



REACHING NEW HEIGHTS
2006 ANNUAL REPORT

KITE
REALTY GROUP

BY THE NUMBERS

Since our IPO on 8.11.04, we have experienced great success:

132% Increase in enterprise value.

86% Growth in number of operating properties.

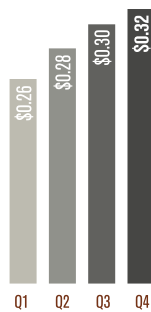
61% Growth in total gross leasable area.

59% Total shareholder return, including reinvestment of cash dividends.

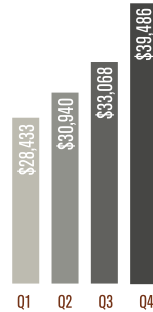
43% Increase in share price.

2006 FINANCIAL HIGHLIGHTS

2006 PERFORMANCE SUMMARY

FFO PER DILUTED SHARE¹

TOTAL REVENUE (000s)



DIVIDEND PER SHARE



(1) Please see page 14 for a definition of Funds From Operation (FFO).

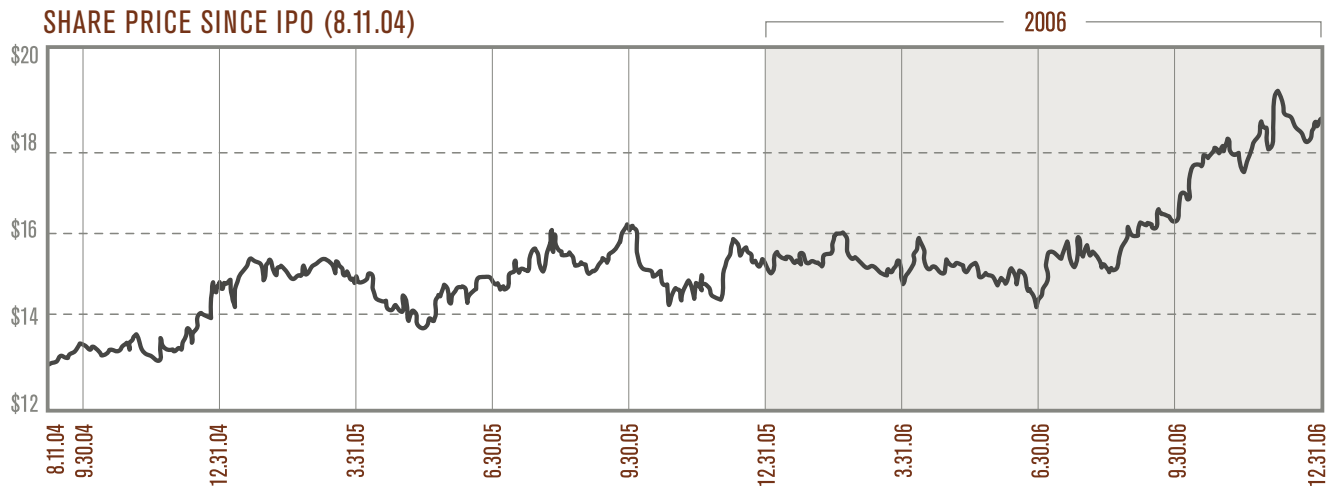
2006 SHARE SUMMARY

	AT IPO (8.11.04)	AS OF 12.31.05	AS OF 12.31.06	% GROWTH SINCE IPO
Share Price	\$13.00	\$15.47	\$18.62	43%
Enterprise Value	\$552M	\$959M	\$1,283M	132%
Total Return ²			26%	59%

(2) Based on change in share price and assuming reinvestment of dividends.

Our focused developments and strategic acquisitions contributed toward a 26% total return for our shareholders in 2006 alone.

SHARE PRICE SINCE IPO (8.11.04)



FELLOW SHAREHOLDERS,

2006 was an important year in the history of Kite Realty Group as we continued to execute on our multi-platform long-term growth plan. We are pleased with the early results of our efforts and continue to focus on shaping our financial and operational infrastructure to manage the future growth that we believe will be generated by our investments. A long-term growth strategy is not inconsistent with short-term value creation—total return for our fellow shareholders was 26 percent in 2006 and 59 percent since our IPO in August 2004.

An important piece of our growth strategy is development—a natural choice, given the depth of our experience and the potential for higher returns on shareholder equity. We entered 2007 with a \$201 million development pipeline—a 54 percent increase over the pipeline at our IPO. We have acquired the land necessary for over \$250 million of additional projects that we expect to transition to the current development pipeline. Our vertically-integrated development process is a key component to our strategy, as it enables us to locate, design, build and lease high-quality projects with in-house expertise.

Although development is key to our growth, we employ a diversified approach to value creation. We remain open to selective acquisitions of operating properties, particularly to drive market penetration and tenant diversification. At the same time, we continue to focus on maximizing the value of our current operating portfolio. We recently created and filled a senior position in our asset management group to direct our ancillary income program and redevelopment projects. Finally, our construction and advisory services divisions continue to be a source of complementary third-party fee income.

In 2006, we took steps to enhance the financial foundation necessary to support our anticipated growth. To assist in the funding of our dynamic development pipeline, we entered into a financial joint venture with Prudential Real Estate Investors. This partnership has the capacity to develop or acquire up to \$1.25 billion of well-located, high-quality retail assets. We also replaced our secured

line of credit with a new \$200 million unsecured credit facility that provides us with additional capacity and more flexibility at a lower borrowing cost. Through our improved capital markets structure, we are on solid footing to expand the reach and scope of our development, redevelopment and acquisition plans.

We are very pleased that our long-term investment strategy has already begun to pay off for our fellow shareholders. The fourth quarter of 2006 reflected an 18.5 percent increase in Funds From Operations (FFO) per share over the fourth quarter of the prior year. Our managed growth is also evident from two other important performance metrics: we increased our quarterly dividend during the year by four percent and ended the year with a fixed charge coverage ratio of nearly three times—a benchmark of our strong balance sheet.

While we are very pleased with the short-term value that we created for shareholders in 2006, our most significant accomplishments this year were in laying the groundwork for our growth strategy in 2007 and beyond. We believe that real estate, particularly development, is a long-term investment. Kite Realty Group may be a relatively young public company, but the past forty years have taught us to keep an eye on emerging opportunities on the horizon, and we will continue to work to create shareholder value by executing on our initiatives and growing our business. We have an outstanding team and are fortunate to be guided by a dedicated and engaged Board of Trustees. We appreciate the investment that you have made in Kite Realty Group and the confidence that you have placed in us. We look forward to continuing to share our success with you.



Alvin E. Kite
Chairman of the Board of Trustees



John A. Kite
Chief Executive Officer,
President and Trustee



John Kite, Chief Executive Officer and Al Kite, Chairman.

DELIVERING IMPRESSIVE RESULTS FROM THE GROUND UP

Our structure gives us more control from land procurement through final lease-up.

OUR FRAMEWORK FOR SUCCESS

The diverse experience of our in-house team, from land procurement through leasing, drives our focus on success in ground-up development. We have a proven track record of targeting growing markets with attractive demographics, selecting the best sites and enlisting leading national retailers to anchor our shopping centers. We have delivered all of the projects in our development pipeline as of our initial public offering, and in the last year, we recharged the pipeline with approximately \$117 million in new projects. This brings our year-end combined pipeline to approximately \$450 million of high-quality developments located in our target markets, anchored by top-flight retailers such as Target, Lowe's Home Improvement and Whole Foods.

We continue to expand our geographic reach and the scope of our projects. Included in the combined pipeline are two large, mixed-used developments in the Southeast. Parkside Town Commons in Cary, North Carolina and Delray Marketplace in Delray Beach, Florida are estimated to total over one million square feet.

Our combined development pipeline totals nearly \$450 million.

Tarpon Springs Plaza
Naples, Florida



Glendale Town Center
Indianapolis, Indiana



Gateway Shopping Center
Marysville, Washington



2006 DEVELOPMENT HIGHLIGHTS

\$201

\$244

1.7

1.2

MILLION

Estimated total cost of the current development pipeline.¹

Estimated total cost of the shadow pipeline.^{1,2}

Projected total GLA of the development pipeline.³

Estimated total GLA of the shadow pipeline.^{2,3}

(1) Reflects KRG and partner's share of cost as of December 31, 2006.

(2) Based on preliminary site plans.

(3) Projected total GLA includes the gross leaseable area of KRG projects we will own, projected square footage attributable to non-owned outlot structures on land that is owned by KRG and projected non-owned anchor space.

DEVELOPING VALUE THROUGH STRATEGIC RELATIONSHIPS

We continue to build relationships to open opportunities and enhance value.

WORKING TOGETHER FOR FUTURE GROWTH

Real estate is a team sport, and we utilize our network of tenants, brokers, third-party clients and financial institutions to execute our growth plan and maximize shareholder value. Over the years, our relationships with local developers and brokers have led to attractive, off-market opportunities to acquire operating centers and well-located land. We work hard to keep our tenants satisfied and to provide them with a quality project—this leads to repeat deals with the national and regional retailers that populate our centers.

Our strategic partnership with Prudential Real Estate Investors, announced in September 2006, gives us the financial flexibility to develop or acquire up to \$1.25 billion of well-positioned shopping centers over the next four years. We will use our vertically-integrated development platform to bring projects from concept to stabilization while earning leasing, development, construction and property management fees throughout the process.

Parkside Town Commons
Cary, North Carolina



AN EXCITING VENTURE IN PARTNERSHIP

The first project contributed into the Prudential joint venture is Parkside Town Commons, a projected 750,000 square foot mixed-use development on the edge of the Research Triangle Park in Cary, North Carolina. Parkside Town Commons will be located just off the I-540/Highway 55 interchange, offering easy access to residents and professionals of this fast-growing area. This region boasts impressive demographics, including strong, sustained population and employment growth and high household income and education levels, yet the trade area surrounding Parkside Town Commons is underserved by many national retailers. Pre-leasing activities are underway, and site work is expected to begin in 2007.

Our strategic joint venture will enable us to develop or acquire up to \$1.25 billion of properties over the next four years.

ENHANCING OUR PORTFOLIO THROUGH TARGETED ACQUISITIONS

In 2006, KRG acquired nearly \$95 million of operating properties.

SUCCESSFUL PROPERTIES IN THRIVING MARKETS

In 2006, we continued to make accretive acquisitions in our key growth markets. We have focused our resources on off-market deals in an effort to maximize returns.

In July, we enhanced our position as a significant landlord in Naples, Florida, with the acquisition of three fully-leased properties totaling more than 470,000 square feet and anchored by strong retailers such as Target, Publix and Albertson's. This acquisition, combined with our existing centers and two area developments, will ultimately give us 1.3 million total square feet of gross leasable area in the Naples market. Our strong presence should allow us to influence the market with respect to rents, while giving us the ability to strike package deals with national tenants for coveted spaces in attractive Naples shopping centers.

In April, we worked directly with the developer of Kedron Village, located in an affluent suburb of Atlanta, to acquire the property during construction. This 280,000 square foot class-A shopping center, anchored by Target, adds stability to our tenant base with Bed Bath & Beyond, Ross Stores and PETCO, and provides great exposure in one of the Southeast's leading markets.

**We purchased
four properties
totaling over
750,000 square
feet in Naples
and Atlanta.**

Kedron Village
Atlanta, Georgia

Pine Ridge Crossing
Naples, Florida [below]

Riverchase
Naples, Florida [above]



2006 ACQUISITION HIGHLIGHTS

4

Total Property Acquisitions.

\$94.7

Total Purchase Price in Millions.

750,000

Square Feet of Total GLA.⁽¹⁾

GAINING
GROUND

(1) Total GLA includes gross leasable area that KRG owns, square footage attributable to non-owned outlot structures on land that is owned by KRG and non-owned anchor space.

DEVELOPING A STRONG PRESENCE IN FLORIDA

Florida projects comprise nearly 21 percent of our operating portfolio base rent and 60 percent of our current development pipeline's total estimated cost.

A SHARP FOCUS ON GROWTH MARKETS

Impressive economic and demographic fundamentals continue to support a premium in Florida real estate values. New residents are moving into the state of Florida at a rate of 1,000 per day, and demographic trends continue to strongly favor Florida over the long run.

We developed our first shopping center in Florida nearly ten years ago and currently have operating centers in Naples, Orlando, Jacksonville, Ft. Lauderdale, Daytona, Gainesville and Vero Beach. These properties represent nearly 21 percent of our operating portfolio base rent and 28 percent of total gross leasable area.

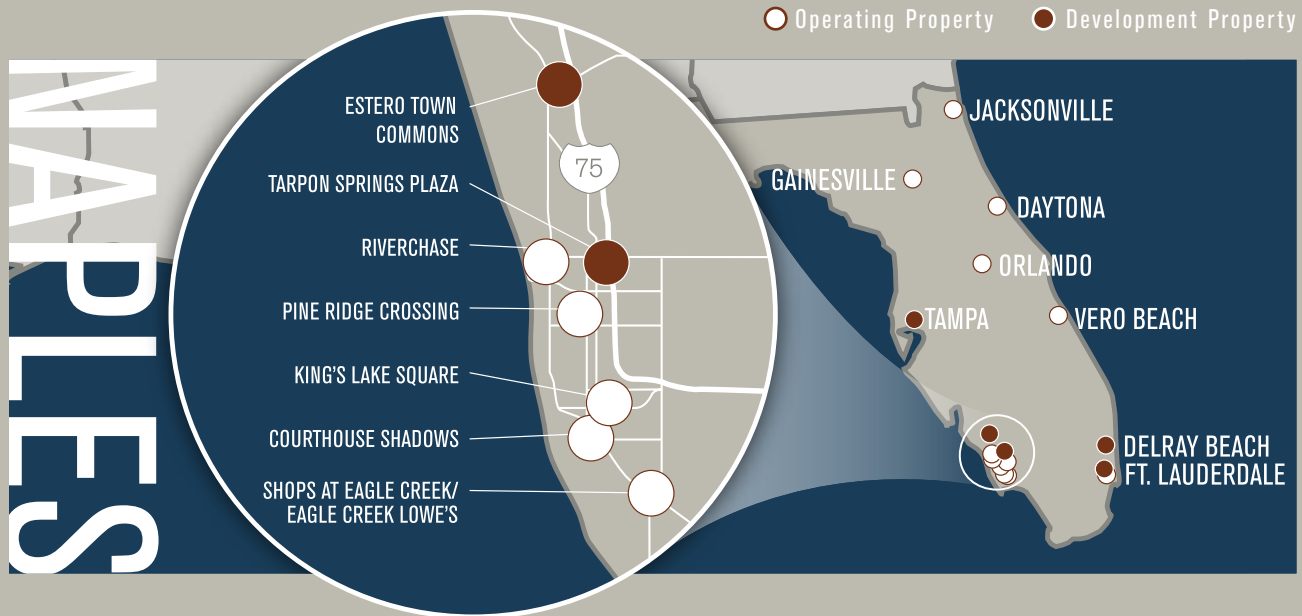
A significant portion of our development pipeline is also located in high-growth areas of Florida. Two projects totaling an estimated \$70 million were added to the pipeline last year. Bayport Commons near Tampa and Cobblestone Plaza near Ft. Lauderdale are anticipated to total 438,000 square feet. These new developments bring the Florida concentration in the current development pipeline to nearly 60 percent of total estimated cost and 55 percent of projected total gross leasable area.

National retailers appreciate the same market fundamentals. Our Florida anchors include industry leaders such as Target, Lowe's Home Improvement, Wal-Mart, Publix, Whole Foods, Staples and PetSmart.

Estero Town Commons
Naples, Florida



KITE'S FLORIDA PRESENCE



A COMPANY BUILT ON STRONG LEADERSHIP

Our leaders continue to set the tone for success.

BOARD OF TRUSTEES



Alvin E. Kite
Chairman of the Board,
Kite Realty Group Trust



John A. Kite
President and Chief
Executive Officer, Kite
Realty Group Trust

Our experienced leadership team continues to provide the strength and vision needed for the short and long-term success of Kite Realty Group.



William E. Bindley
Chairman, Bindley Capital
Partners, LLC



Dr. Richard A. Cosier
Dean, Krannert School
of Management,
Purdue University



Eugene Golub
Chairman, Golub
& Company



Gerald L. Moss
Honorary of Counsel,
Bingham McHale, LLP



Michael L. Smith
Retired former Executive
Vice President and Chief
Financial Officer, Wellpoint,
Inc. (Formerly Anthem, Inc.)

From left to right: Senior Vice President and Chief Financial Officer Dan Sink, Executive Vice President and Chief Operating Officer Tom McGowan, President and Chief Executive Officer John Kite.



EXECUTIVE MANAGEMENT TEAM

ADDITIONAL INFORMATION

This report contains certain statements that are not historical fact and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those stated in the forward-looking statements, including, without limitation: national and local economic, business, real estate and other market conditions; the competitive environment in which the Company operates; financing risks; financial stability of tenants; the Company's ability to maintain its status as a REIT for federal income tax purposes; acquisition, disposition, development and joint venture risks, including risks of affiliates that the Company may not control; potential environmental and other liabilities; and other factors affecting the real estate industry generally. The Company refers you to the documents filed by the Company from time to time with the Securities and Exchange Commission, specifically the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as may be updated or supplemented in the Company's Form 10-Q filings, which discuss these and other factors that could adversely affect the Company's results.

Funds from Operations ("FFO"), is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. The Company calculates FFO in accordance with the best practices described in the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (NAREIT), which we refer to as the "White Paper." The White Paper defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. For a more detailed definition of FFO and a reconciliation to net income determined in accordance with GAAP, see "Funds From Operations" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the KRG Form 10-K as filed with the Securities and Exchange Commission on March 16, 2007.



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KRG
LISTED
NYSE