KITE REALTY GROUP TRUST
Form 10-K
March 15, 2011

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, 2010
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ___________to___________ Commission File Number: 001-32268

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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. x

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

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

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

The aggregate market value of the voting shares held by non-affiliates of the Registrant as the last business day of the Registrant's most recently completed second quarter was $241 million based upon the closing price of $4.18 per share on the New York Stock Exchange on such date.

The number of Common Shares outstanding as of February 28, 2011 was 63,501,621 ($.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 3, 2011, 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, 2010

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PART I

ITEM 1. BUSINESS

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

Overview

Kite Realty Group Trust is a full-service, vertically integrated real estate company engaged in the ownership, operation, management, leasing, acquisition, construction management, redevelopment and development 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 management, 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, 2010, we held an approximate 89% interest and limited partners owned the remaining 11% of the interests in our Operating Partnership.

As of December 31, 2010, we owned interests in a portfolio of 53 retail operating properties totaling approximately 8.0 million square feet of gross leasable area (including approximately 2.9 million square feet of non-owned anchor space) located in 9 states. Our retail operating portfolio was 92.2% leased to a diversified retail tenant base, with no single retail tenant accounting for more than 3.2% of our total annualized base rent. In the aggregate, our largest 25 tenants accounted for 39.4% of our annualized base rent. See Item 2, “Properties” for a list of our top 25 tenants by annualized base rent.

We also own interests in four commercial (office/industrial) operating properties totaling approximately 0.6 million square feet of net rentable area, all located in the state of Indiana. The occupancy of our commercial operating portfolio was 94.8% as of December 31, 2010.

As of December 31, 2010, we also had an interest in six retail properties in our in-process development and redevelopment pipelines. Upon completion, our in-process development and redevelopment properties are anticipated to have approximately 0.9 million square feet of gross leasable area (including approximately 0.2 million square feet of non-owned anchor space). In addition to our current in-process development and redevelopment pipelines, we have a future 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. This pipeline consisted of five projects that are expected to contain 2.5 million square feet of total gross leasable area (including non-owned anchor space) upon completion.

In addition, as of December 31, 2010, we owned interests in various land parcels totaling 93 acres. These parcels are classified as “Land held for development” in the accompanying consolidated balance sheets and are expected to be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Difficult economic conditions during the last three years have had a negative impact on consumer confidence and spending which caused segments of the retail industry to be negatively impacted as retailers struggled 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. While we are still experiencing a challenging operating environment, we began to see evidence of a modest recovery in 2010. The retail environment has shown improvement and retailers are becoming more optimistic with their expansion plans and capital allocation decisions. 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 2010 Activities

Financing and Capital Raising Activities. As discussed in more detail below in "Business Objectives and Strategies," our primary business objectives are to generate increasing cash flow, achieve long-term growth and maximize shareholder value primarily through the operation, acquisition, development and redevelopment of well-located community and neighborhood shopping centers. 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 current primary objective is the cost effective and opportunistic strengthening of our balance sheet to allow access to various sources of capital to fund our future commitments. We endeavor to continue improving our key financial ratios including our debt to EBITDA ratio. We ended the year 2010 with $62 million of combined cash and borrowing capacity on our unsecured revolving credit facility. We will remain focused on 2011 refinancing activity and will continue to aggressively manage our operating portfolio.

During 2010, we successfully completed various financing, refinancing and capital-raising activities. As a result of these actions, we reduced our total borrowings to $611 million at December 31, 2010 from $658 million at December 31, 2009. The significant financing, refinancing and capital raising activities completed during 2010 included the following:

Preferred Equity Offering

- In December 2010, we completed an offering of 2,800,000 shares of Series A Cumulative Redeemable Perpetual Preferred Shares at an offering price of $25.00 per share for net proceeds of $67.5 million. A portion of the net proceeds were used to retire our $55 million unsecured term loan. The remaining net proceeds, along with borrowings on our revolving line of credit, were used to retire the $18.3 million loan encumbering our International Speedway Square property in Daytona, Florida.

Refinancings & Maturity Date Extensions in 2010

- During the third quarter, we exercised the one-year extension option on our unsecured revolving credit facility and extended the maturity date for the facility to February 2012;

- We extended the maturity date on the variable rate construction loan on our South Elgin Commons development property in a suburb of Chicago, Illinois to September 2013 at an interest rate of LIBOR + 325 basis points;

- We extended the maturity date on the variable rate construction loan on our Cobblestone Plaza development property in Fort Lauderdale, Florida to February 2013 at an interest rate of LIBOR + 350 basis points; and

- We converted the $14.3 million variable rate loan on our Rivers Edge redevelopment property in Indianapolis, Indiana to a construction loan at an interest rate of LIBOR + 325 basis points, and extended the maturity date to January 2016;

Refinancings & Maturity Date Extensions in 2011

- In January 2011, we extended the maturity date of the $3.5 million variable rate loan on the Indiana State Motor pool commercial property (originally due February 2011) to February 2014 at an interest rate of LIBOR + 325 basis points.

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In February 2011, we extended the maturity date of the $33.9 million variable rate construction loan on the unconsolidated Parkside Town Commons property (originally due February 2011) to August 2013 at an interest rate of LIBOR + 300 basis points and funded $5.5 million, which was our share of the paydown, with cash. We currently own a 40% interest in this property which declines to 20% upon the commencement of project construction.

Construction Financing

- Draws totaling $6.1 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 $36.6 million for other development and redevelopment activities.

Repayments of Outstanding Indebtedness

- We used a portion of the proceeds from our December 2010 preferred share offering to retire our $55 million unsecured term loan, which was due in July 2011;

- We repaid the $18.3 million fixed rate loan on our International Speedway Square operating property in Daytona, Florida and temporarily contributed the related asset to the unsecured revolving credit facility collateral pool. We intend to secure long term financing for this asset in the first half of 2011; and

- In connection with the 2010 extensions of the maturity dates of various permanent and construction loans, we paid down the balances of these loans by $19.8 million.

2010 Development and Redevelopment Activities

- In the fourth quarter of 2010, we completed the redevelopment of our Coral Springs Plaza, and transitioned the former Circuit City-anchored center to the operating portfolio. The property is 100% leased to Toys “R” Us/Babies “R” Us and located in a suburb of Boca Raton, Florida;

- We substantially completed the construction of the retail and office components of Eddy Street Commons, Phase I, a 465,000 square foot multi-use center located in South Bend, Indiana that includes a 300,000 square foot non-owned multi-family component. This project was 89% leased as of December 31, 2010 and is anchored by Follett Bookstore, Urban Outfitters and the University of Notre Dame;

- We partially completed the construction of Cobblestone Plaza, a 138,000 square foot neighborhood shopping center located in Ft. Lauderdale, Florida. We commenced construction of a Whole Foods store during the fourth quarter and anticipate delivery to the tenant in the second quarter of 2011. This property was 84.4% leased or committed as of December 31, 2010; and

- In the fourth quarter of 2010, we commenced construction at South Elgin Commons, Phase II, a 135,500 square foot center located in a suburb of Chicago, Illinois. This project was 100.0% leased and is anchored by Toys “R” Us/Babies “R” Us and Ross Stores and “shadow” anchored by Super Target.

As of December 31, 2010, we had four retail 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 executed a 66,500 square foot lease with Academy Sports & Outdoors to anchor this center and this tenant opened during the second half of 2010. We currently estimate the cost of this redevelopment to be $5.7 million;

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

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

- Rivers Edge, Indianapolis, Indiana. We have secured Nordstrom Rack, the Container Store, Arhaus Furniture, Buy Buy Baby and BGI Fitness as new anchors for this neighborhood shopping center and have expanded it from 111,000 square feet to 152,000 square feet. The renovations to accommodate these new tenants began in the third quarter of 2010 with expected delivery occurring in the first half of 2011. We currently estimate the cost of this redevelopment to be $21.5 million.

2010 Cash Distributions

In 2010, we declared quarterly per common share cash distributions of $0.06 per common share with respect to each of the quarters.

2011 Acquisitions

- In February 2011, we acquired a 52,000 square foot, 91.4% leased retail shopping center in Wilmington, North Carolina. This center was acquired in an off-market transaction for a purchase price of $3.5 million. This center is anchored by a 46,000 square foot Lowe's Foods.

In February 2011, we completed the acquisition of the remaining 40% interest in The Centre from our joint venture partners and assumed leasing and management responsibilities. The Centre is an 81,000 square foot shopping center located in Carmel, Indiana, a suburb of Indianapolis. The purchase price was approximately $2.3 million, including the repayment of a $700,000 loan made by the Company.

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 and consumers or to permit additional or more productive uses of the properties;

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

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

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

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

- maximizing the occupancy of our existing operating portfolio;

- maximizing tenant absorption and minimizing tenant turnover;

- maintaining efficient leasing and property management strategies to emphasize and maximize rent growth and cost-effective facilities;

- maintaining a diverse tenant mix in an effort to limit our exposure to the financial condition of any one tenant or any category of tenants;

- monitoring the physical appearance, condition, and design of our properties and other improvements located on our properties to maximize our ability to attract customers;

- actively managing costs to minimize overhead and operating costs;
- maintaining strong tenant and retailer relationships in order to avoid rent interruptions and reduce marketing, leasing and tenant improvement costs that result from re-tenanting space; and
- taking advantage of under-utilized land or existing square footage, reconfiguring properties for better use, or adding ancillary income areas to existing facilities.

We employed our operating strategy in 2010 in a number of ways, including increasing our total leased percentage from 90.7% at December 31, 2009 to 92.5% at December 31, 2010, through the signing of over 1.1 million square feet of new and renewal leases in 2010. We have also been successful in maintaining a diverse retail tenant mix with no tenant accounting for more than 3.2% of our annualized base rent. See Item 2, "Properties" for a list of our top tenants by gross leasable area and annualized base rent.

Growth Strategy. 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 internal benchmarks. We intend to implement our growth strategy in a number of ways, including:

- continually evaluating our operating properties for redevelopment and renovation opportunities that we believe will make them more attractive for leasing to new tenants or re-leasing to existing tenants at increased rental rates;

- capitalizing on future development opportunities on currently owned land parcels through the achievement of anchor and small shop pre-leasing targets and obtaining financing prior to commencing construction;

- disposing of selected assets that no longer meet our long-term investment criteria and recycling the resulting capital into assets that provide maximum returns and upside potential in desirable markets; and

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

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

- the expected returns and related risks associated with investments in these potential opportunities relative to our combined cost of capital to make such investments;

- the current and projected cash flow and market value of the property, and the potential to increase cash flow and market value if the property were to be successfully re-leased or redeveloped;

- the price being offered for the property, the current and projected operating performance of the property, the tax consequences of the sale and other related factors;

- the current tenant mix at the property and the potential future tenant mix that the demographics of the property could support, including the presence of one or more additional anchors (for example, value retailers, grocers, soft goods stores, office supply stores, or sporting goods retailers), as well as an overall diverse tenant mix that includes restaurants, shoe and clothing retailers, specialty shops and service retailers such as banks, dry cleaners and hair salons, some of which provide staple goods to the community and offer a high level of convenience;

- the configuration of the property, including ease of access, abundance of parking, maximum visibility, and the demographics of the surrounding area; and

- the level of success of existing properties in the same or nearby markets.

In 2010, we were successful in executing new leases for anchor tenants at three properties in our development and redevelopment portfolio. We signed leases totaling 118,000 square feet with Nordstrom Rack, Buy Buy Baby, the Container Store, Arhaus Furniture and BGI Fitness to anchor our Rivers Edge redevelopment in Indianapolis,

Indiana. We also signed a 58,000 square foot lease with Toys “R” Us/Babies “R” Us at our South Elgin Commons property in a suburb of Chicago, Illinois and an anchor lease with Urban Outfitters at our Eddy Street Commons property in South Bend, Indiana. We expect these tenants to open for business during the latter half of 2011.

Financing and Capital Preservation Strategy. We finance our development, redevelopment and acquisition activities seeking to use the most advantageous sources of capital available to us at the time. These sources may include the sale of common or preferred shares through public offerings or private placements, the 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 financing and capital preservation strategy is to maintain a strong balance sheet with sufficient flexibility to fund our operating and development activities in the most cost-effective way possible. We consider a number of factors when evaluating our level of indebtedness and when making decisions regarding additional borrowings, including the purchase price of properties to be developed or acquired with debt financing, the estimated market value of our properties and the Company as a whole upon consummation of the refinancing, and the ability of particular properties to generate cash flow to cover expected debt service. As discussed in more detail in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the recent market conditions have heightened the need for most REITs, including us, to continue to place a significant emphasis on financing and capital preservation strategies. Our efforts to strengthen our balance sheet are essential to the success of our business. We intend to continue implementing our financing and capital strategies in a number of ways, including:

- prudently managing our balance sheet, including reducing the aggregate amount of indebtedness outstanding under our unsecured revolving credit facility so that we have additional capacity available to fund our development and redevelopment projects and pay down maturing debt if refinancing that debt is not feasible;

- seeking to replace our unsecured revolving credit facility, which had a balance of $122.3 million at December 31, 2010. The Company has entered into a non-binding term sheet for and amended and restated unsecured revolving credit facility with a three year term;

- extending the maturity dates of and/or refinancing of our near-term mortgage, construction and other indebtedness. Through March 1, 2011, we refinanced $17 million of our 2011 maturities leaving $75 million to be addressed over the balance of the year. Based upon our experience with property level debt over the last couple of years, we expect to address all of these maturities;

- entering into construction loans to fund our in-process developments, redevelopments, and future developments;

- raising additional capital through the issuance of common shares, preferred shares or other securities. In December 2010 we issued 2.8 million shares of our Series A Cumulative Redeemable Perpetual Preferred Shares at an offering price of $25.00 per share for net proceeds of $67.5 million. A portion of the net proceeds from this offering were used to retire our $55 million unsecured term loan, which had a maturity date of July 2011. The remainder of the net proceeds, along with borrowings on our unsecured revolving line of credit were used to retire the $18.3 million loan encumbering our International Speedway Square property in Daytona, Florida;

- managing our exposure to interest rate increases on our variable-rate debt through the use of fixed rate hedging transactions and securing long-term nonrecourse financing; and

- investing in joint venture arrangements in order to access less expensive capital and to mitigate risk.

Business Segments

Our principal business is the ownership, operation, acquisition and development of high-quality neighborhood and community shopping centers in selected markets in the United States. We have aligned our operations into two business segments: (1) real estate operation and development, and (2) construction management and advisory services. See Note 13 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, 2010, 2009 and 2008.

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 these competitors may have greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market.

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

Government Regulation

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

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

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

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

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future.

Insurance

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

Offices

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

Employees

As of December 31, 2010, we had 74 full-time employees. The majority of these employees were “home office” personnel.

Available Information

Our Internet website address is www.kiterealty.com. You can obtain on our website, free of charge, a copy of our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments

with, or furnish them to, the SEC. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

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

ITEM 1A. RISK FACTORS

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

We have separated the risks into three categories:

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

RISKS RELATED TO OUR OPERATIONS

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

The United States economy was in a recession during 2009 and for a portion of 2010. Similarly, the specific markets in which we operate continue to face very challenging economic conditions that will likely persist into the future. In particular, as of December 31, 2010, 41% of our owned square footage and 41% of our total annualized base rent is located in Indiana, 21% of our owned square footage and 21% of our total annualized base rent is located in Florida, and 19% of our owned square footage and 18% 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.

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

Disruptions in the credit markets generally, or relating to the real estate industry specifically, may adversely affect our ability to obtain debt financing at favorable rates or at all. In 2008 and 2009, the United States financial and credit markets 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. Those circumstances 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. Although the credit markets have recovered from this severe dislocation, there are a number of continuing effects, including a weakening of many traditional sources of debt financing, a reduction in the overall amount of debt financing available, lower loan to value ratios, a tightening of lender underwriting standards and terms and higher interest rate spreads. As a result, we may be unable to refinance or extend our existing indebtedness or the terms of any refinancing may not be as favorable as the terms of our existing indebtedness. For example, as of February 15, 2011, we had approximately $78 million and $253 million of debt maturing in 2011 and 2012, respectively, including our $200 million unsecured

revolving credit facility in February 2012. If we are not successful in refinancing our outstanding debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations.

If a dislocation similar to that which occurred in 2008 and 2009 occurs in the future, we may be forced to seek alternative sources of potentially less attractive financing, and 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. These events also may make it more difficult or costly for us to raise capital through the issuance of our common stock or preferred stock. The disruptions in the financial markets have had and may continue to have a material adverse effect on the market value of our common shares and other adverse effects on our business.

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

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

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

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

susceptible to other developments that, while not directly tied to the economy, could have a material adverse effect on our business. These developments include relocations of businesses, changing demographics, increased Internet shopping, infrastructure quality, federal, state, and local budgetary constraints and priorities, increases in real estate and other taxes, costs of complying with government regulations or increased regulation, decreasing valuations of real estate, and other factors.

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

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

Because our portfolio of properties consists primarily of community and neighborhood shopping centers, a decrease in the demand for retail space, due to the economic factors discussed above or otherwise, may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. The market for retail space has been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through 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.

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

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. Our leases generally do not contain provisions designed to ensure the creditworthiness of our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition, particularly during periods of economic uncertainty such as what has recently occurred. 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, 2010, the five largest tenants in our operating portfolio in terms of annualized base rent were Publix, PetSmart, Bed Bath & Beyond/Buy Buy Baby, Lowe's Home Improvement, and Ross Stores, representing 3.2%, 2.8%, 2.4%, 2.4%, and 2.3%, respectively, of our total annualized base rent.

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

Bankruptcy filings by our retail tenants occur from time to time. Such bankruptcies may increase in times of economic uncertainty such as what has recently occurred. For example, A&P, which leases 59,000 square feet and accounts for 1.0% of our annualized base rent, filed for bankruptcy in December 2010. The number of bankruptcies among United States companies continue to be 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, which would result in a reduction in our cash flow and in the amount of cash available for distribution to our shareholders.

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

We had $611 million of consolidated indebtedness outstanding as of December 31, 2010, 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 $611 million of consolidated outstanding indebtedness as of December 31, 2010, of which $78 million is scheduled to mature in 2011 along with our share of mortgage debt of unconsolidated joint ventures of $14 million, and $253 million is scheduled to mature in 2012. At December 31, 2010, $333 million of our debt bore interest at variable rates ($114 million when reduced by our $219 million of interest rate swaps for fixed interest rates) along with our share of mortgage debt of unconsolidated joint ventures of $18 million. Interest rates are currently low relative to historical levels and may increase significantly in the future. If our interest expense increased significantly, it could materially adversely affect our results of operations. For example, if market rates of interest on our variable rate debt outstanding, net of cash flow hedges, as of December 31, 2010 increased by 1%, the increase in interest expense on our variable rate debt would decrease future cash flows by $1.3 million annually.

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

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

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

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

Our unsecured revolving credit facility and various other debt agreements contain certain Events of Default which include, but are not limited to, failure to make principal or interest payments when due, failure to perform or observe any term, 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.

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

We are subject to risks associated with hedging agreements.

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

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

If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. As of December 31, 2010, we had outstanding 63,342,219 common shares. Of these shares, 63,165,142 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, 7,858,498 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.

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

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

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

- adverse changes in the national, regional and local economic climate, particularly in: Indiana, where 41% of our owned square footage and 41% of our total annualized base rent is located; Florida, where 21% of our owned square footage and 21% of our total annualized base rent is located; and Texas, where 19% of our owned square footage and 18% of our total annualized base rent is located;

- tenant bankruptcies;

- local oversupply of rental space, increased competition or reduction in demand for rentable space;

- inability to collect rent from tenants, or having to provide significant rent concessions to tenants;

- vacancies or our inability to rent space on favorable terms;
- changes in market rental rates;
- inability to finance property development, tenant improvements and acquisitions on favorable terms;
- increased operating costs, including costs incurred for maintenance, insurance premiums, utilities and real estate taxes;
- the need to periodically fund the costs to repair, renovate and re-lease space;
- decreased attractiveness of our properties to tenants;
- weather conditions that may increase or decrease energy costs and other weather-related expenses (such as snow removal costs);
- costs of complying with changes in governmental regulations, including those governing usage, zoning, the environment and taxes;
- civil unrest, acts of terrorism, earthquakes, hurricanes and other national disasters or acts of God that may result in underinsured or uninsured losses;
- the relative illiquidity of real estate investments;
- changing demographics; and
- changing traffic patterns.

Our financial covenants may restrict our operating and acquisition activities.

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

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

As of December 31, 2010, we owned nine of our operating properties through joint ventures. As of December 31, 2010, the nine properties represented 10.7% of our annualized base rent. In addition, one of the properties in our in-process development pipeline and two properties in our future development pipeline are currently owned through joint ventures, one of which is accounted for under the equity method as of December 31, 2010 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. Our joint ventures involve risks not present with respect to our wholly owned properties,

including the following:

- we may share decision-making authority with our joint venture partners regarding major decisions affecting the ownership or operation of the joint venture and the joint venture property, such as the sale of the property or the making of additional capital contributions for the benefit of the property, which may prevent us from taking actions that are opposed by our joint venture partners;
- prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which restricts our ability to dispose of our interest in the joint venture;
- our joint venture partners might become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- our joint venture partners may have business interests or goals with respect to the property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration that would increase our expenses and distract our officers and/or trustees from focusing their time and effort on our business, and possibly disrupt the day-to-day operations of the property such as by delaying the implementation of important decisions until the conflict or dispute is resolved; and
- we may suffer losses as a result of the actions of our joint venture partners with respect to our joint venture investments and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we may not control the joint venture.

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

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

We compete with numerous developers, owners and operators of retail shopping centers for tenants. These competitors include institutional investors, other REITs and other owner-operators of community and neighborhood shopping centers, some of which own or may in the future own properties similar to ours in the same markets in which our properties are located, but which have greater capital resources. As of December 31, 2010, leases were scheduled to expire on a total of 7.1% of the space at our properties in 2011. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may be unable to lease on satisfactory terms to potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our leases with them expire. We also may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements than we have historically. As a result, our financial condition, results of operations, cash flow, trading price of our common shares and ability to satisfy our debt service obligations and to pay distributions to our shareholders may be materially adversely affected. In addition, increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any capital improvements we undertake may reduce cash available for distributions to shareholders.

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

We have two properties in our in-process development pipeline and five properties in our future development pipeline. New development projects and property acquisitions are subject to a number of risks, including, but not limited to:

- abandonment of development activities after expending resources to determine feasibility;
- construction delays or cost overruns that may increase project costs;
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller, may fail to reveal various liabilities or defects or identify necessary repairs until after the property is acquired, which could reduce the cash flow from the property or increase our acquisition costs;
- as a result of competition for attractive development and acquisition opportunities, we may be unable to acquire assets as we desire or the purchase price may be significantly elevated, which may impede our growth;
- financing risks;
- the failure to meet anticipated occupancy or rent levels;
- failure to receive required zoning, occupancy, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws; and
- the consent of third parties such as tenants, mortgage lenders and joint venture partners may be required, and those consents may be difficult to obtain or 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 four 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. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. In addition, in connection with our formation at the time of our initial public offering ("IPO"), we entered into an agreement that restricts our ability, prior to December 31, 2016, to dispose of six of our properties in taxable transactions and limits the amount of gain we can trigger with respect to certain other properties without incurring reimbursement obligations owed to certain limited partners of our Operating Partnership. We have agreed that if we dispose of any interest in six specified properties in a taxable transaction before December 31, 2016, we will indemnify the contributors of those properties for their tax liabilities attributable to the built-in gain that exists with respect to such property interest as of the time of our IPO (and tax liabilities incurred as a result of the reimbursement payment). The six properties to which our tax indemnity obligations relate represented 17.6% of our annualized base rent in the aggregate as of December 31, 2010. 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 generally do not decrease, and may increase, when circumstances such as market factors and competition cause a reduction in income from the properties. As a result, if any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds for that property’s operating expenses. Our properties continue to be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, regardless of such properties’ occupancy rates. Therefore, rising operating expenses could reduce our cash flow and funds available for future distributions, particularly if such expenses are not offset by corresponding revenues.

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

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

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

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

Our efforts to identify environmental liabilities may not be successful.

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

- existing environmental studies with respect to our properties reveal all potential environmental liabilities;
- any previous owner, occupant or tenant of one of our properties did not create any material environmental condition not known to us;
- the current environmental condition of our properties will not be affected by tenants and occupants, by the condition of nearby properties, or by other unrelated third parties; or
-

future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations or the interpretation thereof) will not result in environmental liabilities.

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

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

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

The stock markets (including The New York Stock Exchange, or the "NYSE," on which we list our common and preferred shares) have experienced significant price and volume fluctuations. The market price of our common 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.

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

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

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

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

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

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

(1) There are ownership limits and restrictions on transferability in our declaration of trust. In order for us to qualify as a REIT, no more than 50% of the value of our outstanding shares may be owned, actually or constructively, by five or fewer individuals at any time during the last half of each taxable year. To make sure that we will not fail to satisfy this requirement and for anti-takeover reasons, our declaration of trust generally prohibits any shareholder (other than an excepted holder or certain designated investment entities, as defined in our declaration of trust) from owning (actually, constructively or by attribution), more than 7% of the value or number of our outstanding common shares. Our declaration of trust provides an excepted holder limit that allows members of the Kite family (Al Kite, John Kite and Paul Kite, their family members and certain entities controlled by one or more of the Kites), as a group, to own more than 7% of our outstanding common shares, so long as, under the applicable tax attribution rules, no one excepted holder treated as an individual would hold more than 21.5% of our common shares, no two excepted holders treated as individuals would own more than 28.5% of our common shares, no three excepted holders treated as individuals would own more than 35.5% of our common shares, no four excepted holders treated as individuals would own more than 42.5% of our common shares, and no five excepted holders treated as individuals would own more than 49.5% of our common shares. Currently, one of the excepted holders would be attributed all of the common shares owned by each other excepted holder and, accordingly, the excepted holders as a group would not be allowed to own in excess of 21.5% of our common shares. If at a later time, there were not one excepted holder that would be attributed all of the shares owned by the excepted holders as a group, the excepted holder limit would not permit each excepted holder to own 21.5% of our common shares. Rather, the excepted holder limit would prevent two or more excepted holders who are treated as individuals under the applicable tax attribution rules from owning a higher percentage of our common shares than the maximum amount of common shares that could be owned by any one excepted holder (21.5%), plus the maximum amount of common shares that could be owned by any one or more other individual common shareholders who are not excepted holders (7%). Certain entities that are defined as designated investment entities in our declaration of trust, which generally includes pension funds, mutual funds, and certain investment management companies, are permitted to own up to 9.8% of our outstanding common shares, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the 7% ownership limit if those beneficial owners owned directly their proportionate share of the common shares owned by the designated investment entity. Our Board of Trustees may waive the 7% ownership limit or the 9.8% designated investment entity limit for a shareholder that is not an individual if such shareholder provides information and makes representations to the board that are satisfactory to the board, in its reasonable discretion, to establish that such person's ownership in excess of the 7% limit or the 9.8% limit, as applicable, would not

jeopardize our qualification as a REIT. In addition, our declaration of trust contains certain other ownership restrictions intended to prevent us from earning income from related parties if such income would cause us to fail to comply with the REIT gross income requirements. The various ownership restrictions may:

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

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

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

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

Certain provisions of Maryland law could inhibit changes in control.

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

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

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

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

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

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

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

Our future success depends, to a significant extent, upon the continued services of our existing executive officers. Our executive officers' experience in real estate acquisition, development and finance are critical elements of our future success. We have employment agreements for one-year terms with each of our executive officers. These agreements automatically renew for a one-year term unless either we or the officer elects not to renew the agreement. These agreements were automatically renewed for our three executive officers through December 31, 2011. If one or more of our key executives were to die, become disabled or otherwise leave the company's employ, we may not be able to replace this person with an executive officer of equal skill, ability, and industry expertise. Until suitable replacements could be identified and hired, if at all, our operations and financial condition could be impaired.

We depend on external capital to fund our capital needs.

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

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;

- our current and potential future earnings;
- our cash flow and cash distributions;
- our ability to qualify as a REIT for federal income tax purposes; and
- the market price of our common shares.

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

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

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

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

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

TAX RISKS

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

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

importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for us to remain qualified as a REIT.

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

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

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

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some

payments that it receives or on some deductions taken by the taxable REIT subsidiaries if the economic arrangements between the REIT, the REIT's tenants, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities treat REITs the same way they are treated for federal income tax purposes. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our shareholders.

REIT distribution requirements may increase our indebtedness.

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

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, 2010, we owned interests in a portfolio of 53 retail operating properties totaling 8.0 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, 2010:

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	91.5	%
Coral Springs	FL	Ft. Lauderdale	2004/2010	2004	Redeveloped	46,079	46,079	100.0	%
Estero Town Commons6	FL	Naples	2006	2007	Developed	206,600	25,631	57.0	%
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	94.1	%
King's Lake Square	FL	Naples	1986	2003	Acquired	85,497	85,497	90.5	%
Pine Ridge Crossing	FL	Naples	1993	2006	Acquired	258,874	105,515	96.4	%
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	52.0	%
Tarpon Springs Plaza	FL	Naples	2007	2007	Developed	276,346	82,547	95.1	%
Wal-Mart Plaza	FL	Gainesville	1970	2004	Acquired	177,826	177,826	94.6	%
Waterford Lakes Village	FL	Orlando	1997	2004	Acquired	77,948	77,948	95.0	%
Kedron Village	GA	Atlanta	2006	2006	Developed	282,125	157,409	89.3	%
Publix at Acworth	GA	Atlanta	1996	2004	Acquired	69,628	69,628	96.6	%
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	79.9	%
Naperville Marketplace	IL	Chicago	2008	2008	Developed	169,600	83,758	96.1	%

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 Hill[6]	IN	Crown Point	2006	2007	Developed	127,821	57,191	54.0	%
Boulevard Crossing	IN	Kokomo	2004	2004	Developed	213,696	123,696	93.0	%
Bridgewater Marketplace	IN	Indianapolis	2008	2008	Developed	50,820	25,975	61.6	%
Cool Creek Commons	IN	Indianapolis	2005	2005	Developed	137,107	124,578	96.9	%
Eddy Street Commons (Retail only)	IN	South Bend	2009	2010	Developed	87,762	87,762	85.3	%
Fishers Station[4]	IN	Indianapolis	1989	2004	Acquired	116,885	116,885	87.7	%
Geist Pavilion	IN	Indianapolis	2006	2006	Developed	64,114	64,114	83.7	%
Glendale Town Center	IN	Indianapolis	1958/2008	2008	Redeveloped	685,827	403,198	97.4	%
Greyhound Commons	IN	Indianapolis	2005	2005	Developed	153,187	—	*	
Hamilton Crossing Centre	IN	Indianapolis	1999	2004	Acquired	87,424	82,424	92.1	%
Martinsville Shops	IN	Martinsville	2005	2005	Developed	10,986	10,986	16.4	%
Red Bank Commons	IN	Evansville	2005	2006	Developed	324,308	34,308	66.0	%
Stoney Creek Commons	IN	Indianapolis	2000	2000	Developed	189,527	49,330	100.0	%
The Centre[5]	IN	Indianapolis	1986	1986	Developed	80,689	80,689	96.5	%
The Corner	IN	Indianapolis	1984/2003	1984	Developed	42,612	42,612	100.0	%
Traders Point	IN	Indianapolis	2005	2005	Developed	348,835	279,674	99.0	%
Traders Point II	IN	Indianapolis	2005	2005	Developed	46,600	46,600	61.8	%
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	81.3	%
Eastgate Pavilion	OH	Cincinnati	1995	2004	Acquired	236,230	236,230	100.0	%
Cornelius Gateway[6]	OR	Portland	2006	2007	Developed	35,800	21,324	62.3	%
Shops at Otty[7]	OR	Portland	2004	2004	Developed	154,845	9,845	100.0	%
Burlington Coat Factory[8]	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	94.1	%

Market Street Village	TX	Hurst	1970/2004	2005	Acquired	163,625	156,625	100.0	%
Plaza at Cedar Hill	TX	Dallas	2000	2004	Acquired	299,847	299,847	89.5	%
Plaza Volente	TX	Austin	2004	2005	Acquired	160,333	156,333	86.0	%
Preston Commons	TX	Dallas	2002	2002	Developed	142,539	27,539	77.4	%
Sunland Towne Centre	TX	El Paso	1996	2004	Acquired	312,450	307,474	96.7	%
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	92.8	%
Sandifur Plaza6	WA	Pasco	2008	2008	Developed	12,552	12,552	82.5	%
					TOTAL	8,020,295	5,132,850	92.2	%

OPERATING RETAIL PROPERTIES - TABLE I (continued)

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

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

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

3 Percentage of Owned GLA Leased reflects Owned GLA leased as of December 31, 2010, 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 As of December 31, 2010, the Company owns a 60% interest in this property through a joint venture with a third party that manages the property. Subsequent to year-end, the Company acquired the remaining 40% interest and assumed all leasing and management responsibilities.

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 performs on-site management of 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	Oldsmar	$14,923,016	$1,590,095	$—	$1,590,095	2.50%	$17.89	Petsmart, Best Buy, Michaels, Target (non-owned)
Coral Springs	FL	Ft. Lauderdale	—	663,538	—	663,538	1.04%	14.40	Toys “R” Us
Estero Town Commons4	FL	Naples	10,500,000	429,137	750,000	1,179,137	1.86%	29.37	Lowe's Home Improvement
Indian River Square	FL	Vero Beach	13,040,043	1,447,614	—	1,447,614	2.28%	10.29	Beall's, Office Depot, Target (non-owned), Lowe's Home Improvement (non-owned)
International Speedway Square	FL	Daytona	—	2,127,240	405,475	2,532,715	3.99%	9.83	Bed Bath & Beyond, Stein Mart, Old Navy, Staples, Michaels, Dick’s Sporting Goods
King's Lake Square	FL	Naples	—	1,001,887	—	1,001,887	1.58%	12.95	Publix, Retro Fitness
Pine Ridge Crossing	FL	Naples	17,500,000	1,558,098	—	1,558,098	2.45%	15.31	Publix, Target (non-owned), Beall's (non-owned)
Riverchase Plaza	FL	Naples	10,500,000	1,118,669	—	1,118,669	1.76%	14.27	Publix
Shops at Eagle Creek	FL	Naples	—	606,337	55,104	661,441	1.04%	16.15	Staples, Lowe’s (non-owned)
Tarpon Springs Plaza	FL	Naples	12,187,942	1,715,219	228,820	1,944,039	3.06%	21.84	Cost Plus, AC Moore, Staples, Target (non-owned)
Wal-Mart Plaza	FL	Gainesville	—	918,044	—	918,044	1.44%	5.46	Books-A-Million, Save-A-Lot, Wal-Mart
Waterford Lakes Village	FL	Orlando	—	893,050	—	893,050	1.41%	12.06	Winn-Dixie
	GA	Atlanta	29,700,000	2,455,742	—	2,455,742	3.87%	17.46	

Kedron Village									Bed Bath & Beyond, Ross, PETCO, Target (non-owned)
Publix at Acworth	GA	Atlanta	—	775,824	—	775,824	1.22%	11.54	Publix
The Centre at Panola	GA	Atlanta	3,464,489	888,318	—	888,318	1.40%	12.16	Publix
Fox Lake Crossing	IL	Chicago	11,050,412	1,081,183	—	1,081,183	1.70%	13.65	Dominick's Finer Foods
Naperville Marketplace	IL	Chicago	—	993,744	—	993,744	1.56%	12.34	TJ Maxx, PetSmart, Caputo’s (non-owned)
South Elgin Commons	IL	Chicago	9,170,000	843,750	—	843,750	1.33%	18.75	LA Fitness, Super Target (non-owned)
50 South Morton	IN	Indianapolis	—	126,000	—	126,000	0.20%	63.00	
54th & College	IN	Indianapolis	—	—	260,000	260,000	0.41%	—	The Fresh Market (non-owned)
Beacon Hill	IN	Crown Point	7,401,750	487,050	—	487,050	0.77%	15.78	Strack & VanTill (non-owned), Walgreens (non-owned)
Boulevard Crossing	IN	Kokomo	—	1,546,795	—	1,546,795	2.42%	13.45	PETCO, TJ Maxx, Ulta Salon, Kohl's (non-owned)
Bridgewater Marketplace	IN	Indianapolis	7,000,000	275,517	—	275,517	0.43%	17.22	Walgreens (non-owned)
Cool Creek Commons	IN	Indianapolis	17,643,234	1,987,878	—	1,987,878	3.13%	16.47	The Fresh Market, Stein Mart, Cardinal Fitness
Eddy Street Commons	IN	South Bend	24,871,142	1,690,493	—	1,690,493	2.66%	22.59	Hammes Bookstore, Urban Outfitters
Fishers Station	IN	Indianapolis	3,656,493	1,094,754	—	1,094,754	1.72%	10.68	Marsh Supermarkets, Goodwill, Dollar Tree
Geist Pavilion	IN	Indianapolis	11,125,000	939,579	—	939,579	1.48%	17.52	Partytree Superstore, Ace Hardware
Glendale Town Center	IN	Indianapolis	19,615,000	2,471,303	—	2,471,303	3.89%	6.30	Macy’s, Landmark Theatres, Staples, Indianapolis Library,

									Lowe's Home Improvement (non-owned), Target (non-owned), Walgreens (non-owned)
Greyhound Commons	IN	Indianapolis	—	—	221,748	221,748	0.35%	—	Lowe's Home Improvement (non-owned)
Hamilton Crossing Centre	IN	Indianapolis	—	1,362,204	78,650	1,440,854	2.27%	17.94	Office Depot
Martinsville Shops	IN	Martinsville	—	26,100	—	26,100	0.04%	—	Walgreens (non-owned)
Red Bank Commons	IN	Evansville	—	318,764	—	318,764	0.50%	14.07	Wal-Mart (non-owned), Home Depot (non-owned)
Stoney Creek Commons	IN	Indianapolis	—	464,755	—	464,755	0.73%	9.42	HH Gregg, Office Depot, Lowe's Home Improvement (non-owned),
The Centre4	IN	Indianapolis	—	1,072,277	—	1,072,277	1.69%	13.77	CVS
The Corner	IN	Indianapolis	1,486,488	647,522	—	647,522	1.02%	15.20	Hancock Fabrics
Traders Point	IN	Indianapolis	45,895,436	4,047,159	435,000	4,482,159	7.05%	14.62	Dick's Sporting Goods, AMC Theatre,Marsh, Bed Bath & Beyond, Michaels, Old Navy, Petsmart
Traders Point II	IN	Indianapolis	—	743,901	—	743,901	1.17%	25.83	
Whitehall Pike	IN	Bloomington	8,039,656	1,014,000	—	1,014,000	1.60%	7.86	Lowe's Home Improvement
Zionsville Place	IN	Indianapolis	—	241,204	—	241,204	0.38%	19.45	
Ridge Plaza	NJ	Oak Ridge	14,746,436	1,549,071	—	1,549,071	2.44%	16.56	A&P Grocery, CVS
Eastgate Pavilion	OH	Cincinnati	14,883,390	2,130,416	—	2,130,416	3.35%	9.02	Best Buy, Dick's Sporting Goods, Value City Furniture, Petsmart, DSW

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	—	264,744	—	264,744	0.42 %	19.93	Fedex/Kinkos
Shops at Otty	OR	Portland	—	273,795	136,300	410,095	0.65 %	27.81	Wal-Mart (non-owned)
Burlington Coat Factory	TX	San Antonio	—	510,150	—	510,150	0.80 %	4.75	Burlington Coat Factory
Cedar Hill Village	TX	Dallas	—	675,305	—	675,305	1.06 %	16.21	24 Hour Fitness, JC Penny (non-owned)
Market Street Village	TX	Hurst	—	1,747,312	33,000	1,780,312	2.80 %	11.16	Jo-Ann Fabric, Ross, Office Depot, Buy Buy Baby
Plaza at Cedar Hill	TX	Dallas	25,175,721	3,482,142	—	3,482,142	5.48 %	12.98	Hobby Lobby, Office Max, Ross, Marshalls, Sprouts Farmers Market, Toys “R” Us/Babies “R” Us
Plaza Volente	TX	Austin	28,119,431	1,934,204	110,000	2,044,204	3.22 %	14.39	H-E-B Grocery
Preston Commons	TX	Dallas	4,223,200	525,468	—	525,468	0.83 %	24.65	Lowe's Home Improvement (non-owned)
Sunland Towne Centre	TX	El Paso	25,000,000	3,082,397	104,809	3,187,206	5.02 %	10.36	Petsmart, Ross, HMY Roomstore, Kmart, Bed Bath & Beyond, Feldman’s Market
50th & 12th	WA	Seattle	4,293,034	475,000	—	475,000	0.75 %	32.76	Walgreens
Gateway Shopping	WA	Seattle	20,712,866	2,059,098	144,000	2,203,098	3.47 %	22.32	Petsmart, Ross, Rite

Center4									Aid, Party City, Kohl's (non-owned), Winco (non-owned)
Sandifur Plaza	WA	Pasco	—	196,320	—	196,320	0.31 %	18.96	Walgreens (non-owned)
		TOTAL	$415,924,179	$60,570,166	$2,962,906	$63,533,072	100 %	$12.80	

1 Annualized Base Rent Revenue represents the contractual rent for December 2010 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, 2010.

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, 2010, we owned interests in four operating commercial properties totaling 0.6 million square feet of net rentable area ("NRA"). The following sets forth more specific information with respect to the Company's commercial properties as of December 31, 2010:

OPERATING COMMERCIAL PROPERTIES

Property	MSA	Year Built/ Renovated	Acquired, Redeveloped or Developed	Encumbrances	Owned NRA	Percentage of Owned NRA Leased	Annualized Base Rent[1]	Percentage of Annualized Commercial Base Rent	Base Rent Per Leased Sq. Ft.	Major Tenan
Indiana										
30 South[2]	Indianapolis	1905/2002	Redeveloped	$21,303,984	298,346	92.6%	$4,925,582	65.9%	$17.84	Indiana Supreme Cou City Securitie Kite Realty Group, Lumi Foundation
Pen Products	Indianapolis	2003	Developed	—	85,875	100.0%	834,705	11.2%	9.72	Indiana Dept. of Administratio
Union Station Parking Garage[3]	Indianapolis	1986	Acquired	—	N/A	N/A	N/A	N/A	N/A	Denison Parking
Indiana State Motorpool	Indianapolis	2004	Developed	3,467,910	115,000	100.0%	639,400	8.5%	5.56	Indiana Dept. of Administratio
Eddy Street Office (part of Eddy Street Commons)[4]	South Bend	2009	Developed	—	82,159	90.5%	1,074,903	14.4%	14.46	Notre Dame Office
			TOTAL	$24,771,894	581,380	94.8%	$7,474,590	100.0%	$13.56	

1 Annualized Base Rent represents the monthly contractual rent for December 2010 for each applicable property, multiplied by 12.

2 Annualized Base Rent includes $779,507 from the Company and subsidiaries as of December 31, 2010.

3 The garage is managed by a third party.

4 The Company also owns a 50% interest in an unconsolidated limited service hotel at Eddy Street Commons in South Bend, Indiana along with a parking garage that serves the hotel and the office and retail components of the property.

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In-Process Developments

In addition to our operating retail properties, as of December 31, 2010, we owned interests in two in-process developments that are expected to contain 0.5 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, 2010:

In-Process Development Projects	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 Estimat Projec Cost7
Cobblestone Plaza, FL1	50%	Ft. Lauderdale	$28,347,102	Q2 2009/ Q4 2011	132,743	138,386	32.5%	84.4%	$52,00
South Elgin Commons, IL – Phases I and II	100%	Chicago	—	Q4 2011	128,000	315,000	35.2%	100.0%	16,20
Total In-Process Development Projects			$28,347,102		260,743	453,386	33.8%	92.1%	$68,20
Cost incurred as of 12/31/2010 included in Construction in progress on consolidated balance sheet8									

1 The Company owns Cobblestone Plaza through a joint venture. Whole Foods is planning to take possession of their leased space in the second half of 2011.

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 37,290 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.

8 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 in-process development pipeline, as displayed in the table above, as of December 31, 2010, we owned four retail redevelopment properties that contain 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, 2010:

Redevelopment Projects1	Company Ownership %	MSA	Encumbrances	Existing Owned GLA	Projected Owned GLA2	Projected Total GLA3	Total Estimated Project Cost4	Cost Incurred as of December 31, 20104	Major Tenants and Non-owned Anchors
Rivers Edge, IN5	100%	Indianapolis	$14,311,526	110,875	152,285	152,285	$21,500	$ 2,924	Nordstrom Rack, Buy Buy Baby, Container Store, Arhaus Furniture, BGI Fitness
Bolton Plaza, FL5	100%	Jacksonville	—	172,938	172,938	172,938	5,700	1,487	Academy Sports & Outdoors
Courthouse Shadows, FL5	100%	Naples	—	134,867	134,867	134,867	2,500	378	Publix, Office Max
Four Corner Square, WA5	100%	Seattle	—	29,177	44,000	44,000	500	62	Johnson Hardware Store
Total Redevelopment Projects			$14,311,526	447,857	504,090	504,090	$30,200	$ 4,851	

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.

5

The current estimate of the total project costs may increase depending on the outcome of current negotiations with additional tenants.

Other Development Activity

In addition to our in-process development and redevelopment pipeline, as displayed in the tables above, we have interests in a future 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. With respect to each asset in the future development pipeline, our policy is to not commence verticial construction until pre-established leasing thresholds are achieved and the requisite third-party financing is in place. As of December 31, 2010, this visible future pipeline consisted of five projects that are expected to contain 2.5 million square feet at a total estimated project cost of $298.1 million, our share of which is expected to be $179.7 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, 20102	Potential Tenancy
Unconsolidated –								
Parkside Town Commons, NC3	Raleigh	40%	$ 33,873,000	TBD	1,500,000	$148,000	$ 62,063	Frank Theatres, Discount Department Store, Jr. Boxes, Restaurants
KRG Current Share of Unconsolidated Project Cost3 3			$13,549,200			$ 29,600	$ 24,825	
						20%	40%	
Consolidated –								
Delray Marketplace, FL4	Delray Beach	50%	$ 4,725,000	TBD	296,000	$ 90,000	$ 46,571	Publix, Frank Theatres, Jr. Boxes, Shops, Restaurants
Maple Valley, WA5	Seattle	100%	—	TBD	74,000	11,000	10,775	Hardware Store, Shops
Broadstone Station, NC	Raleigh	100%	—	TBD	345,000	19,100	13,279	Shops, Pad Sales, Jr. Boxes, Super Wal-Mart (non-owned)
New Hill Place, NC – I	Raleigh	100%	—	TBD	310,000	30,000	15,276	Target, Frank Theatres
TOTAL			$ 4,725,000		1,025,000	150,100	85,901	
KRG Current Share of Consolidated Project Cost						$179,700	$110,726	

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.. The current estimate of the total project costs may change

depending on the outcome of negotiations with tenants.

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

3 Parkside Town Commons is owned through a joint venture with Prudential Real Estate Investors. The Company's interest in this joint venture is 40% as of December 31, 2010 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, 2010, we owned interests in land parcels comprising 93 acres that are expected to be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Tenant Diversification

No individual retail or commercial tenant accounted for more than 3.2% of the portfolio's annualized base rent for the year ended December 31, 2010. 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, 2010:

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	147,079	6	147,079	0	0
Home Depot	1	140,000	0	0	1	140,000
Bed Bath & Beyond	5	134,298	5	134,298	0	0
	45	3,634,519	29	1,360,154	16	2,274,365

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

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

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

The following table sets forth certain information for the largest 25 tenants open for business at the Company's retail and commercial properties based on minimum rents in place as of December 31, 2010:

TOP 25 TENANTS BY ANNUALIZED BASE RENT1, 2

Tenant	Type of Property	Number of Locations	Leased GLA/NRA2	% of Owned GLA/NRA of the Portfolio	Annualized