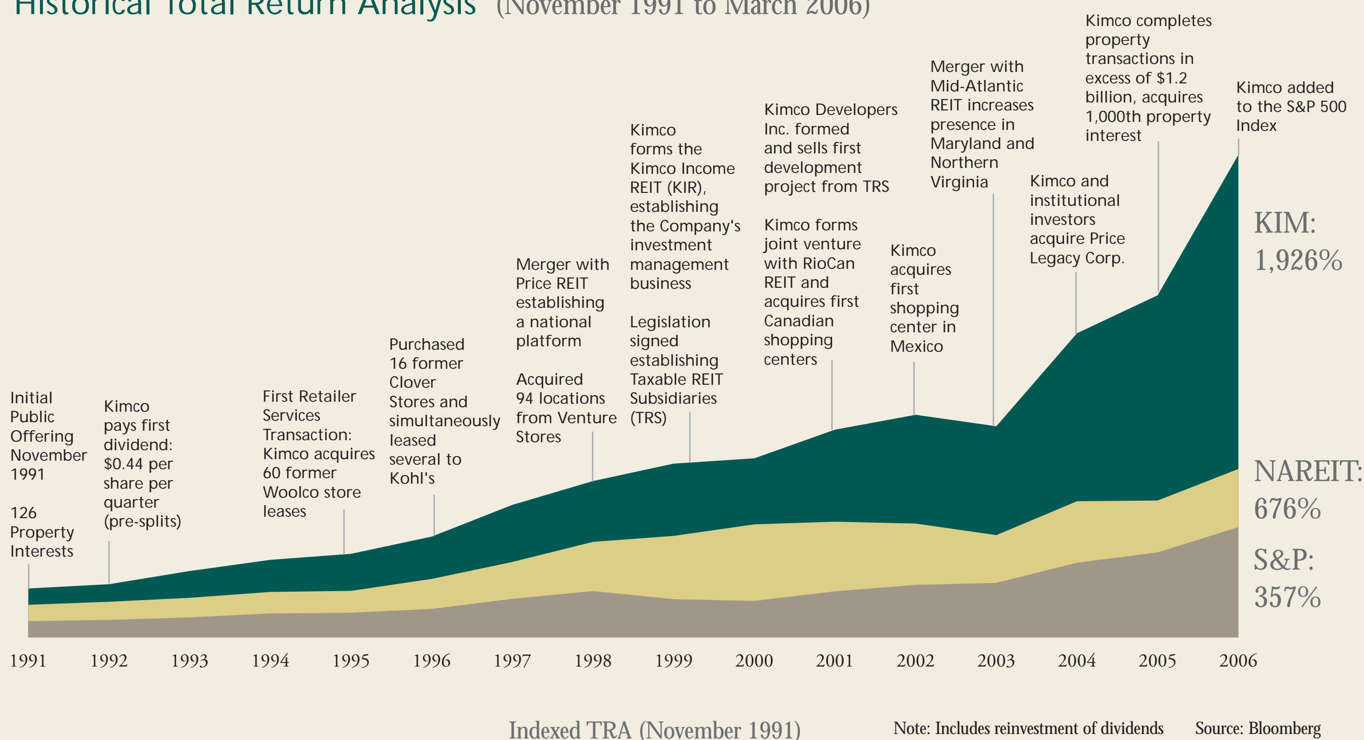
Kimco Realty Corporation

2005 Annual Report



$100,000 invested in Kimco shares at the IPO would be approximately $1.9 million on March 31, 2006, including the reinvestment of dividends.

Company Profile

Kimco Realty Corporation, operating as a real estate investment trust (REIT), is the largest publicly traded owner and operator of neighborhood and community shopping centers in North America. In addition, the Company develops retail properties for sale, invests in real estate-related securities and mortgages secured by retail real estate and provides capital and expertise to retailers with surplus real estate.

Kimco held its initial public offering in November 1991 and has generated a total annualized return for shareholders, including the reinvestment of dividends, of 23.3% through March 31, 2006.

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Dear Fellow Shareholders, Partners and Associates:

"The further backward you can look, the farther forward you can see." Winston Churchill.

Kimco enjoyed yet another outstanding year in 2005, which will be reviewed in more detail in the letter that follows mine. I would like, in my comments, to discuss with you how our business has changed over the years in response to changing economic and industry conditions, how we have capitalized on those changes and how we are positioning our company to take advantage of further changes to come.

We developed our first retail property in 1958. It was a time of vibrant growth – new suburbs were sprouting everywhere, and so were new retail concepts. It was an era unknown to outsourcing, off shoring, or massive global competition, and so U.S. automobile manufacturers were busy building new plants. The annual rent for our first development project was $1 per square foot. For the next ten years or so, development was our primary business. Over that period of time, as a result of rising land and construction costs, as well as increasing demand for retail space, the average annual rent of our major tenants increased to approximately $3 per square foot. This was a period of such persistent and predictable growth that almost anything we developed was bound to increase in value – and so there was no reason to sell any of our properties. Eventually, however, retailer competition intensified, and there came a time when landlords experienced high-profile bankruptcies of retailers whose credit was thought to be beyond question. Do you remember W. T. Grant?

Our own experience with these bankruptcies, as painful as they were in the short term, had several beneficial consequences. It gave us the opportunity to learn the intricacies of the retailer bankruptcy process and provided a valuable tutorial, helping us to understand the value of retailers' leases containing contract rents that were below market rents. It also became clear that the sales volume of the retailer was a major factor in determining the value of any retailer leasehold. We also learned that if the sales at two locations were similar – but the rents at one were substantially less than the other – the leasehold with the lower rent was clearly more valuable. It followed that, from the real estate owner's perspective, properties with contract rents *below market* provided a safer and more reliable income stream – and thus had greater value than market rate leases.

Yet, in the development business, negotiated rental rates for new tenants are set at levels approximating market rent. This practice caused us to shift our focus from development to the

acquisition of existing properties with below market rents. Properties with leases substantially below market have always been among our favorite investments – they provide a secure income stream with the possibility of increased revenue in the event of a tenant default as well as insurance against tenant financial difficulties.

In the late 1980's, due to overbuilding, high interest rates and defaults resulting from excessive real estate borrowing, “real estate” became a dirty word. The banks shut their doors to even the most savvy and experienced real estate borrowers, and conventional wisdom viewed non-recourse mortgage financing as a dinosaur that had become extinct. Adding insult to injury, real estate people were blamed for the savings and loan debacle.

In this discouraging environment, the IPO road for REITs was considered a rock-bound trace in the wilderness. In 1991, the total market capitalization of all equity REITs combined was less than $9 billion, and many believed that it would never rise much beyond that level. Despite these obstacles, our organization decided to seek to become a public company and raise equity as a permanent source of capital.

In November 1991, our $128 million initial public offering was consummated. Kimco shares traded down for a short period of time after our IPO – but we were public! We believe that the principal responsibility of a public company is to reinvest the money that its investors entrust to it at a spread to its cost of acquiring that capital. In the early 1990's this task was not difficult. Cap rates were high, and we could buy plain vanilla real estate at an attractive spread to our capital cost. However, this favorable environment didn't last long, as competition for property acquisitions began to heat up. Within a few years, the REIT industry spawned a veritable flood of new equity offerings, with each new REIT seeking capital to expand its asset base. Emerson noted, “Imitation is the highest form of flattery.” – and we were flattered in the extreme!

The huge expansion of the REIT industry beginning in 1993 and the greater availability of capital reflected healthier real estate markets for most of the decade of the 1990’s. But job growth ground to a halt in the early years of the 21st century due to a recession and the effects of 9/11, and most real estate owners suffered declining occupancy rates. Eventually, however, fundamentals improved steadily, and beginning about three years ago, real estate, as an asset class, has been perceived as a very stable and desirable investment; capital began to flow into real estate investments at an unprecedented pace. This resulted in higher real estate prices, declining cap rates and diminishing returns. We responded to this new trend in several ways.

We began to anticipate this new trend as early as 1999 when we formed our first institutional joint venture, the Kimco Income REIT (“KIR”). Our belief was that the combination of management fees and our return on investment would result in a total return that would exceed our cost of capital even as cap rates drifted lower and would provide us with very satisfactory returns. And, of course, it permitted us to achieve a desirable return for our investing partners. We steadily expanded this business and located a number of quality institutions that wanted to co-invest with us, and our investment management business has since grown apace. In each of these Funds, the property acquisitions and investments are subject to the approval of the investing institutions. Today we manage property investments for Institutional Funds and others in which we co-invest that have an aggregate portfolio value of approximately $7,500,000,000. We very much like this business, and plan to grow it substantially in the years ahead.

Also, as returns on U.S. real estate became less enticing, we expanded our strategy to focus on new investments both north and south of our borders. Cap rates in Canada were substantially higher than in the U.S. for shopping center investments that boasted many of the same favorable attributes, and the competitive landscape was to our liking. We were also very fortunate, as we were able to persuade Dave Henry to join our organization in 2001; Dave was very active in the Canadian and Mexican real estate markets while an executive at GE Capital – he knew the territory and he knew the players. Dave's knowledge and persistence were instrumental in helping us to seize these opportunities. We now have interests in 117 properties in Canada, comprising over 13 million square feet. Although cap rates in Canada no longer have a substantial spread over U.S. cap rates and much of the low-hanging fruit has been picked, we believe that Canada offers a number of attractive development and preferred equity opportunities, which we continue to pursue.

In addition to Canada – and again with the help of Dave Henry's knowledge and experience – we have been investing south, in Mexico. After substantial study of the Mexican economy and real estate markets, we made our first investment there in 2002. We like the growth prospects in what is now the ninth largest economy in the world, the work ethic of the Mexican people and the relatively modest amount of retail space that now exists. We continue to find excellent investment opportunities in Mexico and expect to maintain strong relationships with both local and U.S. retailers which continue to expand in the Mexican market.

In addition to finding attractive investments with excellent returns outside of the U.S., we also believe that our diversification has lowered our risk profile. Today more than 10% of our FFO comes from Canada and Mexico – our two neighbors with enormous natural resources and good growth opportunities.

So much for our history and how we have responded to changes in market conditions. Now, let's look forward and consider how evolving dynamics in the U.S. economy and real estate markets are changing how we do business today and how we will do business in the future. What have not changed are our commitments to our shareholders – first, to provide a safe and growing dividend to those shareholders who desire income; and, second, to provide stock appreciation prospects via new growth opportunities for those shareholders who most value growth.

To meet these commitments, we must focus on three main objectives:

First, we will continue the quest for our "Dream Portfolio." Our Dream Portfolio consists of properties that reflect the following five characteristics:

1. Located in densely populated markets;
2. Significant supply constraints that limit competition;
3. Anchored by productive stores in the top 25% of the retailer's chain;
4. Below market rents; and
5. Redevelopment and expansion potential.

I have discussed, in past letters, grouping our real estate businesses into two baskets – one Defensive and one Opportunistic. The underpinning of our Defensive Basket is the ownership of core retail real estate. Our continuing objective is to own the most productive assets in the most attractive long-term markets with high barriers to entry, and we must vigilantly monitor them. Due to globalization and its increasing competitive pressures, we have again been reminded in recent years that not all commercial real estate will necessarily increase in value. For example, as manufacturing employment in the U.S. has declined in certain sectors and markets, some areas of the country have experienced negative population growth; we must be cognizant of this and other new risks.

As a result of this concern, we began a program of selling properties that no longer meet our long-term objectives. We continue to cull our investment portfolio and sell those assets that may involve above-average risk in the light of changing demographics and market conditions. While this is an ongoing process, we have already made enormous progress. Our portfolio today is first rate and continues to strengthen; fully 40% of our core Kimco portfolio is now located in California, New York, Florida and major Canadian cities. Furthermore, over 70% of our revenue is currently derived from properties located within the largest 25 Core Based Statistical Areas ("CBSAs").

Second, we must become the premier investment manager of retail real estate. We and our investor partners complement each other, and we have common objectives. The investor partner benefits by enjoying a lower cost of capital and, as we are a partner with a strong and established track record and have our own "skin in the game," we bring much to the table. I would also note that Kimco has a unique competitive advantage in two of the few remaining real estate sectors that has yet to be commoditized – information and relationships.

Several factors contribute to help us build and maintain this competitive edge. As one of the largest owners of shopping centers, we have properties in most of the top 100 CBSA's, supported by 25 regional offices. This local presence and expertise provides us with a sound infrastructure that enables us to intensively manage our existing properties and efficiently source new opportunities.

We have strong and deep relationships in place with most of the U.S. national retailers and many of the leading regional retailers as well. This helps us keep a careful eye on how our existing stores are performing, provides a vehicle to market our vacancies and enables us to evaluate potential acquisition and development opportunities. We have negotiated proven and widely-accepted leases with most of the national retailers, which results in accelerated lease signings and, therefore, less down time prior to new store openings.

Our leasing and property management teams are leaders in the industry. Additionally, we have a dedicated and highly creative redevelopment and construction team, specializing in adding density and mixed-use components where the economics are advantageous. Our first-rate accounting and lease administration teams are supported by state-of-the-art systems, which enable us to closely monitor the cash flows of each property.

Our sizeable footprint and far-reaching relationships provide us with real-time market information, which enables us to consistently stay ahead of changing trends and market dynamics. Our dedicated, professional Associates synthesize and implement this information on a local basis to ensure that we remain ahead of the curve and continue to lead the market.

Third, in order to create extra value for those of our shareholders who seek substantial capital appreciation on their investment in Kimco, we must continue to expand our Opportunistic Basket. A world class team of knowledgeable, motivated entrepreneurs allows us to be very fast on our feet and create value by seizing opportunities that we can turn to our advantage. Our efforts were greatly enhanced in 1999 when Congress passed the REIT Modernization Act. This provided for the formation of "taxable REIT subsidiaries" that could engage in non-rental revenue businesses not previously allowed to REIT organizations.

This legislation was made-to-order for us, and we filled the blank canvas that Congress created with several permitted initiatives. Just one example of this was merchant building, which gave rise to KDI, our development business. We also became active in opportunities involving distressed retailers owning solid real estate properties and leaseholds. These and other value-creating businesses carried on at Kimco are described more fully in the management letter that follows. We must, of course, generate higher returns from these opportunistic businesses, and always in excess of our cost of capital.

We at Kimco have always been alert for unusual opportunities to create extra value for our shareholders. In this regard, I'd like to remind you that real estate ownership can take different forms, some of which are providing us with unique opportunities for our Opportunistic Basket. The most basic form of real estate investment is a "fee simple ownership" of real estate. It is easy to understand – the owner simply owns the real estate, including all improvements upon the underlying land.

This basic kind of real estate ownership is very much in demand today by investors of all types, and capital is widely available for its purchase. Indeed, cap rates for such real estate are, today, as low as they have been for many years, which is good – it enhances the value of our owned properties – but also bad – today's low cap rates make it very difficult to create substantial value by simply buying such real estate in the open market. And, it is certainly possible, perhaps even likely, that cap rates for basic real estate will remain near their present low levels, give or take 100 basis points, for the foreseeable future. This makes it important for us to consider other forms of interests in commercial real estate.

These other forms are often more complex – but also potentially more rewarding. Mortgages are interests in real estate. Leaseholds are interests in real estate. Debtor-in-possession financing can create another form of interest in real estate. Ownership in stock of corporations that own property and/or leasehold interests is yet another form. The trade-off for this complexity, of course, is that investment yields can be significantly higher; we have been able to capture these high yields in a number of transactions we have done over the years, e.g., Atlantic Realty, Blue Ridge and the Montgomery-Ward Designation Rights transactions. Consistent with our belief that making investments of the type that others may not understand can create substantial value for our shareholders, we will continue to look for opportunities that are off the beaten track, such as our investment in Albertson's. And we have done well with these unusual investments throughout our history. However, we do understand that they frequently bear higher than average risk, and thus, they will never amount to more than a modest percentage of Kimco's equity market cap. Of course, risk is

often elevated in these types of interests, and so we must continue to carefully apply our expertise and judgment, while always being mindful of the prospective risk-adjusted returns on these investments.

Let me conclude with a few final thoughts. The best designed strategy, no matter how prescient, is worthless unless executed well. Not only must we understand the potential risks and rewards of any proposed transaction, we must also maintain a very strong balance sheet so that we will always have speedy access to capital to take advantage of new and unique opportunities. We will continue to maintain modest debt leverage, keep our coverage ratios strong and watch our debt maturities closely.

We should also never forget that value creation through the capture of unique opportunities requires effective and highly motivated business leaders who, in turn, know the importance of strong and loyal people to help make things happen. To do that is never easy. We believe we have been successful in this endeavor by understanding the importance of three key motivational factors and acting accordingly:

1. We have created and are careful to maintain a corporate soul that will nurture the best intentions and highest goals of the individual and which instills both pride and responsibility;
2. We continue to foster a corporate culture in which individuals can feel that they can grow, both spiritually and intellectually, and enjoy a sense of accomplishment by virtue of their unique contributions; and
3. We provide the opportunity for our Associates to create personal wealth and financial independence by contributing to a successful team effort.

We have structured a compensation program over the years at Kimco which emphasizes equity incentives and de-emphasizes cash compensation; this creates a commonality of goals in the creation of value for our shareholders as well as our Associates. It also creates a moral imperative to work toward building an ever more valuable enterprise, as the cash compensation is often not adequate, by itself, to create wealth. As we accomplish this mission, everyone wins. This has been highly successful and rewarding throughout our history as a public company, as the stock options provided to ALL of our people have created over $300 million of value.

And, of course, the devoted efforts of our Associates have proven rewarding to our shareholders as well. Despite all of the perturbations in the U.S. economy and real estate markets – and, yes, the

changes that seem to continually occur – our per share funds from operations since our IPO have compounded at an average annual rate of 10.7%. Investors seem to have appreciated this, as our stock price alone – not including dividends – has grown by over 810% from our IPO in November 1991 through March 2006 (easily topping the S&P's return of 245% during this time period).

Furthermore, the total return on Kimco stock of 1,926% has substantially exceeded the total return of the NAREIT equity index of 676% during that time period. These, I think it's fair to say, are accomplishments of which we can all be proud. But, of course, there is more to do, and we can not rest. Additional challenges arrive almost daily in this ever-flattening world, and we look forward to meeting them.

In the letter that follows mine, my splendid Associates, Dave Henry, Mike Flynn and Mike Pappagallo, report to you further on a remarkable record year. They are fabulous leaders with great integrity and are wonderful mentors for our team.

I began this letter with the following Churchill quote, *"The further backward you can look, the farther forward you can see."* Our outside Directors have outstanding backgrounds and experience and, by virtue of their tremendous and constant interest in our company, have – individually and collectively – helped us to look both backward and forward. Dick Dooley brings us the benefit of his long-time activities as Chief Investment Officer of Massachusetts Mutual Life Insurance Company. Joe Grills was the Chief Investment Officer of the IBM Retirement Funds. Pat Hughes served for over ten years as the Chief Executive Officer of Mid-Atlantic Realty Trust. Frank Lourenso is a legend in the middle-market business at JPMorgan Chase. Richard Saltzman headed Merrill Lynch's Real Estate Investment Banking Division for many years. And, of course, my longtime friend and partner, Marty Kimmel, has seen it all! He has not sold a single Kimco share, and in fact, has bought shares each and every year for the past decade, and I have followed him.

Finally, I would like to express my sincere thanks to all of you – our Kimco shareholders, partners and Associates – for your continued confidence and support. I feel so very proud to have it!

Sincerely,

Milton Cooper

Dear Fellow Shareholders:

2005 proved to be another outstanding year for your Company. Our multi-faceted business model propelled us to record financial results, including an increase in funds from operations (FFO) per share of 13.0% to $2.00, the highest level of earnings in our history (as adjusted for stock splits over that time period). On an absolute basis, FFO was $465 million compared to $405 million a year earlier, an increase of 14.6%. This amount represents the 13th consecutive increase in FFO, since our first full year of operations as a public company in 1992. Shareholders enjoyed a full year dividend of $1.245 per share, which represented a 9.2% increase from 2004 levels, and the total return to our investors was over 15.4%.

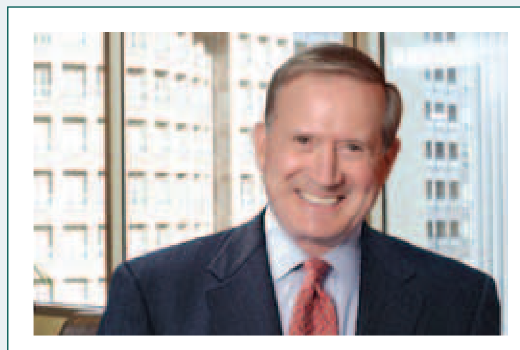
Funds from operations is not a GAAP financial measure, but we, like most in the REIT industry, feel it is a useful tool when measuring the operating performance of our Company. We provide a reconciliation of FFO from net income later in this report. Net income for the year was very strong and also a record at $363.6 million or $1.52 per share. These are increases of 22.4% and 20.6%, respectively, over the year earlier amounts. No matter how you measure it, 2005 was an excellent year for your Company.

Our responsibility to you is to maintain a safe and growing dividend and steadily increasing earnings within a framework of prudent risk management and a sound capital structure. Our financial results this past year continued to support these long-term objectives. Kimco's compound annual growth rate in FFO per share is 10.7% in the 13-year period since its initial public offering, while providing an average annual total return of 22%, while consistently maintaining one of the most conservative balance sheets in the industry.

The source of this success – and the means to continue to do so in the future – can be traced to the ongoing execution of three primary business priorities:

1. Improving portfolio performance and continuing quality enhancement of our core shopping center holdings, which generate solid increases in net operating income and cash flow;
2. Further build-up of assets under management through our existing and new institutional investment programs; and
3. Continuous expansion of relationships and corresponding investment opportunities in structured finance, real estate liquidation repositioning activities and development projects.

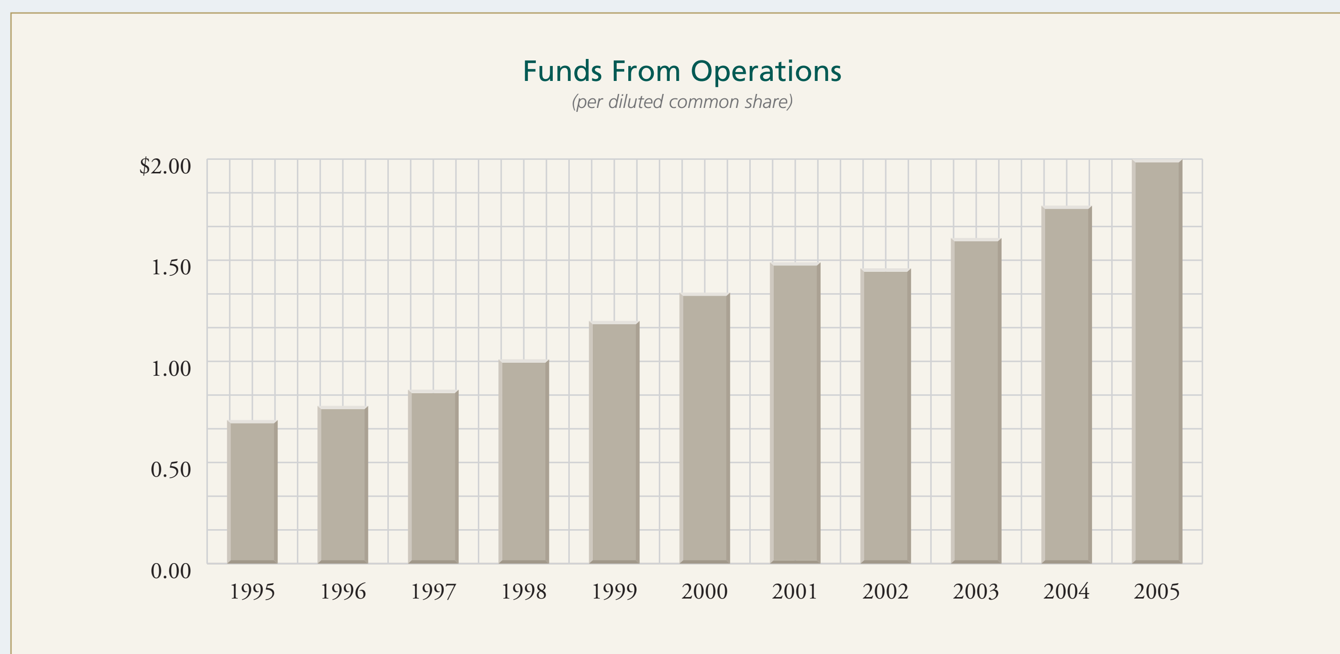
Our ongoing program to maximize return and quality in our core real estate holdings continue to bear fruit. Over 2.7 million square feet of new leases were signed or renewed on existing space in the U.S. portfolio at an average 10% increase in rent, to an average rent of $9.22 per square foot with relatively low dollars spent on new leases and virtually no money on renewals. We also disposed of $100 million worth of marginal or unproductive properties and replaced them with shopping centers in areas with solid demographics, significant barriers to entry or below market rents. We accelerated the initiative to increase the number and scope of redevelopment and expansion projects in the portfolio; we invested $70 million improving existing properties in the portfolio; and we plan to spend an additional $100 million in 2006.



Michael J. Flynn
Vice Chairman, President and Chief Operating Officer

All of this work translated into:

a) A 100 basis point increase in occupancy over the past year to 94.6%
b) A shift in geographic concentration whereby 40% of the parent portfolio is in California, New York, Florida, and the three major populations centers in Canada; and
c) Excellent internal growth that averaged 3.5% for the year. It is important to note that this internal growth rate excludes the effect of lease termination income and normal GAAP accounting adjustments.



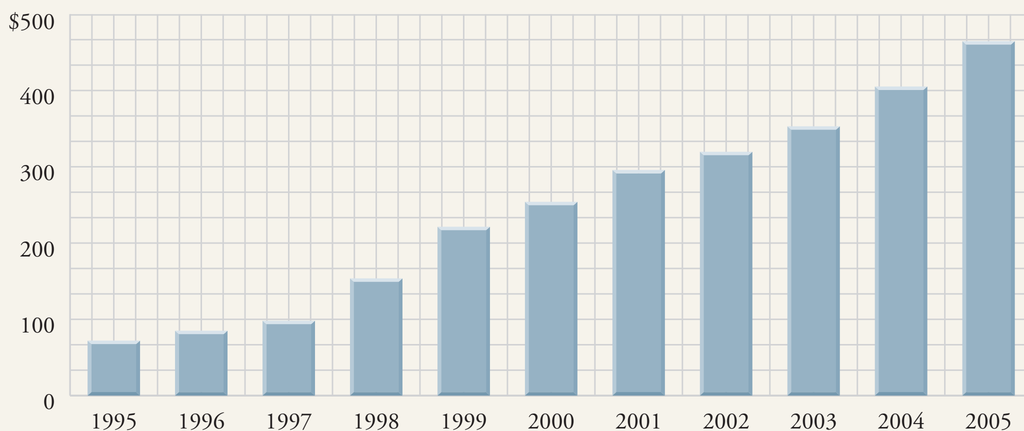
David B. Henry
Vice Chairman and Chief Investment Officer

Michael V. Pappagallo
Executive Vice President and Chief Financial Officer

The catalyst behind these improvements has been an intense focus on asset management, initiated by Jeff Olson, President of our Western, Northeast and Southeast regional operations. A business plan is established for every asset in our portfolio, with a thorough assessment of each asset's strengths, weaknesses, threats and opportunities. This disciplined process has spurred us to more aggressive decisions on disposition candidates as well as redevelopment strategies that might involve non-retail development if greater value can be created. Included in this Annual Report is a series of

Kimco Preferred Equity

Kimco's Preferred Equity business unit partners with strong regional property owners and developers to acquire, build, recapitalize, renovate or redevelop shopping centers. Kimco's preferred equity investment program continues to provide a meaningful contribution to FFO and growth in the Company's invested assets.



charts that illustrate the shift in our portfolio composition over the past few years and serves as an interim report card to our ultimate objective of owning the highest quality portfolio with superior demographics, embedded rent growth and ongoing value creation opportunities.

We will continue to use our own balance sheet to acquire properties, particularly those that have redevelopment potential, below market leases, or to facilitate a complex acquisition structure to achieve seller objectives. Given our size, experience and relationships, we have all the tools to continue to be successful in acquiring a number of high-quality retail properties in 2006 and beyond.

While we anticipate selective purchases for our own account, the focus of our acquisition capabilities will be to further expand our funds management business – primarily the business of investing capital and managing shopping center assets on behalf of institutional and other partners. With these strong partners, we are very competitive buyers of class "A" retail properties. Our assets under management continue to grow rapidly; we added almost 2.7 million square feet of new properties during the past year, which increased our total assets under management at year-end to approximately $7.5 billion.

In a real estate market where prices remain aggressive, our approach of managing assets for others – with a minority investment position to ensure alignment of interests – has allowed us to generate solid financial returns for our shareholders while satisfying the objectives of our partners. There is a franchise value associated with this business, not only from the ability to generate highly predictable management fees but also from success-based provisions such as incentive fees and promoted interests and the intangible benefits that accrue when you deliver results for your customer. The aggregate FFO contribution from our funds management and co-investment program activities was approximately $79 million in 2005, an increase of 28.5% over 2004. The continued availability of capital and investors seeking to invest in real estate bodes well for the growth prospects of this business.

Kimco Select Investments and Retail Property Solutions

Kimco Select Investments seeks to invest in real estate and real estate securities where special circumstances offer premium returns. With the nation's largest portfolio of community shopping centers, we can quickly underwrite complex transactions and geographically diverse properties or collateral pools. We make various secondary market investments including under-performing mortgage loans, secured bank debt and corporate securities.

Retail Property Solutions has been formed specifically to assist retailers in maximizing the value of their real estate assets by converting fixed assets to cash, capping the potential exposure of stores that are dark or considered for closure and providing resources necessary to deal with real estate.

Kimco Developers, Inc.

Kimco Developers, Inc. is one of Kimco Realty Corporation's taxable REIT subsidiaries. Our company leverages the same business principals and expertise that Kimco has used since the development of our first shopping center over 35 years ago.

Kimco Developers pursues the development of quality open-air retail shopping centers with national credit tenants, both on our own and through joint ventures with quality developers. These projects will be supermarket-anchored, power centers or lifestyle centers. We evaluate sites for their intrinsic real estate value and tenant interest in the market. Our relationships with the dominant national retailers are extremely strong, they advise us of their interest in various locations and their desire to find locations in strategic markets.

Whether we are acquiring assets for our own portfolio or on behalf of others, our underwriting and asset management skills remain a critical consideration. We have developed and continue to invest in people and an organization designed to deal with the rapid growth of assets and the specific needs of our numerous partners. We are fortunate to have a dedicated and savvy group of real estate managers, connected through an interactive, regional-based operating structure, to deliver value to our partners.

Direct and joint shopping center ownership and management may be enough for some, but we feel there is so much more that we can deliver to our shareholders by capitalizing on the skills of our Kimco Associates and the long standing relationships we have established. We are proud of our history of sourcing creative and complex transactions; we encourage it throughout the organization and continue to cultivate the people, relationships and support infrastructure to further expand these "opportunity businesses."

Our merchant development subsidiary, Kimco Developers Inc. (KDI) has remained an important contributor to our overall profitability since its establishment five years ago and in 2005, achieved its highest-ever level of profits from its project disposition activities of $22.8 million (after-tax). We benefit from Jerry Friedman's 30 years of experience in the development business and his keen insights into maximizing value for both the KDI portfolio as well as for all of Kimco's development activities. KDI has continued to grow through a very successful joint venture model whereby we provide capital and leasing assistance to very capable regional development partners. This formula has worked well for us because we leverage our regional partners' experience and knowledge of the local market, entitlement process, construction practices and neighborhood trends. We are very proud of our relationships with regional partners and in most cases, these relationships are long standing ones and cover many individual projects.

Our existing shopping center development project pipeline, including 12 new projects that commenced in 2005, represents $1.0 billion of net project cost, not including the cost of the anchor-owned spaces that represent another $250 million of project size. In addition, we are continuously evaluating additional projects, and have a shadow pipeline of between $750 million to $1 billion, further supporting the ability of this business to generate consistent merchant building profits and serve as a source of product for our institutional joint venture programs.

Our Preferred Equity business, led by JoAnn Carpenter, has achieved scale and critical momentum in building a portfolio with investments in over 150 properties. The growth in value of the underlying equity participations in these properties are the seeds of future earnings and profits for our company. In addition, being able to acquire, develop and lend on retail properties gives Kimco a range of products to offer our customers and clients. In many cases, we have bought properties and later provided joint venture capital to the same real estate owners or developers. In certain situations, we extend our preferred equity product to opportunities outside the retail real estate space, with careful consideration to the level of subordinated equity, experience of the owner/operator and often enhanced collateralization features to mitigate risk. Regardless of the collateral type, we focus on properties we would otherwise want to own directly at our underwriting and investment levels.

Kimco Realty Corporation
Combined Major Tenant Profile

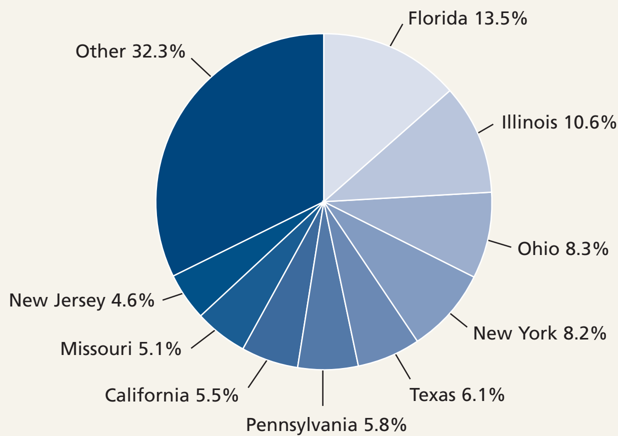
(ranked by annualized base rent)

Tenant Name[1]	# of Locations	Leased GLA (in thousands)	% of Leased GLA
HOME DEPOT	34	2,764	4.3%
TJX COMPANIES	109	2,247	3.5%
SEARS HOLDINGS	42	3,148	4.9%
KOHL'S	35	2,418	3.8%
ROYAL AHOLD	35	1,158	1.8%
WAL-MART	25	1,819	2.8%
BEST BUY	44	1,144	1.8%
LINEN 'N THINGS	31	593	0.9%
COSTCO	17	1,277	2.0%
BED BATH & BEYOND	43	783	1.2%
		17,351	27.0%

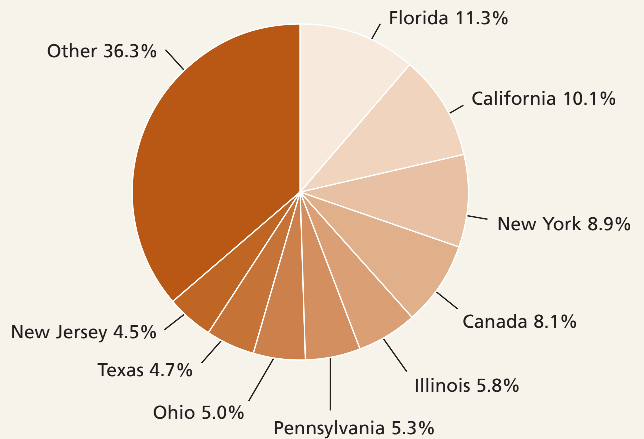
(1) Schedule reflects ten largest tenants from all tenant leases in which Kimco has an economic ownership interest at their proportionate ratios. Represents approximately 8,200 leases to 4,000 tenants totaling approximately $998 million of annual base rent.

Kimco's Focus on Acquiring Great Properties Has Improved Portfolio Quality

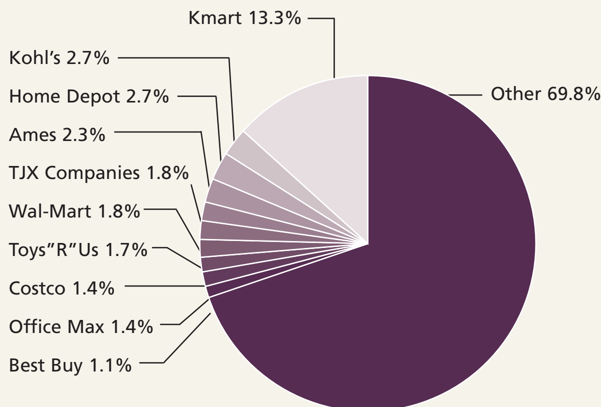
1999 Combined Geographic Diversification by Base Rental Revenue



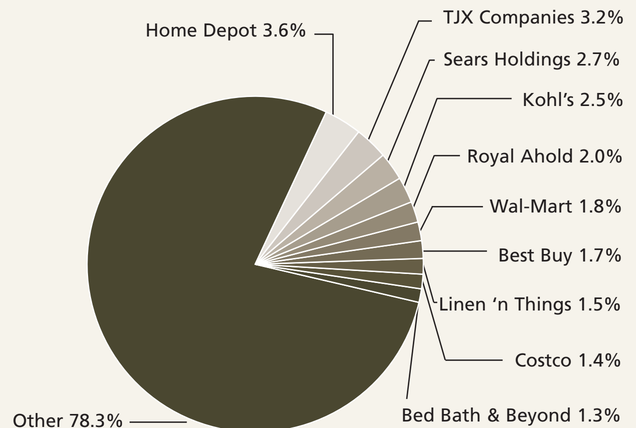
2005 Combined Geographic Diversification by Base Rental Revenue

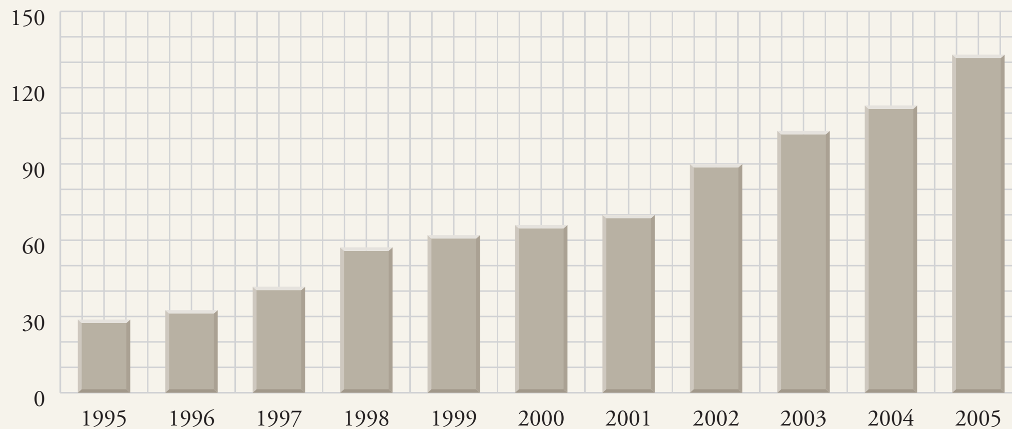


1999 Combined Major Tenant by Base Rental Revenue



2005 Combined Major Tenant by Base Rental Revenue

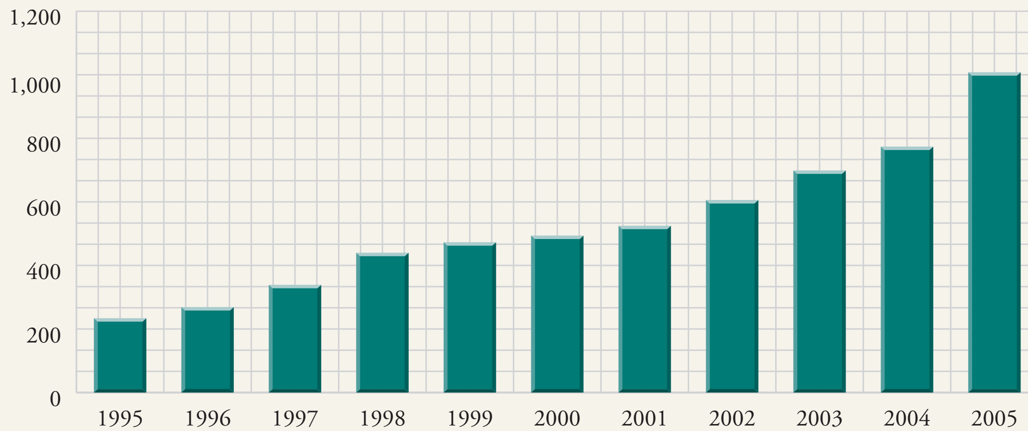




In our Retailer Services business, led by Ray Edwards, we continue to provide capital to retailers through innovative sale-leaseback and leasehold financing transactions. We also participate in private equity acquisitions, in which retail assets are a substantial component of the transaction or in real estate liquidation services that generally require nominal or short-term capital and generate fees or profit participations. Kimco's nationwide network of real estate offices, long-standing relationships with retailers and in depth experience in evaluating leasehold positions will all continue to make us a strong partner for private equity opportunities in our sector.

One such example is our investment in FNC Realty. In last year's letter, we described our investment in Frank's Nursery and Crafts where we had provided Debtor-in-Possession (DIP) financing. In July of this year, we co-sponsored Frank's emergence from bankruptcy as a newly-formed real estate company called FNC Realty. We have been successful selling 11 of the original 55 sites and will be executing on redevelopment or disposition strategies for the remaining properties over the next 12 to 18 months.

Kimco Select, our opportunistic investment business, has also had success across a broad range of investment products and property types. The Kimco Select portfolio includes public securities of real estate companies and retail companies, be it common stock, preferred stock, or secured and unsecured debentures. Our marketable securities portfolio has grown, both in value and from additional purchases, and posted strong earnings gains during 2005. In addition to security purchases, the Kimco Select basket includes a limited number of investments in non-retail property types such as hospitality, industrial or office projects, where we join with reli-



able operating partners with extensive experience in those collateral types and where we see a value or arbitrage opportunity.

The Kimco Select model not only capitalizes on short-term profit opportunities but also can operate as patient money. A perfect example is our investment in the Blue Ridge Companies, for which we have held a stock position for many years and maintain Board and management positions. The company owns over 17,000 acres of land in the Pocono Mountains in Pennsylvania. In 2005, we participated in a rights offering that enabled us to control over 54% of the company and positions us to benefit from the long-term strategy of residential development of these land holdings. To that end, Blue Ridge recently received approval for 2,000 units with an additional 2,000 unit plan under evaluation.

The consequence of this broad array of opportunities was tangible; there was almost a doubling of income contributions from the aggregate of activities ranging from preferred equity, to mortgage and other financings, and real estate disposition activities. The combined total of income from the other real estate investments and mortgage financings grew from $45 million to $85 million, led by the growth in income from our preferred equity business, which increased from $11.4 million to $32.8 million. In addition, our income from our marketable securities positions increased by $9.6 million over the prior year, or almost 52%.

Our investment strategies in Canada and Mexico have also grown substantially and have begun to deliver a significant contribution to our annual earnings. In fact, the profile of our investment base

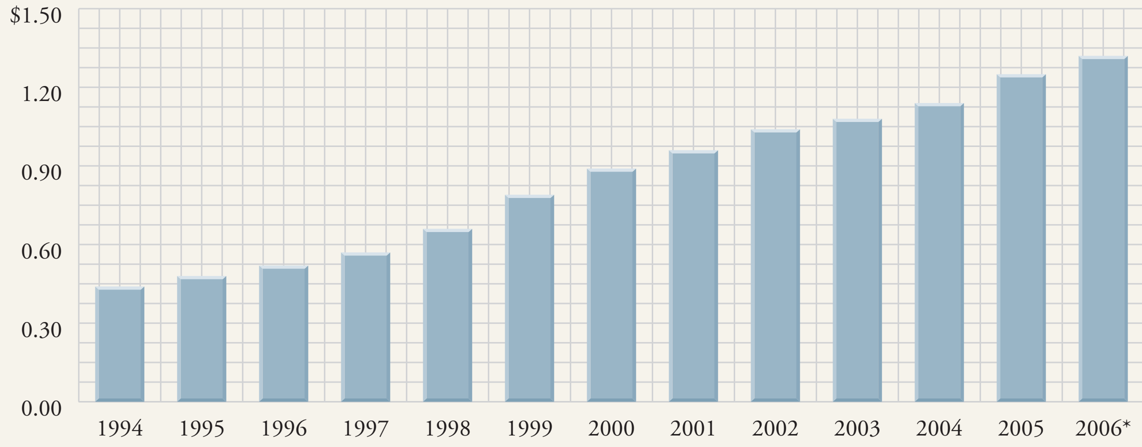
– direct shopping center ownership, joint ventures, ground-up developments, preferred equity investments, marketable securities and mortgage financings – now exist in these two markets in a similar fashion as we have established in the U.S.

In Canada, we are pleased to report that Kimco now has equity interests in 117 properties comprising more than 13 million square feet. Over the past two years, our Canadian business has shifted from direct property acquisitions to a combination of preferred equity investments and development projects. We have expanded our circle of Canadian partners to include a number of smaller regional public and private companies in addition to our long standing relationship with RioCan. Canada remains a very attractive market for us due to its strong, resource-rich economy, growing population, stable pro-growth government and generally higher property yields. We anticipate continued success in building our portfolio of Canadian real estate investments in 2006.

In Mexico, we have continued to increase both our acquisition and development activities. During the year, we commenced 9 new retail development projects and we have a very strong pipeline. Our portfolio of acquired retail projects now exceeds 17 properties with 12 other approved projects in the closing process. Anchor tenants include HEB, Wal-Mart, Home Depot and Sam's Club, which are all expanding rapidly in Mexico. We remain excited about the potential to grow with our U.S.-based tenants as they expand their operations in Mexico. As the ninth largest economy in the world and with 1/25 of the retail space per capita of the U.S., Mexico represents a very attractive market.

An interesting element of this extensive growth in our book of business is that the aggregate external capital employed by Kimco to achieve these results was a relatively low requirement of $570 million; of this amount, $190 million relates to our ground-up development activities, primarily the KDI merchant building portfolio. Outside of development, total capital required to fund the business in 2005 was only $380 million, and of that amount, over half was denominated in foreign currencies to match our Canadian and Mexican asset base.

These low capital requirements were easily met from our existing financing facilities and reflect the strong, free cash flow, the recycling of capital from sales of properties and investments and transfers or direct purchase into joint ventures. We were particularly proud of launching a successful private placement of $150 Canadian dollar-denominated bonds, becoming the first U.S. REIT to issue long-dated paper in the Canadian bond market. And notwithstanding the resultant increase in debt levels on the balance sheet, the debt coverage ratios are still extremely strong.



Overall, Kimco's strong core property portfolio, growing asset management business, international expansion and our four primary operating businesses will combine to provide a solid and stable platform for growing our earnings, dividends and overall enterprise value. This business model, as Milton likes to say, "will deliver the goods to our shareholders" for years to come.

Sincerely,

Michael J. Flynn
Vice Chairman, President, and Chief Operating Officer

David B. Henry
Vice Chairman and Chief Investment Officer

Michael V. Pappagallo
Executive Vice President and Chief Financial Officer

Portfolio of Properties Interests Owned or Managed

Alaska

Site	Center Name	City	GLA
1108	Kenai S.C.	Kenai	146,759

Alabama

Site	Center Name	City	GLA
480	Fairfield S.C.	Fairfield	86,566
740	Belleview Plaza	Fairfield	103,161
465	Hoover Center	Hoover	115,347
949	Mobile Festival Centre	Mobile	527,625

Arizona

Site	Center Name	City	GLA
1141	Main Street at Anthem	Anthem	15,000 ^
1121	Chandler Auto Mall	Chandler	- ^
549	Costco Plaza	Glendale	333,388
576	Talavi Towne Center	Glendale	81,500
578/579	Talavi Towne Center	Glendale	30,325
1148/A	North Canyon Ranch	Glendale	70,428
1024	Marana Ina Road	Marana	191,008
679	Poca Fiesta S.C.	Mesa	144,617
745	Hayden Plaza South	Mesa	100,929
1178	Mesa Riverview	Mesa	448,000 ^
1179	Mesa Riverview	Mesa	- ^
1143A	Mesa Pavilions	Mesa	307,375
553	Metro Square North	Phoenix	230,164
527	Camelback BMW	Phoenix	16,410
540	Hayden Plaza North	Phoenix	153,180
557	Costco Plaza	Phoenix	333,382
647	Plaza @ Mountainside	Phoenix	131,621
1180	Asante Retail Center	Surprise	- ^
580A	Costco Plaza	Tempe	237,018
1144/A	The Groves	Tempe	228,000
1023	Valencia Road	Tucson	190,174

California

Site	Center Name	City	GLA
541	Costco Plaza	Alhambra	195,455
106	La Palma S.C.	Anaheim	15,396
543	Madison Plaza	Carmichael	210,306
269	Devonshire Plaza	Chatsworth	75,875 *
1315	East Avenue Market Place	Chico	19,560
1335	Laband Village S.C.	Chino Hills	73,352
544	Costco Plaza	Chula Vista	356,335
1026A	280 Metro Center	Colma	213,532
1321	Olive Tree Plaza	Corning	11,350
546	Corona Hills Plaza	Corona	486,958
037	Covina Town Square	Covina	269,433
186	Westlake S.C.	Daly City	529,841
1028	Kohl's S.C.	El Cajon	123,343
1316	Elk Grove Village	Elk Grove	30,130
1330	Waterman Plaza	Elk Grove	7,880
1106	Kohl's S.C.	Folsom	108,255
951A	Fremont Hub	Fremont	495,979
1165	River Park	Fresno	121,107
977	Oceangate Commerce	Hawthorne	182,605 *
9004	Oceangate II Commerce	Hawthorne	21,507 *
1317	Gold Country Center	Jackson	67,665
1318	Jackson Creek Plaza	Jackson	23,100
551	La Mirada Theater Center	La Mirada	260,092
1325	Raley's Union Square	Manteca	19,455
1312	Yosemite North S.C.	Merced	27,350
040	Montebello Town Square	Montebello	251,489
1032	Morgan Hill	Morgan Hill	103,362
1327	South Napa Market Place	Napa	349,530
1336	Plaza Di Northridge	Northridge	158,812
1036A	Novato Fair S.C.	Novato	133,862
556	Target Plaza	Oxnard	171,580
1115A	Linda Mar S.C.	Pacifica	168,878
1322	Pony Express S.C.	Pollock Pines	12,000
1195	Poway City Centre	Poway	122,005
1326	Red Bluff S.C.	Red Bluff	23,200
1320	North Point Plaza	Redding	21,876
1146	Redwood City	Redwood City	49,429
1155	Roseville Plaza	Roseville	188,493
1323	Power Inn	Sacramento	20,103
039	Vista Balboa Center	San Diego	117,410
1157	Carmel Mountain	San Diego	35,000
1167	Rancho San Diego	San Diego	98,474
1156/B	Morena Plaza	San Diego	411,375
1334	Marigold S.C.	San Luis Obispo	174,428
759	Magnolia Square S.C.	San Ramon	41,913
559	Home Depot Plaza	Santa Ana	134,400
1324	Fulton Market Place	Santa Rosa	41,565
705	Santee Town Center	Santee	103,903
991	Santee Trolley Square	Santee	311,437
1158	Costco Plaza	Signal Hill	153,291
324	The Center	Stockton	152,919
1329	Village at Weber Ranch	Stockton	45,615
762	Palm Plaza S.C.	Temecula	342,336
1149	Redhawk I	Temecula	345,113
038	Torrance Promenade	Torrance	266,847
1328	Truckee Crossroads	Truckee	26,553
1319	Lander Marketplace	Turlock	22,415
1107	Kmart S.C.	Tustin	108,413
9074	Tustin Marketplace	Tustin	524,000 ^

Colorado

Site	Center Name	City	GLA
682	Village on the Park	Aurora	154,485
685	Quincy Place S.C.	Aurora	44,174
689	East Bank S.C.	Aurora	152,981
686	Spring Creek S.C.	Colorado Springs	107,310
780	Woodman Valley S.C.	Colorado Springs	61,453
680	West 38th Street S.C.	Denver	18,405
683	Englewood Plaza	Englewood	80,330
367	Fort Collins S.C.	Fort Collins	105,862
1248	Greeley Commons	Greeley	138,818
1022	Greenwood Village	Greenwood Village	196,726
684	Heritage West S.C.	Lakewood	82,581

Connecticut

Site	Center Name	City	GLA
034	Branhaven Plaza	Branford	191,352
1249	Branford Plaza	Branford	40,180
1340	Derby S.C.	Derby	53,346
029	Elm Plaza	Enfield	136,470
548	West Farm S.C.	Farmington	184,572
1250	Farmington Plaza	Farmington	48,318
500	Hamden Mart	Hamden	341,502
554	Home Depot Plaza	North Haven	331,919
1251	Southington Plaza	Southington	47,743
608	Waterbury Plaza	Waterbury	137,943

Delaware

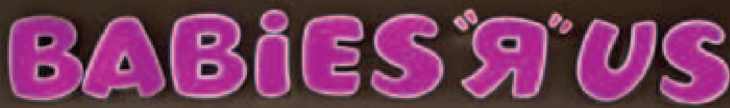
Site	Center Name	City	GLA
1089	Camden Square	Dover	6,000
501	Blue Hen Dover	Dover	- ^
278	Value City S.C.	Elsmere	114,530
1055A	Milford Commons	Milford	61,100
1038A	Brandywine Commons	Wilmington	165,805

Florida

Site	Center Name	City	GLA
574	Renaissance Centre	Altamonte Springs	271,101
636	Pearl Arts S.C.	Altamonte Springs	94,193
101	Camino Square	Boca Raton	73,549
005	Boynton West S.C.	Boynton Beach	197,362
152	Lakeside Plaza	Bradenton	30,938
698	Bayshore Gardens	Bradenton	162,997
1252	Bradenton Plaza	Bradenton	37,097
011	Plaza at Brandon Town Center	Brandon	143,785
739	Butler Plaza	Casselberry	103,161
529	Freedom Ford	Clearwater	75,552
982	Northwood Oaks	Clearwater	84,441 *
1186	Curlew Crossing S.C.	Clearwater	207,071
623	Coral Square Promenade	Coral Springs	55,597
673	Maplewood Plaza	Coral Springs	86,342
521	Gold Coast Lincoln Mercury	Cutler Ridge	37,640
9002	Providence Plaza	Deltona	80,567 *
174	Sports Authority Plaza	East Orlando	131,981
1154	Cypress Creek	Fort Lauderdale	229,034
525	Hialeah Dodge	Hialeah	23,625
150	Oakwood Plaza	Hollywood	50,000
1150/A	Oakwood Plaza North	Hollywood	871,723
1151/A-C	Oakwood Bus Center	Hollywood	137,196
203/B	Homestead Towne Square	Homestead	207,714
141	Southside Square S.C.	Jacksonville	51,002
207	Regency Plaza	Jacksonville	205,696
1034	Pablo Creek Plaza East	Jacksonville	68,000 ^
1112/A	Shoppes at Amelia Concourse	Jacksonville	4,000 ^
1189	Avenues Walks	Jacksonville	45,000 ^
619	Marketplace Square	Jensen Beach	173,356
954	Square One S.C.	Jensen Beach	197,731
022	Tradewinds S.C.	Key Largo	207,332
613	Vine Street Square	Kissimmee	130,983
123	Merchants Walk	Lakeland	229,383
9062	Grove at Lakeland Square	Lakeland	104,862
124	Wal-Mart Plaza	Largo	149,472
139	Tri-City Plaza	Largo	215,916
196	Selmon's Plaza	Largo	56,668
120	Reef Plaza	Lauderdale Lakes	115,341
290-293	Ft. Lauderdale Plaza	Lauderhill	181,416
136	Leesburg Shops	Leesburg	13,468
489	Grove Market S.C.	Loxahatchee	75,194 *
604	Peppertree Plaza	Margate	260,729
127	Nasa Plaza	Melbourne	168,737
668	The Shoppes of West Melbourne	Melbourne	148,660
129	Grove Gate S.C.	Miami	104,908
134	Coral Way Plaza	Miami	79,273
135	Coral Way Plaza	Miami	87,305
390	Miller Road S.C.	Miami	83,380
522	Potamkin Toyota I	Miami	29,166
523	Potamkin Toyota II	Miami	17,117
524	Miami Lakes Chevrolet	Miami	86,900
634	South Miami S.C.	Miami	63,604
702	Grove Gate S.C.	Miami	1,615
735	Opa Locka S.C.	Miami	103,161
1153	Kendale Lakes Plaza	Miami	402,801
9021	Mall of the Americas	Miami	651,011 *
1247	Plantation Crossing	Middleburg	2,000 ^
1192	Miramar Town Center	Miramar	- ^
677	Tri-Cities Shopping Plaza	Mount Dora	120,430

* Preferred Equity

^ Property under development or land held for development



Portfolio of Properties Interests Owned or Managed

Site	Center Name	City	GLA
761	Southgate S.C.	New Port Richey	66,500
340	Ives Dairy Crossing	North Miami Beach	108,795
665	Shady Oaks S.C.	Ocala	248,497
263	Argyle Village Square S.C.	Orange Park	50,299
024	Bayhill Plaza	Orlando	179,065
115	Sun Plaza	Orlando	114,434
121	Fern Park Plaza	Orlando	131,646
125	Grant Square	Orlando	110,788
618	Sand Lake Plaza	Orlando	236,486
638	Century Plaza	Orlando	132,856
749	Lee Road S.C.	Orlando	103,161
1159	Millenia Plaza	Orlando	154,447
195	Big Lots Plaza	Palatka	82,730
9022	Flamingo Marketplace	Pembroke Pines	137,259 *
251	Whole Foods Center	Plantation	60,414
118	Sample Plaza	Pompano Beach	66,838
1126	Palm Aire Marketplace	Pompano Beach	140,312
716	The Piers S.C.	Port Richey	103,294
113	Riviera Square	Riviera Beach	46,390
392	Seminole Centre	Sanford	160,994
171	Tuttlebee Plaza	Sarasota	102,455
378	Southeast Plaza	Sarasota	129,700
9086	Landings Plaza	Sarasota	148,591 *
495	Mariner Village	Spring Hill	69,917 *
1293	Riverside Centre S.C.	St. Augustine	62,942
128	Oak Tree Plaza	St. Petersburg	118,979
715	Village Commons S.C.	Tallahassee	105,655
003	The Plaza at Citrus Park	Tampa	340,506
743	Busch Plaza	Tampa	106,986
1124	Mission Bell S.C.	Tampa	168,210
9031	West Village	Tampa	100,538 *
9061	Westgate Plaza	Tampa	100,200 *
664/B	Carrollwood Commons	Tampa	203,134
507	Wellington Marketplace	Wellington	171,955 *
633	Babies“R”Us Plaza	West Palm Beach	80,845
1152	Cross County Plaza	West Palm Beach	357,537
111-511	Belmart Plaza	West Palm Beach	81,073
208	Chain O' Lakes Plaza	Winter Haven	95,188

Georgia

Site	Center Name	City	GLA
635	Augusta Square	Augusta	112,537
9058	Masters Glen	Augusta	259,513 *
044/A/B	Augusta Exchange	Augusta	530,915
9076	Austell Plaza	Austell	83,790 *
159	Gainesville Towne Center	Gainesville	142,468
187	Macon Plaza	Macon	127,252
724	Town & Country S.C.	Marietta	105,405
185	Savannah Centre	Savannah	187,076
632	Largo Plaza	Savannah	88,325
048	Snellville Pavilion	Snellville	311,033
1030	Lowe's S.C.	Valdosta	175,396
215	Robins Plaza	Warner Robins	10,125

Hawaii

Site	Center Name	City	GLA
1331	Kihei Center	Kihei	17,897

Idaho

Site	Center Name	City	GLA
1333	Nampa Plaza	Nampa	- ^
1142A	Treasure Valley Marketplace	Nampa	- ^

Illinois

Site	Center Name	City	GLA
802	Beltline Highway S.C.	Alton	159,824
896	Arlington Heights S.C.	Arlington Heights	80,040
890	Aurora Commons	Aurora	91,182
1294A	Yorkshire Plaza	Aurora	361,984
051	Wind Point S.C.	Batavia	272,410
808	Belleville S.C.	Belleville	81,490
176	Bloomington Commons	Bloomington	188,250
1111	Oakland Commons S.C.	Bloomington	73,951
825	Northfield Square Mall	Bradley	80,535
836	Calumet Center	Calumet City	159,634
848	Carbondale Mall	Carbondale	80,535
043	Pinetree Plaza	Champaign	111,720
870	Neil Street S.C.	Champaign	102,615
856	87th Street Center	Chicago	102,011
846	Countryside Plaza	Countryside	117,005
887	Crestwood Center	Crestwood	79,903
891	Crystal Lake S.C.	Crystal Lake	80,390
1253	Crystal Lake Plaza	Crystal Lake	30,461
722	Northland Plaza S.C.	DeKalb	80,562
764	Downers Grove	Downers Grove	144,770
852	Downers Grove Center	Downers Grove	141,906
695A	Butterfield Square	Downers Grove	192,639
224-387	Town & Country S.C.	Elgin	186,432
1254	Evergreen Park Plaza	Evergreen Park	42,676
881	Belleville Road S.C.	Fairview Heights	192,073
862	Forest Park Mall	Forest Park	98,371
822	Randall S.C.	Geneva	110,188
1255	Hillside Plaza	Hillside	39,805
1256	Lake Zurich Plaza	Lake Zurich	29,938
9215	Lansing Landings	Lansing	320,157 *
1257	Libertyville Plaza	Libertyville	27,510
838	Matteson Center	Matteson	157,885

Site	Center Name	City	GLA
839	Mount Prospect Center	Mount Prospect	192,547
874	Mundelien S.C.	Mundelien	89,692
863	Naper West Plaza	Naperville	102,327
1258	Naperville Plaza	Naperville	45,048
845	Norridge Center	Norridge	116,914
758	Marketplace of Oaklawn	Oak Lawn	94,707
835	Oak Lawn Center	Oak Lawn	165,337
837/337	22nd Street Plaza	Oakbrook Terrace	176,263
809	Orland Park S.C.	Orland Park	131,546
175	Value City S.C.	Ottawa	60,000
832	Evergreen Square	Peoria	156,067
1184A	Rockford Crossings	Rockford	89,047
1047	Free State Bowls	Rolling Meadows	37,225
1259	Round Lake Beach Plaza	Round Lake Beach	55,862
492	Streets of Woodfield	Schaumburg	629,374
694A	East Woodfield Square	Schaumburg	167,690
854	Skokie Pointe	Skokie	58,455
897	Streamwood S.C.	Streamwood	81,000
886	Lake Plaza	Waukegan	90,555
1261	Waukegan Plaza	Waukegan	39,455
563	Woodgrove Festival	Woodridge	161,272
	Indiana		
9115	The Waters of Batesville	Batesville	42,028 *
9111	The Waters of Duneland	Chesterton	30,320 *
9104	The Waters of Covington	Covington	40821 *
9105	The Waters of Dillsboro	Dillsboro	66,185 *
397	Plaza East	Evansville	192,933
398	Plaza West	Evansville	149,182
132	Felbram S.C.	Felbram	27,400
1297	Fort Wayne Plaza	Fort Wayne	-
9106	The Waters of Greencastle	Greencastle	32,200 *
153	Greenwood S.C.	Greenwood	168,577
851	Griffith Center	Griffith	114,684
9116	The Waters of Huntingburg	Huntingburg	43,498 *
133	Linwood Square	Indianapolis	165,220
388	Target 31 South S.C.	Indianapolis	185,589
9107	The Waters of Indianapolis	Indianapolis	25,469 *
145	Lafayette S.C.	Lafayette	90,500
671	Sagamore @ 26 S.C.	Lafayette	235,998
697	Lafayette Marketplace	Lafayette	214,876
9110	The Waters of Clifty Falls	Madison	47,391 *
9108	The Waters of Martinsville	Martinsville	30,060 *
1262	Merrillville Plaza	Merrillville	39,102
895	K's S.C.	Mishawaka	82,100
9112	The Waters of Muncie	Muncie	32,131 *
9012	Lauren's Corner	New Albany	10,600 *
9013	Blackiston Mill	New Albany	31,753 *

Site	Center Name	City	GLA
9014	Matthews Center	New Albany	39,412 *
9113	The Waters of New Castle	New Castle	24,860 *
9117	The Waters of Princeton	Princeton	39,494 *
9109	The Waters of Rising Sun	Rising Sun	16,323 *
183	Erskine Village	South Bend	121,122
883	Erskine Plaza	South Bend	81,668
777	South Third Street S.C.	Terre Haute	73,828
9114	The Waters of Yorktown	Yorktown	31,726 *
	Iowa		
812	Clive Plaza	Clive	90,000
858	Davenport Center	Davenport	91,035
757	Home Depot S.C.	Des Moines	156,506
813	Home Depot S.C.	Des Moines	111,847
847	Dubuque Center	Dubuque	82,979
811	Waterloo Plaza	Waterloo	104,074
	Kansas		
814	Tall Grass Center	East Wichita	96,011
805	Home Depot Center	Overland Park	120,164
736	Topeka S.C.	Topeka	103,161
815	Shopko S.C.	West Wichita	96,319
561	Westgate Market	Wichita	133,771
751	Wichita S.C.	Wichita	103,161
	Kentucky		
267	Kroger S.C.	Bellevue	53,695
1263	Florence Plaza	Florence	38,963
1102A	Turfway Crossing	Florence	99,578
795	Hinkleville Center	Hinkleville	85,229
140	South Park S.C.	Lexington	258,713
	Louisiana		
752	Acadian Village	Baton Rouge	103,161
1183	Hammond Aire Plaza	Baton Rouge	349,907
9009	Coursey Commons S.C.	Baton Rouge	67,755
1025	Centre at Westbank	Harvey	181,660
274	Houma Power Center	Houma	98,586
670A	Acadiana Square	Lafayette	244,733
297	Lake Forest S.C.	New Orleans	190,000
9095	Bayou Walk	Shreveport	93,669*
	Maine		
200	Bangor S.C.	Bangor	86,422

* Preferred Equity

^ Property under development or land held for development

Portfolio of Properties Interests Owned or Managed

Maryland

Site	Center Name	City	GLA
1042	Club Centre	Baltimore	44,170
1048A	Fullerton Plaza	Baltimore	152,834
1052A	Ingleside S.C.	Baltimore	112,722
1064A	Rolling Road Plaza	Baltimore	49,629
1067A	Security Square S.C.	Baltimore	77,287
1084D	Wilkens Beltway Plaza	Baltimore	77,365
1085A	York Road Plaza	Baltimore	90,903
1187A	Putty Hill Plaza	Baltimore	90,830
1050A	Greenbrier S.C.	Bel Air	115,927
1051A	Harford Business Center	Bel Air	26,900
235	River Hill Village Center	Clarksville	105,907
1040	Clinton Bank Building	Clinton	2,544
1041	Clinton Bowl	Clinton	26,412
156	Snowden Square S.C.	Columbia	50,000
212	Kings Contrivance	Columbia	86,032
216	Wilde Lake Plaza	Columbia	55,791
222	Lynx Lane Village Center	Columbia	23,835
201A	Columbia Crossing	Columbia	73,299
206A	Dorsey's Search Village Center	Columbia	86,456
211B/C	Hickory Ridge	Columbia	100,521
213A	Harpers Choice	Columbia	91,165
1230A	Famous Dave's Ribs	Columbia	6,780
1069A	Shoppes at Easton	Easton	113,330
1046A	Enchanted Forest S.C.	Ellicott City	139,898
1088	Villages at Urbana	Fredrick County	64,105
463	Gaithersburg S.C.	Gaithersburg	88,277
1037A	Arundel Plaza	Glen Burnie	249,746
1049A	Glen Burnie Village	Glen Burnie	75,257
221	Hagerstown S.C.	Hagerstown	117,718
1068	Shawan Plaza	Hunt Valley	94,653
468	Landover Center	Landover	232,903
173	Laurel Plaza	Laurel	75,924
214	Laurel Plaza	Laurel	81,550
1073	Southwest Plaza	Linthicum	7,872
1054A	Lutherville Station	Lutherville	163,709
1058A	Orchard Square	Lutherville	12,333
1057A	North East Station	North East	83,690
1264	Owings Mills Plaza	Owings Mills	37,920
1056A	New Town Village	Owings Mills	116,303
1059/A	Patriots Office	Pasadena	38,727
1060	Perry Hall Square S.C.	Perry Hall	177,307
1061A	Super Fresh Plaza	Perry Hall	65,059
1078	Timonium S.C.	Timonium	127,097
1077A	Timonium Crossing	Timonium	59,799
1063D-G	Radcliffe Center	Towson	84,280
104A	Towson Place	Towson	669,926
1079	Waldorf Bowl	Waldorf	26,128
1080	Waldorf Firestone	Waldorf	4,500
1092	Pulaski Industrial Park	White Marsh	- ^
1081A	Waverly Woods Village Ctr.	Woodstock	103,547

Massachusetts

Site	Center Name	City	GLA
9035	Cambridge Park Plaza	Cambridge	135,572 *
033	Foxborough Plaza	Foxborough	118,844
609	Barrington Plaza Great	Barrington	131,235
1114A	Festival at Hyannis S.C.	Hyannis	225,634
1117A	Shops at the Pond	Marlborough	104,125
1045A	Del Alba Plaza	Pittsfield	72,014
1198	North Quincy Plaza	Quincy	80,510
481	Shrewsbury S.C.	Shrewsbury	108,418

Michigan

Site	Center Name	City	GLA
1266	Canton Twp. Plaza	Canton Twp.	40,149
667	White Lake Commons	Clarkston	144,943
143	Clawson Center	Clawson	165,801
1267	Clinton Plaza	Clinton Twp.	39,102
1268	Dearborn Heights Plaza	Dearborn Heights	34,442
146	Downtown Farmington Ctr.	Farmington	96,983
1269	Grand Rapids Plaza	Grand Rapids	68,632
138	Maple Hill Mall	Kalamazoo	242,485
747	Southfield S.C.	Lansing	103,161
1270	Lansing Plaza	Lansing	34,068
119	Century Plaza	Livonia	44,185
335	Beltline Plaza	Muskegon	79,215
180	Novi S.C.	Novi	60,000
1271	Okemos Plaza	Okemos	30,520
607	Cross Creek S.C.	Taylor	141,549
271	Cambridge Crossing	Troy	223,697
606	Green Orchard S.C.	Walker	338,928

Minnesota

Site	Center Name	City	GLA
1272	Eden Prairie Plaza	Eden Prairie	40,879
014	Arbor Lakes Retail Center	Maple Grove	466,437
1004	Maplewood Town Center	Maplewood	110,625
552	Ridgedale Festival Center	Minnetonka	120,220
1273	Roseville Plaza	Roseville	37,340
1274	St. Paul Plaza	St. Paul	31,322
785	Thunderbird Mall	Virginia	63,550

Mississippi

Site	Center Name	City	GLA
1128	Turtle Creek Crossing	Hattiesburg	168,000 ^
157	Ridgewood Court	Jackson	50,000

Site	Center Name	City	GLA
9064	Center Park	Ridgeland	41,079 *
9065	North Regency	Ridgeland	61,568 *
9066	Purple Creek	Ridgeland	79,808 *
	Missouri		
1275	Ballwin Plaza	Ballwin	33,486
875	Plaza at De Paul	Bridgeton	101,592
850	Crystal Center	Crystal City	100,724
154	Shop & Save S.C.	Ellisville	118,080
744	Hub S.C.	Independence	103,161
806	Independence S.C.	Independence	184,870
707	North Point S.C.	Joplin	155,416
889	Joplin Mall	Joplin	80,524
833	Kansas Center	Kansas City	150,381
803	Kirkwood Crossing	Kirkwood	253,662
244	Lemay S.C.	Lemay	66,698
872	Manchester S.C.	Manchester	89,305
625	Primrose Marketplace	Springfield	277,590
789	Primrose Marketplace	Springfield	84,916
869	Springfield S.C.	Springfield	202,926
598	Home Depot Plaza	St. Charles	8,000
798	Center Point S.C.	St. Charles	84,460
162	Gravois Plaza	St. Louis	129,093
804	Kings Highway S.C.	St. Louis	176,273
829	Overland Crossing	St. Louis	170,779
830	Creve Coeur S.C.	St. Louis	113,781
831	Dunn Center	St. Louis	174,967
834	South County Center	St. Louis	128,765
840	Cave Springs S.C.	St. Peters	175,121
	Nebraska		
741	Frederick S.C.	Omaha	92,332
1103	Sorensen Park Plaza	Omaha	107,000 ^
	Nevada		
508	Warm Springs Promenade	Henderson	140,000 ^
1009	Canyon Pointe S.C.	Las Vegas	151,076
1313	Comp USA Center	Reno	31,317
1314	Del Monte Plaza	Reno	36,627
	New Hampshire		
1012A	Webster Square	Nashua	179,220
1345	New London Center	New London	104,910
620	Rockingham Mall	Salem	344,076

Site	Center Name	City	GLA
	New Jersey		
1133	Bayonne Broadway	Bayonne	23,901
1276	Bricktown Plaza	Bricktown	56,680
1277	Bridgewater Plaza	Bridgewater	45,486
573/A	The Promenade	Bridgewater	370,545
306	Stop & Shop Plaza	Cherry Hill	124,750
643	Marlton Plaza	Cherry Hill	129,809
1014	Hillview S.C.	Cherry Hill	209,185
645	Cinnaminson S.C.	Cinnaminson	121,852
945	Cinnaminson S.C.	Cinnaminson	16,556
032	Millside Plaza	Delran	78,584
1194A	Delran Shopping Center	Delran	37,679
1278	Deptford Plaza	Deptford	33,526
047	East Windsor Village	East Windsor	249,029
587	Franklin Towne Center	Franklin	138,364
1279	Hazlet Plaza	Hazlet	47,680
441	Hillsborough Promenade	Hillsborough	416,776
1191	Kmart Plaza	Hillsborough	55,552
1007	Holmdel Towne Center	Holmdel	300,010
1008	Holmdel Commons	Holmdel	234,739
1280	Howell Plaza	Howell	46,410
1281	Kenvil Plaza	Kenvil	44,583
184	Strauss Auto Plaza	Linden	13,340
1171	Maple Shade	Mapleshade	201,351
617	North Brunswick Plaza	North Brunswick	409,879
558	Piscataway Town Center	Piscataway	97,348
615	Ridgewood S.C.	Ridgewood	24,280
1282	Sea Girt Plaza	Sea Girt	35,240
9094	Hamilton Plaza	Trenton	71,150 *
1160	Wayne Plaza	Wayne	348,063
1283	Long Branch Plaza West	Long Branch	74,379
614	Westmont Plaza	Westmont	192,254
	New Mexico		
585	Sycamore Plaza	Albuquerque	37,758
586	Plaza Paseo Del Norte	Albuquerque	183,912
591	Juan Tabo Plaza	Albuquerque	59,722
	New York		
1043A	Colonie Plaza	Albany	135,801
1134	Bayridge S.C.	Bayridge	21,106
1135	Bellmore S.C.	Bellmore	24,802
360	Bridgehampton Commons	Bridgehampton	287,587
750	Concourse Plaza	Bronx	228,638
1346	Castle Hill Strauss	Bronx	3,720
9040	Bronx Plaza	Bronx	28,378 *
030	Mill Basin Plaza	Brooklyn	80,708

* Preferred Equity

^ Property under development or land held for development

Portfolio of Properties Interests Owned or Managed

Site	Center Name	City	GLA
1019	Two Guys Auto Glass	Brooklyn	7,500
1020	Genovese Drug Store	Brooklyn	10,000
1130	Kings Highway S.C.	Brooklyn	29,671
1131	Ralph Avenue Homeport	Brooklyn	41,076
1347	Utica Avenue Strauss	Brooklyn	5,200
453	Elmwood Plaza	Buffalo	141,285
454	Shops @ Seneca	Buffalo	152,991
456	Tops Plaza	Buffalo	101,066
605	Centereach Mall	Centereach	380,084
1181	Central Islip Town Center	Central Islip	25,000 ^
575	King Kullen Plaza	Commack	265,409
545	Home Depot Plaza	Copiague	163,999
1193	Northport Retail	East Northport	- ^
1341	The Center at East Northport	East Northport	26,016
1132	Elmont S.C.	Elmont	27,078
1284	Elmont Plaza	Elmont	28,700
1136	Franklin Square S.C.	Franklin Square	17,864
027	Meadowbrook Commons	Freeport	173,031
025	North Shore Triangle	Glen Cove	49,346
1098	Scotia Crossing	Glenville	- ^
701	Great Neck Shops	Great Neck	14,385
354	Hampton Bays Plaza	Hampton Bays	70,990
021	Walgreens of Freeport	Hempstead	13,905
1137	Hicksville Plaza	Hicksville	40,231
1348	Liberty Avenue Strauss	Jamacia	5,770
008	Latham Farms	Latham	616,130
1349	Merrick Blvd. Strauss	Laurelton	7,435
1017/A	Douglaston S.C.	Little Neck	48,275
237	Manhasset Center	Manhasset	188,494
1352	E. 14th Street Strauss	Manhattan	9,566
1129	Duane Reade	Maspeth	22,500
028	Merrick Commons	Merrick	107,871
041	Galleria at Crystal Run	Middletown	80,000
020	Munsey Park	Munsey Park	72,748
1145	Smithtown	Nesconset	55,580
9057	Perry Street Plaza	New York	15,622 *
9059	Greenwich Street Plaza	New York	5,187 *
9100	Christopher Street Plaza	New York	6,375 *
9101	Second Street Plaza	New York	8,015 *
1109A	Bleeker Street Plaza	New York	13,181 *
1138	North Massapequa S.C.	North Massapequa	29,610
1018	American Muffler Shop	Oceanside	1,856
116	Manetto Hill Plaza	Plainview	88,222
218	44 Plaza	Poughkeepsie	167,668
1351	Jamacia Avenue Strauss	Queens Village	14,649
1044A	Columbia Plaza	Rensselaer	132,648
105	East End Commons	Riverhead	183,928

Site	Center Name	City	GLA
427	Henrietta S.C.	Rochester	129,238
149/426	West Gates S.C.	Rochester	185,153
031	Forest Avenue S.C.	Staten Island	177,118
601	Richmond S.C.	Staten Island	212,375
674	Greenridge Plaza	Staten Island	101,337
1285	Staten Island Plaza	Staten Island	39,760
1343	Stop & Shop Plaza	Staten Island	47,270
109	Syosset S.C.	Syosset	32,124
1161	Westbury Plaza	Westbury	398,602
1140	White Plains S.C.	White Plains	24,577
026	Yonkers S.C.	Yonkers	56,361
801	Shoprite S.C.	Yonkers	43,560
1350	Romaine Avenue Strauss	Yonkers	10,329
	North Carolina		
1096	Burlington Commerce Park	Burlington	- ^
1119A/B	University Commons	Burlington	208,870
483	Crossroads Plaza	Cary	86,015
696	Wellington Park	Cary	102,787
002/A	Centrum @ Crossroads	Cary	315,797
959B	Park Place S.C.	Cary	133,901
144	Woodlawn Marketplace	Charlotte	110,300
192	Independence Square	Charlotte	139,269
380-384	Tyvola Mall	Charlotte	233,800
016	New Hope Commons	Durham	408,292
639	Oakcreek Village	Durham	116,186
528	Franklin Ford	Franklin	26,326
602	Akers Center	Gastonia	240,957
275	Landmark Station	Greensboro	103,494
1094	Senate/Hillsborough Crossing	Hillsborough	- ^
1177	Shoppes @ Midway Plantation	Knightdale	142,494 ^
1033	The Centrum	Pineville	269,710
177	Pleasant Valley Promenade	Raleigh	372,684
477	Wakefield Commons II	Raleigh	77,000 ^
479	Edgewater Place	Raleigh	65,000 ^
485	Wakefield Commons I	Raleigh	85,465
1005A	Sutton Square S.C.	Raleigh	101,846
126	Cloverdale Plaza	Winston-Salem	137,433
	Ohio		
245	Harvest Plaza	Akron	76,438
419	West Market Plaza	Akron	138,363
220	Barberton S.C.	Barberton	95,452
345	Beavercreek Plaza	Beavercreek	148,210
246	Kmart Plaza	Brunswick	171,223
242	Cambridge Square	Cambridge	79,165
188	Belden Village Commons	Canton	172,419

Site	Center Name	City	GLA
405	Cross Pointe S.C.	Centerville	120,498
017	Colerain Towne Center	Cincinnati	378,901
413	Ridgewater Plaza	Cincinnati	223,731
415	Glenway Plaza	Cincinnati	121,242
420	Cassinelli Square	Cincinnati	308,277
482	Glenway Crossing	Cincinnati	88,317
513	Ridgewater Plaza	Cincinnati	89,742
1286	Highland Plaza	Cincinnati	34,086
1287	Montgomery Plaza	Cincinnati	39,069
019	Georgesville Square	Columbus	254,152
401	Morse Plaza	Columbus	191,089
402	South Hamilton S.C.	Columbus	142,743
403	Olentangy Plaza	Columbus	129,008
407	West Broad Plaza	Columbus	135,650
424	South High Plaza	Columbus	99,262
597	North West Square	Columbus	112,862
9082	Columbus Plaza	Columbus	72,355 *
1013	Market Square at Montrose	Copley	532,607
131	Shiloh Springs Plaza	Dayton	163,131
309/11/13	Woodman Plaza	Dayton	247,524
404	Salem Plaza	Dayton	141,616
406	Value City Plaza	Dayton	116,374
308/310	Oak Creek Plaza	Dayton	213,728
9083	Grove City	Grove City	89,490 *
9084	Hilliard Plaza	Hilliard	89,915 *
006	Northpark Center	Huber Heights	318,468
437/637	Tops Plaza	Kent	106,500
399	Mentor Plaza	Mentor	103,910
417	Erie Commons	Mentor	235,577
714	Mallwoods Centre	Miamisburg	6,000
409	Middleburg Heights Plaza	Middleburg Heights	104,342
414	Tops Plaza	North Olmstead	99,862
486	High Park Center	Orange Township	- ^
486M	High Park Center	Orange Township	10,400
9085	Reynoldsburg	Reynoldsburg	67,748 *
276	Sharonville Plaza	Sharonville	130,704
320	Southland 75 S.C.	Springboro Pike	120,522
018	Tri-County Commons	Springdale	253,510
416	Kmart Plaza	Springfield	149,464
130	Arlington Square	Upper Arlington	160,702
178/423	Westerville Plaza	Westerville	242,124
234	Town Square	Wickliffe	128,180
410	Chardon Bishop Plaza	Willoughby Hills	157,424

Oklahoma

Site	Center Name	City	GLA
001/A	Parkway Plaza	Norman	262,624
555	Centennial Plaza	Oklahoma City	233,797
876	Broadway Plaza	Oklahoma City	103,027
810	Woodlands Marketplace	South Tulsa	4,090

Pennsylvania

Site	Center Name	City	GLA
1173/A	Home Depot Plaza	Bensalem	300,188
649	Center Square S.C.	Blue Bell	120,211
341	Braddock Hills	Braddock Hills	109,717
1288	Brookhaven Plaza	Brookhaven	39,235
1338	Carlisle Marketplace	Carlisle	90,183
1075A	Stonehedge Square	Carlisle	87,022
1083A	Wayne Plaza	Chambersburg	122,396
460	Chippewa Plaza	Chippewa	215,206
148	Duquesne Plaza	Duquesne	69,733
223	Ridge Pike Plaza	Eagleville	165,385
312	Norriton Square	East Norriton	133,569
210	Pocono Plaza	East Stroudsburg	168,506
661	Eastwick Wellness Center	Eastwick	36,511
469	Acme Supermarket S.C.	Exton	60,685
658	Whiteland Town Center	Exton	85,184
1289	Exton Plaza	Exton	43,534
191	Fairview Plaza	Fairview Township	69,579 *
651	Bucks Crossing	Feasterville	86,575
375	Gettysburg Plaza	Gettysburg	14,584
158	Westmoreland Mall	Greensburg	50,000
266	Halifax Plaza	Halifax Township	54,150 *
326	Hamburg Wellness Center	Hamburg	15,400
227	Harrisburg West S.C.	Harrisburg	121,672
193A	Harrisburg East S.C.	Harrisburg	175,917
656	Township Line S.C.	Havertown	80,938
723	Village Mall	Horsham	105,569
1337	Horsham Point	Horsham	75,206
268	Newport Plaza	Howe Township	66,789 *
659	Ralph's Corner S.C.	Landsdale	84,470
373	Middletown Plaza	Middletown	38,953
1110A	Holiday Center	Monroeville	143,200
049	Montgomery Square	Montgomery	257,565
648	Morrisville S.C.	Morrisville	2,437
342	New Kensington S.C.	New Kensington	108,950
294	Cottman & Castor S.C.	Philadelphia	213,444
526	Northeast Auto	Philadelphia	753-3
612	Cottman & Bustleton Center	Philadelphia	277,123
650	Frankford Avenue S.C.	Philadelphia	82,345
660	The Gallery	Philadelphia	133,309
1290	Philadelphia Plaza	Philadelphia	52,300
1353	Washington Avenue Strauss	Philadelphia	9,343
1185	Allegheny Parking	Pittsburgh	467,927
9020	Cranberry Commons	Pittsburgh	167,072 *

* Preferred Equity
^ Property under development or land held for development

Portfolio of Properties Interests Owned or Managed

Site	Center Name	City	GLA
1062A	Pottstown Plaza	Pottstown	161,727
389	Crossroads Plaza	Richboro	110,357
464	Carnegie Plaza	Scott Township	69,288
9096	Richland Marketplace	Richland	-
1070A	Shrewsbury Square S.C.	Shrewsbury	94,706
760	County Line Plaza	Souderton	67,396
288	Springfield S.C.	Springfield	218,907
662	Upper Darby Wellness Center	Upper Darby	48,936
1082A	Wayne Heights Mall	Waynesboro	112,149
385	Century III Mall	West Mifflin	84,279
653	Whitehall Mall	Whitehall	84,524
1190	Macarthur Towne Center	Whitehall	151,273
1291	Whitehall Plaza	Whitehall	33,475
502	Loyal Plaza	Williamsport	293,931 *
371	Mount Rose Plaza	York	59,016
372	West Market St. Plaza	York	35,500
	Rhode Island		
691	Marshalls Plaza	Cranston	129,907
1011	Mashpaug Commons	Providence	71,735
	South Carolina		
254	St. Andrews Center	Charleston	157,416
631	Westwood Plaza	Charleston	186,740
1001	West Ashley Shoppes	Charleston	136,276
646	Crossroads Center	Florence	113,922
676	Gallery S.C.	Greenville	148,532
1147	Cherrydale Point	Greenville	295,928
937A	Patriots Plaza	Mt. Pleasant	116,868
622	North Rivers Marketplace	North Charleston	267,632
	Tennessee		
168	Hamilton Crossing S.C.	Chattanooga	50,000
253	Red Bank S.C.	Chattanooga	50,588
287	Hendersonville Plaza	Hendersonville	6,400
007	Northside Marketplace	Madison	189,299
282	Old Towne Village	Madison	175,593
1118	Rivergate Station	Madison	240,318
013	Wolfchase Plaza	Memphis	40,000
484	Hickory Ridge Commons	Memphis	87,962
594	Trolley Station	Memphis	167,243
004	Hickory Hollow S.C.	Nashville	99,909
583	Marketplace at Rivergate	Nashville	109,012
588	The Shoppes at Rivergate	Nashville	172,135

Site	Center Name	City	GLA
	Texas		
1309	Crème De La Crème	Allen	21,162
879	Westgate Plaza	Amarillo	343,989
879A	Westgate Plaza	Amarillo	142,747
866	Arlington Center	Arlington	96,127
564	Arboretum Crossing	Austin	191,760
589	Center of the Hills	Austin	157,852
1116	Palmer Crossing	Austin	108,028
9023	Parkline Shopping Center	Austin	92,030 *
9068	Homestead Plaza	Austin	88,829 *
9072	Lincoln Village	Austin	178,700 *
9175	Round Rock West	Austin	131,764 *
9176	Century South	Austin	207,358 *
823	Baytown Village S.C.	Baytown	86,240
444	Dowlen Towne Center	Beaumont	82,000 ^
444A	Dowlen Towne Center	Beaumont	44,000 ^
1197	Las Tiendas Plaza	Brownsville	- ^
1101	South Towne Crossing	Burleson	44,000 ^
496/A	Gateway Station	Burleson	61,000 ^
496B	Gateway Station	Burleson	280,430
712	Cedar Hill Crossing	Cedar Hill	187,800
1308	Crème De La Crème	Colleyville	20,188
878	Islands Plaza S.C.	Corpus Christi	125,454
160	Plaza Rios	Dallas	125,195
170	Big Town Mall	Dallas	- ^
172	Expressway Plaza	Dallas	49,701
565	Cityplace Market	Dallas	83,867
9005	Hillside Village	Dallas	165,190 *
9080	Denton Plaza	Denton	61,036 *
816	Accent Plaza	East Plano	100,598
783	Euless Town Center	Euless	61,453
1100	Montgomery Plaza	Fort Worth	152,000 ^
9081	Fort Worth Plaza	Fort Worth	56,875 *
9097	Fossil Creek	Fort Worth	68,492 *
566	Broadmoor Village	Garland	62,000
820	Broadway Center	Garland	103,600
9078	Garland Plaza	Garland	69,775 *
9070	Republic Square	Georgetown	115,158 *
1122A	The Centre at Copperfield	Harris County	144,066
042	Fountains on the Lake	Houston	589,201
567	Center at Baybrook	Houston	405,161
719	Sharpstown Court	Houston	84,188
817	Westheimer Plaza	Houston	96,500
1006	Northwest Marketplace	Houston	185,332
1086/A	Cypress Towne Center	Houston	189,000 ^
1355	Copperwood Village	Houston	350,398
9089	One City Centre	Houston	593,288

Site	Center Name	City	GLA
655A	Woodforest S.C.	Houston	113,831
9151	Killeen Marketplace	Killeen	22,793 *
9150	Lake Jackson Marketplace	Lake Jackson	35,315 *
1113	Lake Worth Towne Crossing	Lake Worth	220,000 ^
1125	Rio Norte S.C.	Laredo	251,381
568	Shops at Vista Ridge	Lewisville	74,837
569	Shops at Vista Ridge	Lewisville	123,560
590	Shops at Vista Ridge	Lewisville	93,668
9079	Lewisville Plaza	Lewisville	58,280 *
678	South Plains Plaza	Lubbock	108,326
256	Kroger Plaza	Mesquite	79,550
270	Big Town Mall	Mesquite	101,040
391	Big Town Bowlanes	Mesquite	-
570	Mesquite Town Centre Plaza	Mesquite	209,766
1016	New Braunfels	N. Braunfels	86,479
010	Fairway Plaza	Pasadena	169,190
010	Fairway Marketplace	Pasadena	241,097
472	Berkeley Square	Plano	124,987 *
9041	Preston Towne Crossing	Plano	169,834 *
768A	Parker Plaza S.C.	Plano	149,343
572	Richardson Plaza	Richardson	115,579
978	Sunset Ridge S.C.	San Antonio	102,363 *
717/B	Forum at Olympia Parkway	San Antonio	181,000 ^
9054	San Mar Plaza	San Marcos	185,092 *
9001	Wyndham Plaza	Southlake	67,488 *
9071	Southlake Marketplace	Southlake	132,609 *
1099B	Temple Towne Center	Temple	274,786
1003	Market Street-The Woodlands	Woodlands	399,000 ^

Utah

Site	Center Name	City	GLA
103	Costco Plaza	Ogden	142,628

Vermont

Site	Center Name	City	GLA
1120	Manchester S.C.	Manchester	53,483

Virginia

Site	Center Name	City	GLA
1292	Alexandria Plaza	Alexandria	28,800
1162	Pentagon Centre	Arlington	337,429
1039A	Burke Town Plaza	Burke	124,148
467	Southpark S.C.	Colonial Heights	60,909
1227A	Waffle House	Dumfries	1,702
547	Costco Plaza	Fairfax	323,262
1074A	Spotsylvania Crossing	Fredericksburg	141,857
1200	Central Park	Fredericksburg	272,398 •
1241A	Firestone Tire	Fredericksburg	7,200
466	Skyline Village Plaza	Harrisonburg	-
944	Dukes Plaza	Harrisonburg	139,956
1071A	Skyline Village	Harrisonburg	150,404
672	Festival at Manassas	Manassas	117,525
1076A	Sudley Towne Plaza	Manassas	107,233
462	Westpark Center	Richmond	84,683
800	Burlington Coat Center	Richmond	128,612
9006	Oxbridge Square	Richmond	127,801
1235A	BB & T	Richmond	3,060
1123	Valley View S.C.	Roanoke	81,789
952A	Towne Square	Roanoke	301,923
1228A	Chick-fil-A	Stafford	4,211
1231A	Ruby Tuesday's	Stafford	4,400
1236A	Carlos O'Kelly's Mexican Cafe	Stafford	7,310
1239A	Dairy Queen	Stafford	3,549
1295/A	Doc Stone Commons	Stafford	101,042
1332A	Stafford Marketplace	Stafford	331,730
1175	Dulles Town Crossing	Sterling	737,503
1021A	Potomac Run Plaza	Sterling	361,079
225	Gordon Plaza	Woodbridge	189,563
915-920	Smoketown Station	Woodbridge	494,283
1072A	Smoketown Plaza	Woodbridge	272,174

Washington

Site	Center Name	City	GLA
1188	Factoria Mall	Bellevue	432,093
542	Cordata Center	Bellingham	188,885
035	Pavilions Center	Federal Way	200,126
167A	Franklin Park Commons	Spokane	129,785
050	Parkway Super Center	Tukwila	459,071
1031	Hazel Dell Towne Center	Vancouver	77,000 ^

West Virginia

Site	Center Name	City	GLA
330	Charles Town Plaza	Charles Town	209,086
285	Huntington Plaza	Huntington	2,400
376	Martin's Food Plaza	Martinsburg	43,212
595	Riverwalk Plaza	South Charleston	188,833

Wisconsin

Site	Center Name	City	GLA
381	Badger Plaza	Racine	157,150

* Preferred Equity

^ Property under development or land held for development

• Represents 37 net leased properties at Central Park

Portfolio of Properties Interests Owned or Managed

Canada

Site	Center Name	City	GLA
	Alberta		
509	Shawnessey Centre	Calgary	306,010
510	Shoppes @ Shawnessey	Calgary	162,988
512	Brentwood Village	Calgary	312,331
9042	Sunridge Power Centre	Calgary	148,054 *
9043	Heritage Hill Plaza	Calgary	149,617 *
9141	Calgary Plaza	Calgary	6,308 *
514	South Edmonton Common	Edmonton	428,745
911	Centre Grande Prairie	Grande Prairie	63,413
9044	Park West Mall	Hinton	137,657 *
9142	Lethbridge Plaza	Lethbridge	4,000 *
9143	Lethbridge S.C.	Lethbridge	9,568 *
	British Columbia		
9046	Coach House Square	100 Mile House	69,051 *
515	Clearbrook Town Square	Abbotsford	188,253
519	Abbotsford Power Centre	Abbotsford	215,213
9139	Burnaby Plaza	Burnaby	8,694 *
9140	Courtenay Plaza	Courtenay	4,024 *
9052	Sunnycrest Mall	Gibsons	102,261 *
9090	Summit S.C.	Kamloops	128,209 *
259	Langley Power Centre	Langley	228,314
531	Langley Gate	Langley	151,802
9049	Fraser Crossing	Langley	34,926 *
516	The Junction	Mission	256,592
9053	Northport Plaza	Port Alberni	32,877 *
517	Parkwood Place S.C.	Prince George	372,725
9045	College Heights Plaza	Prince George	83,627 *
518	Peninsula Village S.C.	Surrey	170,725
533	Strawberry Hill S.C.	Surrey	332,817
9050	Newton Town Centre	Surrey	108,294 *
9048	Waneta Plaza	Trail	166,928 *
9051	Dollarton Village S.C.	Vancouver	35,652 *
534	Tillicum Centre	Victoria	457,169
9047	Westbank Towne Centre	Westbank	111,175 *
	Manitoba		
9144	Winnipeg Plaza	Winnipeg	4,200 *
	New Brunswick		
9145	Fredericton Plaza	Fredericton	6,742 *
9146	Moncton Plaza	Moncton	4,655 *

Site	Center Name	City	GLA
	Ontario		
9136	Barrie Plaza	Barrie	5,324 *
9137	Barrie S.C.	Barrie	1,733 *
9138	Barrie Center	Barrie	6,897 *
9118	Brantford Plaza	Brantford	12,894 *
986	Walker Place	Burlington	69,857
9123	Burlington Plaza	Burlington	9,116 *
9124	Cambridge Plaza	Cambridge	15,730 *
9119	Cornwall Plaza	Cornwall	4,000 *
0449	Georgetown Plaza	Georgetown	23,375 *
9125	Guelph Plaza	Guelph	3,600 *
9126	Hamilton Plaza	Hamilton	6,500 *
9130	Hamilton S.C.	Hamilton	4,125 *
9134	Hamilton Center	Hamilton	10,445 *
9129	London Plaza	London	5,700 *
9135	London S.C.	London	8,152 *
9010	London Center	London	86,612 *
0446	Maple Plaza	Maple	54,200 *
988	Grand Park	Mississauga	118,637
9003	Clarkson Crossing	Mississauga	201,599
9121	Mississauga Plaza	Mississauga	30,797 *
537	404 Town Centre	Newmarket	249,379
793	Green Lane Centre	Newmarket	160,231
9120	North Bay Plaza	North Bay	8,497 *
9127	Ottawa Plaza	Ottawa	4,448 *
535	Lincoln Fields S.C.	Ottawa	289,531
538	Boulevard S.C. I	Ottawa	91,462
539	Boulevard S.C. II	Ottawa	125,984
791	Boulevard S.C. III	Ottawa	77,011
1245	Agincourt Nissan	Scarborough	20,506
1246	Morningside Nissan	Scarborough	13,433
9122	Ontario Street Plaza	St. Catherines	38,993 *
9133	Ontario Street S.C.	St. Catherines	5,418 *
9131	Talbot Plaza	St. Thomas	3,595 *
9128	LaSalle Plaza	Sudbury	9,643 *
797	Centre Sudbury	Sudbury	389,213
9030	Sudbury Plaza	Sudbury	170,000 ^
0273	Crouse Plaza	Toronto	74,359 *
0447	Arrow Plaza	Toronto	33,275 *
0459	Adelaide Plaza	Toronto	119,964 *
0983	Trethewey Plaza	Toronto	53,315 *
770	The Albion Centre	Toronto	349,399
911	Leaside Centre	Toronto	133,035
980	Shoppers World Danforth	Toronto	328,820
981	RioCan Marketplace	Toronto	164,121
9174	Don Mills Plaza	Toronto	- *
491	7/400 Power Centre	Vaughn	237,932 *

Site	Center Name	City	GLA
9055	Westside Marketplace	Waterloo	100,000 *
9132	Weber Plaza	Waterloo	5,274 *
536	Kendalwood Park Plaza	Whitby	155,945
976	Thickson Ridge Power Centre	Whitby	363,039
	Prince Edward Island		
733	Charlottetown Mall	Charlottetown	389,936
	Quebec		
9024	Carrefour Alma Plaza	Alma	257,738 *
9029	Place Du Havre Chandler	Chandler	58,329 *
610	Centre Regional Chateauguay	Chateauguay	211,391
9028	Carrefour Gaspe	Gaspe	140,059 *
921	Greenfield Park	Greenfield Park	364,003
9025	Galeries Jonquiere	Jonquiere	226,273 *
9088	St. Martin Plaza	Laval	100,175 *
985	Centre Jacques-Cartier	Longueuil	213,461
9015	Losch Plaza	Montreal	208,500 *
9016	Rue Thibault Plaza	Montreal	61,500 *
9017	Rue Kimber Plaza	Montreal	85,151 *
9087	Pascal Gagnon	Montreal	101,305 *
9159	Quebec Plaza	Montreal	62,679 *
9160	Quebec S.C.	Montreal	63,394 *
9161	1 Place Du Commerce	Montreal	67,906 *
9162	2 Place Du Commerce	Montreal	18,310 *
9163	3 Place Du Commerce	Montreal	69,744 *
9164	4 Place Du Commerce	Montreal	68,765 *
9165	40 Place De Commerce	Montreal	92,907 *
9166	8 Place Du Commerce	Montreal	55,323 *
9167	Elgar S.C.	Montreal	10,157 *
9168	Playskool	Montreal	28,035 *
9169	Champlain Grd Lease	Montreal	- *
9170	St. Laurent Plaza	Montreal	109,504 *
9171	St. Laurent S.C.	Montreal	54,013 *
9172	St. Maurice Plaza	Montreal	68,900 *
9173	St. Paul Plaza	Montreal	53,312 *
9027	Carrefour Jeannois	Roberval	119,131 *
9026	Place Du Saguenay	Saguenay	284,117 *
9056	Carrefour Grande Cote	Ste. Eustache	89,077 *
9075	Centre 25e	Ste. Eustache	26,606 *

Site	Center Name	City	GLA
	Mexico		
9147	Multiplaza Las Palmas	Acapulco	170,223
9063	Hyatt Cancun	Cancun	305,000
9148	Multiplaza Kabah	Cancun	92,152
921	Plaza Lopez Mateos	Ciudad Juarez	240,224
9093	Plaza Centro Sur	Guadalajara	291,000 ^
9103	Multiplaza del Valle	Guadalajara	69,000 ^
9018	Super Plaza Las Haciendas	Mexico City	144,000 ^
9099	Multiplaza Arboledas	Mexico City	195,000 ^
9149	Centro Comercial Magno Deco	Mexico City	22,000 ^
189	Plaza Bella Anahuac	Monterrey	267,322
9033	Plaza Universidad Hidalgo	Pachuca	120,000 ^
9060	Puerta de Hierro	Pachuca	102,000 ^
9032	Plaza Real Diamante Reynosa	Reynosa	326,000 ^
181	Plaza Real Saltillo	Saltillo	174,704
9034	Centro Comercial La Nogalera	Saltillo	149,000 ^
9008	Plaza Excelencia San Luis	San Luis Potosi	121,943
9098	Macroplaza Insurgentes	Tijuana	182,000 ^
9092	Multiplaza Tuxtepec	Tuxtepec	104,000 ^

Total Number of Properties Owned or Managed **1,061 †**

Total GLA Owned or Managed **128,733,027 §**

† Total includes 58 properties in the AI Portfolio.
§ Total includes 5,671,130 square feet in the AI Portfolio.

* Preferred Equity
^ Property under development or land held for development

Reconciliation From Net Income To Funds From Operations

(in thousands, except per share information)

Year Ended Dec. 31,	2005	2004	2003	2002	2001
Funds from Operations					
Net income	**$363,628**	$ 297,137	$ 307,879	$ 245,668	$ 236,538
Gain on disposition of operating properties, net of minority interests	**(31,611)**	(15,390)	(50,834)	(12,778)	(3,040)
Gain on disposition of joint venture operating properties	**(13,776)**	(4,045)	—	—	—
Depreciation and amortization	**108,032**	102,872	89,068	76,674	74,209
Depreciation and amortization — real estate joint ventures, net of minority interests	**50,059**	36,400	29,456	17,779	12,718
Preferred stock redemption costs		—	(7,788)	—	—
Preferred stock dividends	**(11,637)**	(11,638)	(14,669)	(18,437)	(24,553)
Funds from Operations	**$464,695**	$ 405,336	$ 353,112	$ 308,906(2)	$ 295,872
Per Common Share					
Basic	**2.05**	$ 1.82	$ 1.65	$ 1.48	$ 1.54
Diluted	**2.00**(1)	$ 1.77(1)	$ 1.61(1)	$ 1.46(1)	$ 1.49(3)
Weighted Average Shares Outstanding					
Basic	**226,641**	222,859	214,184	208,916	192,634
Diluted	**235,634**(1)	231,909(1)	222,337(1)	211,938(1)	202,326(3)

(1) Reflects the potential impact if certain units were converted to common stock at the beginning of the period. FFO would be increased by $6,693, $6,113, $5,771, and $1,423 for the years ended December 31, 2005, 2004, 2003 and 2002, respectively.

(2) 2002 FFO was reduced from $1.52 to $1.46 for the year ended December 31, 2002 to include gains on early extinguishment of debt of $22,255 and adjustments to property carrying values of ($33,030).

(3) Reflects the potential impact if the class D preferred stock were converted to common stock at the beginning of the period. FFO would be increased by $6,115 for the year ended December 31, 2001.

Reconciliation of diluted net income per common share to diluted funds from operations per common share

	2005	2004	2003	2002	2001
Diluted earnings per common share	$ 1.52	$ 1.26	$ 1.31	$ 1.08	$ 1.08
Depreciation and amortization	0.46	0.44	0.40	0.36	0.37
Depreciation and amortization - real estate joint ventures, net of minority interests	0.21	0.16	0.13	0.08	0.06
Gain on disposition of operating properties, net of minority interests	(0.13)	(0.07)	(0.23)	(0.06)	(0.02)
Gain on disposition of joint venture operating properties	(0.06)	(0.02)	—	—	—
FFO per diluted common share	$ 2.00	$ 1.77	$ 1.61	$ 1.46	$ 1.49

Selected Financial Data

(in thousands, except per share information)

Year ended December 31, (2)	2005	2004	2003	2002	2001
Operating Data:					
Revenues from rental property (1)	**$ 522,545**	$ 507,641	$ 466,225	$ 419,038	$ 415,064
Interest expense (3)	**$ 127,711**	$ 107,177	$ 102,391	$ 84,885	$ 86,088
Depreciation and amortization (3)	**$ 105,942**	$ 99,616	$ 83,212	$ 68,096	$ 65,761
Gain on sale of development properties	**$ 33,636**	$ 16,835	$ 17,495	$ 15,880	$ 13,418
Gain on transfer/sale of operating properties,net (3)	**$ 2,833**	$ —	$ 3,177	$ —	$ 3,040
Provision for income taxes	**$ 11,254**	$ 8,320	$ 8,514	$ 12,904	$ 19,376
Income from continuing operations	**$ 334,083**	$ 281,019	$ 243,586	$ 235,610	$ 210,875
Income per common share, from continuing operations:					
Basic	**$ 1.42**	$ 1.21	$ 1.03	$ 1.04	$ 0.97
Diluted	**$ 1.40**	$ 1.19	$ 1.02	$ 1.03	$ 0.95
Weighted average number of shares of common stock:					
Basic	**226,641**	222,859	214,184	208,916	192,634
Diluted	**230,868**	227,143	217,540	210,922	202,326
Cash dividends declared per common share	**$ 1.27**	$ 1.16	$ 1.10	$ 1.05	$ 0.98

December 31,	2005	2004	2003	2002	2001
Balance Sheet Data:					
Real estate, before accumulated depreciation	**$4,560,406**	$ 4,092,222	$ 4,174,664	$ 3,398,971	$ 3,201,364
Total assets	**$5,534,636**	$ 4,749,597	$ 4,641,092	$ 3,758,350	$ 3,387,342
Total debt	**$2,691,196**	$ 2,118,622	$ 2,154,948	$ 1,576,982	$ 1,328,079
Total stockholders' equity	**$2,387,214**	$ 2,236,400	$ 2,135,846	$ 1,908,800	$ 1,892,647
Cash flow provided by operations	**$ 410,797**	$ 365,176	$ 308,632	$ 278,931	$ 287,444
Cash flow used for investing activities	**$ (716,015)**	$ (299,597)	$ (637,636)	$ (396,655)	$ (150,059)
Cash flow provided by (used for) financing activities	**$ 343,271**	$ (75,647)	$ 341,330	$ 59,839	$ (62,635)

(1) Does not include (i) revenues from rental property relating to unconsolidated joint ventures, (ii) revenues relating to the investment in retail stores leases and (iii) revenues from properties included in discontinued operations.

(2) All years have been adjusted to reflect the impact of operating properties sold during the years ended December 31, 2005, 2004, 2003 and 2002 and properties classified as held for sale as of December 31, 2005, which are reflected in discontinued operations in the Consolidated Statements of Income.

(3) Does not include amounts reflected in discontinued operations.

Forward-Looking Statements

This annual report, together with other statements and information publicly disseminated by Kimco Realty Corporation (the "Company" or "Kimco") contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity or debt financing on favorable terms, (iv) changes in governmental laws and regulations, (v) the level and volatility of interest rates and foreign currency exchange rates, (vi) the availability of suitable acquisition opportunities and (vii) increases in operating costs. Accordingly, there is no assurance that the Company's expectations will be realized.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Annual Report. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements, including trends which might appear, should not be taken as indicative of future operations.

Executive Summary

Kimco Realty Corporation is one of the nation's largest publicly-traded owners and operators of neighborhood and community shopping centers. As of February 6, 2006, the Company had interests in 1,046 properties totaling approximately 135.5 million square feet of GLA located in 44 states, Canada and Mexico.

The Company is self-administered and self-managed through present management, which has owned and managed neighborhood and community shopping centers for over 45 years. The executive officers are engaged in the day-to-day management and operation of real estate exclusively with the Company, with nearly all operating functions, including leasing, asset management, maintenance, construction, legal, finance and accounting, administered by the Company.

In connection with the Tax Relief Extension Act of 1999 (the "RMA"), which became effective January 1, 2001, the Company is now permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust ("REIT"), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code, subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate-related opportunities including (i) merchant building, through its Kimco Developers, Inc. ("KDI") subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services, which primarily focuses on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions. The Company will consider other investments through taxable REIT subsidiaries should suitable opportunities arise.

In addition, the Company continues to capitalize on its established expertise in retail real estate by establishing other ventures in which the Company owns a smaller equity interest and provides management, leasing and operational support for those properties. The Company also provides preferred equity capital for real estate entrepreneurs and provides real estate capital and advisory services to both healthy and distressed retailers. The Company also makes selective investments in secondary market opportunities where a security or other investment is, in management's judgment, priced below the value of the underlying real estate.

The Company's strategy is to maintain a strong balance sheet while investing opportunistically and selectively. The Company intends to continue to execute its plan of delivering solid growth in earnings and dividends. As a result of the improved 2005 performance, the Board of Directors increased the quarterly dividend per common share to $0.33 from $0.305, effective for the fourth quarter of 2005.

Critical Accounting Policies

The Consolidated Financial Statements of the Company include the accounts of the Company, its wholly-owned subsidiaries and all entities in which the Company has a controlling interest including where the Company has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Interpretation No. 46 (R), Consolidation of Variable Interest Entities or meets certain criteria of a sole general partner or managing member in accordance with Emerging Issues Task Force ("EITF") Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights ("EITF 04-5"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related notes. In preparing these financial statements, management has made its best estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates are based on, but not limited to, historical results, industry standards and current economic conditions, giving due consideration to materiality. The most significant assumptions and estimates relate to revenue recognition and the recoverability of trade accounts receivable, depreciable lives and valuation of real estate. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenue Recognition and Accounts Receivable

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales level is achieved. Operating expense reimbursements are recognized as earned. Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Company of common area maintenance, real estate taxes and other operating expenses.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable

and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

Real Estate

The Company's investments in real estate properties are stated at cost, less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized.

Upon acquisition of operating real estate properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations. Based on these estimates, the Company allocates the purchase price to the applicable assets and liabilities. The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15-to-50 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income.

Real estate under development on the Company's Consolidated Balance Sheets represents ground-up development of neighborhood and community shopping center projects which are subsequently sold upon completion. These assets are carried at cost and no depreciation is recorded. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development. The Company ceases cost capitalization when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If, in management's opinion, the estimated net sales price of these assets is less than the net carrying value, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property. A gain on the sale of these assets is generally recognized using the full accrual method in accordance with the provisions of SFAS No. 66, Accounting for Real Estate Sales.

Long-Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties (including any related amortizable intangible assets or liabilities) may be impaired. A property value is considered impaired only if management's estimate of current and projected operating cash flows (undiscounted and without interest charges) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends, and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the carrying value of the property would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates the sales price of such asset net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of such asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties, investments in joint ventures and other investments. The Company's reported net income is directly affected by management's estimate of impairments and/or valuation allowances.

Results of Operations

Comparison 2005 to 2004

Revenues from rental property increased $14.9 million or 2.9% to $522.5 million for the year ended December 31, 2005, as compared with $507.6 million for the year ended December 31, 2004. This net increase resulted primarily from the combined effect of (i) acquisitions during 2005 and 2004 providing incremental revenues of $33.8 million for the year ended December 31, 2005 and (ii) an overall increase in shopping center portfolio occupancy to 94.6% at December 31, 2005, as compared to 93.6% at December 31, 2004 and the completion of certain redevelopment projects and tenant buyouts providing incremental revenues of approximately $18.1 million for the year ended December 31, 2005, as compared to the corresponding period last year, offset by (iii) a decrease in revenues of approximately $37.0 million for the year ended December 31, 2005, as compared to the corresponding period last year, resulting from the sale of certain properties and the transfer of operating properties to various unconsolidated joint venture entities during 2005 and 2004.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Rental property expenses, including depreciation and amortization, increased approximately $14.0 million or 6.1% to $243.9 million for the year ended December 31, 2005, as compared with $229.9 million for the preceding year. These increases are primarily due to operating property acquisitions during 2005 and 2004, which were partially offset by property dispositions and operating properties transferred to various unconsolidated joint venture entities.

Mortgage and other financing income increased $12.6 million to $27.6 million for the year ended December 31, 2005, as compared to $15.0 million for the year ended December 31, 2004. This increase primarily relates to a $14.0 million prepayment fee received by the Company relating to the early repayment by Shopko of its outstanding loan with the Company.

Management and other fee income increased approximately $5.0 million to $30.5 million for the year ended December 31, 2005, as compared to $25.4 million in the corresponding period in 2004. This increase is primarily due to incremental fees earned from growth in the co-investment programs.

General and administrative expenses increased approximately $12.6 million to $56.8 million for the year ended December 31, 2005, as compared to $44.2 million in the preceding calendar year. This increase is primarily due to (i) a $1.4 million increase in professional fees, due in part to compliance with section 404 of the Sarbanes-Oxley Act, (ii) a $3.0 million increase due to the expensing of the value attributable to stock options granted, and (iii) increased personnel and systems related costs associated with the growth of the Company.

Interest, dividends and other investment income increased approximately $9.6 million to $28.4 million for the year ended December 31, 2005, as compared to $18.7 million in 2004. This increase is primarily due to greater dividend income and realized gains on the sale of certain marketable securities during 2005 as compared to the preceding year.

Interest expense increased $20.5 million to $127.7 million for the year ended December 31, 2005, as compared with $107.2 million for the year ended December 31, 2004. This increase is primarily due to an overall increase in average borrowings outstanding during the year ended December 31, 2005, as compared to the preceding year, resulting from the funding of investment activity during 2005.

Income from other real estate investments increased $27.8 million to $57.9 million for the year ended December 31, 2005, as compared to $30.1 million for the preceding year. This increase is primarily due to increased investment in the Company's Preferred Equity program, which contributed income of $32.8 million during 2005, including an aggregate of approximately $12.6 million of promoted interests earned from six capital transactions during 2005, as compared to $11.4 million in 2004.

Equity in income of real estate joint ventures, net increased $21.1 million to $77.5 million for the year ended December 31, 2005, as compared with $56.4 million for the corresponding period in 2004. This increase is primarily attributable to (i) the increased equity in income from the Kimco Income REIT joint venture investment ("KIR") resulting from the sale of two operating properties during 2005 which provided an aggregate gain of $20.2 million, of which the pro-rata share to the Company was $8.7 million, (ii) increased equity in income in three joint venture investments resulting from the sale of two operating properties and one development property during 2005, which provided aggregate gains of approximately $17.9 million, of which the pro-rata share to the Company was approximately $8.8 million, and (iii) the Company's growth of its various other real estate joint ventures. The Company has made additional capital investments in these and other joint ventures for the acquisition of additional shopping center properties throughout 2005 and 2004.

During 2005, KDI, the Company's wholly-owned development taxable REIT subsidiary, in separate transactions, sold six recently completed projects and 41 out-parcels for approximately $264.1 million. These sales provided gains of approximately $22.8 million, net of income taxes of approximately $10.8 million.

During 2004, KDI, the Company's wholly-owned development taxable REIT subsidiary, in separate transactions, sold five recently completed projects, three completed phases of projects and 28 out-parcels for approximately $169.4 million. These sales provided gains of approximately $12.4 million, net of income taxes of approximately $4.4 million.

During 2005, the Company (i) disposed of, in separate transactions, 20 operating properties for an aggregate sales price of approximately $93.3 million, (ii) transferred three operating properties to KROP for an aggregate price of approximately $49.0 million and (iii) transferred 52 operating properties to various joint ventures in which the Company has non-controlling interests ranging from 15% to 50% for an aggregate price of approximately $183.1 million. For the year ended December 31, 2005, these transactions resulted in gains of approximately $31.9 million and a loss on sale/transfer from four of the properties for $5.2 million.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately $81.1 million, including the assignment of approximately $8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately $16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP for an aggregate price of approximately $197.9 million and (iii) transferred 21 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10%-to-30% for an aggregate price of approximately $491.2 million. For the year ended December 31, 2004, these dispositions resulted in gains of approximately $15.8 million and a loss on sale from three of the properties of approximately $5.1 million.

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment

objectives and the performance and prospects of each asset, the Company determined in 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a net book value of $3.8 million, might not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period of this investment. As a result of the reduction in the anticipated holding period, together with reassessment of the potential future operating cash flow for the property and the effects of current market conditions, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately $3.0 million in 2004. This adjustment was included, along with the related property operations in the line Income from discontinued operating properties, in the Company's Consolidated Statements of Income.

For those property dispositions for which SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144") is applicable, the operations and gain or loss on the sale of the property have been included in the caption Discontinued operations in the Company's Consolidated Statements of Income.

Net income for the year ended December 31, 2005, was $363.6 million, compared to $297.1 million for the year ended December 31, 2004. On a diluted per share basis, net income increased $0.26 to $1.52 for the year ended December 31, 2005, as compared to $1.26 for the previous year. This increase is attributable to (i) increased income from other real estate investments, primarily from the Company's Preferred Equity program, (ii) an increase in equity in income of real estate joint ventures achieved from gains on sales of joint venture operating properties and additional capital investments in the Company's joint venture programs for the acquisition of additional shopping center properties throughout 2005 and 2004, (iii) increased income contributed from mortgage and other financing receivables as compared to last year and (iv) increased gains on sale/transfer of development and operating properties during 2005, as compared to the same period during 2004.

Comparison 2004 to 2003

Revenues from rental property increased $41.4 million or 8.9% to $507.6 million for the year ended December 31, 2004, as compared with $466.2 million for the year ended December 31, 2003. This net increase resulted primarily from the combined effect of (i) acquisitions during 2004 and 2003 providing incremental revenues of $40.4 million for the year ended December 31, 2004 and (ii) an overall increase in shopping center portfolio occupancy to 93.6% at December 31, 2004, as compared to 90.7% at December 31, 2003 and the completion of certain redevelopment projects and tenant buyouts providing incremental revenues of approximately $16.6 million for the year ended December 31, 2004, as compared to the corresponding period in the preceding year, offset by (iii) a decrease in revenues of approximately $15.6 million for the year ended December 31, 2004, as compared to the corresponding period in the preceding year, resulting from the sale of certain properties and the transfer of operating properties to various unconsolidated joint venture entities during 2004 and 2003.

Rental property expenses, including depreciation and amortization, increased approximately $26.3 million or 12.9% to $229.9 million for the year ended December 31, 2004, as compared with $203.5 million for the preceding year. This increase was primarily due to operating property acquisitions during 2004 and 2003, which were partially offset by property dispositions and operating properties transferred to various unconsolidated joint venture entities.

Mortgage and other financing income decreased $3.8 million to $15.0 million for the year ended December 31, 2004, as compared to $18.9 million for the year ended December 31, 2003. This decrease was primarily due to lower interest and financing income earned related to certain real estate lending activities during 2004 as compared to the preceding year.

Management and other fee income increased approximately $10.1 million to $25.4 million for the year ended December 31, 2004, as compared to $15.3 million in the corresponding period in 2003. This increase was primarily due to incremental fees earned from growth in the co-investment programs and fees earned from disposition services provided to various retailers.

General and administrative expenses increased approximately $5.9 million to $44.2 million for the year ended December 31, 2004, as compared to $38.3 million in the preceding calendar year. This increase was primarily due to (i) a $0.9 million increase in professional fees, mainly attributable to compliance with section 404 of the Sarbanes-Oxley Act, (ii) a $1.6 million increase due to the expensing of the value attributable to stock options granted, (iii) increased staff levels related to the growth of the Company and (iv) other personnel-related costs, associated with a realignment of our regional operations.

Other income/(expense), net increased approximately $14.2 million to $10.1 million for the year ended December 31, 2004, as compared to the preceding year. This increase was primarily due to a prior-year write-down in the carrying value of the Company's equity investment in Frank's Nursery, Inc., offset by increased income in 2004 from other equity investments.

Interest expense increased $4.8 million to $107.2 million for the year ended December 31, 2004, as compared with $102.4 million for the year ended December 31, 2003. This increase was primarily due to an overall increase in average borrowings outstanding during the year ended December 31, 2004, as compared to the preceding year, resulting from the funding of investment activity during 2004.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately $14.2 million in full satisfaction of these loans, which aggregated approximately $24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately $9.7 million during 2003.

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Income from other real estate investments increased $7.3 million to $30.1 million for the year ended December 31, 2004, as compared to $22.8 million for the preceding year. This increase was primarily due to increased investment in the Company's Preferred Equity program, which contributed income of $11.4 million during 2004, as compared to $4.6 million in 2003.

Equity in income of real estate joint ventures, net increased $14.1 million to $56.4 million for the year ended December 31, 2004, as compared with $42.3 million for the preceding year. This increase was primarily attributable to the equity in income from the increased investment in the RioCan joint venture investment ("RioCan Venture"), the Kimco Retail Opportunity Portfolio joint venture investment ("KROP") and the Company's growth of its various other real estate joint ventures. The Company had made additional capital investments in these and other joint ventures for the acquisition of additional shopping center properties throughout 2004 and 2003.

During 2004, KDI, the Company's wholly-owned development taxable REIT subsidiary, in separate transactions, sold 28 out-parcels, three completed phases of projects and five recently completed projects for approximately $169.4 million. These sales provided gains of approximately $12.4 million, net of income taxes of approximately $4.4 million.

During the year ended December 31, 2003, KDI sold four projects and 26 out-parcels, in separate transactions, for approximately $134.6 million which resulted in gains of approximately $10.5 million, net of income taxes of $7.0 million.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately $81.1 million, including the assignment of approximately $8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately $16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP for an aggregate price of approximately $197.9 million and (iii) transferred 21 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10%-to-30% for an aggregate price of approximately $491.2 million. For the year ended December 31, 2004, these dispositions resulted in gains of approximately $15.8 million and a loss on sale from three of the properties of approximately $5.1 million.

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a net book value of $3.8 million, might not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period of this investment. As a result of the reduction in the anticipated holding period, together with reassessment of the potential future operating cash flow for the property and the effects of current market conditions, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately $3.0 million in 2004. This adjustment was included, along with the related property operations in the line Income from discontinued operating properties, in the Company's Consolidated Statements of Income.

During 2003, the Company disposed of, in separate transactions, (i) ten operating shopping center properties for an aggregate sales price of approximately $119.1 million, including the assignment of approximately $1.7 million of mortgage debt encumbering one of the properties, (ii) two regional malls for an aggregate sales price of approximately $135.6 million, (iii) one out-parcel for a sales price of approximately $8.1 million, (iv) transferred three operating properties to KROP for a price of approximately $144.2 million, (v) transferred an operating property to a newly formed joint venture in which the Company has a non-controlling 10% interest for a price of approximately $21.9 million and (vi) terminated four leasehold positions in locations where a tenant in bankruptcy had rejected its lease. These transactions resulted in gains of approximately $50.8 million.

During 2003, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS No. 144. The book value of these properties, aggregating approximately $19.5 million, net of accumulated depreciation of approximately $2.0 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately $15.4 million, was based upon contracts of sale with third parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of $4.0 million. This adjustment was included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations in the Company's Consolidated Statements of Income.

For those property dispositions for which SFAS No. 144 was applicable, the operations and gain or loss on the sale of the property have been included in the caption Discontinued operations in the Company's Consolidated Statements of Income.

Income from continuing operations for the year ended December 31, 2004, was $281.0, compared to $243.6 million for the year ended December 31, 2003. On a diluted per share basis, income from continuing operations improved $0.17 to $1.19 for the year ended December 31, 2004, as compared to $1.02 for the preceding year. This improved performance was primarily attributable to (i) the incremental operating results from the acquisition of operating properties during 2004 and 2003, including the Mid-Atlantic Realty Trust transaction, (ii) an increase in equity in income of real estate joint ventures resulting from additional capital investments in the RioCan Venture, KROP and other joint venture investments for the acquisition of additional shopping center properties during

2004 and 2003, (iii) an increase in management and other fee income related to the growth in the co-investment programs, (iv) increased income from other real estate investments and (v) significant leasing within the portfolio, which improved operating profitability.

Net income for the year ended December 31, 2004, was $297.1 million, compared to $307.9 million for the year ended December 31, 2003. On a diluted per share basis, net income decreased $0.05 to $1.26 for the year ended December 31, 2004, as compared to $1.31 for the year ended December 31, 2003. This decrease was primarily attributable to lower income from discontinued operations of $48.2 million for the year ended December 31, 2004, compared to the preceding year due to property sales during 2004 and 2003 and gains on early extinguishment of debt during 2003. In addition, the diluted per share results for the year ended December 31, 2003, were decreased by a reduction in net income available to common stockholders of $0.04 resulting from the deduction of original issuance costs associated with the redemption of the Company's 7¾% Class A, 8½% Class B and 8⅜% Class C Cumulative Redeemable Preferred Stocks during the second quarter of 2003.

Tenant Concentrations

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31, 2005, the Company's five largest tenants were The Home Depot, TJX Companies, Sears Holdings, Kohl's and Royal Ahold, which represented approximately 3.6%, 3.2%, 2.7%, 2.5% and 2.0%, respectively, of the Company's annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

Liquidity and Capital Resources

The Company's cash flow activities are summarized as follows (in millions):

Year Ended December 31,	**2005**	2004	2003
Net cash flow provided by operating activities	**$ 410.8**	$ 365.2	$ 308.6
Net cash flow used for investing activities	**$(716.0)**	$ (299.6)	$ (637.6)
Net cash flow provided by (used for) financing activities	**$ 343.3**	$ (75.6)	$ 341.3

Operating Activities

The Company anticipates that cash flows from operations will continue to provide adequate capital to fund its operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short term and long term. In addition, the Company anticipates that cash on hand, borrowings under its revolving credit facilities, issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company. Net cash flow provided by operating activities for the year ended December 31, 2005, was primarily attributable to (i) cash flow from the diverse portfolio of rental properties, (ii) the acquisition of operating properties during 2004 and 2005, (iii) new leasing, expansion and re-tenanting of core portfolio properties and (iv) growth in the Company's joint venture and Preferred Equity programs.

Investing Activities

Acquisitions and Redevelopments

During the year ended December 31, 2005, the Company expended approximately $376.0 million towards acquisition of and improvements to operating real estate. (See Note 3 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

The Company has an ongoing program to reformat and re-tenant its properties to maintain or enhance its competitive position in the marketplace. During the year ended December 31, 2005, the Company expended approximately $55.5 million in connection with these major redevelopments and re-tenanting projects. The Company anticipates its capital commitment toward these and other redevelopment projects during 2006 will be approximately $90.0 million to $110.0 million. The funding of these capital requirements will be provided by cash flow from operating activities and availability under the Company's revolving lines of credit.

Investments and Advances to Real Estate Joint Ventures

During the year ended December 31, 2005, the Company expended approximately $267.3 million for investments and advances to real estate joint ventures and received approximately $130.6 million from reimbursements of advances to real estate joint ventures. (See Note 7 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

Ground-up Development

The Company is engaged in ground-up development projects which consists of (i) merchant building through the Company's wholly-owned taxable REIT subsidiary, KDI, which develops neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) ground-up development projects which will be held as long-term investments by the Company and (iii) various ground-up development projects located in Mexico and Canada for long-term investment. All ground-up development projects generally have substantial pre-leasing prior to the commencement of construction. As of December 31, 2005, the Company had in progress a total of 38 ground-up development projects including 26 merchant building projects, five domestic ground-up development projects, six ground-up development

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projects located throughout Mexico and one ground-up development project located in Canada.

During the year ended December 31, 2005, the Company expended approximately $452.7 million in connection with the purchase of land and construction costs related to these projects and those sold during 2005. These projects are currently proceeding on schedule and substantially in line with the Company's budgeted costs. The Company anticipates its capital commitment during 2006 toward these and other development projects will be approximately $300 million to $350 million. The proceeds from the sales of the completed ground-up development projects, proceeds from construction loans and availability under the Company's revolving lines of credit are expected to be sufficient to fund these anticipated capital requirements. (See Note 3 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

Dispositions and Transfers

During the year ended December 31, 2005, the Company received net proceeds of approximately $348.4 million relating to the sale of various operating properties and ground-up development projects and approximately $128.5 million from the transfer of operating properties to various joint ventures. (See Notes 3 and 7 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

Financing Activities

It is management's intention that the Company continually have access to the capital resources necessary to expand and develop its business. As such, the Company intends to operate with and maintain a conservative capital structure with a level of debt to total market capitalization of 50% or less. As of December 31, 2005, the Company's level of debt to total market capitalization was 26%. In addition, the Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings. The Company may, from time-to-time, seek to obtain funds through additional equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other capital alternatives in a manner consistent with its intention to operate with a conservative debt structure.

Since the completion of the Company's IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over $4.2 billion for the purposes of, among other things, repaying indebtedness, acquiring interests in neighborhood and community shopping centers, funding ground-up development projects, expanding and improving properties in the portfolio and other investments.

The Company has an $850.0 million unsecured revolving credit facility, which is scheduled to expire in July 2008. This credit facility has made available funds to both finance the purchase of properties and other investments and meet any short-term working capital requirements. As of December 31, 2005, there was $200.0 million outstanding under this credit facility.

During September 2004, the Company entered into a three-year Canadian denominated ("CAD") $150.0 million unsecured credit facility with a group of banks. This facility bears interest at the CDOR Rate, as defined, plus 0.50%, and is scheduled to expire in September 2007. During March 2005, this facility was increased to CAD $250.0 million and the scheduled maturity date was extended to March 2008. During January 2006, the facility was further amended to reduce the borrowing spread to 0.45% and to modify the covenant package to conform to the Company's $850.0 million U.S. Credit Facility. Proceeds from this facility will be used for general corporate purposes including the funding of Canadian denominated investments. As of December 31, 2005, there was CAD $110.0 million (approximately USD $94.7 million) outstanding under this credit facility.

During May 2005, the Company entered into a three-year Mexican Peso-denominated ("MXP") 500.0 million unsecured revolving credit facility. This facility bears interest at the TIIE Rate, as defined, plus 1.00% and is scheduled to expire in May 2008. Proceeds from this facility will be used to fund peso denominated investments. As of December 31, 2005, there was MXP 500.0 million (approximately US $46.7 million) outstanding under this credit facility.

The Company has an MTN program pursuant to which it may, from time-to-time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company's debt maturities. As of December 31, 2005, the Company had $250.0 million available for issuance under the MTN program. (See Note 11 of the Notes to Consolidated Financial Statements included in this Annual Report.)

In addition to the public equity and debt markets as capital sources, the Company may, from time-to-time, obtain mortgage financing on selected properties and construction loans to partially fund the capital needs of KDI. As of December 31, 2005, the Company had over 380 unencumbered property interests in its portfolio.

During July 2005, the Company filed a shelf registration statement on Form S-3 for up to $1.0 billion of debt securities, preferred stock, depositary shares, common stock and common stock warrants. As of December 31, 2005, the Company had $750.0 million available for issuance under this shelf registration statement.

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows, which are expected to increase due to property acquisitions, growth in operating income in the existing portfolio and from other invest-

ments. Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate. Cash dividends paid increased to $293.3 million in 2005, compared to $265.3 million in 2004 and $246.3 million in 2003.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments.

Contractual Obligations and Other Commitments

The Company has debt obligations relating to its revolving credit facilities, MTNs, senior notes, mortgages and construction loans with maturities ranging from less than one year to 29 years. As of December 31, 2005, the Company's total debt had a weighted average term to maturity of approximately 4.9 years. In addition, the Company has non-cancelable operating leases pertaining to its shopping center portfolio. As of December 31, 2005, the Company has 60 shopping center properties that are subject to long-term ground leases where a third party owns and has leased the underlying land to the Company to construct and/or operate a shopping center. In addition, the Company has 22 non-cancelable operating leases pertaining to its retail store lease portfolio. The following table summarizes the Company's debt maturities and obligations under non-cancelable operating leases as of December 31, 2005, (in millions):

	2006	2007	2008	2009	2010	There-after	Total
Long-Term Debt	$286.8	$290.3	$555.3	$201.9	$198.8	$1,158.1	$2,691.2
Operating Leases							
Ground Leases	$ 11.3	$ 10.6	$ 10.5	$ 10.0	$ 8.3	$ 140.8	$ 191.5
Retail Store Leases	$ 5.2	$ 4.4	$ 3.3	$ 2.4	$ 2.0	$ 2.0	$ 19.3

The Company has $185.0 million of medium term notes, $14.1 million of mortgage debt and $87.7 million of construction loans maturing in 2006. The Company anticipates satisfying these maturities with a combination of operating cash flows, its unsecured revolving credit facilities, new debt issuances and the sale of completed ground-up development projects.

The Company has issued letters of credit in connection with completion and repayment guarantees for construction loans encumbering certain of the Company's ground-up development projects and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately $34.8 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD $7.0 million (approximately USD $6.0 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD $4.6 million (approximately USD $4.0 million) outstanding as of December 31, 2005, relating to various development projects. In addition to the letter of credit facility, various additional Canadian development projects in which the Company holds interests ranging from 33 ⅓% to 50% have letters of credit issued aggregating approximately CAD $3.5 million (approximately USD $3.0 million) at December 31, 2005.

During 2005, a joint venture entity in which the Company has a non-controlling interest obtained a CAD $22.5 million credit facility to finance the construction of a 0.1 million square foot shopping center property located in Kamloops, B.C. This facility bears interest at Royal Bank Prime Rate ("RBP") plus 0.5% per annum and is scheduled to mature in May 2007. The Company and its partner in this entity each have a limited and several guarantee of CAD $7.5 million on this facility. As of December 31, 2005, there was no outstanding balance on this facility.

During 2005, the Company obtained a term loan and construction financing on two ground-up development projects for an aggregate net loan commitment amount of up to $50.5 million of which approximately $22.4 million was outstanding at December 31, 2005. As of December 31, 2005, the Company had 15 construction loans with total commitments of up to $343.5 million of which $228.5 million had been funded to the Company. These loans had maturities ranging from 4 months to 31 months and interest rates ranging from 6.04% to 6.64% at December 31, 2005.

Off-Balance Sheet Arrangements

Ground-Up Development Joint Ventures

At December 31, 2005, the Company has three ground-up development projects through unconsolidated joint ventures in which the Company has 50% non-controlling interests. The projects are financed with individual non-recourse construction loans with total aggregate loan commitments of up to $219.6 million of which $58.8 million has been funded. These loans have variable interest rates ranging from 4.89% to 8.25% at December 31, 2005, and maturities ranging from 4 months to 18 months.

Unconsolidated Real Estate Joint Ventures

The Company has investments in various unconsolidated real estate joint ventures with varying structures. These investments include the Company's 43.3% non-controlling interest in KIR, the Company's 50% non-controlling interest in the RioCan Venture, the Company's 20% non-controlling interest in KROP, the Company's 15% non-controlling interest in Price Legacy and varying non-controlling interests in other real estate joint ventures. These joint ventures operate either shopping center properties or are established for development projects. Such arrangements are generally with third-party institutional investors, local developers and individuals. The properties owned by the joint ventures are

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primarily financed with individual non-recourse mortgage loans. Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage. The lender generally does not have recourse against any other assets owned by the borrower or any of the constituent members of the borrower, except for certain specified exceptions listed in the particular loan documents.

The KIR joint venture was established for the purpose of investing in high quality real estate properties financed primarily with individual non-recourse mortgages. The Company believes that these properties are appropriate for financing with greater leverage than the Company traditionally uses. As of December 31, 2005, KIR had interests in 68 properties comprising 14.2 million square feet of GLA. As of December 31, 2005, KIR had individual non-recourse mortgage loans of approximately $1.1 billion on 65 of these properties. These non-recourse mortgage loans have maturities ranging from less than one year to 14 years and rates ranging from 4.99% to 8.52%. As of December 31, 2005, the Company's pro-rata share of non-recourse mortgages relating to the KIR joint venture was approximately $485.4 million. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The RioCan Venture was established with RioCan Real Estate Investment Trust to acquire properties and development projects in Canada. As of December 31, 2005, the RioCan Venture consisted of 34 shopping center properties and one development project with approximately 8.1 million square feet of GLA. As of December 31, 2005, the RioCan Venture had individual, non-recourse mortgage loans on 33 of these properties and a construction loan on its development property aggregating approximately CAD $706.3 million (USD $607.8 million). These loans have maturities ranging from less than one year to 28 years and rates ranging from 3.91% to 9.05%. As of December 31, 2005, the Company's pro-rata share of these non-recourse loans relating to the RioCan Venture was approximately CAD $349.2 million (USD $300.5 million). (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The Kimco Retail Opportunity Portfolio ("KROP"), a joint venture with GE Capital Real Estate ("GECRE"), was established to acquire high-growth potential retail properties in the United States. As of December 31, 2005, KROP consisted of 38 shopping center properties with approximately 5.6 million square feet of GLA. As of December 31, 2005, KROP had non-recourse mortgage loans totaling $481.9 million, with fixed rates ranging from 4.25% to 8.64% and variable rates ranging from LIBOR plus 1.3% to LIBOR plus 2.2%. KROP has entered into a series of interest rate cap agreements to mitigate the impact of changes in interest rates on its variable-rate mortgage agreements. Such mortgage debt is collateralized by the individual shopping center property and is payable in monthly installments of principal and interest. At December 31, 2005, the weighted average interest rate for all mortgage debt outstanding was 6.09% per annum. As of December 31, 2005, the Company's pro-rata share of non-recourse mortgage loans relating to the KROP joint venture was approximately $96.4 million. Additionally, the Company and GECRE may provide interim financing. All such financings bear interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and have maturities of less than a year. As of December 31, 2005, KROP had no outstanding short term interim financing due to the Company or GECRE. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

During December 2004, the Company acquired the Price Legacy Corporation through a newly formed joint venture, PL Retail LLC ("PL Retail"), in which the Company has a non-controlling 15% interest. In connection with this transaction, the joint venture acquired 33 operating properties aggregating approximately 7.6 million square feet of GLA located in ten states. During the year ended December 31, 2005, PL Retail disposed of nine operating properties, in separate transactions, for an aggregate sale price of approximately $21.8 million. As of December 31, 2005, PL Retail consisted of 25 operating properties aggregating approximately 6.8 million square feet of GLA. As of December 31, 2005, PL Retail had approximately $777.3 million outstanding in non-recourse mortgage debt, of which approximately $507.2 million had fixed rates ranging from 4.66% to 9.00% and approximately $270.1 had variable rates ranging from 5.74% to 9.59%. The fixed-rate loans have maturities ranging from three to 11 years and the variable-rate loans have maturities ranging from one to three years. Additionally, the Company had provided PL Retail approximately $30.6 million of secured mezzanine financing. This interest-only loan bears interest at a fixed rate of 7.5% and matures in December 2006. Proceeds from property sales during 2005 of approximately $21.8 million were used to partially repay the mezzanine financing that was provided by the Company. The Company also provided PL Retail a secured short-term promissory note of approximately $8.2 million. This interest-only note bore interest at LIBOR plus 4.5% and was scheduled to mature in June 2005. During 2005, this note was amended to bear interest at LIBOR plus 6% and is now payable on demand. As of December 31, 2005, PL Retail had approximately $8.9 million outstanding on the mezzanine financing and approximately $8.2 million outstanding on the promissory note. As of December 31, 2005, the Company's pro-rata share of non-recourse mortgages relating to PL Retail was approximately $116.6 million. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The Company has various other unconsolidated real estate joint ventures with varying structures. As of December 31, 2005, these unconsolidated joint ventures had individual non-recourse mortgage loans aggregating approximately $1.5 billion. The Company's pro-rata share of these non-recourse mortgages was approximately $520.6 million. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

Other Real Estate Investments

During November 2002, the Company, through its taxable REIT subsidiary, together with Prometheus Southeast Retail Trust, completed the merger and privatization of Konover Property Trust, which has been renamed Kimsouth Realty, Inc., ("Kimsouth"). The Company acquired 44.5% of the common stock of Kimsouth, which consisted primarily of 38 retail shopping center properties comprising approximately 4.6 million square feet of GLA. Total acquisition value was approximately $280.9 million including approximately $216.2 million in mortgage debt. The Company's investment strategy with respect to Kimsouth includes re-tenanting, repositioning and disposition of the properties. As a result of this strategy, Kimsouth has sold 33 properties as of December 31, 2005. As of December 31, 2005, the Kimsouth portfolio was comprised of five properties, including the remaining office component of an operating property sold in 2004, totaling 1.2 million square feet of GLA with non-recourse mortgage debt of approximately $29.4 million encumbering the properties. All mortgages payable are collateralized by certain properties and are due in monthly installments. As of December 31, 2005, interest rates ranged from 6.06% to 9.22% and the weighted-average interest rate for all mortgage debt outstanding was 8.35% per annum. As of December 31, 2005, the Company's pro-rata share of non-recourse mortgage loans relating to the Kimsouth portfolio was approximately $13.1 million.

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately $4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, Accounting for Leases (as amended). The net investment in leveraged lease reflects the original cash investment adjusted by remaining net rentals, estimated unguaranteed residual value, unearned and deferred income and deferred taxes relating to the investment.

As of December 31, 2005, 14 of these properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately $24.2 million. As of December 31, 2005, the remaining 16 properties were encumbered by third-party non-recourse debt of approximately $58.7 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease. As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this debt has been offset against the related net rental receivable under the lease.

The Company maintains a preferred equity program, which provides capital to developers and owners of shopping centers. The Company accounts for its investments in preferred equity investments under the equity method of accounting. As of December 31, 2005, the Company's invested capital in its preferred equity investments approximated $225.9 million relating to 133 real estate properties. As of December 31, 2005, these preferred equity investment properties had individual non-recourse mortgage loans aggregating approximately $703.3 million. Due to the Company's preferred position in these investments, the Company's pro-rata share of each investment is subject to fluctuation and is dependent upon property cash flows. The Company's maximum exposure to losses associated with its preferred equity investments is limited to its invested capital.

Effects of Inflation

Many of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive payment of additional rent calculated as a percentage of tenants' gross sales above pre-determined thresholds, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses often include increases based upon changes in the consumer price index or similar inflation indices. In addition, many of the Company's leases are for terms of less than 10 years, which permits the Company to seek to increase rents to market rates upon renewal. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. The Company periodically evaluates its exposure to short-term interest rates and foreign currency exchange rates and will, from time-to-time, enter into interest rate protection agreements and/or foreign currency hedge agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt and fluctuations in foreign currency exchange rates.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123, (revised 2004) Share-Based Payment ("SFAS No. 123(R)"), which supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS No. 123(R) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for fiscal years beginning after December 15, 2005. The impact of adopting this statement is not expected to have a material impact on the Company's financial position or results of operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

In December 2004, the FASB issued Statement No. 153, Exchange of Non-monetary Assets - an amendment of APB Opinion No. 29 ("SFAS No. 153"). The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion No. 29 to eliminate the exception for non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The impact of adopting this statement did not have a material impact on the Company's financial position or results of operations.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). FIN 47 requires an entity to recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. FIN 47 clarifies that the term "Conditional Asset Retirement Obligation" refers to a legal obligation (pursuant to existing laws or by contract) to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 was effective no later than fiscal years ended after December 15, 2005. The Company adopted FIN 47 as required, effective December 31, 2005, and the initial application of FIN 47 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections ("SFAS No. 154"), which replaces Accounting Principle Board Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principles. It requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In September 2005, the EITF issued Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners Have Certain Rights ("EITF 04-5"). At issue is what rights held by the limited partner(s) preclude consolidation in circumstances in which the sole general partner would consolidate the limited partnership in accordance with U.S. generally accepted accounting principles. The assessment of limited partners' rights and their impact on the presumption of control of the limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership of limited partnership interests or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. This issue is effective no later than for fiscal years beginning after December 15, 2005, and as of June 29, 2005, for new or modified arrangements. The impact of adopting EITF 04-5 is not expected to have a material impact on the Company's financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The following table presents the Company's aggregate fixed rate and variable rate domestic and foreign debt obligations outstanding as of December 31, 2005, with corresponding weighted-average interest rates sorted by maturity date. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency. The instruments actual cash flows are denominated in U.S. dollars, Canadian dollars and Mexican pesos, as indicated by geographic region ($ in USD equivalent in millions).

	2006	2007	2008	2009	2010	2011+	Total	Fair Value
Domestic								
Secured Debt								
Fixed Rate	$ 9.7	$ —	$ 59.4	$ 21.9	$ 19.7	$ 191.1	$ 301.8	$ 317.4
Average Interest Rate	9.08%	—	7.13%	7.88%	8.47%	7.41%	7.52%	
Variable Rate	$ 92.1	$ 95.3	$ 54.5	$ —	$ —	$ —	$ 241.9	$ 241.9
Average Interest Rate	6.40%	6.20%	6.11%	—	—	—	6.26%	
Unsecured Debt								
Fixed Rate	$ 85.0	$ 195.0	$ 100.0	$ 180.0	$ 50.0	$ 967.0	$ 1,577.0	$ 1,640.0
Average Interest Rate	7.30%	7.14%	3.95%	6.98%	4.62%	5.30%	5.72%	
Variable Rate	$ 100.0	$ —	$ 200.0	$ —	$ —	$ —	$ 300.0	$ 300.0
Average Interest Rate	4.45%	—	4.68%	—	—	—	4.60%	

	2006	2007	2008	2009	2010	2011+	Total	Fair Value
Canadian								
Unsecured Debt								
Fixed Rate	$ —	$ —	$ —	$ —	$ 129.1	$ —	$ 129.1	$ 126.7
Average Interest Rate	—	—	—	—	4.45%	—	4.45%	
Variable Rate	$ —	$ —	$ 94.7	$ —	$ —	$ —	$ 94.7	$ 94.7
Average Interest Rate	—	—	3.78%	—	—	—	3.78%	
Mexican								
Unsecured Debt								
Variable Rate	$ —	$ —	$ 46.7	$ —	$ —	$ —	$ 46.7	$ 46.7
Average Interest Rate	—	—	9.66%	—	—	—	9.66%	

Based on the Company's variable-rate debt balances, interest expense would have increased by approximately $6.8 million in 2005 if short-term interest rates were 1% higher.

As of December 31, 2005, the Company has Canadian investments totaling CAD $311.8 million (approximately USD $268.3 million) comprised of a real estate joint venture investments and marketable securities. In addition, the Company has Mexican real estate investments of MXP 2.3 billion (approximately USD $215.4 million). The foreign currency exchange risk has been partially mitigated through the use of local currency denominated debt, foreign currency forward contracts (the "Forward Contracts") and a cross currency swap (the "CC Swap") with major financial institutions. The Company is exposed to credit risk in the event of non-performance by the counter-party to the Forward Contracts and the CC Swap. The Company believes it mitigates its credit risk by entering into the Forward Contracts and the CC Swap with major financial institutions.

The Company has not entered, and does not plan to enter, into any derivative financial instruments for trading or speculative purposes. As of December 31, 2005, the Company had no other material exposure to market risk.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures [as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")] as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Kimco Realty Corporation:

We have completed integrated audits of Kimco Realty Corporation's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedules

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Kimco Realty Corporation and its Subsidiaries (collectively, the "Company") at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Controls and Procedures in Management's Discussion and Analysis of Financial Condition and Results of Operations, that the Company maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

New York, New York
March 6, 2006

Consolidated Balance Sheets

(in thousands, except share information)

	December 31, 2005	December 31, 2004
Assets:		
Real Estate		
Rental property		
Land	**$ 686,123**	$ 626,914
Building and improvements	**3,263,162**	3,067,254
	3,949,285	3,694,168
Less, accumulated depreciation and amortization	**740,127**	634,642
	3,209,158	3,059,526
Real estate under development	**611,121**	398,054
Real estate, net	**3,820,279**	3,457,580
Investment and advances in real estate joint ventures	**735,648**	595,175
Other real estate investments	**283,035**	188,536
Mortgages and other financing receivables	**132,675**	140,717
Cash and cash equivalents	**76,273**	38,220
Marketable securities	**206,452**	123,771
Accounts and notes receivable	**64,329**	52,182
Deferred charges and prepaid expenses	**84,022**	72,653
Other assets	**131,923**	80,763
	$ 5,534,636	$ 4,749,597
Liabilities & Stockholders' Equity:		
Notes payable	**$ 2,147,405**	$ 1,608,925
Mortgages payable	**315,336**	353,071
Construction loans payable	**228,455**	156,626
Accounts payable and accrued expenses	**119,605**	97,952
Dividends payable	**78,168**	71,489
Other liabilities	**135,609**	118,243
	3,024,578	2,406,306
Minority interests	**122,844**	106,891
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $1.00 par value, authorized 3,600,000 shares		
Class F Preferred Stock, $1.00 par value, authorized 700,000 shares		
Issued and outstanding 700,000 shares	**700**	700
Aggregate liquidation preference $175,000		
Common stock, $.01 par value, authorized 300,000,000 shares		
Issued and outstanding 228,059,056 and 224,852,812 shares, respectively	**2,281**	2,249
Paid-in capital	**2,255,332**	2,199,419
Retained earnings/(cumulative distributions in excess of net income)	**59,855**	(3,749)
	2,318,168	2,198,619
Accumulated other comprehensive income	**69,046**	37,781
	2,387,214	2,236,400
	$ 5,534,636	$ 4,749,597

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

Consolidated Statements of Income

(in thousands, except per share information)

	Year Ended December 31,		
	2005	2004	2003
Revenues from rental property	**$ 522,545**	$ 507,641	$ 466,225
Rental property expenses:			
Rent	**10,267**	10,794	10,603
Real estate taxes	**67,022**	65,530	58,587
Operating and maintenance	**60,686**	53,940	51,145
	137,975	130,264	120,335
	384,570	377,377	345,890
Mortgage and other financing income	**27,586**	15,032	18,869
Management and other fee income	**30,474**	25,445	15,315
Depreciation and amortization	**(105,942)**	(99,616)	(83,212)
General and administrative expenses	**(56,803)**	(44,235)	(38,286)
Interest, dividends and other investment income	**28,350**	18,702	19,124
Other income/(expense), net	**5,393**	10,124	(4,125)
Interest expense	**(127,711)**	(107,177)	(102,391)
Gain on early extinguishment of debt	**—**	—	2,921
	185,917	195,652	174,105
Provision for income taxes	**(430)**	(3,919)	(1,516)
Income from other real estate investments	**57,943**	30,127	22,828
Equity in income of real estate joint ventures, net	**77,454**	56,385	42,276
Minority interests in income, net	**(12,446)**	(9,660)	(7,781)
Gain on sale of development properties net of tax of $10,824, $4,401, and $6,998, respectively	**22,812**	12,434	10,497
Income from continuing operations	**331,250**	281,019	240,409
Discontinued operations:			
Income from discontinued operating properties	**5,725**	5,359	13,892
Gain on early extinguishment of debt	**—**	—	6,760
Loss on operating properties held for sale/sold	**(5,098)**	(5,064)	(4,016)
Gain on disposition of operating properties	**28,918**	15,823	47,657
Income from discontinued operations	**29,545**	16,118	64,293
Gain on transfer of operating properties	**2,301**	—	—
Loss on transfer of operating property	**(150)**	—	—
Gain on sale of operating properties	**682**	—	3,177
	2,833	—	3,177
Net income	**363,628**	297,137	307,879
Original issuance costs associated with the redemption of preferred stock	**—**	—	(7,788)
Preferred stock dividends	**(11,638)**	(11,638)	(14,669)
Net income available to common shareholders	**$ 351,990**	$ 285,499	$ 285,422
Per common share:			
Income from continuing operations:			
-Basic	**$ 1.42**	$ 1.21	$ 1.03
-Diluted	**$ 1.40**	$ 1.19	$ 1.02
Net income :			
-Basic	**$ 1.55**	$ 1.28	$ 1.33
-Diluted	**$ 1.52**	$ 1.26	$ 1.31
Weighted average common shares outstanding:			
-Basic	**226,641**	222,859	214,184
-Diluted	**230,868**	227,143	217,540

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

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2005	2004	2003
Net income	**$ 363,628**	$ 297,137	$ 307,879
Other comprehensive income:			
Change in unrealized gain on marketable securities	**26,689**	28,594	3,798
Change in unrealized gain on interest rate swaps	**—**	—	620
Change in unrealized (loss)/gain on warrants	**—**	(8,252)	4,319
Change in unrealized gain/(loss) on foreign currency hedge agreements	**2,536**	(15,102)	(15,465)
Change in foreign currency translation adjustment	**2,040**	15,675	16,193
Other comprehensive income	**31,265**	20,915	9,465
Comprehensive income	**$ 394,893**	$ 318,052	$ 317,344

Consolidated Statements of Stockholders' Equity

For the Years Ended December 31, 2005, 2004 and 2003
(in thousands, except per share information)

	Preferred Stock		Common Stock			Retained Earnings/ (Cumulative Distributions in Excess of Net Income)	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Issued	Amount	Issued	Amount	Paid-in Capital			
Balance, January 1, 2003	900	$ 900	209,204	$ 2,092	$ 1,983,774	$ (85,367)	$ 7,401	$ 1,908,800
Net income						307,879		307,879
Dividends ($1.10 per common share; $1.0979, $1.3399, $1.3610, and $1.016 per Class A, Class B, Class C and Class F Depositary Share, respectively)						(252,624)		(252,624)
Issuance of common stock			9,888	98	192,654			192,752
Exercise of common stock options			2,156	22	25,766			25,788
Redemption of Class A, B and C preferred stock	(900)	(900)			(224,100)			(225,000)
Issuance of Class F Preferred Stock	700	700			168,086			168,786
Other comprehensive income							9,465	9,465
Balance, December 31, 2003	700	700	221,248	2,212	2,146,180	(30,112)	16,866	2,135,846
Net income						297,137		297,137
Dividends ($1.16 per common share; $1.6625 Class F Depositary Share, respectively)						(270,774)		(270,774)
Issuance of common stock			226	2	5,419			5,421
Exercise of common stock options			3,380	34	46,023			46,057
Amortization of stock option expense					1,798			1,798
Other comprehensive income							20,915	20,915
Balance, December 31, 2004	700	700	224,854	2,248	2,199,420	(3,749)	37,781	2,236,400
Net income						363,628		363,628
Dividends ($1.27 per common share; $1.6625 Class F Depositary Share, respectively)						(300,024)		(300,024)
Issuance of common stock			242	3	6,837			6,840
Exercise of common stock options			2,963	30	44,467			44,497
Amortization of stock option expense					4,608			4,608
Other comprehensive income							31,265	31,265
Balance, December 31, 2005	**700**	**$ 700**	**228,059**	**$ 2,281**	**$ 2,255,332**	**$ 59,855**	**$ 69,046**	**$ 2,387,214**

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

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2005	2004	2003
Cash flow from operating activities:			
Net income	**$ 363,628**	$ 297,137	$ 307,879
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**108,042**	102,872	89,068
Loss on operating properties held for sale/sold/transferred	**5,248**	8,029	4,016
Gain on sale of development properties	**(33,636)**	(16,835)	(17,495)
Gain on sale/transfer of operating properties	**(31,901)**	(15,823)	(50,834)
Gain on early extinguishment of debt	**—**	—	(9,681)
Minority interests in income, net	**12,446**	9,660	7,781
Equity in income of real estate joint ventures, net	**(77,454)**	(56,385)	(42,276)
Income from other real estate investments	**(40,562)**	(23,571)	(19,976)
Distributions of unconsolidated investments	**116,765**	94,994	67,712
Change in accounts and notes receivable	**(12,156)**	(1,742)	(596)
Change in accounts payable and accrued expenses	**10,606**	2,850	(2,545)
Change in other operating assets and liabilities	**(10,229)**	(36,010)	(24,421)
Net cash flow provided by operating activities	**410,797**	365,176	308,632
Cash flow from investing activities:			
Acquisition of and improvements to operating real estate	**(431,514)**	(351,369)	(917,403)
Acquisition of and improvements to real estate under development	**(452,722)**	(204,631)	(187,877)
Investment in marketable securities	**(93,299)**	(70,864)	(23,680)
Proceeds from sale of marketable securities	**46,692**	22,278	62,744
Proceeds from transferred operating/development properties	**128,537**	342,496	—
Investments and advances to real estate joint ventures	**(267,287)**	(203,569)	(152,997)
Reimbursements of advances to real estate joint ventures	**130,590**	80,689	93,729
Other real estate investments	**(123,005)**	(113,663)	(52,818)
Reimbursements of advances to other real estate investments	**26,969**	34,045	13,264
Investment in mortgage loans receivable	**(82,305)**	(136,637)	(64,652)
Collection of mortgage loans receivable	**90,709**	103,819	41,529
Other investments	**(3,152)**	(1,551)	—
Settlement of net investment hedges	**(34,580)**	—	—
Proceeds from sale of mortgage loan receivable	**—**	—	36,723
Proceeds from sale of operating properties	**89,072**	43,077	423,237
Proceeds from sale of development properties	**259,280**	156,283	90,565
Net cash flow (used for) investing activities	**(716,015)**	(299,597)	(637,636)
Cash flow from financing activities:			
Principal payments on debt, excluding normal amortization of rental property debt	**(66,794)**	(54,322)	(18,326)
Principal payments on rental property debt	**(8,296)**	(7,848)	(5,813)
Principal payments on construction loan financings	**(98,002)**	(66,950)	(40,644)
Proceeds from mortgage/construction loan financings	**265,418**	348,386	110,816
Borrowings under revolving credit facilities	**210,188**	336,675	195,000
Repayment of borrowings under revolving credit facilities	**(156,486)**	(100,000)	(190,000)
Proceeds from issuance of unsecured senior notes/term loan	**672,429**	200,000	650,000
Repayment of unsecured notes/term loan	**(200,250)**	(514,000)	(271,000)
Financing origination costs	**(9,538)**	—	—
Redemption of minority interests	**(21,024)**	(3,781)	(4,729)
Dividends paid	**(293,345)**	(265,254)	(246,301)
Proceeds from issuance of stock	**48,971**	51,447	387,327
Redemption of preferred stock	**—**	—	(225,000)
Net cash flow provided by (used for) financing activities	**343,271**	(75,647)	341,330
Change in cash and cash equivalents	**38,053**	(10,068)	12,326
Cash and cash equivalents, beginning of year	**38,220**	48,288	35,962
Cash and cash equivalents, end of year	**$ 76,273**	$ 38,220	$ 48,288
Interest paid during the year (net of capitalized interest of $12,587, $8,732 and $8,887, respectively)	**$ 121,087**	$ 108,117	$ 97,215
Income taxes paid during the year	**$ 13,763**	$ 10,694	$ 15,901

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

Notes to Consolidated Financial Statements

Amounts relating to the number of buildings, square footage, tenant and occupancy data and estimated project costs are unaudited.

1. Summary of Significant Accounting Policies:

Business

Kimco Realty Corporation (the "Company" or "Kimco"), its subsidiaries, affiliates and related real estate joint ventures are engaged principally in the operation of neighborhood and community shopping centers which are anchored generally by discount department stores, supermarkets or drugstores. The Company also provides property management services for shopping centers owned by affiliated entities, various real estate joint ventures and unaffiliated third parties.

Additionally, in connection with the Tax Relief Extension Act of 1999 (the "RMA"), which became effective January 1, 2001, the Company is now permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust ("REIT"), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Internal Revenue Code, as amended (the "Code"), subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate related opportunities including (i) merchant building, through its Kimco Developers, Inc. ("KDI") subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services which primarily focuses on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions.

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31, 2005, the Company's single largest neighborhood and community shopping center accounted for only 1.2% of the Company's annualized base rental revenues and only 0.8% of the Company's total shopping center gross leasable area ("GLA"). At December 31, 2005, the Company's five largest tenants were The Home Depot, TJX Companies, Sears Holdings, Kohl's and Royal Ahold, which represented approximately 3.6%, 3.2%, 2.7%, 2.5% and 2.0%, respectively, of the Company's annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

The principal business of the Company and its consolidated subsidiaries is the ownership, development, management and operation of retail shopping centers, including complementary services that capitalize on the Company's established retail real estate expertise. The Company does not distinguish its principal business or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single reportable segment for disclosure purposes in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation and Estimates

a. The accompanying Consolidated Financial Statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and all entities in which the Company has a controlling interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Interpretation No. 46(R), Consolidation of Variable Interest Entities ("FIN 46(R)") or meets certain criteria of a sole general partner or managing member as identified in accordance with Emerging Issues Task Force ("EITF") Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights ("EITF 04-5"). All intercompany balances and transactions have been eliminated in consolidation.

Accounting principles generally accepted in the United States of America ("GAAP") require the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Minority Interests

Minority interests represent the portion of equity that the Company does not own in those entities it consolidates as a result of having a controlling interest or determined that the Company was the primary beneficiary of variable interest entity in accordance with the provisions and guidance of FIN 46(R).

Minority interests also include approximately 4.8 million convertible units (the "Convertible Units") issued by the Company valued at $80.0 million related to an interest acquired in a shopping center property located in Daly City, CA, in 2002. The Convertible Units are convertible at a ratio of 1:1 into the Company's common stock and are entitled to a distribution equal to the dividend rate of the Company's common stock multiplied by 1.1057.

Real Estate

Real estate assets are stated at cost, less accumulated depreciation and amortization. If there is an event or a change in circumstances that indicates that the basis of a property (including any related amortizable intangible assets or liabilities) may not be recoverable, then management will assess any impairment in value by making a comparison of (i) the current and projected operating cash flows (undiscounted and without interest charges) of the

Notes to Consolidated Financial Statements *(continued)*

property over its remaining useful life and (ii) the net carrying amount of the property. If the current and projected operating cash flows (undiscounted and without interest charges) are less than the carrying value of the property, the carrying value would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates the sales price, net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of the asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

Upon acquisition of real estate operating properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations. Based on these estimates, the Company allocates the purchase price to the applicable assets and liabilities.

The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The fair value of the tangible assets of an acquired property considers the value of the property "as-if-vacant". The fair value reflects the depreciated replacement cost of the permanent assets, with no trade fixtures included.

In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the value of above-market and below-market leases is estimated based on the present value of the difference between the contractual amounts to be paid pursuant to the leases and management's estimate of the market lease rates and other lease provisions (i.e., expense recapture, base rental changes, etc.) measured over a period equal to the estimated remaining term of the lease. The capitalized above-market or below-market intangible is amortized to rental income over the estimated remaining term of the respective leases.

In determining the value of in-place leases, management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes real estate taxes, insurance, other operating expenses and estimates of lost rental revenue during the expected lease-up periods and costs to execute similar leases including leasing commissions, legal and other related costs based on current market demand. In estimating the value of tenant relationships, management considers the nature and extent of the existing tenant relationship, the expectation of lease renewals, growth prospects, and tenant credit quality, among other factors. The value assigned to in-place leases and tenant relationships is amortized over the estimated remaining term of the leases. If a lease were to be terminated prior to its scheduled expiration, all unamortized costs relating to that lease would be written off.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 50 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

Real Estate Under Development

Real estate under development represents both the ground-up development of neighborhood and community shopping center projects which are subsequently sold upon completion and projects which the Company may hold as long-term investments. These properties are carried at cost and no depreciation is recorded on these assets. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development. The Company ceases cost capitalization when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If, in management's opinion, the net sales price of assets held for resale or the current and projected undiscounted cash flows of these assets to be held as long-term investments is less than the net carrying value, the carrying value would be adjusted to an amount to reflect the estimated fair value of the property.

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control, these entities. These investments are recorded initially at cost and subsequently adjusted for cash contributions and distributions. Earnings for each investment are recognized in accordance with each respective investment agreement and where applicable, based upon an allocation of the investment's net assets at book value as if the investment was hypothetically liquidated at the end of each reporting period.

The Company's joint ventures and other real estate investments primarily consist of co-investments with institutional and other joint venture partners in neighborhood and community shopping center properties, consistent with its core business. These joint ventures typically obtain non-recourse third party financing on their property investments, thus contractually limiting the Company's losses to the amount of its equity investment; and due to the

lender's exposure to losses, a lender typically will require a minimum level of equity in order to mitigate its risk. The Company's exposure to losses associated with its unconsolidated joint ventures is primarily limited to its carrying value in these investments.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment's value is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment and such difference is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the estimated fair value of the investment.

Other Real Estate Investments

Other real estate investments primarily consist of Preferred equity investments for which the Company provides capital to developers and owners of real estate. The Company typically accounts for its Preferred equity investments on the equity method of accounting, whereby earnings for each investment are recognized in accordance with each respective investment agreement and based upon an allocation of the investment's net assets at book value as if the investment was hypothetically liquidated at the end of each reporting period.

Mortgage and Other Financing Receivables

Mortgages and other financing receivables consist of loans purchased and loans originated by the Company. Loan receivables are recorded at stated principal amounts net of any discount or premium or deferred loan origination costs or fees. The related discounts or premiums on mortgages and other loans purchased are amortized or accreted over the life of the related loan receivable. The Company defers certain loan origination and commitment fees, net of certain origination costs, and amortizes them as an adjustment of the loan's yield over the term of the related loan. The Company evaluates the collectibility of both interest and principal of each of its loans to determine whether it is impaired. A loan is considered to be impaired, when based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the value of the underlying collateral if the loan is collateralized. Interest income on performing loans is accrued as earned. Interest income on impaired loans is recognized on a cash basis.

Cash and Cash Equivalents

Cash and cash equivalents (demand deposits in banks, commercial paper and certificates of deposit with original maturities of three months or less) includes tenants' security deposits, escrowed funds and other restricted deposits approximating $6.7 million and $0.5 million at December 31, 2005 and 2004, respectively.

Cash and cash equivalents balances may, at a limited number of banks and financial institutions, exceed insurable amounts. The Company believes it mitigates its risks by investing in or through major financial institutions. Recoverability of investments is dependent upon the performance of the issuers.

Marketable Securities

The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. These securities are carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of Accumulated other comprehensive income ("OCI"). Gains or losses on securities sold are based on the specific identification method.

All debt securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity.

Deferred Leasing and Financing Costs

Costs incurred in obtaining tenant leases and long-term financing, included in deferred charges and prepaid expenses in the accompanying Consolidated Balance Sheets, are amortized over the terms of the related leases or debt agreements, as applicable.

Revenue Recognition and Accounts Receivable

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recognized once the required sales level is achieved. Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Company of common area maintenance costs, real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned.

Management and other fee income consist of property management fees, leasing fees, property acquisition and disposition fees, development fees and asset management fees. These fees arise from contractual agreements with third parties or with entities in which the Company has a partial non-controlling interest. Fee income is recognized as earned under the respective agreements. Acquisition and disposition fees are recognized when the respective transactions are completed. Fee income related to partially owned entities is recognized to the extent attributable to the unaffiliated interest.

Gains and losses from the sale of depreciated operating property and ground-up development projects are generally recognized using the full accrual method in accordance with Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate ("SFAS No. 66"), provided that various criteria relating to the terms of sale and subsequent involvement by the Company with the properties are met.

Notes to Consolidated Financial Statements *(continued)*

Gains and losses on transfers of operating properties result from the sale of partial interest in properties to unconsolidated joint ventures and are recognized using the partial sale provisions of SFAS No. 66.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

Income Taxes

The Company has made an election to qualify, and believes it is operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under Section 856 through 860 of the Code.

In connection with the RMA, which became effective January 1, 2001, the Company is now permitted to participate in certain activities which it was previously precluded from in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code. As such, the Company is subject to federal and state income taxes on the income from these activities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Foreign Currency Translation and Transactions

Assets and liabilities of the Company's foreign operations are translated using year-end exchange rates, and revenues and expenses are translated using exchange rates as determined throughout the year. Gains or losses resulting from translation are included in OCI as a separate component of the Company's stockholders' equity. Gains or losses resulting from foreign currency transactions are translated to local currency at the rates of exchange prevailing at the dates of the transactions. The effect of the transaction's gain or loss is included in the caption Other income/(expense), net in the Consolidated Statements of Income.

Derivative/Financial Instruments

The Company measures its derivative instruments at fair value and records them in the Consolidated Balance Sheet as an asset or liability depending on the Company's rights or obligations under the applicable derivative contract. In addition, the fair value adjustments will be recorded in either stockholders' equity or earnings in the current period based on the designation of the derivative. The effective portions of changes in fair value of cash flow hedges are reported in OCI and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in the fair value of foreign currency hedges that are designated and effective as net investment hedges are included in the cumulative translation component of OCI to the extent they are economically effective and are subsequently reclassified to earnings when the hedged investments are sold or otherwise disposed of. The changes in fair value of derivative instruments which are not designated as hedging instruments and the ineffective portions of hedges are recorded in earnings for the current period.

The Company utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates, foreign currency exchange rates and market fluctuation on equity securities. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company has not entered, and does not plan to enter, into financial instruments for trading or speculative purposes. Additionally, the Company has a policy of only entering into derivative contracts with major financial institutions. The principal financial instruments used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross-currency swaps and warrant contracts. These derivative instruments were designated and qualified as cash flow, fair value or foreign currency hedges (see Note 15).

Earnings Per Share

On July 21, 2005, the Company's Board of Directors declared a two-for-one split (the "Stock Split") of the Company's common stock which was effected in the form of a stock dividend paid on August 23, 2005 to stockholders of record on August 8, 2005. All share and per share data included in the accompanying Consolidated Financial Statements and Notes thereto have been adjusted to reflect this Stock Split.

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands, except per share data):

	2005	2004	2003
Computation of Basic Earnings Per Share:			
Income from continuing operations	**$331,250**	$ 281,019	$ 240,409
Gain on transfer/sale of operating properties, net	**2,833**	—	3,177
Original issuance costs associated with the redemption of preferred stock	**—**	—	(7,788)
Preferred stock dividends	**(11,638)**	(11,638)	(14,669)
Income from continuing operations applicable to common shares	**322,445**	269,381	221,129
Income from discontinued operations	**29,545**	16,118	64,293
Net income applicable to common shares	**$351,990**	$ 285,499	$ 285,422

Weighted average common shares outstanding	**226,641**	222,859	214,184
Basic Earnings Per Share:			
Income from continuing operations	**$ 1.42**	$ 1.21	$ 1.03
Income from discontinued operations	**0.13**	0.07	0.30
Net income	**$ 1.55**	$ 1.28	$ 1.33
Computation of Diluted Earnings Per Share:			
Income from continuing operations applicable to common shares (a)	**$322,445**	$ 269,381	$ 221,129
Income from discontinued operations	**29,545**	16,118	64,293
Net income for diluted earnings per share	**$351,990**	$ 285,499	$ 285,422
Weighted average common shares outstanding — Basic	**226,641**	222,859	214,184
Effect of dilutive securities (a):			
Stock options/deferred stock awards	**4,227**	4,284	3,356
Shares for diluted earnings per share	**230,868**	227,143	217,540
Diluted Earnings Per Share:			
Income from continuing operations	**$ 1.40**	$ 1.19	$ 1.02
Income from discontinued operations	**0.12**	0.07	0.29
Net income	**$ 1.52**	$ 1.26	$ 1.31

(a) The effect of the assumed conversion of convertible units had an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations.

The Company maintains a stock option plan (the "Plan"), for which prior to January 1, 2003, the Company accounted for under the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation (an interpretation of APB Opinion No. 25). Effective January 1, 2003, the Company adopted the prospective method provisions of SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure an Amendment of FASB Statement No. 123 ("SFAS No. 148"), which will apply the recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123") to all employee awards granted, modified or settled after January 1, 2003. Awards under the Company's Plan generally vest ratably over a three- or five-year term and expire ten years from the date of grant. Therefore, the cost related to stock-based employee compensation included in the determination of net income is less than that which would have been recognized if the fair value-based method had been applied to all awards since the original effective date of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value-based method had been applied to all outstanding stock awards in each period (amounts presented in thousands, except per share data):

	2005	2004	2003
Net income, as reported	**$ 363,628**	$ 297,137	$ 307,879
Add: Stock-based employee compensation expense included in reported net income	**4,608**	1,650	148
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	**(5,206)**	(3,316)	(3,095)
Pro Forma Net Income — Basic	**$ 363,030**	$ 295,471	$ 304,932
Earnings Per Share			
Basic — as reported	**$ 1.55**	$ 1.28	$ 1.33
Basic — pro forma	**$ 1.55**	$ 1.27	$ 1.32
Net income for diluted earnings per share	**$ 351,990**	$ 285,499	$ 285,422
Add: Stock-based employee compensation expense included in reported net income	**4,608**	1,650	148
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	**(5,206)**	(3,316)	(3,095)
Pro Forma Net Income — Diluted	**$ 351,392**	$ 283,833	$ 282,475
Earnings Per Share			
Diluted — as reported	**$ 1.52**	$ 1.26	$ 1.31
Diluted — pro forma	**$ 1.52**	$ 1.25	$ 1.30

These pro forma adjustments to net income and net income per diluted common share assume fair values of each option grant estimated using the Black-Scholes option pricing formula. The more significant assumptions underlying the determination of such fair values for options granted during 2005, 2004 and 2003 include: (i) weighted average risk-free interest rates of 4.03%, 3.30% and 2.84%, respectively; (ii) weighted average expected option lives of 4.80 years, 3.72 years and 3.80 years, respectively; (iii) weighted average expected volatility of 18.01%, 16.69% and 15.26%, respectively, and (iv) weighted average expected dividend yield of 5.30%, 5.59% and 6.25%, respectively. The per share weighted average fair value at the dates of grant for options awarded during 2005, 2004 and 2003 was $3.21, $2.14 and $1.18, respectively.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123, (revised 2004) Share-Based Payment ("SFAS No. 123(R)"), which supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS No. 123(R) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity

Notes to Consolidated Financial Statements *(continued)*

obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for fiscal years beginning after December 15, 2005. The impact of adopting this statement is not expected to have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement No. 153, Exchange of Non-monetary Assets - an amendment of APB Opinion No. 29 ("SFAS No. 153"). The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion No. 29 to eliminate the exception for non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The impact of adopting this statement did not have a material impact on the Company's financial position or results of operations.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). FIN 47 requires an entity to recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. FIN 47 clarifies that the term "Conditional Asset Retirement Obligation" refers to a legal obligation (pursuant to existing laws or by contract) to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 was effective no later than fiscal years ended after December 15, 2005. The Company adopted FIN 47 as required effective December 31, 2005 and the initial application of FIN 47 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections ("SFAS No. 154"), which replaces Accounting Principle Board Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principles. It requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In September 2005, the EITF issued Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners Have Certain Rights, ("EITF 04-5"). At issue is what rights held by the limited partner(s) preclude consolidation in circumstances in which the sole general partner would consolidate the limited partnership in accordance with U.S. generally accepted accounting principles. The assessment of limited partners' rights and their impact on the presumption of control of the limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership of limited partnership interests or (iii) there is an increase or decrease in the number of outstanding limited partnership interests. This issue is effective no later than for fiscal years beginning after December 15, 2005, and as of June 29, 2005, for new or modified arrangements. The impact of adopting EITF 04-5 is not expected to have a material impact on the Company's financial position or results of operations.

Reclassifications

Certain reclassifications of prior years' amounts have been made to conform with the current year presentation.

2. Real Estate:

The Company's components of Rental property consist of the following (in thousands):

December 31,	**2005**	2004
Land	**$ 686,123**	$ 626,914
Buildings and improvements		
Buildings	**2,696,194**	2,650,107
Building improvements	**180,005**	106,061
Tenant improvements	**334,765**	263,322
Fixtures and leasehold improvements	**17,088**	15,697
Other rental property, net (1)	**35,110**	32,067
	3,949,285	3,694,168
Accumulated depreciation and amortization	**(740,127)**	(634,642)
Total	**$3,209,158**	$ 3,059,526

(1) At December 31, 2005 and 2004, Other rental property, net consisted of intangible assets including $23,539 and $14,232, respectively, of in-place leases, $7,366 and $10,188, respectively, of tenant relationships and $4,205 and $7,647, respectively, of above-market leases. In addition, at December 31, 2005 and 2004, the Company had intangible liabilities relating to below-market leases from property acquisitions of approximately $50.1 million and $50.0 million, respectively. These amounts are included in the caption Other liabilities in the Company's Consolidated Balance Sheets.

3. Property Acquisitions, Developments and Other Investments:

Operating Properties

Acquisition of Existing Shopping Centers —

During the years 2005, 2004 and 2003, the Company acquired operating properties, in separate transactions, at aggregate costs of approximately $278.0 million, $440.5 million and $293.9 million, respectively.

Ground-Up Development —

During 2005, the Company acquired, in separate transactions, various parcels of land located in Mesa, AZ, and Nampa, ID for an aggregate purchase price of approximately $28.7 million. These properties will be developed into retail centers with an aggregate of approximately 2.2 million square feet of GLA with a total estimated aggregate project cost of approximately $190.7 million.

During May and June 2005, the Company acquired, in separate transactions, two parcels of land located in Saltillo and Pachuca, Mexico, for an aggregate purchase price of approximately $14.6 million. The properties will be developed into retail centers with an aggregate total project cost of approximately $34.1 million.

During June 2005, the Company acquired land in Tustin, CA, through a newly formed joint venture in which the Company has a 50% non-controlling interest, for a purchase price of approximately $23.0 million. The property will be developed into a 1.0 million square foot retail center with a total estimated project cost of approximately $149.3 million. The purchase of the land was funded through a new construction loan which bears interest at LIBOR plus 1.70% and is scheduled to mature in October 2007. As of December 31, 2005, this construction loan had an outstanding balance of approximately $40.4 million.

Additionally, during 2005, the Company acquired, in separate transactions, six parcels of land located in various cities throughout Mexico, through newly formed joint ventures in which the Company has non-controlling interests, for an aggregate purchase price of approximately $42.1 million. The properties were at various stages of construction at acquisition and will be developed into retail centers with a projected total aggregate cost of approximately $133.1 million.

During July 2004, the Company acquired land in Huehuetoca, Mexico, through a joint venture in which the Company has a 95% controlling interest, for a purchase price of approximately $6.9 million. The property will be developed as a grocery-anchored retail center with a projected total cost of approximately $15.3 million.

During August 2004, the Company acquired land located in San Luis Potosi, Mexico, through a joint venture in which the Company currently has a 64.4% controlling interest for a purchase price of approximately $5.8 million. The property was developed into a retail center by the grocery tenant anchoring the project. During December 2004, the Company acquired the completed building improvements from the tenant for a purchase price of approximately 77.2 million pesos (“MXP”) (approximately USD $6.9 million).

During December 2004, the Company acquired land located in Reynosa, Mexico for a purchase price of approximately $13.8 million. The property will be developed as a grocery-anchored retail center with a projected total cost of approximately $22.0 million.

Merchant Building —

Effective January 1, 2001, the Company elected taxable REIT subsidiary status for its wholly-owned development subsidiary, KDI. KDI is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion.

During the years 2005, 2004 and 2003, KDI expended approximately $363.1 million, $205.2 million and $208.9 million, respectively, in connection with the purchase of land and construction costs related to its ground-up development projects.

These merchant building acquisition and development costs have been funded principally through proceeds from sales of completed projects and construction financings.

Other —

During 2005, the Company acquired ten self-storage facilities through an existing joint venture in which the Company held an approximate 93.5% economic interest, for a purchase price of approximately $39.9 million including the assumption of approximately $7.5 million of non-recourse fixed-rate mortgage debt encumbering three of the properties. Upon completing this purchase, this entity owned 17 self-storage facilities located in various states. The joint venture had cross-collateralized 14 of these properties with approximately $44.0 million of non-recourse floating-rate mortgage debt which was scheduled to mature in November 2007 and had an interest rate of LIBOR plus 2.75%. Based upon the provisions of FIN 46(R), the Company had determined that this entity was a VIE. The Company had further determined that the Company was the primary beneficiary of this VIE and had therefore consolidated this entity for financial reporting purposes. During November and December 2005, this entity disposed of, in separate transactions, four self-storage properties for an aggregate sales price of approximately $18.6 million resulting in an aggregate gain of approximately $5.8 million. Proceeds from these sales were used to pay down approximately $9.8 million of mortgage debt and provided distributions to the partners. As a result of these transactions, the Company’s economic interest had significantly decreased and the entity became subject to the reconsideration provisions of FIN 46(R). Based upon this reconsideration event and the provision of FIN 46(R), the Company has determined that this entity is no longer a VIE and has therefore deconsolidated this entity and will now account for this investment under the equity method of accounting. As of December 31, 2005, this entity owned 13 self-storage properties. Three of the properties are encumbered by approximately $7.4 million of fixed-rate individual non-recourse mortgage debt which bears interest at 5.5% per annum and is scheduled to mature in June 2013. The remaining ten properties are cross-collateralized with approximately $33.3 million of variable rate debt which bears interest at LIBOR plus 2.75% (7.09% at December 31, 2005) and is scheduled to mature in November 2007. The Company’s maximum exposure to loss associated with this entity is primarily limited to the Company’s carrying value of this investment, which was approximately $14.2 million at December 31, 2005.

Notes to Consolidated Financial Statements *(continued)*

During June 2004, the Company acquired an operating property through the acquisition of the remaining 50% partnership interest in a joint venture in which the Company held a 50% interest. The property, acquired for approximately $12.5 million, is located in Tempe, AZ and is comprised of 0.2 million square feet of GLA.

During December 2004, the Company acquired a shopping center property through the acquisition of the remaining 50% partnership interest in a joint venture in which the Company held a 50% interest. The property, acquired for approximately $4.5 million, is located in Tampa, FL and is comprised of 0.1 million square feet of GLA.

Additionally during December 2004, the Company acquired interests in two parking facilities and a medical office building located in Allegheny, PA that are subject to a ground lease, for a purchase price of approximately $29.8 million.

These operating property acquisitions, development costs and other investments have been funded principally through the application of proceeds from the Company's public unsecured debt issuances, proceeds from mortgage and construction financings and availability under the Company's revolving lines of credit.

FNC Realty Corporation —

From 2000 through 2002 the Company acquired approximately $28.9 million face amount of Frank's Nursery and Crafts, Inc. ("Frank's"), 10.25% bonds for an aggregate purchase price of approximately $11.3 million. During February 2001, Frank's filed for protection under Chapter 11 of the United States Bankruptcy Code. During May 2002, Frank's plan of reorganization was confirmed by the Bankruptcy court and Frank's emerged from bankruptcy. Pursuant to Frank's reorganization plan, the Company received approximately 4.3 million shares of Frank's common stock valued at $2.34 per share in settlement of its Frank's bond investment. As a result of this conversion, the Company held an approximate 27% interest in Frank's and began accounting for its investment on the equity method. In addition, the Company began providing loans to Frank's under a revolving credit facility, which was collateralized by certain real estate interests of Frank's. As an inducement to make these loans, Frank's issued the Company approximately 4.4 million warrants with an exercise price of $1.15 per share.

During September 2004, Frank's again filed for protection under Chapter 11 of the United States Bankruptcy Code. The Company committed to provide Frank's, in addition to its revolving credit facility, with $27.0 million of debtor-in-possession financing for a term of one year at an interest rate of Prime plus 1.00%. From the petition date until July 26, 2005, Frank's operated its business as a debtor-in-possession and during this period had completely liquidated its inventory and ceased operating as a retailer.

Frank's plan of reorganization included a Company sponsored re-capitalization plan in which the Company, along with several other significant shareholders, agreed to re-capitalize Frank's with approximately $104.0 million in cash in exchange for debt and equity securities and convert Frank's from a publicly held retail company to a privately held real estate company.

On July 27, 2005, Frank's emerged from Chapter 11 bankruptcy pursuant to a bankruptcy court approved plan of reorganization as FNC Realty Corporation ("FNC"). Pursuant to the reorganization plan, shareholders of Frank's were offered cash of $0.75 per share or the right to exchange Frank's common stock for FNC common stock on a 1:1 basis. FNC's capitalization included the issuance of approximately $27.0 million of common stock and $77.0 million of fixed-rate 7% convertible senior notes. The notes mature in July 2008, and may be converted at anytime by the holder for common shares of FNC at $0.75 per share. Proceeds from the issuance of common stock and convertible senior notes were used to repay all claims pursuant to the plan of reorganization, including amounts owed to the Company under its revolving credit facility and debtor-in-possession financing agreement.

Pursuant to the plan of reorganization, the Company received common shares of FNC representing an approximate 27% ownership interest in exchange for its interests in Frank's. In addition, the Company acquired an additional 24.5% interest in the common shares of FNC for cash of approximately $17 million, thereby increasing the Company's ownership interest to approximately 51%. This acquisition of additional shares includes the exercise of warrants previously issued by Frank's to the Company. The Company also acquired approximately $42 million of fixed-rate 7% convertible senior notes issued by FNC.

As a result of the increase in ownership interest from 27% to 51%, the Company became the controlling shareholder and therefore, commenced consolidation of FNC effective July 27, 2005. The acquisition of the additional 24.5% ownership interest has been accounted for as a step acquisition with the purchase price being allocated to the identified assets and liabilities of FNC.

As of July 27, 2005, FNC had approximately $154 million of net operating loss carry-forwards ("NOLs"), which may be utilized to offset future taxable income of FNC. As Frank's had recurring losses and was in bankruptcy, the realization of the NOLs was uncertain. Accordingly, a full valuation allowance was previously recorded against the deferred tax asset relating to these NOLs. Of the total amount of available NOLs, the Company has estimated approximately $124 million is unrestricted and $30 million is restricted (limited to utilization of $1.1 million per year).

The Company has evaluated the level of valuation allowance required and determined, based upon the expected investment strategy for FNC, that approximately $27 million of the allowance should be reduced and recorded as an adjustment to the purchase price allocation.

As of July 27, 2005, FNC held interests in 55 properties with approximately $16.1 million of non-recourse mortgage debt encumbering 16 of the properties. These loans bear interest at fixed rates ranging from 4.00% to 7.75% and maturity dates ranging from June 2012 through June 2022. During December 2005, FNC pre-paid, without penalty, an aggregate $4.8 million of mortgage debt encumbering five of its properties. The mortgage

debt bore interest at a 7.3% fixed rate per annum and was scheduled to mature in August 2012. As of December 31, 2005, FNC had approximately $11.4 million of non-recourse mortgage debt encumbering 11 properties. These remaining loans bear interest at fixed rates ranging from 4.00% to 7.75% and maturity dates ranging from June 2012 through June 2022.

The Company's investment strategy with respect to FNC includes re-tenanting, re-developing and disposition of the properties. From July 27, 2005, through December 31, 2005, FNC disposed of nine properties, in separate transactions, for an aggregate sales price of approximately $9.4 million.

4. Dispositions of Real Estate:

Operating Real Estate —

During 2005, the Company (i) disposed of, in separate transactions, 20 operating properties for an aggregate sales price of approximately $93.3 million, (ii) transferred three operating properties to KROP for an aggregate price of approximately $49.0 million, and (iii) transferred 52 operating properties to various joint ventures in which the Company has non-controlling interests ranging from 15% to 50% for an aggregate price of approximately $183.1 million. For the year ended December 31, 2005, these transactions resulted in gains of approximately $31.9 million and a loss on sale/transfer from four of the properties of approximately $5.2 million.

During June 2005, the Company disposed of a vacant land parcel located in New Ridge, MD, for approximately $5.6 million resulting in a $4.6 million gain on sale. This gain is included in Other income, net on the Company's Condensed Consolidated Statements of Income.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately $81.1 million, including the assignment of approximately $8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately $16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP, as defined below, for an aggregate price of approximately $197.9 million and (iii) transferred 21 operating properties, comprising approximately 3.2 million square feet of GLA, to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30% for an aggregate price of approximately $491.2 million. A significant portion of the properties transferred were acquired in the Mid-Atlantic Merger.

Merchant Building —

During 2005, KDI sold, in separate transactions, six of its recently completed projects and 41 out-parcels for approximately $264.1 million. These sales resulted in pre-tax gains of approximately $33.6 million.

During 2004, KDI sold, in separate transactions, five of its recently completed projects, three completed phases of projects and 29 out-parcels for approximately $170.2 million. These sales resulted in pre-tax gains of approximately $16.8 million.

During 2003, KDI sold, in separate transactions, four of its recently completed projects and 26 out-parcels for approximately $134.6 million, which resulted in pre-tax gains of approximately $17.5 million.

5. Adjustment of Property Carry Values:

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in December 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a book value of approximately $3.8 million, net of accumulated depreciation of approximately $2.6 million, may not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period for this investment. As a result, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property-carrying value of approximately $3.0 million to reflect the property's estimated fair value. The Company's determination of estimated fair value was based upon third-party purchase offers less estimated closing costs. This property was subsequently sold during 2005 and this adjustment was included along with the related property operations in the line Income from discontinued operating properties in the Company's Consolidated Statements of Income.

6. Discontinued Operations and Assets Held for Sale:

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"), the Company reports as discontinued operations assets held-for-sale (as defined by SFAS No. 144) as of the end of the current period and assets sold subsequent to the adoption of SFAS No. 144. All results of these discontinued operations are included in a separate component of income on the Consolidated Statements of Income under the caption Discontinued operations. This change has resulted in certain reclassifications of 2005, 2004 and 2003 financial statement amounts.

The components of Income from discontinued operations for each of the three years in the period ended December 31, 2005, are shown below. These include the results of operations through the date of each respective sale for properties sold during 2005, 2004 and 2003 and a full year of operations for those assets classified as held-for-sale as of December 31, 2005, (in thousands):

Notes to Consolidated Financial Statements *(continued)*

	2005	2004	2003
Discontinued Operations:			
Revenues from rental property	**$ 10,769**	$16,930	$ 30,385
Rental property expenses	**(3,664)**	(5,311)	(10,443)
Income from property operations	**7,105**	11,619	19,942
Depreciation of rental property	**(2,100)**	(3,255)	(5,856)
Interest expense	**(571)**	(841)	(106)
Other income/(expense)	**1,291**	(2,164)	(88)
Income from discontinued operating properties	**5,725**	5,359	13,892
Gain on early extinguishment of debt	**—**	—	6,760
Loss on operating properties held for sale/sold	**(5,098)**	(5,064)	(4,016)
Gain on disposition of operating properties	**28,918**	15,823	47,657
Income from discontinued operations	**$ 29,545**	$16,118	$ 64,293

During March 2005, the Company reclassified as held-for-sale three shopping center properties comprising approximately 0.4 million square feet of GLA. The book value of each of these properties, aggregating approximately $17.1 million, net of accumulated depreciation of approximately $8.4 million, did not exceed each of their estimated fair values. As a result, no adjustment of property-carrying value was recorded. The Company's determination of the fair value for each of these properties, aggregating approximately $22.1 million, was based upon executed contracts of sale with third parties less estimated selling costs. The Company completed the sale of these properties during the quarter ended June 30, 2005.

During June 2005, the Company reclassified as held-for-sale a shopping center property comprising approximately 0.2 million square feet of GLA. The book value of this property of approximately $25.1 million, net of accumulated depreciation of approximately $1.0 million, did not exceed its estimated fair value. As a result, no adjustment of property-carrying value had been recorded. The Company's determination of the fair value of this property of approximately $39.3 million was based upon an executed contract of sale with a third party less estimated selling costs.

During December 2004, the Company reclassified as held-for-sale a shopping center property located in Melbourne, FL, comprising approximately 0.1 million square feet of GLA. The operations associated with this property for the current and comparative years, have been included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During March 2004, the Company reclassified as held-for-sale two shopping center properties comprising approximately 0.3 million square feet of GLA. The book value of these properties, aggregating approximately $8.7 million, net of accumulated depreciation of approximately $4.2 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately $4.5 million, was based upon contracts of sale with third parties less estimated selling costs. As a result, the Company had recorded a loss resulting from an adjustment of property carrying values of $4.2 million. During March 2004, the Company completed the sale of one of these properties, comprising approximately 0.1 million square feet of GLA, for a sales price of approximately $1.1 million. During June 2004, the Company completed the sale of the other property, comprising approximately 0.2 million square feet of GLA for a sales price of approximately $3.9 million. The loss associated with these transactions, along with the related property operations for the current and comparative years, has been included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During December 2003, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as held-for-sale. The book value of these properties, aggregating approximately $19.4 million, net of accumulated depreciation of approximately $2.1 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately $15.4 million, was based upon contracts of sale with third parties less estimated selling costs. As a result, the Company recorded a loss resulting from an adjustment of property carrying values of approximately $4.0 million. This adjustment is included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately $14.2 million in full satisfaction of these loans, which aggregated approximately $24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately $9.7 million during 2003, of which $6.8 million is included in Income from discontinued operations.

7. Investment and Advances in Real Estate Joint Ventures:

Kimco Income REIT ("KIR") —

During 1998, the Company formed KIR, an entity that was established for the purpose of investing in high quality real estate properties financed primarily with individual non-recourse mortgages. These properties include, but are not limited to, fully developed properties with strong, stable cash flows from creditworthy retailers with long-term leases. The Company originally held a 99.99% limited partnership interest in KIR. Subsequent to KIR's formation, the Company sold a significant portion of its original interest to an institutional investor and admitted three other limited partners. KIR had received total capital commitments of $569.0 million, of which the Company subscribed for $247.0 million and the four limited partners subscribed for $322.0 million. During 2004, the KIR partners elected to cancel the remaining unfunded capital commitments of $99.0 million, including $42.9 million from the Company. As of December 31, 2005, the Company had a 43.3% non-controlling limited partnership interest in KIR.

In addition, KIR entered into a master management agreement with the Company, whereby the Company will perform services for fees related to management, leasing, operations, supervision and maintenance of the joint venture properties. For the years ended December 31, 2005, 2004 and 2003, the Company (i) earned management fees of approximately $3.1 million, $2.9 million and $2.9 million, respectively, (ii) received reimbursement of administrative fees of approximately $0.5 million, $0.4 million and $0.4 million, respectively, and (iii) earned leasing commissions of approximately $0.3 million, $0.3 million and $0.5 million, respectively.

During March 2005, KIR disposed of an operating property and an out-parcel, in separate transactions, for an aggregate sale price of approximately $43.1 million. These sales resulted in an aggregate gain of approximately $17.8 million of which the pro-rata gain to the Company was approximately $7.7 million. In connection with the sale of the operating property, KIR incurred a $2.0 million loan defeasance charge, of which the Company's pro-rata share was approximately $0.9 million.

During October 2005, KIR sold an operating property for a sales price of approximately $8.1 million. This sale resulted in a gain of approximately $2.4 million of which the pro-rata gain to the Company was approximately $1.0 million.

During March 2005, KIR purchased a shopping center property located in Delran, NJ, for approximately $4.6 million.

In April 2005, KIR entered into a three-year $30.0 million unsecured revolving credit facility which bears interest at LIBOR plus 1.40%. As of December 31, 2005, there were no amounts outstanding under this credit facility.

During April 2004, KIR disposed of an operating property located in Las Vegas, NV, for a sales price of approximately $21.5 million, which approximated its net book value.

As of December 31, 2005, the KIR portfolio was comprised of 68 shopping center properties aggregating approximately 14.2 million square feet of GLA located in 20 states.

RioCan Investments —

During October 2001, the Company formed a joint venture (the "RioCan Venture") with RioCan Real Estate Investment Trust ("RioCan"), in which the Company has a 50% non-controlling interest, to acquire retail properties and development projects in Canada. The acquisition and development projects are to be sourced and managed by RioCan and are subject to review and approval by a joint oversight committee consisting of RioCan management and the Company's management personnel. Capital contributions will only be required as suitable opportunities arise and are agreed to by the Company and RioCan.

During April 2004, the RioCan Venture acquired an operating property located in Mississauga, ON, comprising approximately 0.2 million square feet of GLA, for a purchase price of approximately CA $44.2 million (approximately US $32.3 million). During August 2004, the RioCan Venture obtained approximately CA $28.7 million (approximately US $21.6 million) of mortgage debt on this property. The loan bears interest at a fixed rate of 6.37% with payments of principal and interest due monthly. The loan is scheduled to mature in August of 2014.

As of December 31, 2005, the RioCan Venture was comprised of 34 operating properties and one development property consisting of approximately 8.1 million square feet of GLA.

Kimco / G.E. Joint Venture ("KROP")

During 2001, the Company formed a joint venture (the "Kimco Retail Opportunity Portfolio" or "KROP") with GE Capital Real Estate ("GECRE"), in which the Company has a 20% non-controlling interest and manages the portfolio. The purpose of this joint venture is to acquire established high-growth potential retail properties in the United States. Total capital commitments to KROP from GECRE and the Company are for $200.0 million and $50.0 million, respectively, and such commitments are funded proportionately as suitable opportunities arise and are agreed to by GECRE and the Company.

During 2005, GECRE and the Company contributed approximately $21.2 million and $5.3 million, respectively, toward their capital commitments. As of December 31, 2005, KROP had unfunded capital commitments of $28.5 million, including $5.7 million by the Company. Additionally, GECRE and the Company provided short-term interim financing for all acquisitions made by KROP without a mortgage in place at the time of acquisition. All such financing bears interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and have maturities of less than one year. As of December 31, 2005 and 2004, there were no outstanding short-term interim financing due to GECRE or the Company.

During 2005, KROP acquired four operating properties and one out-parcel, in separate transactions, for an aggregate purchase price of approximately $74.6 million, including the assumption of approximately $26.2 million of individual non-recourse mortgage debt encumbering two of the properties and preferred units of approximately $4.2 million associated with another property.

During 2005, KROP disposed of three unencumbered operating properties and two out-parcels, in separate transactions, for an aggregate sales price of approximately $60.3 million. These sales resulted in an aggregate gain of approximately $18.3 million, of which the Company's pro-rata share was approximately $3.7 million.

During 2005, KROP obtained ten-year individual non-recourse, non-crossed collateralized fixed-rate mortgages aggregating approximately $21.9 million on two of its previously unencumbered properties with rates ranging from 5.2% to 5.3%.

During 2005, KROP obtained two non-recourse, non-crossed collateralized variable rate mortgages for a total of $25.7 million on two properties with rates of LIBOR plus 1.30% and 1.65% with terms of two and three years, respectively.

During 2004, KROP acquired 19 operating properties for an aggregate purchase price of approximately $242.6 million, including the assumption of approximately $63.5 million of individual non-recourse mortgage debt encumbering eight of the properties.

During 2004, KROP disposed of five operating properties and three out-parcels for an aggregate sales price of approximately $65.8

Notes to Consolidated Financial Statements *(continued)*

million, including the assignment of approximately $7.2 million of non-recourse mortgage debt encumbering one of the properties. These sales resulted in an aggregate gain of approximately $20.2 million.

During 2004, KROP obtained one non-recourse, cross-collateralized, fixed-rate mortgage aggregating $30.7 million on four properties with a rate of 4.74% for five years. KROP also obtained individual non-recourse, non-cross-collateralized fixed-rate mortgages aggregating approximately $22.0 million on two of its previously unencumbered properties with rates ranging from 5.0% to 5.1% with terms of five years.

During 2004, KROP obtained one non-recourse, cross-collateralized, variable-rate mortgage aggregating $54.4 million on six properties with a rate of LIBOR plus 2.25% with a term of two years. KROP also obtained one non-recourse, non-cross collateralized variable rate mortgage for $23.2 million on one of its previously unencumbered properties with a rate of LIBOR plus 1.8% with a three-year term. In order to mitigate the risks of interest rate fluctuations associated with these variable-rate obligations, KROP entered into interest rate cap agreements for the notional values of these mortgages.

As of December 31, 2005, the KROP portfolio was comprised of 38 shopping center properties aggregating approximately 5.6 million square feet of GLA located in 14 states.

Other Real Estate Joint Ventures —

The Company and its subsidiaries have investments in and advances to various other real estate joint ventures. These joint ventures are engaged primarily in the operation and development of shopping centers which are either owned or held under long-term operating leases.

During December 2004, the Company acquired the Price Legacy Corporation through a newly formed joint venture, PL Retail LLC ("PL Retail"), in which the Company has a 15% non-controlling interest and manages the portfolio. In connection with this transaction, PL Retail acquired 33 operating properties aggregating approximately 7.6 million square feet of GLA located in ten states. To partially fund the acquisition, the Company provided PL Retail approximately $30.6 million of secured mezzanine financing. This interest-only loan bears interest at a fixed rate of 7.5% and matures in December 2006. The Company also provided PL Retail a secured short-term promissory note of approximately $8.2 million. This interest-only note bore interest at LIBOR plus 4.50% and was scheduled to mature in June 2005. During 2005, this note was amended to bear interest at LIBOR plus 6.0% and is now payable on demand. During the year ended December 31, 2005, PL Retail disposed of nine operating properties, in separate transactions, for an aggregate sales price of approximately $81.4 million, which represented the approximate carrying values of the properties. Proceeds of approximately $22.0 million were used to partially repay the mezzanine financing that was provided by the Company. As of December 31, 2005, PL Retail had approximately $8.9 million outstanding on the mezzanine financing and approximately $8.2 million outstanding on the promissory note. As of December 31, 2005, PL Retail consisted of 25 operating properties aggregating approximately 6.8 million square feet of GLA and had approximately $777.3 million outstanding in non-recourse mortgage debt, of which approximately $507.2 million had fixed rates ranging from 4.66% to 9.00%, and approximately $270.1 had variable rates ranging from 5.74% to 9.59%. The fixed-rate loans have maturities ranging from 3-to-11 years and the variable-rate loans have maturities ranging from one-to-three years.

During March 2005, a joint venture in which the Company has a 50% non-controlling interest, disposed of two vacant land parcels located in Glendale, AZ, in separate transactions, for an aggregate sales price of approximately $9.9 million. These sales resulted in an aggregate gain of approximately $4.8 million, of which the Company's share was approximately $2.4 million.

Additionally, during March 2005, the Company transferred 50% of the Company's 95% interest in a developed property located in Huehuetoca, Mexico, to a joint venture partner for approximately $5.3 million, which approximated its carrying value. As a result of this transaction, the Company now holds a 47.5% non-controlling interest and has deconsolidated the investment. The Company now accounts for its investment under the equity method of accounting.

During April 2005, the Company acquired an operating property located in Hillsborough, NJ, comprising approximately 0.1 million square feet of GLA, through a newly formed joint venture in which the Company has a 50% non-controlling interest. The property was acquired for approximately $4.0 million including the assumption of approximately $1.9 million of non-recourse mortgage debt encumbering the property. Subsequent to the purchase, the joint venture obtained a $3.2 million one-year term loan which bears interest at LIBOR plus 0.55% (4.94% at December 31, 2005). This loan is jointly and severally guaranteed by the joint venture partners, including the Company. Proceeds from this loan were used to repay the $1.9 million mortgage encumbering the property.

During May 2005, the Company acquired a hotel property located in Cancun, Mexico, through a newly formed joint venture in which the Company has an 80% non-controlling interest. The property was purchased for approximately $19.7 million. Simultaneous with the closing, the property was encumbered with $12.4 million of non-recourse mortgage debt which bears interest at a fixed rate of 7.63% per annum and matures during May 2010. During 2005, the property incurred significant hurricane damage, which has temporarily suspended operations. The Company believes that its property insurance and business interruption insurance will adequately cover losses associated with this event.

During May 2005, the Company acquired a $10.2 million mortgage receivable through a newly formed joint venture in which the Company has a 50% non-controlling interest. The mortgage encumbered a property located in Derby, CT, comprising approximately 0.1 million square feet of GLA. During October 2005, the joint venture foreclosed on the property and obtained fee title.

During June 2005, the Company acquired an additional 25% interest in a joint venture in which the Company had previously held a 7.77% interest for approximately $26.0 million. This joint venture owns an operating property, comprised of approximately 0.5 million square feet of GLA, located in Fremont, CA. During December 2005, the Company sold a portion of its interest in this joint venture to a new partner who purchased 70% of this partnership. The Company now has a 30% non-controlling interest in this joint venture and accounts for its investment under the equity method of accounting.

During July 2005, the Company acquired an interest in an office property located in Houston, TX, comprising approximately 0.6 million square feet of GLA through a newly formed joint venture in which the Company has an 85% non-controlling interest. The Company's investment in the joint venture was approximately $12.2 million. The joint venture purchased the property for approximately $91.1 million subject to $76.5 million of non-recourse mortgage debt which bears interest at a fixed-rate of 5.15% per annum and matures during August 2015. The Company accounts for this investment under the equity method of accounting.

Additionally, during July 2005, the Company transferred a developed property located in Reynosa, Mexico, to a newly formed joint venture in which the Company has a 50% non-controlling interest, for a price of approximately $6.9 million. The Company now accounts for this investment under the equity method of accounting.

During October 2005, the Company acquired interests in 57 industrial properties located in Mexico, through a newly formed joint venture in which the Company has a 50% non-controlling interest, for a purchase price of approximately $277.5 million, including the assumption of approximately $167.0 million of non-recourse mortgage debt encumbering 52 properties. The properties comprise approximately 5.6 million square feet of GLA.

Additionally, during 2005, the Company acquired, in separate transactions, 12 operating properties comprising approximately 1.7 million square feet of GLA, through newly formed joint ventures in which the company has non-controlling interests ranging from 5% to 50%. The aggregate purchase price for these properties was approximately $265.6 million, including the assumption of approximately $29.1 million of non-recourse mortgage debt encumbering three of the properties. The Company accounts for its investment in these joint ventures under the equity method of accounting.

During September 2005, the Company transferred 45 operating properties, comprising approximately 0.3 million square feet of GLA, located in Virginia and Maryland, to a newly formed unconsolidated joint venture in which the Company has a 15% non-controlling interest. The transfer price was approximately $85.3 million including the assignment of approximately $65.0 million of cross-collateralized non-recourse mortgage debt encumbering all of the properties.

Additionally, during 2005, the Company transferred, in separate transactions, five operating properties comprising approximately 0.7 million square feet of GLA, to newly formed joint ventures in which the Company has 20% non-controlling interests, for an aggregate price of approximately $85.6 million, including the assignment of approximately $40.2 million of mortgage debt encumbering three of the properties.

During January 2004, the Company acquired a property located in Marlborough, MA, through a joint venture in which the Company has a 40% non-controlling interest. The property was acquired for a purchase price of approximately $26.5 million, including the assumption of approximately $21.2 million of non-recourse mortgage debt encumbering the property.

During September 2004, the Company acquired a property located in Pompano, FL, comprising approximately 0.1 million square feet of GLA, through a newly formed joint venture in which the Company has a 20% non-controlling interest, for approximately $20.4 million.

During October 2004, the Company transferred 50% of the Company's 90% interest in an operating property located in Juarez, Mexico, to a joint venture partner for approximately US $5.4 million, which approximated its carrying value. As a result of this transaction, the Company now holds a 45% non-controlling interest in this property and now accounts for its investment under the equity method of accounting.

Additionally during October 2004, the Company acquired an operating property located in Valdosta, GA, comprising approximately 0.2 million square feet of GLA, through a newly formed joint venture in which the Company has a 50% non-controlling interest. The property was acquired for a purchase price of approximately $10.7 million, including the assumption of approximately $8.0 million of non-recourse mortgage debt encumbering the property.

Also during December 2004, the Company acquired an operating property located in Bellevue, WA, comprising approximately 0.5 million square feet of GLA, through a joint venture in which the Company has a 50% non-controlling interest, for approximately $102.0 million.

During 2004, the Company transferred 12 operating properties, comprising approximately 1.5 million square feet of GLA, to a newly formed joint venture in which the Company has a 15% non-controlling interest, for a price of approximately $269.8 million, including an aggregate $161.2 million of individual non-recourse mortgage debt encumbering the properties. Simultaneously with the transfer, the Company entered into a management agreement whereby the Company will perform services for fees related to management, leasing, operations, supervision and maintenance of the joint venture properties. In addition, the Company will earn fees related to the acquisition and disposition of properties by the venture. During 2004, the Company earned management fees and acquisition fees of approximately $1.1 million and $1.3 million, respectively.

Notes to Consolidated Financial Statements *(continued)*

Additionally during 2004, the Company transferred, in separate transactions, eight operating properties comprising approximately 1.5 million square feet of GLA, to newly formed joint ventures in which the Company has non-controlling interests ranging from 10% to 30%, for an aggregate price of approximately $216.0 million, including the assignment of approximately $95.5 million of non-recourse mortgage debt and $24.1 million of downReit units.

Summarized financial information for these real estate joint ventures is as follows (in millions):

December 31,	**2005**	2004
Assets:		
Real estate, net	**$ 6,470.4**	$ 5,451.0
Other assets	**308.5**	200.5
	$ 6,778.9	$ 5,651.5
Liabilities and Partners' Capital:		
Mortgages payable	**$ 4,443.6**	$ 3,781.0
Notes payable	**58.7**	40.0
Construction loans	**69.6**	29.1
Other liabilities	**144.0**	115.5
Minority interest	**81.9**	36.5
Partners' capital	**1,981.1**	1,649.4
	$ 6,778.9	$ 5,651.5

Year Ended December 31,	**2005**	2004	2003
Revenues from rental property	**$ 759.0**	$ 545.8	$ 423.3
Operating expenses	**(214.0)**	(155.6)	(119.2)
Interest	**(247.1)**	(171.0)	(137.9)
Depreciation and amortization	**(153.7)**	(97.1)	(66.4)
Other, net	**(8.4)**	(5.8)	(9.3)
	(623.2)	(429.5)	(332.8)
Income from continuing operations	**135.8**	116.3	90.5
Discontinued Operations:			
Income/(loss) from discontinued operations	**(1.7)**	1.8	3.7
Gain on dispositions of properties	**52.5**	20.2	0.0
Net income	**$ 186.6**	$ 138.3	$ 94.2

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately $13.2 million and $13.7 million at December 31, 2005 and 2004, respectively. The Company and its subsidiaries have varying equity interests in these real estate joint ventures, which may differ from their proportionate share of net income or loss recognized in accordance with generally accepted accounting principles.

The Company's maximum exposure to losses associated with its unconsolidated joint ventures is primarily limited to its carrying value in these investments. As of December 31, 2005 and 2004, the Company's carrying value in these investments approximated $735.6 million and $595.2 million, respectively.

8. Other Real Estate Investments:

Preferred Equity Capital —

The Company maintains a Preferred Equity program, which provides capital to developers and owners of real estate properties. During 2005 the Company provided, in separate transactions, an aggregate of approximately $84.3 million in investment capital to developers and owners of 79 real estate properties. During 2004, the Company provided, in separate transactions, an aggregate of approximately $101.0 million in investment capital to developers and owners of 54 real estate properties. As of December 31, 2005, the Company's net investment under the Preferred Equity program was approximately $225.9 million relating to 131 properties. For the years ended December 31, 2005, 2004 and 2003, the Company earned approximately $32.8 million, including $12.6 million from promoted interests earned from six capital transactions, $11.4 million, including $3.9 million from promoted interests earned from four capital transactions, and $4.6 million, including $1.7 million from promoted interests earned from two capital transactions, respectively, from these investments.

Summarized financial information relating to the Company's preferred equity investments is as follows (in millions):

December 31,	**2005**	2004
Assets:		
Real estate, net	**$ 945.0**	$ 715.5
Other assets	**65.5**	29.3
	$ 1,010.5	$ 744.8
Liabilities and Partners' Capital:		
Notes and mortgages payable	**$ 703.3**	$ 548.3
Other liabilities	**19.7**	15.4
Partners' capital	**287.5**	181.1
	$ 1,010.5	$ 744.8

Year Ended December 31,	**2005**	2004	2003
Revenues from Rental Property	**$ 118.5**	$ 61.6	$ 38.8
Operating expenses	**(42.0)**	(19.4)	(12.2)
Interest	**(38.9)**	(21.2)	(16.1)
Depreciation and amortization	**(19.3)**	(9.6)	(5.3)
Other, net	**(1.2)**	(0.3)	—
	(101.4)	(50.5)	(33.6)
	17.1	11.1	5.2
Gain on disposition of properties	**49.8**	4.4	0.8
Net income	**$ 66.9**	$ 15.5	$ 6.0

The Company's maximum exposure to losses associated with its Preferred Equity investments is primarily limited to its invested capital. As of December 31, 2005 and 2004, the Company's invested capital in its Preferred Equity investments approximated $225.9 million and $157.0 million, respectively.

Investment in Retail Store Leases —

The Company has interests in various retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been sublet to retailers who lease the stores pursuant to net lease agreements. Income from the investment in these retail store leases during the years ended December 31, 2005, 2004 and 2003, was approximately $9.1 million, $3.9 million and $0.3 million, respectively. These amounts represent sublease revenues during the years ended December 31, 2005, 2004 and 2003, of approximately $17.8 million, $13.3 million and $12.3 million, respectively, less related expenses of $7.4 million, $8.0 million and $10.6 million, respectively, and an amount which, in management's estimate, reasonably provides for the recovery of the investment over a period representing the expected remaining term of the retail store leases. The Company's future minimum revenues under the terms of all non-cancelable tenant subleases and future minimum obligations through the remaining terms of its retail store leases, assuming no new or renegotiated leases are executed for such premises, for future years are as follows (in millions): 2006, $7.7 and $5.2; 2007, $7.1 and $4.4; 2008, $5.7 and $3.3; 2009, $4.4 and $2.4; 2010, $3.6 and $2.0; and thereafter, $3.4 and $2.1, respectively.

Kimsouth —

During November 2002, the Company, through its taxable REIT subsidiary, together with Prometheus Southeast Retail Trust, completed the merger and privatization of Konover Property Trust, which has been renamed Kimsouth Realty, Inc., ("Kimsouth"). The Company acquired 44.5% of the common stock of Kimsouth, which consisted primarily of 38 retail shopping center properties comprising approximately 4.6 million square feet of GLA. Total acquisition value was approximately $280.9 million, including approximately $216.2 million in assumed mortgage debt. The Company's non-controlling investment in Kimsouth differs from its share of historical net book value of assets and liabilities of Kimsouth. The Company's investment strategy with respect to Kimsouth includes re-tenanting, repositioning and disposition of the properties.

During 2005, Kimsouth disposed of seven shopping center properties, in separate transactions, for an aggregate sales price of approximately $78.9 million, including the assignment of approximately $23.7 million of mortgage debt encumbering two of the properties. During 2005, the Company recognized pre-tax profits from the Kimsouth investment of approximately $4.9 million, which is included in the caption Income from Other Real Estate Investments on the Company's consolidated Statements of Income.

During 2004, Kimsouth disposed of 11 shopping center properties, in separate transactions, for an aggregate sales price of approximately $110.2 million, including the assignment of approximately $2.7 million of mortgage debt encumbering one of the properties. During 2004, the Company recognized pre-tax profits from the Kimsouth investment of approximately $10.6 million, which is included in the caption Income from Other Real Estate Investments on the Company's Consolidated Statements of Income.

During 2003, Kimsouth disposed of 14 shopping center properties, in separate transactions, for an aggregate sales price of approximately $84.0 million, including the assignment of approximately $18.4 million of mortgage debt encumbering six of the properties. During 2003, the Company recognized pre-tax profits from the Kimsouth investment of approximately $12.1 million.

Selected financial information for Kimsouth is as follows (in millions):

December 31,	**2005**	2004
Assets:		
Real estate held for sale	**$ 56.7**	$ 111.5
Other assets	**6.5**	7.6
	$ 63.2	$ 119.1
Liabilities and Stockholders' Equity:		
Mortgages payable	**$ 29.4**	$ 77.5
Other liabilities	**0.7**	1.5
Stockholders' equity	**33.1**	40.1
	$ 63.2	$ 119.1

Year Ended December 31,	**2005**	2004	2003
Discontinued Operations			
Revenues from rental property	**$ 9.0**	$ 21.8	$ 34.4
Operating expenses	**(6.9)**	(7.5)	(10.5)
Interest	**(3.1)**	(7.9)	(13.7)
Depreciation and amortization	**(0.3)**	(4.5)	(9.5)
Other, net	**(0.5)**	(0.4)	(0.1)
	(1.8)	1.5	0.6
Gain on disposition of properties	**12.6**	8.7	12.8
Adjustment of property carrying values	**(2.4)**	(14.3)	—
Net income/(loss) from discontinued operations	**$ 8.4**	$ (4.1)	$ 13.4

As of December 31, 2005, the Kimsouth portfolio was comprised of five properties, including the remaining office component of an operating property sold in 2004, aggregating approximately 1.2 million square feet of GLA located in four states.

Leveraged Lease —

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately $4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, Accounting for Leases (as amended).

During 2002 and 2003, eight of these properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately $18.7 million.

Notes to Consolidated Financial Statements *(continued)*

During 2004, three properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately $5.5 million.

During 2005, an additional three properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately $2.9 million. As of December 31, 2005, the remaining 16 properties were encumbered by third-party non-recourse debt of approximately $52.8 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease.

As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this obligation has been offset against the related net rental receivable under the lease.

At December 31, 2005 and 2004, the Company's net investment in the leveraged lease consisted of the following (in millions):

	2005	2004
Remaining net rentals	**$ 68.9**	$ 72.5
Estimated unguaranteed residual value	**43.8**	48.8
Non-recourse mortgage debt	**(52.8)**	(58.4)
Unearned and deferred income	**(55.9)**	(59.1)
Net investment in leveraged lease	**$ 4.0**	$ 3.8

Ward Venture —

During March 2001, through a taxable REIT subsidiary, the Company formed a real estate joint venture (the "Ward Venture"), in which the Company has a 50% interest, for purposes of acquiring asset designation rights for substantially all of the real estate property interests of the bankrupt estate of Montgomery Ward LLC and its affiliates. These asset designation rights have provided the Ward Venture the ability to direct the ultimate disposition of the 315 fee and leasehold interests held by the bankrupt estate. The asset designation rights expired in August 2002 for the leasehold positions and expired in December 2004 for the fee-owned locations. During the marketing period, the Ward Venture was responsible for all carrying costs associated with the properties until the property was designated to a user. During 2004, the one remaining property was sold pursuant to an installment sales agreement. Per the agreement, the purchase price for this property will be paid by November 15, 2006.

During 2004, the Ward Venture completed transactions on four properties and the Company recognized pre-tax profits of approximately $2.5 million.

During 2003, the Ward Venture completed transactions on seven properties and the Company recognized pre-tax profits of approximately $3.5 million.

9. Mortgages and Other Financing Receivables:

During May 2002, the Company provided a secured $15 million three-year term loan and a secured $7.5 million revolving credit facility to Frank's at an interest rate of 10.25% per annum collateralized by 40 real estate interests. Interest is payable quarterly in arrears. During 2003, the revolving credit facility was amended to increase the total borrowing capacity to $17.5 million. During January 2004, the revolving loan was further amended to provide up to $33.75 million of borrowings from the Company. During September 2004, Frank's filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company committed to provide an additional $27.0 million of Debtor-in-Possession financing with a term of one year at an interest rate of Prime plus 1.00% per annum. During July 2005, Frank's emerged from bankruptcy as FNC and repaid all outstanding amount owed to the Company under the revolving credit facility and Debtor-in-Possession agreement (See Note 3 of the Notes to Consolidated Financial Statements included in this Annual Report).

During April 2005, the Company provided a construction loan commitment of up to 53.5 million Mexican Pesos ("MXP") (approximately USD $5.0 million) to a developer for the construction of a new retail center in Acapulco, Mexico. The loan bears interest at a fixed rate of 11.75% and provides for an additional 20% participation of property cash flow, as defined. This facility is initially interest only and then converts to an amortizing loan at the earlier of 120 days after construction completion or upon opening of the anchor tenant. This facility is collateralized by the related property and matures in May 2015. As of December 31, 2005, there was approximately MXP 53.5 million (USD $5.0 million) outstanding on this loan.

Additionally, during April 2005, a newly formed joint venture, in which the Company has a 50% non-controlling interest, provided a retailer with a three-year $28.0 million revolving line of credit at a floating interest rate of Prime plus 5.5% per annum. The facility also provides for a 3.0% unused line fee and a 2.50% origination fee. The facility is collateralized by certain real estate interests of the borrower. As of December 31, 2005, the outstanding balance on this facility was $10.2 million of which the Company's share was $5.2 million.

During May 2005, a newly formed joint venture, in which the Company has a 44.38% non-controlling interest, provided Debtor-in-Possession financing to a healthcare facility that recently filed for bankruptcy and is closing its operations. The term of this loan is two years and bears interest at prime plus 2.5%. The loan is collateralized by a hospital building, a six-story commercial building, a 12-story 133-unit apartment complex and various other building structures. The Company's share of the outstanding balance of this loan at December 31, 2005, is $2.9 million.

Additionally, during May 2005, the Company acquired four mortgage loans collateralized by individual properties with an aggregate face value of approximately $16.6 million for approximately $14.3 million. These performing loans, which provide for monthly payments of principal and interest, bear interest at a fixed-

rate of 7.57% and mature on June 1, 2019. As of December 31, 2005, there was an aggregate of approximately $14.1 million outstanding on these loans.

During September 2005, a newly formed joint venture, in which the Company has an 80.00% interest, acquired a $43.6 million mortgage receivable for a purchase price of approximately $34.2 million. The loan bears interest at a rate of three-month LIBOR plus 2.75% per annum and matures on January 12, 2010. The loan is collateralized by a 626 room hotel located in Lake Buena Vista, FL. The Company has determined that this entity is a VIE and has further determined that the Company is the primary beneficiary of this VIE and has therefore consolidated it for financial reporting purposes. As of December 31, 2005, the outstanding loan balance, net of discount, was approximately $35.0 million.

During October 2005, the Company provided a construction loan commitment of up to $38.1 million to a developer for acquisition and re-development of a retail center located in Richland Township, PA. The loan is interest only at a rate of LIBOR plus 220 basis points and matures in October of 2007. As of December 31, 2005, the outstanding balance on this loan was approximately $3.2 million.

During March 2002, the Company provided a $50.0 million ten-year loan to Shopko Stores, Inc., at an interest rate of 11.0% per annum collateralized by 15 properties. The Company receives principal and interest payments on a monthly basis. During January 2003, the Company sold a $37.0 million participation interest in this loan to an unaffiliated third party. The interest rate on the $37.0 million participation interest is a variable rate based on LIBOR plus 3.50%. The Company continued to act as the servicer for the full amount of the loan. During December 2005, Shopko elected to prepay the outstanding loan balance of approximately $46.7 million in full satisfaction of this loan. Shopko, also paid a prepayment penalty to the Company of $14.0 million.

During December 2005, the Company provided a construction loan commitment of up to MXP 39.9 million (approximately USD $3.7 million) to a developer for the construction of a new retail center in Magno Deco, Mexico. The loan bears interest at a fixed rate of 11.75% and provides for an additional 20% participation of property cash flow, as defined. This loan is collateralized by the related property and matures in May 2015. As of December 31, 2005, there was approximately MXP 38.7 million (USD $3.6 million) outstanding on this loan.

During July 2004, the Company provided an $11.0 million five-year term loan to a retailer at a floating interest rate of Prime plus 3.00% per annum or, at the borrower's election, LIBOR plus 5.50% per annum. The facility was interest only, payable monthly in arrears and was collateralized by certain real estate interests of the borrower. During December 2005, the borrower elected to prepay the outstanding loan balance of $11.0 million in full satisfaction of this loan.

During March 2002, the Company provided a $15.0 million three-year term loan to Gottchalks, Inc., at an interest rate of 12.00% per annum collateralized by three properties. The Company received principal and interest payments on a monthly basis. During March 2004, Gottchalks, Inc., elected to prepay the remaining outstanding loan balance of approximately $13.2 million in full satisfaction of this loan.

During 2003, the Company provided a five-year $3.5 million term loan to Grass America, Inc. ("Grass America") at an interest rate of 12.25% per annum collateralized by certain real estate interests of Grass America. The Company received principal and interest payments on a monthly basis. During May 2004, Grass America elected to prepay the remaining outstanding loan balance of approximately $3.5 million in full satisfaction of this loan.

During April 2004, the Company provided a $2.7 million term loan at a fixed rate of 11.00% and a $4.1 million revolving line of credit at a fixed rate of 12.00% to a retailer. Both facilities are interest only, payable monthly and mature May 1, 2007. As of December 31, 2005, the aggregate outstanding loan balance of these facilities was approximately $4.0 million.

During May 2004, the Company provided a construction loan commitment of up to MXP 51.5 million (approximately USD $4.7 million) to a developer for the construction of a retail center in Cancun, Mexico. The loan bears interest at a fixed rate of 11.25% and provides for an additional 20.00% participation of property cash flows, as defined. This facility is initially interest only and then converts to an amortizing loan at the earlier of 120 days after construction completion or upon opening of the grocery anchor tenant. This facility is collateralized by the related property and matures in May 2014. As of December 31, 2005, there was approximately MXP 46.9 million (USD $4.4 million) outstanding on this loan.

During September 2004, the Company acquired a $3.5 million mortgage receivable for $2.7 million. The interest rate on this mortgage loan is Prime plus 1.00% per annum with principal and interest paid monthly. This loan matures in February 2006 and is collateralized by a shopping center comprising 0.3 million square feet of GLA in Wilkes-Barre, PA. During May 2005, the borrower elected to prepay the outstanding loan balance in full satisfaction of this loan.

During December 2004, the Company provided a $5.2 million interest-only five-year term loan to a grocery chain. The interest rate on this loan is Prime plus 6.50% per annum payable monthly in arrears and is collateralized by certain real estate interests of the borrower. As of December 31, 2005, the outstanding loan balance was approximately $4.1 million.

Additionally during December 2004, the Company acquired a $3.3 million 6.90% mortgage receivable for $2.2 million. This mortgage loan pays principal and interest quarterly and matures in February 2019 and is collateralized by a medical office facility in Somerset, PA. As of December 31, 2005, the outstanding loan was approximately $2.2 million.

During December 2003, the Company provided a four-year $8.25 million term loan to Spartan Stores, Inc. ("Spartan") at a fixed rate of 16.00% per annum. This loan was collateralized by

Notes to Consolidated Financial Statements *(continued)*

the real estate interests of Spartan, with the Company receiving principal and interest payments monthly. During December 2004, Spartan elected to prepay the remaining outstanding loan balance of approximately $7.6 million in full satisfaction of this loan.

During December 2003, the Company, through a taxable REIT subsidiary, acquired a $24.0 million participation interest in 12% senior secured notes of the FRI-MRD Corporation ("FRI-MRD") for $13.3 million. These notes, which are currently non-performing, are collateralized by certain equity interests and a note receivable of a FRI-MRD subsidiary.

10. Marketable Securities:

The amortized cost and estimated fair values of securities available-for-sale and held-to-maturity at December 31, 2005 and 2004, are as follows (in thousands):

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	**$ 85,613**	**$ 63,466**	**$ (56)**	**$ 149,023**
Held-to-maturity:				
Other debt securities	**57,429**	**3,615**	**(1,953)**	**59,091**
Total marketable securities	**$ 143,042**	**$ 67,081**	**$ (2,009)**	**$ 208,114**

	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	$ 61,042	$ 36,808	$ (87)	$ 97,763
Held-to-maturity:				
Other debt securities	26,008	2,166	(30)	28,144
Total marketable securities	$ 87,050	$ 38,974	$ (117)	$ 125,907

As of December 31, 2005, the contractual maturities of Other debt securities classified as held-to-maturity are as follows: within one year, $1.7 million; after one year through five years, $10.3 million; after five years through ten years, $26.7 million and after ten years, $19.3 million. Actual maturities may differ from contractual maturities as issuers may have the right to prepay debt obligations with or without prepayment penalties.

11. Notes Payable:

The Company has implemented a medium-term notes ("MTN") program pursuant to which it may, from time to time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs, and (ii) managing the Company's debt maturities.

As of December 31, 2005, a total principal amount of approximately $1.2 billion in senior fixed-rate MTNs was outstanding. These fixed-rate notes had maturities ranging from seven months to ten years as of December 31, 2005, and bear interest at rates ranging from 3.95% to 7.90%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears. Proceeds from these issuances were primarily used for the acquisition of neighborhood and community shopping centers, the expansion and improvement of properties in the Company's portfolio and the repayment of certain debt obligations of the Company.

During February 2005, the Company issued $100.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in February 2015 and bears interest at 4.904% per annum. The proceeds from this MTN issuance were primarily used for the repayment of all $20.0 million of the Company's fixed-rate notes that matured in April 2005, which bore interest at 7.91%; all $10.25 million of the Company's fixed-rate notes that matured in May 2005, which bore interest at 7.30%; and partial repayment of the Company's $100.0 million fixed-rate notes, which matured in June 2005 and bore interest at 6.73%.

During June 2005, the Company issued $200.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in June 2014 and bears interest at 4.82% per annum. The proceeds from this issuance were primarily used to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility and for general corporate purposes.

During November 2005, the Company issued an aggregate $250.0 million of fixed-rate unsecured senior notes under its MTN program. The Company issued a $150.0 million MTN which matures in November 2015 and bears interest at 5.584% per annum and a $100.0 million MTN which matures in February 2011 and bears interest at 5.304% per annum. Proceeds from these MTN issuances were used for general corporate purposes and to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility. A portion of the outstanding balance related to the repayment of the Company's $50.0 million 7.68% fixed-rate notes, which matured on November 1, 2005, and to the repayment of the Company's $20.0 million 6.83% fixed which matured on November 14, 2005.

During April 2005, Kimco North Trust III, a wholly-owned entity of the Company, completed the issuance of $150.0 million Canadian-denominated senior unsecured notes. The notes bear interest at 4.45% and mature on April 21, 2010. The Company has provided a full and unconditional guarantee of the notes. The proceeds were used by Kimco North Trust III to pay down outstanding indebtedness under existing credit facilities, to fund long-term investments in Canadian real estate and for general corporate purposes. The senior unsecured notes are governed by an indenture by and among Kimco North Trust III; the Company, as guarantor; and BNY Trust Company of Canada, as trustee dated April 21, 2005.

During July 2004, the Company issued $100.0 million of floating-rate unsecured senior notes under its MTN program. This floating-rate MTN matures August 1, 2006, and bears interest at LIBOR plus 20 basis points per annum (4.45% at

December 31, 2005), payable quarterly in arrears commencing November 1, 2004. The proceeds from this MTN issuance were primarily used for the repayment of the Company's $85.0 million floating-rate unsecured notes due August 2, 2004, which bore interest at LIBOR plus 50 basis points per annum. The remaining proceeds were used for general corporate purposes.

During August 2004, the Company issued $100.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in August 2011 and bears interest at 4.82% per annum payable semi-annually in arrears. The proceeds from this MTN issuance were used to repay the Company's $50.0 million, 7.62% fixed-rate unsecured senior notes that matured in October 2004 and the Company's $50.0 million, 7.125% senior notes which matured in June 2004.

As of December 31, 2005, the Company had a total principal amount of $549.1 million in fixed-rate unsecured senior notes. These fixed-rate notes had maturities ranging 11 months to seven years as of December 31, 2005, and bear interest at rates ranging from 4.45% to 7.50%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears.

The scheduled maturities of all unsecured senior notes payable as of December 31, 2005, were approximately as follows (in millions): 2006, $185.0; 2007, $195.0; 2008, $100.0; 2009, $180.0; 2010, $179.1; and thereafter, $967.0.

During July 2005, the Company established a new $850.0 million unsecured revolving credit facility (the "Credit Facility"), which is scheduled to expire in July 2008. This Credit Facility replaces the Company's $500.0 million unsecured credit facility, which was scheduled to expire in June 2006. Under the Credit Facility funds may be borrowed for general corporate purposes, including the funding of (i) property acquisitions, (ii) development and redevelopment costs and (iii) any short-term working capital requirements. Interest on borrowings under the Credit Facility accrue at a spread (currently 0.45%) to LIBOR and fluctuates in accordance with changes in the Company's senior debt ratings. As part of this Credit Facility, the Company has a competitive bid option whereby the Company may auction up to $425.0 million of its requested borrowings to the bank group. This competitive bid option provides the Company the opportunity to obtain pricing below the currently stated spread to LIBOR of 0.45%. A facility fee of 0.125% per annum is payable quarterly in arrears. In addition, the Company has a $200.0 million sub-limit which provides it the opportunity to borrow in alternative currencies such as Pounds Sterling, Japanese Yen or Euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is (i) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate debt and minimum unencumbered asset and equity levels and (ii) restricted from paying dividends in amounts that exceed 95% of funds from operations, as defined. As of December 31, 2005, there was $200.0 million outstanding (4.68% at December 31, 2005) under the Credit Facility.

During September 2004, the Company entered into a three-year Canadian-denominated ("CAD") $150.0 million unsecured revolving credit facility with a group of banks. This facility bears interest at the CDOR Rate, as defined, plus 0.50% and is scheduled to expire in September 2007. During March 2005, this facility was increased to CAD $250.0 million, and the scheduled maturity date was extended to March 2008. During January 2006, the facility was further amended to reduce the borrowing spread to 0.45% and to modify the covenant package to conform to the Company's $850.0 million U.S. credit facility. Proceeds from this facility will be used for general corporate purposes including the funding of Canadian-denominated investments. As of December 31, 2005, there was CAD $110.0 million (approximately US $94.7 million, 3.78% at December 31, 2005) outstanding under this facility.

During May 2005, the Company entered into a three-year Mexican Peso-Denominated ("MXP") 500.0 million unsecured revolving credit facility. This facility bears interest at the TIIE Rate, as defined, plus 1.00% and is scheduled to expire in May 2008. Proceeds from this facility will be used to fund peso-denominated investments. As of December 31, 2005, there was MXP 500.0 million (approximately USD $46.7 million 9.66% at December 31, 2005) outstanding under this facility.

In accordance with the terms of the Indenture, as amended, pursuant to which the Company's senior unsecured notes have been issued, the Company is (a) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate and secured debt, minimum debt service coverage ratios and minimum equity levels and (b) restricted from paying dividends in amounts that exceed by more than $26.0 million the funds from operations, as defined, generated through the end of the calendar quarter most recently completed prior to the declaration of such dividend; however, this dividend limitation does not apply to any distributions necessary to maintain the Company's qualification as a REIT providing the Company is in compliance with its total leverage limitations.

12. Mortgages Payable:

During 2005, the Company (i) obtained an aggregate of approximately $95.6 million of individual non-recourse mortgage debt on 53 operating properties, (ii) assumed approximately $79.7 million of individual non-recourse mortgage debt relating to the acquisition of 11 operating properties, including approximately $6.3 million of fair value debt adjustments, (iii) consolidated approximately $33.2 million of non-recourse mortgage debt relating to the purchase of additional ownership interest in various entities, (iv) assigned approximately $119.8 million of individual non-recourse mortgage debt relating to the transfer of 49 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30%, (v) paid off approximately $66.9 million of individual non-recourse mortgage debt that encumbered 11 operating properties, (vi) deconsolidated approximately $41.4 million of non-recourse mortgage debt relating to the reduction of the Company's economic interest in a joint venture and (vii) assigned approximately $7.8

Notes to Consolidated Financial Statements *(continued)*

million of non-recourse mortgage debt relating to the sale of an operating property.

During 2004, the Company (i) obtained an aggregate of approximately $217.6 million of individual non-recourse mortgage debt on 15 operating properties, (ii) assumed approximately $158.0 million of individual non-recourse mortgage debt relating to the acquisition of 12 operating properties, including approximately $6.0 million of fair value debt adjustments, (iii) assigned approximately $323.7 million of individual non-recourse mortgage debt relating to the transfer of 24 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30%, (iv) paid off approximately $47.9 million of individual non-recourse mortgage debt that encumbered four operating properties and (v) assigned approximately $9.3 million of non-recourse mortgage debt relating to the sale of one operating property.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately $14.2 million in full satisfaction of these loans, which aggregated approximately $24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately $9.7 million during 2003, of which $6.8 million is included in Income from discontinued operations.

Mortgages payable, collateralized by certain shopping center properties and related tenants' leases, are generally due in monthly installments of principal and/or interest which mature at various dates through 2035. Interest rates range from approximately 4.00% to 10.50% (weighted-average interest rate of 7.48% as of December 31, 2005). The scheduled principal payments of all mortgages payable, excluding unamortized fair value debt adjustments of approximately $15.5 million, as of December 31, 2005, were approximately as follows (in millions): 2006, $21.7; 2007, $17.3; 2008, $60.0; 2009, $20.5; 2010, $23.2; and thereafter, $157.1.

One of the Company's properties was encumbered by approximately $6.4 million in floating-rate, tax-exempt mortgage bond financing. The rate on these bonds was reset annually, at which time bondholders had the right to require the Company to repurchase the bonds. The Company had engaged a remarketing agent for the purpose of offering for resale the bonds in the event they were tendered to the Company. All bonds tendered for redemption in the past were remarketed and the Company had arrangements, including letters of credit, with banks, to both collateralize the principal amount and accrued interest on such bonds and to fund any repurchase obligations. During 2004, the Company fully paid the outstanding balance of this tax-exempt mortgage bond financing.

13. Construction Loans Payable:

During 2005, the Company obtained a term loan and construction financing on two ground-up development projects for an aggregate original loan commitment amount of up to $50.5 million, of which approximately $22.4 million was outstanding at December 31, 2005. As of December 31, 2005, the Company had a total of 15 construction loans with total commitments of up to $343.5 million, of which $228.5 million had been funded. These loans had maturities ranging from four to 31 months and variable interest rates ranging from 6.04% to 6.64% at December 31, 2005. These construction loans are collateralized by the respective projects and associated tenants' leases. The scheduled maturities of all construction loans payable as of December 31, 2005, were approximately as follows (in millions): 2006, $87.7; 2007, $86.3; and 2008, $54.5.

14. Fair Value Disclosure of Financial Instruments:

All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at amounts which, in management's estimation based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are reflected. The valuation method used to estimate fair value for fixed-rate debt and minority interests relating to mandatorily redeemable non-controlling interests associated with finite-lived subsidiaries of the Company is based on discounted cash flow analyses. The fair values for marketable securities are based on published or securities dealers' estimated market values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition. The following are financial instruments for which the Company's estimate of fair value differs from the carrying amounts (in thousands):

	December 31,			
	2005		2004	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Marketable Securities	**$ 206,452**	**$ 208,114**	$ 123,771	$ 125,907
Notes Payable	**$ 2,147,405**	**$ 2,172,031**	$ 1,608,925	$ 1,663,474
Mortgages Payable	**$ 315,336**	**$ 330,897**	$ 353,071	$ 375,566
Mandatorily Redeemable Minority Interests (termination dates ranging from 2019 – 2027)	**$ 1,782**	**$ 4,934**	$ 2,057	$ 3,842

15. Financial Instruments - Derivatives and Hedging:

The Company is exposed to the effect of changes in interest rates, foreign currency exchange rate fluctuations and market value fluctuations of equity securities. The Company limits these risks by following established risk management policies and procedures including the use of derivatives.

The principal financial instruments generally used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross currency swaps and warrant contracts. The Company, from time to time, hedges the future cash flows of its floating-rate debt instruments to reduce exposure to interest rate risk principally through interest rate swaps with major financial institutions. The Company had no interest rate swaps outstanding during 2004 and 2005.

As of December 31, 2005 and 2004, respectively, the Company had foreign currency forward contracts designated as net investment hedges of its Canadian investments in real estate of approximately CAD $5.2 million and CAD $184.6 million. During 2005, the Company settled approximately CAD $179.4 million of CAD forward contracts. The Company did not sell or substantially liquidate any of the hedged investments. As of December 31, 2004, the Company had a foreign currency forward contract designated as a fair value hedge of its Canadian investments in real estate aggregating approximately CAD $5.0 million. In April 2005, the Company settled the CAD $5.0 million foreign currency contract. In addition, the Company had a cross currency swap with an aggregate notional amount of approximately $82.4 million pesos ("MXP") (approximately USD $7.8 million) designated as a hedge of its Mexican real estate investments at December 31, 2005 and 2004, respectively.

The Company has designated these foreign currency agreements as net investment hedges of the foreign currency exposure of its net investment in Canadian and Mexican real estate operations. The Company believes these agreements are highly effective in reducing the exposure to fluctuations in exchange rates. As such, gains and losses on these net investment hedges were reported in the same manner as a translation adjustment. During 2005 and 2004, respectively, $0.7 million and $15.1 million of unrealized losses and $3.2 million and $0.0 million of unrealized gains were included in the cumulative translation adjustment relating to the Company's net investment hedges of its Canadian and Mexican investments.

During 2001, the Company acquired warrants to purchase 2.5 million shares of common stock of a Canadian REIT. The Company designated the warrants as a cash flow hedge of the variability in expected future cash outflows upon purchasing the common stock. The change in fair value of the warrants representing unrealized gains was recorded in OCI. The net unrealized gains, since inception recorded in OCI as of December 31, 2004, were approximately $12.5 million. The Company exercised its warrants in October of 2004. During 2005, the Company sold 0.2 million shares of common stock of the Canadian REIT resulting in a reclassification of $0.7 million of OCI balance to earnings as other income.

The following tables summarize the notional values and fair values of the Company's derivative financial instruments as of December 31, 2005 and 2004:

As of December 31, 2005

Hedge Type	Notional Value	Rate	Maturity	Fair Value (in millions)
Foreign currency forwards — net investment	**CAD $5.2 million**	**1.4013**	**7/06**	**($0.8)**
MXP cross currency swap — net investment	**MXP $82.4 million**	**7.227**	**10/07**	**($0.2)**

As of December 31, 2004

Hedge Type	Notional Value	Rate	Maturity	Fair Value (in millions)
Foreign currency forwards — net investment	CAD $184.6 million	1.4013—1.6194	1/05—7/06	$ (37.5)
MXP cross currency swap — net investment	MXP $82.4 million	7.227	10/07	$ 0.3
Foreign currency forward — fair value	CAD $5.0 million	1.5918	4/05	$ (1.0)

As of December 31, 2005 and 2004, these derivative instruments were reported at their fair value as other liabilities of $1.0 million and $38.5 million, respectively, and other assets of $0.3 million as of December 31, 2004. The Company does not expect to reclassify to earnings any of the current balance during the next 12 months.

16. Preferred Stock, Common Stock and Convertible Unit Transactions:

At January 1, 2003, the Company had outstanding 3,000,000 Depositary Shares (the "Class A Depositary Shares"), each such Class A Depositary Share representing a one-tenth fractional interest of a share of the Company's 7¾% Class A Cumulative Redeemable Preferred Stock, par value $1.00 per share (the "Class A Preferred Stock"), 2,000,000 Depositary Shares (the "Class B Depositary Shares"), each such Class B Depositary Share representing a one-tenth fractional interest of a share of the Company's 8½% Class B Cumulative Redeemable Preferred Stock, par value $1.00 per share (the "Class B Preferred Stock") and 4,000,000 Depositary Shares (the "Class C Depositary Shares"), each such Class C Depositary Share representing a one-tenth fractional interest of a share of the Company's 8⅜% Class C Cumulative Redeemable Preferred Stock, par value $1.00 per share (the "Class C Preferred Stock").

During June 2003, the Company redeemed all 2,000,000 outstanding Depositary Shares of the Company's Class B Preferred Stock, all 3,000,000 outstanding Depositary Shares of the Company's Class A Preferred Stock and all 4,000,000 outstanding Depositary Shares of the Company's Class C Preferred Stock, each at a redemption price of $25.00 per Depositary Share, totaling $225.0 million, plus accrued dividends. In accordance with Emerging Issues Task Force ("EITF") D-42, the Company deducted from the calculation of net income available to common shareholders original issuance costs of approximately $7.8 million associated with the redemption of the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock.

During June 2003, the Company issued 7,000,000 Depositary Shares (the "Class F Depositary Shares"), each such Class F Depositary Share representing a one-tenth fractional interest of a share of the Company's 6.65% Class F Cumulative Redeemable

Notes to Consolidated Financial Statements *(continued)*

Preferred Stock, par value $1.00 per share (the "Class F Preferred Stock"). Dividends on the Class F Depositary Shares are cumulative and payable quarterly in arrears at the rate of 6.65% per annum based on the $25.00 per share initial offering price, or $1.6625 per annum. The Class F Depositary Shares are redeemable, in whole or part, for cash on or after June 5, 2008, at the option of the Company, at a redemption price of $25.00 per Depositary Share, plus any accrued and unpaid dividends thereon. The Class F Depositary Shares are not convertible or exchangeable for any other property or securities of the Company. Net proceeds from the sale of the Class F Depositary Shares, totaling approximately $169.0 million (after related transaction costs of $6.0 million) were used to redeem all of the Company's Class B Preferred Stock and Class C Preferred Stock and to fund a portion of the redemption of the Company's Class A Preferred Stock.

Voting Rights - As to any matter on which the Class F Preferred Stock ("Preferred Stock") may vote, including any action by written consent, each share of Preferred Stock shall be entitled to 10 votes, each of which 10 votes may be directed separately by the holder thereof. With respect to each share of Preferred Stock, the holder thereof may designate up to 10 proxies, with each such proxy having the right to vote a whole number of votes (totaling 10 votes per share of Preferred Stock). As a result, each Class F Depositary Share is entitled to one vote.

Liquidation Rights - In the event of any liquidation, dissolution or winding up of the affairs of the Company, the Preferred Stock holders are entitled to be paid, out of the assets of the Company legally available for distribution to its stockholders, a liquidation preference of $250.00 per share ($25.00 per Class F Depositary Share), plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of the Company's common stock or any other capital stock that ranks junior to the Preferred Stock as to liquidation rights.

During June 2003, the Company completed a primary public stock offering of 2,070,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately $76.0 million (after related transaction costs of $0.7 million) were used for general corporate purposes, including the acquisition of interests in real estate properties.

During September 2003, the Company completed a primary public stock offering of 2,760,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately $112.7 million (after related transaction costs of $1.0 million) were used for general corporate purposes, including the acquisition of interests in real estate properties.

During October 2002, the Company acquired an interest in a shopping center property located in Daly City, CA, valued at $80.0 million, through the issuance of approximately 4.8 million Convertible Units which are convertible at a ratio of 1:1 into the Company's common stock. The unit holder has the right to convert the Convertible Units at any time after one year. In addition, the Company has the right to mandatorily require a conversion after ten years. If at the time of conversion the common stock price for the 20 previous trading days is less than $16.785 per share, the unit holder would be entitled to additional shares; however, the maximum number of additional shares is limited to 503,932 based upon a floor common stock price of $15.180. The Company has the option to settle the conversion in cash. Dividends on the Convertible Units are paid quarterly at the rate of the Company's common stock dividend multiplied by 1.1057. The value of the Convertible Units is included in Minority interests in partnerships on the accompanying Consolidated Balance Sheets.

17. Supplemental Schedule of Non-Cash Investing/ Financing Activities:

The following schedule summarizes the non-cash investing and financing activities of the Company for the years ended December 31, 2005, 2004 and 2003, (in thousands):

	2005	2004	2003
Acquisition of real estate interests by assumption of mortgage debt	**$ 73,400**	$151,987	$180,893
Acquisition of real estate interest by issuance of downREIT units	**$ —**	$ 28,349	$ —
Disposition of real estate interests by assignment of downREIT units	**$ 4,236**	$ 24,114	$ —
Acquisition of real estate interests through proceeds held in escrow	**$ —**	$ 69,681	$ —
Disposition/transfer of real estate interests by assignment of mortgage debt	**$ 166,108**	$320,120	$ 23,068
Proceeds held in escrow through sale of real estate interests	**$ 19,217**	$ 9,688	$ 41,194
Notes received upon disposition of real estate interests	**$ —**	$ 6,277	$ 14,490
Notes received upon exercise of stock options	**$ —**	$ —	$ 100
Declaration of dividends paid in succeeding period	**$ 78,169**	$ 71,497	$ 65,969

18. Transactions with Related Parties:

The Company, along with its joint venture partner, provided KROP short-term interim financing for all acquisitions by KROP for which a mortgage was not in place at the time of closing. All such financing had maturities of less than one year and bore interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% for the years ended December 31, 2005 and 2004, respec-

tively. KROP had no outstanding short-term interim financing due to GECRE and the Company as of December 31, 2005 and 2004, respectively. The Company earned approximately $24,000 and $0.2 million during 2005 and 2004, respectively, related to such interim financing.

The Company provides management services for shopping centers owned principally by affiliated entities and various real estate joint ventures in which certain stockholders of the Company have economic interests. Such services are performed pursuant to management agreements which provide for fees based upon a percentage of gross revenues from the properties and other direct costs incurred in connection with management of the centers.

In December 2004, in conjunction with the Price Legacy transaction, the Company, which holds a 15% non-controlling interest, provided the acquiring joint venture approximately $30.6 million of secured mezzanine financing. This interest-only loan bears interest at a fixed rate of 7.5% per annum payable monthly in arrears and matures in December 2006. The Company also provided PL Retail a secured short-term promissory note for approximately $8.2 million. This interest only note bore interest at LIBOR plus 4.5% and was scheduled to mature in June 2005. During 2005, this note was amended to bear interest at LIBOR plus 6.0% and is now payable on demand. As of December 31, 2005, PL Retail had approximately $8.9 million outstanding on the mezzanine financing and approximately $8.2 million outstanding on the promissory note.

Reference is made to Notes 7 and 8 for additional information regarding transactions with related parties.

19. Commitments and Contingencies:

The Company and its subsidiaries are primarily engaged in the operation of shopping centers which are either owned or held under long-term leases which expire at various dates through 2087. The Company and its subsidiaries, in turn, lease premises in these centers to tenants pursuant to lease agreements which provide for terms ranging generally from 5-to-25 years and for annual minimum rentals plus incremental rents based on operating expense levels and tenants' sales volumes. Annual minimum rentals plus incremental rents based on operating expense levels comprised approximately 99% of total revenues from rental property for each of the three years ended December 31, 2005, 2004 and 2003.

The future minimum revenues from rental property under the terms of all non-cancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows (in millions): 2006, $388.5; 2007, $359.7; 2008, $319.0; 2009, $282.8; 2010, $243.2 and thereafter, $1,437.8.

Minimum rental payments under the terms of all non-cancelable operating leases pertaining to the Company's shopping center portfolio for future years are approximately as follows (in millions): 2006, $11.3; 2007, $10.6; 2008, $10.5; 2009, $10.0; 2010, $8.3 and thereafter, $140.8.

The Company has issued letters of credit in connection with completion and repayment guarantees for construction loans encumbering certain of the Company's ground-up development projects and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately $34.8 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CA $7.0 million (approximately US $6.0 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD $4.6 million (approximately US $4.0 million) outstanding as of December 31, 2005, relating to various development projects. In addition to the letter of credit facility, various additional Canadian development projects in which the Company holds interests ranging from 33⅓% to 50% have letters of credit issued aggregating approximately CAD $3.5 million (approximately US $3.0 million) at December 31, 2005.

During 2005, a joint venture entity in which the Company has a non-controlling interest obtained a CAD $22.5 million credit facility to finance the construction of a 0.1 million square foot shopping center located in Kamloops, B.C. This facility bears interest at RBP plus 0.5% per annum and is scheduled to mature in May 2007. The Company and its partner in this entity each have a limited and several guarantee of CAD $7.5 million related to this facility. As of December 31, 2005, there was no outstanding balance on this facility.

During 2003, the limited partners in KIR, an entity in which the Company holds a 43.3% non-controlling interest, contributed $30.0 million towards their respective capital commitments, including $13.0 million by the Company. As of December 31, 2003, KIR had unfunded capital commitments of $99.0 million, including $42.9 million from the Company. During 2004, the KIR partners elected to cancel the remaining unfunded capital commitments.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

20. Incentive Plans:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum of 37,000,000 shares of the Company's common stock may be issued for qualified and non-qualified options. Options granted under the Plan generally vest ratably over a three- or five-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board at its sole discretion. In addition, the Plan provides for the granting of certain options to each of the Company's non-employee directors (the "Independent Directors") and permits such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

Notes to Consolidated Financial Statements *(continued)*

Information with respect to stock options under the Plan for the years ended December 31, 2005, 2004 and 2003, is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Options outstanding, January 1, 2003	14,204,146	$13.69
Exercised	(2,156,406)	$11.96
Granted	3,242,876	$21.67
Forfeited	(179,006)	$15.58
Options outstanding, December 31, 2003	15,111,610	$15.62
Exercised	(3,379,748)	$13.63
Granted	3,887,500	$27.72
Forfeited	(379,790)	$19.25
Options outstanding, December 31, 2004	15,239,572	$19.06
Exercised	(2,963,910)	$14.23
Granted	2,515,200	$31.15
Forfeited	(239,566)	$23.59
Options outstanding, December 31, 2005	**14,551,296**	**$22.06**
Options exercisable —		
December 31, 2003	7,239,548	$13.24
December 31, 2004	8,135,762	$14.95
December 31, 2005	**8,167,681**	**$17.63**

The exercise prices for options outstanding as of December 31, 2005, range from $9.13 to $32.86 per share. The weighted-average remaining contractual life for options outstanding as of December 31, 2005, was approximately 7.5 years. Options to purchase 3,817,066, 6,332,266 and 10,219,766 shares of the Company's common stock were available for issuance under the Plan at December 31, 2005, 2004 and 2003, respectively.

The Company maintains a 401(k) retirement plan covering substantially all officers and employees, which permits participants to defer up to the maximum allowable amount determined by the Internal Revenue Service of their eligible compensation. This deferred compensation, together with Company matching contributions, which generally equal employee deferrals up to a maximum of 5% of their eligible compensation (capped at $170,000), is fully vested and funded as of December 31, 2005. The Company contributions to the plan were approximately $1.1 million, $1.0 million and $0.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

21. Income Taxes:

The Company elected to qualify as a REIT in accordance with the Code commencing with its taxable year which began January 1, 1992. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted REIT taxable income to its stockholders. It is management's intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes.

Reconciliation between GAAP Net Income and Federal Taxable Income:

The following table reconciles GAAP net income to taxable income for the years ended December 31, 2005, 2004 and 2003, (in thousands):

	2005 (Estimated)	2004 (Actual)	2003 (Actual)
GAAP net income	**$363,628**	$ 297,137	$ 307,879
Less: GAAP net income of taxable REIT subsidiaries	**(21,666)**	(19,396)	(12,814)
GAAP net income from REIT operations (a)	**341,962**	277,741	295,065
Net book depreciation in excess of (less than) tax depreciation	**6,072**	4,716	(36,663)
Deferred and prepaid rents	**(3,800)**	(7,200)	(6,000)
Exercise of non-qualified stock options	**(33,752)**	(28,022)	(11,370)
Book/tax differences from investments in real estate joint ventures	**(3,350)**	(6,350)	(2,472)
Book/tax difference on sale of real property	**(33,863)**	(18,799)	(32,319)
Valuation adjustment of foreign currency contracts	**2,537**	(21,697)	(15,466)
Book adjustment of property carrying values	**—**	7,116	4,016
Other book/tax differences, net	**16,980**	8,419	(6,747)
Adjusted taxable income subject to 90% dividend requirements	**$292,786**	$ 215,924	$ 188,044

Certain amounts in the prior periods have been reclassified to conform to the current year presentation.
(a) All adjustments to "GAAP net income from REIT operations" are net of amounts attributable to minority interest and taxable REIT subsidiaries.

Reconciliation between Cash Dividends Paid and Dividends Paid Deductions (in thousands):

For the year ended December 31, 2005, cash dividends paid were equal to the dividends paid deduction and amounted to $293,345. Cash dividends paid exceeded the dividends paid deduction for the years ended December 31, 2004 and 2003 and amounted to $265,254 and $246,301, respectively.

Characterization of Distributions:

The following characterizes distributions paid for the years ended December 31, 2005, 2004 and 2003, (in thousands):

	2005		2004		2003	
Preferred Dividends						
Ordinary income	**$ 10,009**	**86%**	$ 11,638	100%	$ 13,169	84%
Capital gain	**1,629**	**14%**	—	—	2,451	16%
	$ 11,638	**100%**	$ 11,638	100%	$ 15,620	100%
Common Dividends						
Ordinary income	**$ 242,268**	**86%**	$ 210,501	83%	$ 171,071	74%
Capital gain	**39,439**	**14%**	—	—	31,840	14%
Return of capital	**—**	**—**	43,115	17%	27,770	12%
	$ 281,707	**100%**	$ 253,616	100%	$ 230,681	100%
Total dividends distributed	**$ 293,345**		$ 265,254		$ 246,301	

Taxable REIT Subsidiaries ("TRS"):

The Company is subject to federal, state and local income taxes on the income from its TRS activities, which include Kimco Realty Services ("KRS"), a wholly owned subsidiary of the Company and the consolidated entities of FNC and Blue Ridge Real Estate Company/Big Boulder Corporation.

Income taxes have been provided for on the asset and liability method as required by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

The Company's taxable income for book purposes and provision for income taxes relating to the Company's TRS and taxable entities which have been consolidated for accounting reporting purposes, for the years ended December 31, 2005, 2004 and 2003, are summarized as follows (in thousands):

	2005	2004	2003
Income before income taxes	**$ 32,920**	$ 27,716	$ 21,328
Less provision for income taxes:			
Federal	**9,446**	6,939	7,104
State and local	**1,808**	1,381	1,410
Total tax provision	**11,254**	8,320	8,514
GAAP net income from taxable REIT subsidiaries	**$ 21,666**	$ 19,396	$ 12,814

The Company's deferred tax assets and liabilities at December 31, 2005 and 2004, were as follows (in millions):

	2005	2004
Deferred Tax assets:		
Operating losses - FNC	**$ 59.4**	$ —
Other	**16.3**	11.8
Valuation allowance	**(33.8)**	—
Total deferred tax assets	**41.9**	11.8
Deferred tax liabilities	**(12.8)**	(7.3)
Net deferred tax assets	**$ 29.1**	$ 4.5

Deferred tax assets and deferred tax liabilities are included in the caption Other assets and Other liabilities on the accompanying Consolidated Balance Sheets at December 31, 2005 and 2004. Operating losses and the valuation allowance are due to the Company's consolidation of FNC for accounting and reporting purposes and relate to pre-bankruptcy emergence operating losses incurred by Frank's. At December 31, 2005, FNC had approximately $152.2 million of net operating loss carry forwards that expire from 2022 through 2025, with a tax value of approximately $59.4 million. A valuation allowance of $33.8 million has been established for a portion of these deferred tax assets. Other deferred tax assets and deferred tax liabilities relate primarily to differences in the timing of the recognition of income/(loss) between the GAAP and tax basis of accounting for (i) real estate joint ventures, (ii) other real estate investments and (iii) other deductible temporary differences. The Company believes that, based on its operating strategy and consistent history of profitability, it is more likely than not that the net deferred tax assets of $29.1 million will be realized on future tax returns, primarily from the generation of future taxable income.

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to taxable income before income taxes as follows (in thousands):

	2005	2004	2003
Federal provision at statutory tax rate (35%)	**$ 11,522**	$ 9,700	$ 7,465
State and local taxes, net of federal benefit	**2,140**	1,801	1,049
Other	**(2,408)**	(3,181)	—
	$ 11,254	$ 8,320	$ 8,514

Notes to Consolidated Financial Statements *(continued)*

22. Supplemental Financial Information:

The following represents the results of operations, expressed in thousands except per share amounts, for each quarter during the years 2005 and 2004:

	2005 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property(1)	**$ 129,314**	**$ 126,658**	**$ 129,585**	**$ 136,988**
Net income	**$ 86,780**	**$ 83,837**	**$ 85,343**	**$ 107,668**
Net income per common share:				
Basic	**$ .37**	**$ .36**	**$ .36**	**$ .46**
Diluted	**$ .37**	**$ .35**	**$ .36**	**$ .44**

	2004 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property(1)	$137,733	$127,645	$120,000	$122,263
Net income	$ 71,389	$ 71,430	$ 78,511	$ 75,807
Net income per common share:				
Basic	$ .31	$ .31	$ .34	$ .32
Diluted	$ .30	$ .31	$ .33	$ .32

(1) All periods have been adjusted to reflect the impact of operating properties sold during 2005 and 2004 and properties classified as held for sale as of December 31, 2005, which are reflected in the caption Discontinued operations on the accompanying Consolidated Statements of Income.

Accounts and notes receivable in the accompanying Consolidated Balance Sheets net of estimated unrecoverable amounts, were approximately $8.5 million and $8.7 million at December 31, 2005 and 2004, respectively.

23. Pro Forma Financial Information (Unaudited):

As discussed in Notes 3, 4 and 5, the Company and certain of its subsidiaries acquired and disposed of interests in certain operating properties during 2005. The pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for the years ended December 31, 2005 and 2004, adjusted to give effect to these transactions as of January 1, 2004.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred on January 1, 2004, nor does it purport to represent the results of operations for future periods. (Amounts presented in millions, except per share figures.)

Year ended December 31,	**2005**	2004
Revenues from rental property	**$535.5**	$ 521.9
Net income	**$331.2**	$ 282.4
Net income per common share:		
Basic	**$ 1.41**	$ 1.21
Diluted	**$ 1.38**	$ 1.19

Glossary of Terms

Asset Designation Rights
Rights to assign, sell, transfer or reject a bankrupt estate's title and interest in leased or owned properties. Kimco acquired asset designation rights from the former Montgomery Ward stores in 2001 and the former Hechinger stores in 1999.

Core-Based Statistical Areas (CBSAs)
Metropolitan and Micropolitan Statistical Areas are collectively referred to as Core-Based Statistical Areas. Metropolitan statistical areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. Micropolitan statistical areas are a new set of statistical areas that have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

Debt Service
The periodic payment of principle and interest on unsecured bonds, mortgages or other borrowings.

Debtor in Possession (DIP)
A company that continues to operate while going through Chapter 11 bankruptcy proceedings.

Fee Simple Ownership Real Estate (Fee)
Fee ownership of real estate is a fee without limitation or restrictions on transfer of ownership.

Fixed Charges
Payment of debt service plus preferred stock dividend payments and ground lease payments.

Funds From Operations (FFO)
A supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies. Equal to a REIT's net income, excluding gains from sales of operating properties, and adding back real estate depreciation.

Gross Leasable Area (GLA)
Measure of the total amount of leasable space in a commercial property.

Internal Growth
The maximum rate of growth a given company is able to achieve without funding additional investment.

Leasehold Interest in Real Estate
Financial interest in real estate evidenced by a contract (lease) whereby one receives the use of real estate or facilities for a specified term and for a specified rent.

Lease Rejection
Bankruptcy rules permit a tenant in bankruptcy to eliminate its obligations to pay rent under a lease subject to certain payments to landlords for damages.

Non-Recourse Mortgage Debt
Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collaterized by the mortgage.

1031 Exchange
A 1031 exchange allows sellers to defer 100% of the federal and state capital gains taxes associated with the sale of property held for investment purposes. Kimco facilitates exchanges by matching buyers of exchange properties with sellers of investment properties or by selling properties from its portfolio of net leased properties to exchange buyers.

Payout Ratio
The ratio of a REIT's annual dividend rate to its FFO on a basic per share basis.

Real Estate Investment Trust (REIT)
A REIT is a company dedicated to owning and, in most cases, operating income-producing real estate, such as shopping centers, offices and warehouses. Some REITs also engage in financing real estate.

REIT Modernization Act of 1999
Federal tax law change, the provisions of which allow a REIT to own up to 100% of stock of a taxable REIT subsidiary that can provide services to REIT tenants and others. The law also changed the minimum distribution requirement from 95% to 90% of a REIT's taxable income—consistent with the rules for REITs from 1960 to 1980.

Revolving Credit Facility
Credit agreement with a lending institution or institutions, whereby the Company may withdraw funds as needed at a variable rate of interest. Kimco's credit agreement has a limit of $850 million and accrues interest at a spread of 0.45% to LIBOR (London Interbank Offered Rate).

Stock Split
Occurred on December 22, 1995, December 21, 2001, and August 24, 2005, when Kimco issued new shares of stock at a rate of 0.5, 0.5, and 1.0, respectively for each share owned by shareholders of record in the form of a stock dividend. This action in turn lowered the market price of Kimco stock to a level proportionate to the pre-split price.

Taxable REIT Subsidiary (TRS)
Created by the REIT Modernization Act of 1999. A TRS is a subsidiary of a REIT that may provide services to the REIT's tenants and others and is required to pay federal income tax without disqualifying the Company's REIT status.

Total Market Capitalization
The total market value of outstanding common stock, the liquidation value of preferred stock and all outstanding indebtedness.

Total Return
A stock's dividend income plus capital appreciation, before taxes and commissions.

Corporate Directory

Executive Officers

Milton Cooper
Chairman and
Chief Executive Officer

Michael J. Flynn
Vice Chairman, President and
Chief Operating Officer

David B. Henry
Vice Chairman and
Chief Investment Officer

Thomas A. Caputo
Executive Vice President

Glenn G. Cohen
Vice President and Treasurer

Raymond Edwards
Vice President

Jerald Friedman
Executive Vice President

Bruce M. Kauderer
Vice President, Legal
General Counsel and Secretary

Michael V. Pappagallo
Executive Vice President and
Chief Financial Officer

Executive Offices

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New Hyde Park, NY 11042
516-869-9000
www.kimcorealty.com

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Leasing

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Sacramento, CA
916-349-7474

Walnut Creek, CA
925-977-9011

Hartford, CT
860-678-7799

Hollywood, FL
954-923-8444

Margate, FL
954-977-7340

Sanford, FL
407-302-4400

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727-536-3287

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847-299-1160

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443-367-0110

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410-684-2000

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704-367-0131

Cary, NC
919-859-7499

New York, NY
212-972-7456

Canfield, OH
330-702-8000

Dayton, OH
937-434-5421

Dallas, TX
214-720-0559

Houston, TX
832-242-6913

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703-583-0071

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310-284-6000

Lisle, IL
630-322-9200

Canada

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416-593-6622

Mexico

Selma, TX
210-566-7610

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New York, NY

Registrar and Transfer Agent

The Bank of New York
Shareholder Relations Department
P.O. Box 11258
Church Street Station
New York, NY 10286
1-866-557-8695
Website: www.stockbny.com
Email: Shareowners@bankofny.com

Stock Listings

NYSE—Symbols KIM, KIMprF

On May 27, 2005, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification required by Section 303A.12(a) of the NYSE Company Manual. In addition, the Company has filed with the Securities and Exchange Commission as exhibits to its Form 10-K for the fiscal year ended December 31, 2005 the certifications, required pursuant to Section 302 of the Sarbanes-Oxley Act, of its Chief Executive Officer and Chief Financial Officer relating to the quality of its public disclosure.

Investor Relations

A copy of the Company's Annual Report to the U.S. Securities and Exchange Commission on Form 10-K may be obtained at no cost to stockholders by writing to:

Scott G. Onufrey
Vice President
Kimco Realty Corporation
3333 New Hyde Park Road, Suite 100
New Hyde Park, NY 11042
516-869-7288
E-mail: ir@kimcorealty.com

Annual Meeting of Stockholders

Stockholders of Kimco Realty Corporation are cordially invited to attend the 2006 Annual Meeting of Stockholders scheduled to be held on May 18, 2006, at 270 Park Avenue, New York, NY, Floor 11, at 10:00 a.m.

Dividend Reinvestment and Common Stock Purchase Plan

The Company's Dividend Reinvestment and Common Stock Purchase Plan provides common and preferred stockholders with an opportunity to conveniently and economically acquire Kimco common stock. Stockholders may have their dividends automatically directed to our transfer agent to purchase common shares without paying any brokerage commissions. Requests for booklets describing the Plan, enrollment forms and any correspondence or questions regarding the Plan should be directed to:

The Bank of New York
Kimco Realty Corporation
P.O. Box 1958
Newark, NJ 07101-9774
1-866-557-8695

Holders of Record

Holders of record of the Company's common stock, par value $.01 per share, totaled 2,236 as of March 24, 2006.

Stock Price and Dividend Information

	Stock Price		Dividends Paid Per
	High	Low	Common Share(1)
2005:			
First Quarter	**$29.09**	**$25.90**	**$0.305**
Second Quarter	**$30.00**	**$26.17**	**$0.305**
Third Quarter	**$33.35**	**$29.19**	**$0.305**
Fourth Quarter	**$33.21**	**$27.81**	**$0.330**
2004:			
First Quarter	$25.66	$21.88	$0.285
Second Quarter	$25.60	$19.77	$0.285
Third Quarter	$25.90	$22.42	$0.285
Fourth Quarter	$29.64	$25.27	$0.285

(1) The Company has determined that the $1.25 dividend per common share paid during 2005 represented 86% ordinary income and a 14% capital gain to its stockholders, or approximately $1.07 represented ordinary income and $0.18 represented a capital gain. The $1.14 dividend per common share paid during 2004 represented 83% ordinary income and a 17% return of capital to its stockholders, or approximately $0.95 represented ordinary income and $0.19 represented a return of capital.

Note: All amounts have been adjusted for the 2:1 stock split on August 24, 2005

Board of Directors

Martin S. Kimmel

Chairman (Emeritus) of the Board of Directors of the Company since November 1991. Chairman of the Board of Directors of the Company for more than five years prior to the Company's IPO. Founding member of the Company's predecessor in 1966.

Milton Cooper

Chairman of the Board of Directors of the Company since November 1991. Founding member of the Company's predecessor in 1966. Mr. Cooper is also a director of Getty Realty Corp. and Blue Ridge Real Estate/Big Boulder Corporation and a former trustee of MassMutual Corporate Investors and MassMutual Participation Investors.

Michael J. Flynn

Vice Chairman of the Board of Directors of the Company since January 1996 and, since January 1997, President and Chief Operating Officer; Director of the Company since December 1991. Chairman of the Board and President of Slattery Associates, Inc. for more than five years prior to joining the Company in 1996. Mr. Flynn is also Chairman of the Board of Directors of Blue Ridge Real Estate/Big Boulder Corporation.

David B. Henry

Vice Chairman of the Board of Directors since May 2001 and Chief Investment Officer of the Company. Mr. Henry joined Kimco Realty Corporation after 23 years at General Electric, where he was Chief Investment Officer and Senior Vice President of GE Capital Real Estate and Chairman of GE Capital Investment Advisors.

Richard G. Dooley

Director of the Company since December 1991. From 1993 to 2003, consultant to, and from 1978 to 1993, Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company.

Joe Grills

Director of the Company since January 1997. Chief Investment Officer for the IBM Retirement Funds from 1986 to 1993. Mr. Grills is also a Director and Co-Chairman of the Board of certain Merrill Lynch Mutual Funds and Director Emeritus of Duke University Management Company.

F. Patrick Hughes

Mr. Hughes has been a director since September 2003. Mr. Hughes previously served as CEO, President and Trustee of Mid-Atlantic Realty Trust since its formation in 1993. Mr. Hughes is the former President, Chief Operating Officer and Director of BTR Realty, Inc., having served in such capacity from 1990 to 1993. Mr. Hughes served as CFO and Senior Vice President from 1974 until 1990.

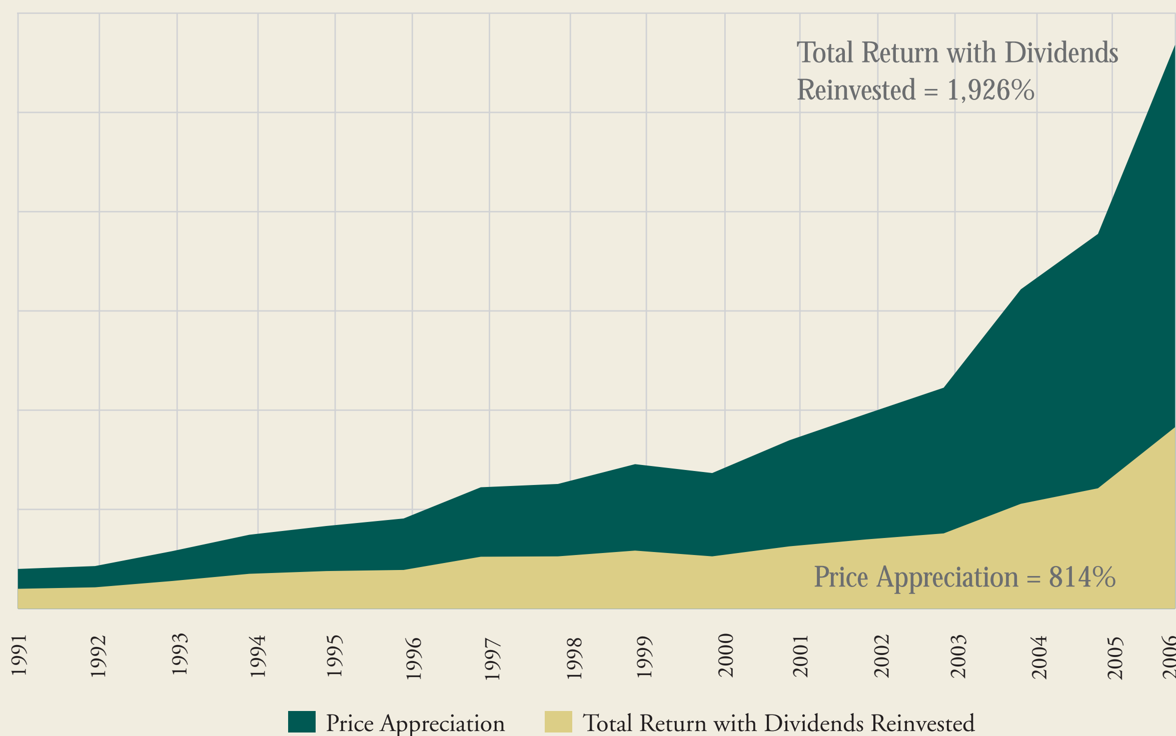
Frank Lourenso

Director of the Company since December 1991. Executive Vice President of J.P. Morgan Chase & Co. since 1990. Senior Vice President of J.P. Morgan Chase for more than five years prior to that time.

Richard B. Saltzman

Elected to the Board of Directors in July 2003. Mr. Saltzman is President of Colony Capital LLC, an international real estate investment management firm. Prior to joining Colony, Mr. Saltzman spent 24 years in the investment banking business, primarily specializing in real estate-related businesses and investments. Most recently, he was a Managing Director and Vice Chairman of Merrill Lynch's investment banking division. As a member of the investment banking operating committee, he oversaw the firm's global real estate, hospitality and restaurant businesses.

Direct Stock Purchase and Dividend Reinvestment Plan



Call today to learn how to reinvest your dividend or purchase shares directly from Kimco.

1.866.557.8695

The Company's Direct Stock Purchase and Dividend Reinvestment Plan provides investors with the following advantages:

- a low-cost method to acquire Kimco common stock
- an efficient way to reinvest dividends in Kimco stock to acquire additional shares without a brokerage commission
- account credited with both full and fractional shares
- simplified record-keeping with easy-to-read account statements

Simply call the number listed above to enroll today.

Kimco Realty Corporation

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