007 and 2008, which includes the loss of rent as well as the write off to income of intangible lease related amounts;

- $1.2 million net decrease in real estate tax recoveries from tenants primarily due to real estate tax refunds at a number of our operating properties in 2008 related to decreased assessments; most of the refunds were reimbursed to our tenants;

- $0.9 million net write off of rental income amounts in connection with the bankruptcy and liquidation of Circuit City stores at three of our properties;

- $0.3 million decrease at our Union Station parking garage related to the change in structure of our agreement from a lease to a management agreement with a third party; and

- $0.3 million decrease in common area maintenance and property insurance recoveries at a number of our operating properties due to a decrease in the related recoverable expenses.

Other property related revenue primarily consists of parking revenues, percentage rent, lease settlement income and gains from land sales. This revenue increased approximately $3.9 million, or 39%, primarily as a result of the following:

- $3.2 million increased gains on land sales in 2008 compared to 2007; and

- $1.5 million net increase in parking revenue at our Union Station parking garage related to the change in structure of our agreement from a lease to a management agreement with a third party.

These increases were partially offset by a $0.7 million decrease in percentage rent from our retail operating tenants in 2008 compared to 2007.

Construction and service fee revenue increased approximately $1.8 million, or 5%. This increase is primarily due to the net increase in proceeds from the sale of build-to-suit assets, partially offset by the level and timing of third-party construction contracts during 2008 compared to 2007. In 2008, we realized proceeds of $10.6 million from the sale of our Spring Mill Medical, Phase II build-to-suit commercial development asset and in 2007 we realized proceeds of $6.1 million from the sale of a build-to-suit asset at Sandifur Plaza.

Property operating expenses increased approximately $2.2 million, or 16%, due to the following:

	Increase (Decrease) 2008 to 2007
Property acquired during 2008	$ 314,322
Development properties that became operational or were partially operational in 2007 and/or 2008	1,257,519
Properties under redevelopment during 2007 and/or 2008	227,433
Properties fully operational during 2007 and 2008 & other	418,049
Total	$ 2,217,323

Excluding the changes due to the acquisition of properties, transitioned development properties, properties under redevelopment, and the property sold, the net $0.4 million increase in property operating expenses was primarily due the following:

- $0.5 million net increase in bad debt expense at a number of our operating properties which is reflective of financial difficulties (including bankruptcies) experienced by a number of our tenants; and

- $0.5 million increase in expenses at our Union Station parking garage property related to a change in the structure of our agreement from a lease to a management agreement with a third party.

This increase in operating expenses was partially offset by a net decrease of $0.5 million in insurance and landscaping expenses at a number of our properties.

Real estate taxes increased approximately $0.8 million, or 7%, due to the following:

	Increase (Decrease) 2008 to 2007
Property acquired during 2008	$ 197,623
Development properties that became operational or were partially operational in 2007 and/or 2008	702,284
Properties under redevelopment during 2007 and/or 2008	140,173
Properties fully operational during 2007 and 2008 & other	(241,251)
Total	$ 798,829

Excluding the changes due to the acquisition of properties, transitioned development properties, properties under redevelopment, the net $0.2 million decrease in real estate taxes was primarily due to approximately $0.7 million of real estate tax refunds received in 2008, net of related professional fees, at our Market Street Village, Galleria Plaza, and Cedar Hill Plaza properties, most of which was reimbursed to tenants. This decrease was partially offset by a $0.5 million net increase in real estate tax assessments at a number of our operating properties.

Cost of construction and services increased approximately $1.7 million, or 5%. This increase was primarily due to the increased costs associated with the sale of build-to-suit assets, partially offset by the level and timing of third-party construction contracts during 2008 compared to 2007. In 2008, we had costs associated with the sale of our Spring Mill Medical, Phase II, build-to-suit commercial development asset of $9.4 million, while in 2007 we had costs associated with the sale of a build-to-suit asset at Sandifur Plaza of $4.1 million.

General, administrative and other expenses decreased approximately $0.4 million, or 6%. General, administrative and other expenses were 4.1% and 4.5% of total revenue in 2008 and 2007, respectively. This decrease in general, administrative and other expenses was primarily due to decreased salary, benefits and incentive compensation expense as a result of a decrease in overall headcount.

Depreciation and amortization expense increased approximately $5.2 million, or 17%, due to the following:

	Increase (Decrease) 2008 to 2007
Property acquired during 2008	$ 910,235
Development properties that became operational or were partially operational in 2007 and/or 2008	3,137,576
Properties under redevelopment during 2007 and/or 2008	(1,894,435)
Properties fully operational during 2007 and 2008 & other	3,008,945
Total	$ 5,162,321

Excluding the changes due to the acquisition of properties, transitioned development properties, properties under redevelopment, the net $3.0 million increase in depreciation and amortization expense was primarily attributable to the acceleration of depreciable assets, including intangible lease assets, related to the termination of tenants, including the termination of leases with Circuit City stores at three of our properties that was recognized in 2008 in connection with Circuit City's bankruptcy and liquidation.

Interest expense increased approximately $3.4 million, or 13%, due to the following:

	Increase (Decrease) 2008 to 2007
Property acquired during 2008	$ 593,808
Development properties that became operational or were partially operational in 2007 and/or 2008	2,609,255
Properties under redevelopment during 2007 and/or 2008	(112,367)
Properties fully operational during 2007 and 2008 & other	316,344
Total	$ 3,407,040

Excluding the changes due to the acquisition of properties, transitioned development properties and properties under redevelopment, the net $0.3 million increase in interest expense was primarily due to higher interest related to the $55 million outstanding on our term loan, which was entered into in July 2008. This was partially offset by lower LIBOR rates on our variable rate debt, including the line of credit, during fiscal year 2008 compared to 2007.

Income tax expense of our taxable REIT subsidiary increased $1.2 million, or 153%, primarily due to the income taxes incurred by our taxable REIT subsidiary associated with the gain on the sale of land in the first quarter of 2008 as well as the sale of Spring Mill Medical, Phase II, a consolidated joint venture property. This build-to-suit commercial asset that we sold was adjacent to Spring Mill Medical I and was owned in our taxable REIT subsidiary through a 50% owned joint venture with a third party. Our proceeds from this sale were approximately $10.6 million, and our associated construction costs were approximately $9.4 million, including a $0.9 million payment to our joint venture partner to acquire their partnership interest prior to the sale to a third party. Our share of net proceeds of approximately $1.2 million from this sale was primarily used to pay down borrowings under our unsecured revolving credit facility.

Income from unconsolidated entities increased approximately $0.6 million, or 100%. This increase is due to a gain from the sale of a land parcel, our share of which was $0.6 million.

Gain on sale of unconsolidated property was $1.2 million in 2008 and resulted from the sale of our interest in Spring Mill Medical, Phase I, one of our unconsolidated commercial operating properties. This property is located in Indianapolis, Indiana and was owned 50% through a joint venture. The joint venture sold the property for approximately $17.5 million, resulting in a gain on the sale of approximately $3.5 million. Net proceeds of approximately $14.4 million from the sale of this property were utilized to defease the related mortgage loan. Our share of the gain on the sale of Spring Mill Medical, Phase I, was approximately $1.2 million, net of our excess investment. We used the majority of our share of the net proceeds to pay down borrowings under our unsecured revolving credit facility.

Other income, net, decreased approximately $0.6 million, or 80%, primarily as a result of a $0.5 million payment received from a lender in consideration for our agreement to terminate a loan commitment in 2007.

Discontinued operations decreased approximately $1.8 million to $0.3 million, largely due to the operations of our Galleria Plaza property which had net income of $0.3 million in 2007 and a net loss of $0.8 million is 2008 due to the loss of its anchor tenant. The remaining decrease reflects the write off to income of a market rent adjustment of $0.9 million upon the loss of the anchor tenant at our Silver Glen operating property in 2008.

(Loss) gain on sale of operating properties reflects the 2008 sale of our Silver Glen Crossings property at a loss of $2.7 million and the 2007 sale of our 176th & Meridian property for a gain of $2.0 million.

Net income attributable to noncontrolling interests decreased $2.8 million from $4.5 million in 2007 to $1.7 million in 2008. This decrease reflects the decrease on our consolidated net income from $18.0 million in 2007 to $7.8 million in 2008. The weighted average limited partners' interest in our operating partnership remained relatively unchanged between years.

Liquidity and Capital Resources

Current State of Capital Markets and Our Financing Strategy

Our primary finance and capital strategy is to maintain a strong balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective manner. 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 our 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 above in “Overview,” the challenging market conditions that currently exist have created a need for most REITs, including us, to place a significant amount of emphasis on financing and capital strategies.

In October 2008 and May 2009, we received aggregate net proceeds of $135.3 million from offerings of our common shares. We used a portion of the proceeds from these offerings to reduce the amounts of indebtedness outstanding under our unsecured revolving credit facility and other borrowings. As a result, approximately $78 million was outstanding under our unsecured revolving credit facility as of December 31, 2009 as compared to $105 million as of the end of the prior year.

In addition to raising new capital, we have also been successful in refinancing or extending the maturities of our debt that was originally scheduled to mature in 2009 and 2010. As of February 17, 2010, all of our maturities for 2010 were successfully extended or refinanced into future years. Our unsecured revolving credit facility and $55 million unsecured term loan are both scheduled to mature in 2011, although the unsecured revolving credit facility has a one-year extension to February 20, 2012 available if we are in compliance with all applicable covenants under the related agreement. The aggregate amount of outstanding indebtedness under both of these agreements is $132.8 million as of December 31, 2009. We discuss both of these borrowings in more detail below. We are conducting negotiations with our existing and potential replacement lenders to refinance or obtain extensions on both of these borrowings.

We were also able to effectively recycle capital by selling outlot and unoccupied land parcels. During 2009, we generated gross proceeds from such sales of $17.0 million, a portion of which was used to pay down outstanding indebtedness.

In the future, we may raise additional capital by pursuing joint venture capital partners and/or disposing of additional properties, land parcels or other assets that are no longer core components of our growth strategy. We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

As of December 31, 2009, we had cash and cash equivalents on hand of approximately $20 million. We may be subject to concentrations of credit risk with regards to our cash and cash equivalents. We place our cash and short-term cash investments with high-credit-quality financial institutions. As of December 31, 2009, the majority of our cash and cash equivalents were held in deposit accounts that are 100% insured by the federal government’s Temporary Liquidity Guarantee Program. From time to time, such investments may temporarily be held in accounts that are not insured under this program and which are in excess of FDIC and SIPC insurance limits; however we attempt to limit our exposure at any one time. We also maintain certain compensating balances in several financial institutions in support of borrowings from those institutions. Such compensating balances were not material to the consolidated balance sheets.

Our Principal Capital Resources

Our Unsecured Revolving Credit Facility

Our Operating Partnership has entered into an amended and restated four-year $200 million unsecured revolving credit facility with a group of lenders and Key Bank National Association, as agent (the "unsecured facility"). We and several of the Operating Partnership's subsidiaries are guarantors of the Operating Partnership's obligations under the unsecured facility. The unsecured facility has a maturity date of February 20, 2011, with a one-year extension option to February 2012 available if we are in compliance with all applicable covenants under the related agreement. We were in compliance with all applicable covenants under the unsecured facility as of December 31, 2009.

Borrowings under the unsecured facility bear interest at a variable interest rate of LIBOR + 115 to 135 basis points, depending on our leverage ratio. The unsecured facility has a 0.125% to 0.200% commitment fee applicable to the average daily unused amount. Subject to certain conditions, including the prior consent of the lenders, we have the option to increase our borrowings under the unsecured facility to a maximum of $400 million if there are sufficient unencumbered assets to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of $25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

As of December 31, 2009, our outstanding indebtedness under the unsecured facility was approximately $78 million, bearing interest at a rate of LIBOR + 125 basis points. Factoring in our hedge agreements, at December 31, 2009, our weighted average interest rate on our unsecured revolving credit facility was approximately 6.10%. As of December 31, 2009, the amount available to us for future draws was approximately $67 million.

The amount that we may borrow under the unsecured facility is based on the value of assets in the unencumbered property pool. We currently have 51 unencumbered properties and other assets, 48 of which are wholly owned and used to calculate the amount available for borrowing under the unsecured credit facility and three of which are owned through joint ventures. The major unencumbered assets include: Boulevard Crossing, Broadstone Station, Coral Springs Plaza, Courthouse Shadows, Four Corner Square, Hamilton Crossing, King's Lake Square, Market Street Village, Naperville Marketplace, PEN Products, Publix at Acworth, Red Bank Commons, Shops at Eagle Creek, Traders Point II, Union Station Parking Garage, Wal-Mart Plaza, and Waterford Lakes.

Our ability to borrow under the unsecured facility is subject to ongoing compliance with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the unsecured facility requires us to satisfy certain financial covenants, including:

- a maximum leverage ratio of 65% (or up to 70% in certain circumstances);
- Adjusted EBITDA (as defined in the unsecured facility) to fixed charges coverage ratio of at least 1.50 to 1;
- minimum tangible net worth (defined as Total Asset Value less Total Indebtedness) of $300 million (plus 75% of the net proceeds of any future equity issuances);
- ratio of net operating income of unencumbered property to debt service under the unsecured facility of at least 1.50 to 1;
- minimum unencumbered property pool occupancy rate of 80%;
- ratio of variable rate indebtedness to total asset value of no more than 0.35 to 1; and
- ratio of recourse indebtedness to total asset value of no more than 0.30 to 1.

We were in compliance with all applicable covenants under the unsecured facility as of December 31, 2009.

Under the terms of the unsecured facility, we are permitted to make distributions to our shareholders of up to 95% of our funds from operations 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 an event of default resulting from nonpayment or bankruptcy exists, or if our obligations under the credit facility are accelerated.

Capital Markets

We have filed a registration statement, and subsequent prospectus supplements related thereto, with the Securities and Exchange Commission allowing us to offer, from time to time, common shares or preferred shares for an aggregate initial public offering price of up to $500 million. In May 2009, we issued 28,750,000 common shares for offering proceeds, net of offering costs, of approximately $87.5 million. In addition, in December 2009, we entered into an Equity Distribution Agreement pursuant to which we may sell, from time to time, up to an aggregate amount of $25 million of our common shares. We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

Short and Long-Term Liquidity Needs

Overview

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. While we believe that the nature of the properties in which we typically invest—primarily neighborhood and community shopping centers—provides a relatively stable revenue flow in uncertain economic times, the current general economic downturn is adversely affecting the ability of some of our tenants to meet their lease obligations, as discussed in more detail above in "Overview" on page 41. These conditions, in turn, are having a negative impact on our business. If the downturn in the financial markets and economy is prolonged, our cash flow from operations could be significantly affected.

Short-Term Liquidity Needs

The nature of our business, coupled with the requirements to qualify for REIT status and avoid paying tax on our income, necessitate that we distribute 90% of our taxable income on an annual basis, which will cause us to have substantial liquidity needs over both the short term and the long term. Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest expense and scheduled principal payments on our debt, expected dividend payments (including distributions to persons who hold units in our Operating Partnership) and recurring capital expenditures. In May 2009, our Board of Trustees (the "Board") declared a quarterly cash distribution of $0.06 per common share for the quarter ended June 30, 2009. This per share distribution was continued for the quarters ended September 30, 2009 and December 31, 2009. These distributions were lower than in prior periods which allowed us to conserve cash. Each quarter we discuss with our Board our liquidity requirements along with other relevant factors before the Board decides whether and in what amount to declare a distribution.

When we lease space to new tenants, or renew leases for existing tenants, we also incur expenditures for tenant improvements and external leasing commissions. This amount, as well as the amount of recurring capital expenditures that we incur, will vary from year to year. During the year ended December 31, 2009, we incurred approximately $0.8 million of costs for recurring capital expenditures on operating properties and also incurred approximately $1.6 million of costs for tenant improvements and external leasing commissions. We currently anticipate incurring approximately $1.0 million in capital expenditures at our operating properties and approximately $15.7 million of additional major tenant improvements and renovation costs within the next twelve months at several properties in our redevelopment pipeline.

We expect to meet our short-term liquidity needs through borrowings under the unsecured facility, new construction loans, cash generated from operations and, to the extent necessary, accessing the public equity and debt markets to the extent that we are able to do so.

2010 Debt Maturities

As of December 31, 2009, approximately $56.9 million of our outstanding indebtedness was scheduled to mature in 2010, excluding scheduled monthly principal payments. Subsequent to year-end, we refinanced or extended the maturity dates of 100% of this indebtedness as follows:

- The maturity date of the $14.9 million variable rate loan on the Shops at Rivers Edge property was extended to February 2013 at an interest rate of LIBOR + 400 basis points. We funded a $0.6 million paydown on this loan with cash;

- The maturity date of the $30.9 million variable rate construction loan on the Cobblestone Plaza property was extended to February 2013 at an interest rate of LIBOR + 350 basis points. We funded a $2.9 million paydown on this loan with cash and draws from our unsecured facility; and

- The maturity date of the $11.0 million South Elgin Commons construction loan was extended to September 2013 at an interest rate of LIBOR + 325 basis points. We funded a $1.6 million paydown on this loan with cash and draws from our unsecured facility.

Long-Term Liquidity Needs

Our long-term liquidity needs consist primarily of funds necessary to pay for the development of new properties, redevelopment of existing properties, non-recurring capital expenditures, acquisitions of properties, and payment of indebtedness at maturity.

Unsecured Facility and Term Loan. As discussed above, our unsecured term loan, which had a balance of $55 million as of December 31, 2009, will mature on July 15, 2011 and our unsecured facility, which had a balance of approximately $78 million as of December 31, 2009, will mature on February 20, 2011 (with a one-year extension option to February 20, 2012 available if we are in compliance with all applicable covenants under the related agreement). We are conducting negotiations with our existing and potential replacement lenders to refinance or obtain extensions on our term loan and credit facility.

Redevelopment Properties. As of December 31, 2009, five of our properties (Coral Springs Plaza, Bolton Plaza, Shops at Rivers Edge, Courthouse Shadows and Four Corner Square) were undergoing major redevelopment activities. We currently anticipate our investment in these redevelopment projects will be a total of approximately $16 million. We currently have sufficient financing in place to fund our investment in these projects through borrowings on our unsecured credit facility. In certain circumstances, we may seek to place specific construction financing on these redevelopment projects.

Development Properties. As of December 31, 2009, we had two projects in our development pipeline. The total estimated cost, including our share and our joint venture partners' share, for these projects is approximately $87 million, of which approximately $73 million had been incurred as of December 31, 2009. Our share of the total estimated cost of these projects is approximately $61 million, of which we have incurred approximately $50 million as of December 31, 2009. We believe we currently have sufficient financing in place to fund these projects and expect to do so primarily through existing construction loans, including the construction loan on the Eddy Street Commons development project. This loan has a total commitment of approximately $29.5 million, of which $18.8 million was outstanding at December 31, 2009. In addition, if necessary, we may make draws on our unsecured facility. The Eddy Street Commons project is expected to include retail, office, hotels, a parking garage, apartments and residential units and is discussed in more detail below under "Contractual Obligations – Obligations in Connection with Our Development, Redevelopment and Shadow Pipeline".

Shadow Development Pipeline. In addition to our current development pipeline, we have a "shadow" development pipeline which includes land parcels that are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third-party financing. As of December 31, 2009, this shadow pipeline consisted of six projects that are expected to contain approximately 2.9 million square feet of total leasable area. We currently anticipate the total estimated cost of these projects will be approximately $305 million, of which our share is currently expected to be approximately $187 million. Although we intend to develop these properties, which is a key assumption in our impairment review, we are generally not contractually obligated to complete any developments in our shadow pipeline, as these projects consist of land parcels on which we have not yet commenced construction. With respect to each asset in the shadow 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. Once these projects are transferred to the current development pipeline, we intend to fund our investment in these developments primarily through new construction loans and joint ventures, as well as borrowings on our unsecured facility, if necessary.

Selective Acquisitions, Developments and Joint Ventures. We may selectively pursue the acquisition and development of other properties, which would require additional capital. It is unlikely we would have sufficient funds on hand to meet these long-term capital requirements. We would have to satisfy these needs through participation in joint venture arrangements, additional borrowings, sales of common or preferred shares and/or cash generated through property dispositions. We cannot be certain that we would have access to these sources of capital on satisfactory terms, if at all, to fund our long-term liquidity requirements. Our ability to access the capital markets will be dependent on a number of factors, including general capital market conditions, which is discussed in more detail above in "Overview" on page 41.

We have entered into an agreement (the "Venture") with Prudential Real Estate Investors ("PREI") to pursue joint venture opportunities for the development and selected acquisition of community shopping centers in the United States. The agreement allows for the Venture to develop or acquire up to $1.25 billion of well-positioned community shopping centers in strategic markets in the United States. Under the terms of the agreement, we have agreed to present to PREI opportunities to develop or acquire community shopping centers, each with estimated project costs in excess of $50 million. We have the option to present to PREI additional opportunities with estimated project costs under $50 million. The agreement allows for equity capital contributions of up to $500 million to be made to the Venture for qualifying projects. We expect contributions would be made on a project-by-project basis with PREI contributing 80% and us contributing 20% of the equity required. Our first project with PREI is Parkside Town Commons, which is currently in our shadow development pipeline. As of December 31, 2009, we owned a 40% interest in this joint venture which, under the terms of this joint venture, will be reduced to 20% upon construction financing.

Cash Flows

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

Cash provided by operating activities was $21.0 million for the year ended December 31, 2009, a decrease of $20.0 million from 2008. The decrease was primarily due to higher cash outflows for accounts payable and accrued expenses in 2009, the majority of which reflects declining third-party construction activity.

Cash used in our investing activities totaled $54.8 million in 2009, a decrease of $40.9 million from 2008. The decrease in cash used in investing activities was primarily a result of a decline of $81.0 million in acquisitions of interests in properties and capital expenditures. As part of our cash conservation strategy, we significantly reduced our acquisition, development and construction activities. Offsetting this decrease were $17.2 million of 2008 net proceeds from the sale of our Silver Glen Crossings operating property, $12.0 million of 2009 contributions to our Parkside Town Commons development property and The Centre operating property and a $5.0 million change in construction payables.

Cash provided by financing activities totaled $43.9 million during 2009, a decrease of $1.6 million from 2008. In 2009, we had lower borrowings of $26.2 million due to a decline in our construction activity. Among the more significant changes in financing activities between years are the following: In 2008, we had borrowings totaling $41.8 million in connection with the 2008 acquisition of our Shops at Rivers Edge operating property and New Hill Place development property, offset by proceeds totaling $32.3 million from the sales of our Silver Glen Crossings and Spring Mill operating properties and outlot and land parcels. Net loan paydowns were $20.5 million higher in 2009 compared to 2008 as a result of the use of common share offering proceeds to reduce our levels of indebtedness. These net changes were partially offset by $39.2 million higher proceeds from our 2009 common share offering compared to our 2008 offerings and $8.1 million lower cash distribution payments to common shareholders and operating partnership unitholders as a result of a lowering of our per share rate of distribution.

Comparison of the Year Ended December 31, 2008 to the Year Ended December 31, 2007

Cash provided by operating activities was $41.1 million for the year ended December 31, 2008, an increase of $2.9 million from 2007 The increase was primarily due to a change in accounts payable, accrued expenses, deferred revenue and other liabilities of $6.9 million between years, which was primarily due to construction related expenses as well as the conservation of cash. This increase was partially offset by a change in deferred costs and other assets of $4.3 million between years.

Cash used in our investing activities totaled $95.7 million in 2008, a decrease of $1.0 million from 2007. The decrease in cash used in investing activities was primarily a result of an increase of $17.0 million in net proceeds from the sale of an operating property, which was the result of the net proceeds from the 2008 sale of Silver Glen Crossings compared to the 2007 sale of 176th & Meridian. This was partially offset by an increase of $12.4 million in acquisitions of interests in properties and capital expenditures.

Cash provided by financing activities totaled $45.5 million during 2008, a decrease of $8.1 million from 2007. The net of loan proceeds, transaction costs and payments decreased $53.7 million between years primarily due to the $118.1

million draw from the unsecured facility in 2007 compared to the $55 million proceeds received under the unsecured term loan in 2008, both of which were used to repay previously outstanding indebtedness. This was partially offset by the $48.3 million of offering proceeds, the majority of which was received in October 2008 when we completed an equity offering of 4,750,000 common shares at an offering price of $10.55 per share.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We do, however, have certain obligations to some of the projects in our current development pipeline, including our obligations in connection with our Eddy Street Commons development, as discussed below in "Contractual Obligations", as well as our joint venture with PREI with respect to our Parkside Town Commons development, as discussed above. As of December 31, 2009, we owned a 40% interest in this joint venture which, under the terms of this joint venture, will be reduced to 20% upon construction financing.

As of December 31, 2009, our share of unconsolidated joint venture indebtedness was $14.5 million. Unconsolidated joint venture debt is the liability of the joint venture and is typically secured by the assets of the joint venture. As of December 31, 2009, the Operating Partnership had guaranteed its $13.5 million share of the unconsolidated joint venture debt related to the Parkside Town Commons development in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture and the joint venture could sell the property in order to satisfy the outstanding obligation. See Note 6 to the accompanying consolidated financial statements for information on our unconsolidated joint ventures for the years ended December 31, 2009, 2008 and 2007.

Contractual Obligations

The following table summarizes our contractual obligations to third parties, excluding interest, based on contracts executed as of December 31, 2009.

	Construction Contracts	Tenant Allowances1	Operating Leases	Consolidated Long-term Debt2	Pro rata Share of Joint Venture Debt	Employment Contracts3	Other	Total
2010	$1,481,316	$10,613,381	$389,300	$60,001,404	$—	$1,417,000	$2,397,171	$76,299,572
2011	—	735,075	326,800	252,871,911	13,549,200	—	4,471,394	271,954,380
2012	—	3,585,980	326,800	54,114,603	—	—	—	58,027,383
2013	—	—	212,500	39,084,352	—	—	—	39,296,852
2014	—	—	220,000	34,802,465	981,593	—	—	36,004,058
Thereafter	—	—	715,000	216,442,008	—	—	—	217,157,008
Unamortized Debt Premiums	—	—	—	977,770	—	—	—	977,770
Total	$1,481,316	$14,934,436	$2,190,400	$658,294,513	$14,530,793	$1,417,000	$6,868,565	$699,717,023

1 Tenant allowances include commitments made to tenants at our operating, development and redevelopment properties.

2 In February 2010, we extended the maturity dates of all of our 2010 maturities to 2013. See table reflecting these refinancing activities on page 44.

3

We have entered into employment agreements with certain members of senior management. Under these agreements, each individual received a stipulated annual base salary through December 31, 2009. Each agreement has an automatic one-year renewal unless we or the individual elects not to renew the agreement. The contracts have been extended through December 31, 2010.

In 2009, we incurred $27.2 million of interest expense, net of amounts capitalized of $8.9 million.

In connection with the construction of the Eddy Street Commons parking garage and certain infrastructure improvements, we are obligated to fund payments under Tax Increment Financing (TIF) Bonds issued by the City of South Bend, Indiana. The majority of the bonds will be funded by real estate tax payments made by us and subject to reimbursement from the tenants of the property. If there are delays in the development, we are obligated to pay certain delay fees. However, we have an agreement with the City of South Bend to limit our exposure to a maximum of $1 million as to such fees. In addition, we will not be in default concerning other obligations under the agreement with the City of South Bend so long as we commence and diligently pursue the completion of our obligations under that agreement.

See "2010 Maturities" on page 60 for additional information with respect to our current plan to address our indebtedness maturing in fiscal year 2010 and beyond.

In connection with our formation at the time of our 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. We have agreed that if we dispose of any interest in six specified properties in a taxable transaction before December 31, 2016, then we will indemnify the contributors of those properties for their tax liabilities attributable to their 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 approximately 18% of our annualized base rent in the aggregate as of December 31, 2009. These six properties are International Speedway Square, Shops at Eagle Creek, Whitehall Pike, Ridge Plaza Shopping Center, Thirty South, and Market Street Village.

Construction Contracts

Construction contracts in the table above represent commitments for contracts executed as of December 31, 2009 related to new developments, redevelopments and third-party construction.

Obligations in Connection with Our Current Development, Redevelopment and Shadow Pipeline

We are obligated under various contractual arrangements to complete the projects in our current development pipeline. We currently anticipate our share of the total cost of the two projects in our current development pipeline will be approximately $61 million (including $35 million of costs associated with Phase I of our Eddy Street Commons development discussed below), of which approximately $11 million of our share was unfunded as of December 31, 2009. In addition, we have commenced with the construction of a limited service hotel component of this project of which we will own 50% in a joint venture. We currently estimate that our share of the total cost of this hotel will be approximately $5.5 million. We believe we currently have sufficient financing in place to fund these projects and expect to do so primarily through existing construction loans, including the construction loan on Eddy Street Commons that closed in December 2009, with a total loan commitment of approximately $29.5 million, of which $18.8 million was outstanding at December 31, 2009. In addition, if necessary, we may make draws on our unsecured facility.

In addition to our current development pipeline, we also have a redevelopment pipeline and a "shadow" development pipeline, which includes 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 financings. Although we currently intend to develop the shadow pipeline, we are not contractually obligated to complete any projects in our redevelopment or shadow pipelines, as these consist of land parcels on which we have not yet commenced construction. With respect to each asset in the shadow pipeline, our policy is to not commence vertical construction until appropriate pre-leasing thresholds are met and the requisite third-party financing is in place.

Eddy Street Commons at the University of Notre Dame

The most significant project in our current development pipeline is Eddy Street Commons at the University of Notre Dame located adjacent to the university in South Bend, Indiana, that is expected to include retail, office, hotels, a parking garage, apartments and residential units. A majority of the office space will be leased to the University of Notre Dame. The City of South Bend has contributed approximately $35 million to the development, funded by tax increment financing (TIF) bonds issued by the City and a cash commitment from the City, both of which are being used for the construction of a parking garage and infrastructure improvements in this project. The majority of the bonds will be funded by real estate tax payments made by us and subject to reimbursement from the tenants of the property. If there are delays in the development, we are obligated to pay certain delay fees. However, we have an agreement with the City of South Bend to limit our exposure to a maximum of $1 million as to such fees. In addition, we will not be in default concerning other obligations under the agreement with the City of South Bend so long as we commence and diligently pursue the completion of our obligations under that agreement.

This development will be completed in several phases. The initial phase of the project opened in October 2009 and consists of the retail, office and apartment and residential units with an estimated total cost of $70 million (net of amounts funded by the TIF bonds) of which our share is estimated to be $35 million. This phase is 72.4% leased as of December 31, 2009. The ground beneath the initial phase of the development is leased from the University of Notre Dame over a 75 year term at a fixed rate for first two years and based on a percentage of certain revenues thereafter. The total estimated project costs for all phases of this development are currently estimated to be approximately $200 million, our share of which is currently expected to be approximately $64 million. Our exposure to this amount may be limited under certain circumstances.

We own the retail and office components while the apartments are owned by a third party. The hotel components of the project will be owned through joint ventures while the apartments and residential units are planned to be sold or operated through relationships with developers, owners and operators that specialize in residential real estate. We do not expect to own either the residential or the apartment complex components of the project, although we have jointly guaranteed the apartment developer's construction loan.

The first phase of the apartments opened during the second half of 2009 with the second phase expected to open in the second half of 2010. Construction on the residential units will commence as demand warrants. Vertical construction commenced on a limited service hotel in September and the opening of this project is expected to occur in the second half of 2010. In 2009 we received, and we expect to receive in the future, development, construction management, and other fees from various aspects of this project.

We have a contractual obligation in the form of a completion guarantee to the University of Notre Dame and a similar contractual agreement in favor of the City of South Bend to complete all phases of the project, with the exception of certain of the residential units, consistent with commitments we typically make in connection with other bank-funded development projects. To the extent the hotel joint venture partner, the apartment developer/owner or the residential developer/owner fail to complete those aspects of the project, we will be required to complete the construction, at which time we expect that we would have the right to seek title to the assets and assume any construction borrowings related to the assets. We will have certain remedies against the developers if they were to fail to complete the construction. If we fail to fulfill our contractual obligations in connection with the project, but are timely commencing and pursuing a cure, we will not be in default to either the University of Notre Dame or the City of South Bend.

Outstanding Indebtedness

The following table presents details of outstanding indebtedness as of December 31, 2009:

Property	Balance Outstanding	Interest Rate	Maturity
Fixed Rate Debt - Mortgage:			
50th & 12th	$ 4,370,103	5.67%	11/11/2014
The Centre at Panola	3,658,067	6.78%	1/1/2022
Cool Creek Commons	17,862,709	5.88%	4/11/2016
The Corner	1,574,412	7.65%	7/1/2011
Fox Lake Crossing	11,288,753	5.16%	7/1/2012
Geist Pavilion	11,125,000	5.78%	1/1/2017
Indian River Square	13,216,389	5.42%	6/11/2015
International Speedway Square	18,596,954	7.17%	3/11/2011
Kedron Village	29,700,000	5.70%	1/11/2017
Pine Ridge Crossing	17,500,000	6.34%	10/11/2016
Plaza at Cedar Hill	25,596,611	7.38%	2/1/2012
Plaza Volente	28,499,703	5.42%	6/11/2015
Preston Commons	4,305,964	5.90%	3/11/2013
Riverchase Plaza	10,500,000	6.34%	10/11/2016
Sunland Towne Centre	25,000,000	6.01%	7/1/2016
30 South	21,682,906	6.09%	1/11/2014
Traders Point	48,000,000	5.86%	10/11/2016
Whitehall Pike	8,415,622	6.71%	7/5/2018
	300,893,193		
Floating Rate Debt - Hedged:			
Unsecured Credit Facility	50,000,000	6.32%	2/20/2011
Unsecured Credit Facility	25,000,000	6.17%	2/18/2011
Unsecured Term Loan	55,000,000	5.92%	7/15/2011
Bayport Commons	19,700,000	4.48%	12/27/2011
Eastgate Pavilion	15,182,480	4.84%	4/30/2012
Gateway Shopping Center	20,000,000	4.88%	10/31/2011
Glendale Town Center	20,000,000	4.40%	12/19/2011
Ridge Plaza	15,000,000	6.56%	1/3/2017
	219,882,480		
Net unamortized premium on assumed debt of acquired properties	977,770		
Total Fixed Rate Indebtedness	$521,753,443		

Property		Balance Outstanding	Interest Rate	Maturity	Interest Rate at 12/31/09
Variable Rate Debt - Mortgage:					
Bayport Commons2	$	20,078,916	LIBOR + 2.75%	12/27/2011	2.98%
Beacon Hill		7,565,349	LIBOR + 1.25%	3/30/2014	1.48%
Eastgate Pavilion2		15,209,670	LIBOR + 2.95%	4/30/2012	3.18%
Estero Town Commons		10,500,000	LIBOR + 3.25%	1/15/2013	3.48%
Fishers Station		3,937,444	LIBOR + 3.50%	6/6/2011	3.73%
Gateway Shopping Center2		21,042,866	LIBOR + 1.90%	10/31/2011	2.13%
Glendale Town Center2		20,553,000	LIBOR + 2.75%	12/19/2011	2.98%
Indiana State Motor Pool		3,652,440	LIBOR + 1.35%	2/4/2011	1.58%
Ridge Plaza2		15,000,000	LIBOR + 3.25%	1/3/2017	3.48%
Shops at Rivers Edge3		14,940,000	LIBOR + 1.25%	2/3/2010	1.48%
Tarpon Springs Plaza		14,000,000	LIBOR + 3.25%	1/15/2013	3.48%
Subtotal Mortgage Notes		146,479,685			
Variable Rate Debt - Secured by Properties under Construction:					
Bridgewater Marketplace1		7,000,000	LIBOR + 1.85%	6/29/2013	5.00%
Cobblestone Plaza3		30,853,252	LIBOR + 2.50%	3/31/2010	2.73%
Delray Marketplace		9,425,000	LIBOR + 3.00%	6/30/2011	3.23%
Eddy Street Commons		18,802,194	LIBOR + 2.30%	12/30/2011	2.53%
South Elgin Commons3		11,063,419	LIBOR + 1.90%	9/30/2010	2.13%
Subtotal Construction Notes		77,143,865			
Unsecured Credit Facility2		77,800,000	LIBOR + 1.25%	2/20/2011	1.48%
Unsecured Term Loan2		55,000,000	LIBOR + 2.65%	7/15/2011	2.88%
Floating Rate Debt - Hedged:					
Unsecured Credit Facility		(50,000,000)		2/20/2011	1.48%

		LIBOR + 1.25%		
Unsecured Credit Facility	(25,000,000)	LIBOR + 1.25%	2/18/2011	1.48 %
Unsecured Term Loan	(55,000,000)	LIBOR + 2.65%	7/15/2011	2.88%
Bayport Commons	(19,700,000)	LIBOR + 2.75%	12/27/2011	% 2.98
Eastgate Pavilion	(15,182,480)	LIBOR + 2.95%	4/30/2012	% 3.18
Gateway Shopping Center	(20,000,000)	LIBOR + 1.90%	10/31/2011	% 2.13
Glendale Town Center	(20,000,000)	LIBOR + 2.75%	12/19/2011	2.98%
Ridge Plaza	(15,000,000)	LIBOR + 3.25%	1/3/2017	3.48%
	(219,882,480)			
Total Variable Rate Indebtedness	136,541,070			
Total Indebtedness	$ 658,294,513			

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1 This loan has a LIBOR floor of 3.15%.

2 We entered into a cash flow hedge agreement on this debt instrument to fix the interest rate. See fixed rate within the fixed rate hedged details in the table above.

3 Subsequent to December 31, 2009, the maturity date on this loan was extended to the year 2013.

Funds From Operations

Funds From Operations ("FFO"), is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. We calculate FFO in accordance with the best practices described in the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (NAREIT), which we refer to as the White Paper. The White Paper defines FFO as consolidated net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for third-party shares of appropriate items.

Given the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors as a starting point in measuring our operational performance because it excludes various items included in consolidated net income that do not relate to or are not indicative of our operating performance, such as gains (or losses) from sales of depreciated property and depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult. For informational purposes, we have also provided FFO adjusted for a non-cash impairment charge recorded in 2009. We believe this supplemental information provides a meaningful measure of our operating performance. FFO should not be considered as an alternative to consolidated net income (determined in accordance with GAAP) as an indicator of our financial performance, is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and is not indicative of funds available to satisfy our cash needs, including our ability to make distributions. Our computation of FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definitions differently than we do.

Our calculation of FFO (and reconciliation to consolidated net (loss) income) is as follows:

Funds From Operations:	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Consolidated net (loss) income	$ (1,178,003)	$ 7,823,650	$ 17,991,123
Add loss (deduct gain) on sale of operating property	—	2,689,888	(2,036,189)
Less non-cash gain from consolidation of subsidiary, net of noncontrolling interests	(980,926)	—	—
Less gain on sale of unconsolidated property	—	(1,233,338)	—
Less net income attributable to noncontrolling interests in properties	(879,463)	(61,707)	(614,836)
Add depreciation and amortization of consolidated entities, net of noncontrolling interests	31,601,550	35,438,229	31,475,146
Add depreciation and amortization of unconsolidated entities	157,623	406,623	403,799
Funds From Operations of the Kite Portfolio	28,720,781	45,063,345	47,219,043
Less redeemable noncontrolling interests in Funds From Operations	(3,848,585)	(9,688,619)	(10,529,847)
Funds From Operations allocable to the Company	$ 24,872,196	$ 35,374,726	$ 36,689,196
Funds From Operations of the Kite Portfolio	$ 28,720,781	$ 45,063,345	$ 47,219,043
Add back: Non-cash loss on impairment of real estate asset	5,384,747	—	—
Funds From Operations of the Kite Portfolio excluding non-cash loss on impairment of real estate asset	$ 34,105,528	$ 45,063,345	$ 47,219,043

1 "Funds From Operations of the Kite Portfolio" measures 100% of the operating performance of the Operating Partnership's real estate properties and construction and service subsidiaries in which the Company owns an interest. "Funds From Operations allocable to the Company" reflects a reduction for the noncontrolling weighted average diluted interest in the Operating Partnership.

Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by Kite Realty Group Trust (the "Company"), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- national and local economic, business, real estate and other market conditions, particularly in light of the current recession;
- financing risks, including the availability of and costs associated with sources of liquidity;
- the Company’s ability to refinance, or extend the maturity dates of, its indebtedness;
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent and the risk of tenant bankruptcies;

- the competitive environment in which the Company operates;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- the Company's ability to maintain its status as a real estate investment trust ("REIT") for federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property the Company owns;
- risks related to the geographical concentration of our properties in Indiana, Florida and Texas;
- other factors affecting the real estate industry generally; and
- other risks identified in this Annual Report on Form 10-K and, from time to time, in other reports we file with the Securities and Exchange Commission (the "SEC") or in other documents that we publicly disseminate.

The Company undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates. Market risk refers to the risk of loss from adverse changes in interest rates of debt instruments of similar maturities and terms.

Market Risk Related to Fixed and Variable Rate Debt

We had approximately $658.3 million of outstanding consolidated indebtedness as of December 31, 2009 (inclusive of net premiums on acquired debt of $1.0 million). As of December 31, 2009, we were party to eight consolidated interest rate hedge agreements for a total of $219.9 million, with interest rates ranging from 4.40% to 6.56% and maturities over various terms from 2011 through 2017. Including the effects of these hedge agreements, our fixed and variable rate debt would have been approximately $520.8 million (79%) and $136.5 million (21%), respectively, of our total consolidated indebtedness at December 31, 2009. Including our $14.5 million share of unconsolidated variable debt and the effect of related hedge agreements, our fixed and variable rate debt is 78% and 22%, respectively, of the total of consolidated and our share of unconsolidated indebtedness at December 31, 2009.

Based on the amount of our fixed rate debt at December 31, 2009, a 100 basis point increase in market interest rates would result in a decrease in its fair value of approximately $12.2 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed rate debt of approximately $13.0 million. A 100 basis point increase or decrease in interest rates on our consolidated variable rate debt as of December 31, 2009 would increase or decrease our annual cash flow by approximately $1.4 million.

As a matter of policy, we do not utilize financial instruments for trading or speculative transactions.

Inflation

Most of our leases contain provisions designed to mitigate the adverse impact of inflation by requiring the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance. This helps reduce our exposure to increases in costs and operating expenses resulting from inflation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company included in this Report are listed in Part IV, Item 15(a) of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as that term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in Internal Control – Integrated Framework, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

The Company's independent auditors, Ernst & Young LLP, an independent registered public accounting firm, have issued a report on the Company's internal control over financial reporting as stated in their report which is included herein.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Trustees regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of Kite Realty Group Trust:

We have audited Kite Realty Group Trust and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Kite Realty Group Trust and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Kite Realty Group Trust and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kite Realty Group Trust and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2009 and the related financial statement schedule listed in the index at Item 15(a) as of December 31, 2009 of Kite Realty Group Trust and subsidiaries and our report dated March 16, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Indianapolis, Indiana

March 16, 2010

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a code of ethics that applies to our principal executive officer and senior financial officers, which is available on our Internet website at: www.kiterealty.com. Any amendment to, or waiver from, a provision of this code of ethics will be posted on our Internet website.

The remaining information required by this Item is hereby incorporated by reference to the material appearing in our 2010 Annual Meeting Proxy Statement (the “Proxy Statement”), which we intend to file within 120 days after our fiscal year-end, under the captions “Proposal 1: Election of Trustees Nominees for Election for a One-Year Term Expiring at the 2011 Annual Meeting”, “Executive Officers”, “Information Regarding Governance and Board and Committee Meetings – Committee Charters and Corporate Governance”, “Information Regarding Corporate Governance and Board and Committee Meetings – Board Committees” and “Other Matters – Section 16(a) Beneficial Ownership Reporting Compliance”.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement, under the captions “Compensation Discussion and Analysis”, “Compensation of Executive Officers and Trustees”, “Compensation Committee Interlocks and Insider Participation”, and “Compensation Committee Report”.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement, under the captions “Equity Compensation Plan Information” and “Principal Shareholders”.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement, under the captions “Certain Relationships and Related Transactions” and “Information Regarding Corporate Governance and Board Committee Meetings – Independence of Trustees”.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement, under the caption “Proposal 2: Ratification of Appointment of Independent Registered Accounting Firm - Relationship with Independent Registered Public Accounting Firm”.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

(a) Documents filed as part of this report:

(1)	Financial Statements: Consolidated financial statements for the Company listed on the index immediately preceding the financial statements at the end of this report.
(2)	Financial Statement Schedule: Financial statement schedule for the Company listed on the index immediately preceding the financial statements at the end of this report.
(3)	Exhibits: The Company files as part of this report the exhibits listed on the Exhibit Index.

(b) Exhibits:
The Company files as part of this report the exhibits listed on the Exhibit Index.

(c) Financial Statement Schedule:
The Company files as part of this report the financial statement schedule listed on the index immediately preceding the financial statements at the end of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KITE REALTY GROUP TRUST
(Registrant)

March 16, 2010 (Date)	/s/ JOHN A. KITE John A. Kite Chairman and Chief Executive Officer (Principal Executive Officer)
March 16, 2010 (Date)	/s/ DANIEL R. SINK Daniel R. Sink Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN A. KITE (John A. Kite)	Chairman, Chief Executive Officer, and Trustee (Principal Executive Officer)	March 16, 2010
/s/ WILLIAM E. BINDLEY (William E. Bindley)	Trustee	March 16, 2010
/s/ RICHARD A. COSIER (Richard A. Cosier)	Trustee	March 16, 2010
/s/ EUGENE GOLUB (Eugene Golub)	Trustee	March 16, 2010
/s/ GERALD L. MOSS (Gerald L. Moss)	Trustee	March 16, 2010
/s/ MICHAEL L. SMITH	Trustee	March 16, 2010

(Michael L. Smith)		
/s/ DARELL E. ZINK, JR. (Darell E. Zink, Jr.)	Trustee	March 16, 2010
/s/ DANIEL R. SINK (Daniel R. Sink)	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2010

Kite Realty Group Trust

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of Kite Realty Group Trust:

We have audited the accompanying consolidated balance sheets of Kite Realty Group Trust and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audit also included the financial statement schedule listed in the index at item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kite Realty Group Trust and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, Kite Realty Group Trust and subsidiaries have retrospectively applied certain reclassification adjustments upon adoption of a new accounting pronouncement for noncontrolling interests.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kite Realty Group Trust and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Indianapolis, Indiana

March 16, 2010

Kite Realty Group Trust

Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
Assets:		
Investment properties, at cost:		
Land	$ 226,506,781	$ 227,781,452
Land held for development	27,546,315	25,431,845
Buildings and improvements	736,027,845	690,161,336
Furniture, equipment and other	5,060,233	5,024,696
Construction in progress	176,689,227	191,106,309
	1,171,830,401	1,139,505,638
Less: accumulated depreciation	(127,031,144)	(104,051,695)
	1,044,799,257	1,035,453,943
Cash and cash equivalents	19,958,376	9,917,875
Tenant receivables, including accrued straight-line rent of $8,570,069 and $7,221,882, respectively, net of allowance for uncollectible accounts	18,537,031	17,776,282
Other receivables	9,326,475	10,357,679
Investments in unconsolidated entities, at equity	10,799,782	1,902,473
Escrow deposits	11,377,408	11,316,728
Deferred costs, net	21,509,070	21,167,288
Prepaid and other assets	4,378,045	4,159,638
Total Assets	$ 1,140,685,444	$ 1,112,051,906
Liabilities and Equity:		
Mortgage and other indebtedness	$ 658,294,513	$ 677,661,466
Accounts payable and accrued expenses	32,799,351	53,144,015
Deferred revenue and other liabilities	19,835,438	24,594,794
Total Liabilities	710,929,302	755,400,275
Commitments and contingencies		
Redeemable noncontrolling interests in Operating Partnership	47,307,115	67,276,904
Equity:		
Kite Realty Group Trust Shareholders' Equity		
Preferred Shares, $.01 par value, 40,000,000 shares authorized, no shares issued and outstanding	—	—
Common Shares, $.01 par value, 200,000,000 shares authorized, 63,062,083 shares and 34,181,179 shares issued and outstanding at December 31, 2009 and 2008, respectively	630,621	341,812
Additional paid in capital	449,863,390	343,631,595
Accumulated other comprehensive loss	(5,802,406)	(7,739,154)
Accumulated deficit	(69,613,763)	(51,276,059)
Total Kite Realty Group Trust Shareholders' Equity	375,077,842	284,958,194
Noncontrolling Interests	7,371,185	4,416,533
Total Equity	382,449,027	289,374,727
Total Liabilities and Equity	$ 1,140,685,444	$ 1,112,051,906

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

Kite Realty Group Trust

Consolidated Statements of Operations

	Year Ended December 31, 2009	2008	2007
Revenue:			
Minimum rent	$ 71,612,415	$ 71,313,482	$ 68,068,285
Tenant reimbursements	18,163,191	17,729,788	17,522,396
Other property related revenue	6,065,708	13,916,680	10,012,934
Construction and service fee revenue	19,450,789	39,103,151	37,259,934
Total revenue	115,292,103	142,063,101	132,863,549
Expenses:			
Property operating	18,188,710	16,388,515	14,171,192
Real estate taxes	12,068,903	11,864,552	11,065,723
Cost of construction and services	17,192,267	33,788,008	32,077,014
General, administrative, and other	5,711,623	5,879,702	6,285,267
Depreciation and amortization	32,148,318	34,892,975	29,730,654
Total expenses	85,309,821	102,813,752	93,329,850
Operating income	29,982,282	39,249,349	39,533,699
Interest expense	(27,151,054)	(29,372,181)	(25,965,141)
Income tax benefit (expense) of taxable REIT subsidiary	22,293	(1,927,830)	(761,628)
Income from unconsolidated entities	226,041	842,425	290,710
Gain on sale of unconsolidated property	—	1,233,338	—
Non-cash gain from consolidation of subsidiary	1,634,876	—	—
Other income, net	224,927	157,955	778,434
Income from continuing operations	4.939,365	10,183,056	13,876,074
Discontinued operations:			
Discontinued operations	(732,621)	330,482	2,078,860
Non-cash loss on impairment of discontinued operation	(5,384,747)	—	—
(Loss) gain on sale of operating properties	—	(2,689,888)	2,036,189
(Loss) income from discontinued operations	(6,117,368)	(2,359,406)	4,115,049
Consolidated net (loss) income	(1,178,003)	7,823,650	17,991,123
Net income attributable to noncontrolling interests	(603,763		