KITE
REALTY GROUP

ANNUAL REPORT | 2011 A

CORPORATE PROFILE

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

As of December 31, 2011, the Company owned interests in 63 operating properties totaling approximately 9.5 million square feet of gross leasable area (GLA). In addition, the Company had an interest in three in-process retail development projects totaling 0.6 million square feet of GLA.

The Company was founded in 1960 and is headquartered in Indianapolis, Indiana. Its common and preferred shares are traded on the New York Stock Exchange under the symbols KRG and KRGPrA, respectively. The Company's current quarterly common share dividend is $0.06 per share. The quarterly preferred share dividend is $0.515625, reflecting an 8.25% coupon rate.

The Company qualifies as a REIT under the Internal Revenue Code. As a REIT, the Company is not subject to federal tax to the extent that it distributes at least 90% of its taxable income to its shareholders.

KRG
LISTED
NYSE

Year Ended December 31,	2011	2010	2009
($ in millions, except per share data)			
FINANCIAL DATA:			
Total Revenue	$101.9	$101.4	$ 115.3
Funds From Operations (FFO*) of the Operating Partnership	$ 31.8	$ 30.3	$ 34.1
FFO per Weighted Average Diluted Common Share	$ 0.44	$ 0.42	$ 0.57
Net Loss Attributable to Common Shareholders	$ (0.8)	$ (8.6)	$ (1.8)
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	$ 62.9	$ 60.1	$ 62.1
Diluted Weighted Average Common Shares and Units Outstanding (in millions)	71.7	71.4	60.3
PROPERTY DATA:			
Properties in Operating Portfolio (including redevelopments)	63	61	60
Total Square Feet (GLA, in millions)	9.5	9.1	8.9
Percent of Owned Portion Under Lease:			
Total Portfolio	93.3%	92.5%	90.7%
Retail Only	93.3%	92.2%	90.1%
Projects in In-Process Development Pipeline	3	3	3
DIVIDEND DATA:			
Cash Dividend Paid per Common Share	$0.240	$0.240	$0.3325

* FFO is a non-GAAP financial measure commonly used in the real estate industry that we believe provides useful information to investors. Please refer to Management's Discussion & Analysis of Financial Condition and Results of Operations in the accompanying Form 10-K for a definition of FFO, and to pages 65-66 for a reconciliation of net income to FFO.

Front cover pictures from left to right: (1) Rivers Edge, Indianapolis, IN (2) Eddy Street Commons at Notre Dame, South Bend, IN (3) Cobblestone Plaza, Pembroke Pines, FL (4) Rivers Edge, Indianapolis, IN

MARCH 2012

DEAR FELLOW SHAREHOLDERS:

JOHN KITE
Chairman and Chief Executive Officer

The year 2011 was noteworthy for Kite Realty Group, demonstrating the successful continuation of our strategy of managing and developing first-class real estate, leasing to a diverse and high-quality tenant base, and strengthening our balance sheet by capitalizing on favorable debt markets and long-term banking relationships. Virtually every key measure of our business improved last year, including net operating income, financial ratios, leasing metrics, and development activity. But it's not in our nature to become complacent with periods of success; instead, it motivates us to strive for higher levels of excellence. In the balance of this letter, I will recap last year's accomplishments and give our view into 2012 and beyond.

2011 IN REVIEW

We ended the year by increasing the retail operating portfolio to 93.3% leased, the fifth consecutive quarterly increase, 320 basis points better than just two years ago and 110 basis points higher than the prior year end. This performance is attributable to the strength of our real estate and the exceptional efforts of our leasing team both in executing new leases and in renewing leases with a significant number of our existing tenants at positive cash rent spreads. These accomplishments were realized without diminishing the productivity and creditworthiness of the portfolio or overexposure to tenant or industry concentration.

SOUTH ELGIN COMMONS
South Elgin, IL

Along with our strong leasing production, we implemented a number of revenue enhancements and cost control measures which enabled us to increase the net operating income of our 52 "same store" properties by 3.7% during 2011. In addition, total revenue for the entire portfolio grew by 8.7% during the year. Substantially all of our earnings now come from "core" revenues earned from property operations. We have steadily increased the level of our core activities over the past several years which has resulted in a more predictable revenue stream for our company. With all of the positive activity in our existing portfolio, 2011 was also one of the more active development years in our recent history.

- **NEW HILL PLACE**, Holly Springs (Raleigh MSA), NC–We transitioned Phase I of New Hill Place to an in-process development project in 2011. Phase I is a 374,000 square foot shopping center anchored by Target, Dick's Sporting Goods, Marshall's, Michael's and Petco. Phase I was 65% pre-leased or committed as of December 31, 2011. We also have an additional 37 acres for Phase II of this project, on which we expect to begin construction in 2013. We have already signed a lease with one of the anchors for this phase and we are negotiating leases for additional junior anchor space;

- **FOUR CORNER SQUARE/MAPLE VALLEY**, Maple Valley (Seattle MSA), WA–We have executed three anchor leases at this property and moved it to an in-process development in 2011. The project will involve the redevelopment of our existing 73,000 square foot center and the construction of 45,000 new square feet of leasable space. The redeveloped property is scheduled to open in late 2012;

- **OLEANDER PLACE**, Wilmington, NC–We acquired this property in early 2011 as a redevelopment project and shortly thereafter executed a lease with Whole Foods to replace the existing underperforming anchor. The 48,000 square foot shopping center is 86% pre-leased and Whole Foods is scheduled to open in the spring of 2012; and

- **ZIONSVILLE WALGREENS**, Zionsville (Indianapolis MSA), IN–We expect to complete construction in the fall of 2012 on this 15,000 square foot Walgreens Pharmacy.

These projects are expected to cost approximately $185 million and add significant value to our portfolio. Each of the projects, along with several others on which we continue pre-development work, provides evidence that there continue to be high-quality, profitable development opportunities on real estate in markets with excellent demographics.

While we have increased our overall leased percentage to 93.3%, there remain significant opportunities to enhance the revenue stream from our existing properties. At year-end, our small shop portfolio was about 79.5% leased and we look to increase this percentage, potentially delivering $2–3 million of incremental revenue. In addition, we continually evaluate our existing portfolio for opportunities to enhance it by redeveloping, re-tenanting or generating new revenue sources.

"We will generate $5 million of incremental annualized cash net operating income in 2012 from leases executed at our development and redevelopment properties in 2011."

MANAGING THE BALANCE SHEET

Our primary financing and capital preservation strategy is to maintain a conservative and strong balance sheet with sufficient flexibility to fund our operating and development activities in the most cost-effective way possible. Specifically, our goals are to capitalize on the historically low long-term interest rates and reduce leverage through continued NOI growth and non-core asset sales. In 2011, we executed our strategy in a number of ways:

- We financed or refinanced $413 million of indebtedness, resulting in only $99 million of debt maturing through 2013;
- We closed on $82 million of secured financing at a fixed rate of 5.44%, using the proceeds to retire fixed and variable rate debt on several properties. The ten-year term on this debt reflects our goal of staggering of future maturities;
- We will generate $5 million of incremental annualized cash net operating income in 2012 from leases executed at our development and redevelopment properties in 2011; and

- Subsequent to year end, we closed on the sale of our Gateway Shopping Center near Seattle, Washington. In connection with this sale, we retired property debt of $20.4 million and generated $7 million of excess capital.

Another aspect of the conservative management of our balance sheet is our cautious approach to development activities. We manage our risk by requiring each development project to pass a series of demanding leasing and economic tests before we commit incremental capital. We also secure appropriate property-level financing prior to commencing vertical construction. Lastly, we continually evaluate the markets in which we own properties, in particular those assets in markets that may not be central to our long-term growth initiatives. In 2012, this process will continue and we will look to recycle certain non-core assets with an eye toward using the proceeds to strengthen our presence in our primary markets.

LEASING IS FUNDAMENTAL TO OUR SUCCESS

We executed 156 new and renewal leases in 2011 for a total of 842,000 square feet. We have made tremendous strides in our leasing program over the last several years, executing a total of 2.8 million square feet of leases from 2009 to 2011. We have developed a number of exciting new relationships with prominent national retailers and restaurants. We are finding that several national tenants are seeking to expand and we are very confident in the quality and demographics of the real estate in our developments and existing properties.

RIVERS EDGE
Indianapolis, IN

EDDY STREET COMMONS AT NOTRE DAME
South Bend, IN

While we have enjoyed great leasing success in recent years, it was not at the expense of diminished profitability. Our average annualized retail portfolio rent per square foot grew 3.6% over the prior year and our cash rent spreads remain solid, increasing by 6.4% in 2011. We now have had nine consecutive quarters of positive aggregate rent spreads, an achievement we are proud of since it occurred during one of the most difficult economic conditions in recent memory. We also have a total of $11 million of base rent expiring during the next two years. While some might consider this a daunting challenge, we believe we can capitalize on these opportunities to continue strengthening our tenant base and growing our spreads and average rents. Successful tenant retention and the related effect of driving low-cost growth are cornerstones of our business strategy in 2012 and future years.

"Average annualized retail portfolio rent per square foot grew 3.6% over the prior year and our cash rent spreads remain solid, increasing by 6.4% in 2011."

At year end, our portfolio tenancy remained diverse, with no tenant comprising more than 2.9% of our total annualized base rent. Keeping this percentage low has allowed us to mitigate the impact of the bankruptcies and serious financial difficulties experienced by a number of major national retailers in recent years. We believe that closely managing the diversity of our portfolio is critically important during a period of economic uncertainty.

We also made great strides during the year in maximizing the tools we use to manage our leasing and property management activities. These tools allow for the automation of the workflow and approval processes and the creation of a comprehensive database for more sophisticated reporting. They will also allow us to continue to improve our knowledge base as it relates to property operations and the health of our tenants' businesses. We successfully began the integration of our leasing and property management systems in 2011 and will continue to enhance these systems in future years.

In closing, I would like to take this opportunity to thank all of our stakeholders for their continued confidence in our efforts and the shared excitement about our plans for the future. We have a top notch team of associates who have a passion to excel and we are very fortunate to be guided by a dedicated and engaged Board of Trustees. I am encouraged by the prospects of our business, and I remain committed to maximizing the value of your company.

John A. Kite
Chairman and Chief Executive Officer

NEW HILL PLACE
Holly Springs, NC
Grand Opening Spring 2013

KITE REALTY GROUP

2011 FORM 10-K

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

FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2011

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____to_____

Commission File Number: 001-32268

Kite Realty Group Trust

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

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

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

Documents Incorporated by Reference

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

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

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

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

Overview

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

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

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

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

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

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

Significant 2011 Activities

Financing and Capital Raising Activities. As discussed in more detail below in *"Business Objectives and Strategies,"* our primary business objectives are to generate increasing cash flow, achieve long-term growth and maximize shareholder value primarily through the operation, acquisition, development and redevelopment of well-located community and neighborhood shopping centers. In 2011, one of our primary objectives was the cost effective and opportunistic strengthening of our balance sheet to allow access to various sources of capital to fund our future commitments. We endeavor in 2012 to continue improving our key financial ratios including our debt to EBITDA ratio. We ended the year 2011 with approximately $38 million of combined cash and borrowing capacity on our unsecured revolving credit facility and Fishers Station revolving line of credit. We will remain focused on 2012 financing activity and will continue to aggressively manage our operating portfolio and development pipeline.

transitioned the property to an in-process redevelopment. The Company anticipates its total investment in the redevelopment will be $5 million, of which $1.7 million had been incurred as of December 31, 2011;

- *Four Corner Square/Maple Valley* near Seattle, Washington was transitioned to an in-process development in 2011. In addition to the existing center, we also own approximately ten acres of adjacent land for the expansion of the shopping center. The center will be anchored by Johnson's Home & Garden, Walgreens, and Grocery Outlet. The Company currently anticipates its total investment in the redevelopment and expansion will be approximately $23.5 million (net of projected property sales), of which $11.2 million had been incurred as of December 31, 2011;
- *New Hill Place – Phase I* in Raleigh, North Carolina was transitioned to an in-process development in 2011. This center will be anchored by Dick's Sporting Goods, Marshall's, Michael's, and Petco and a non-owned Target. The Company anticipates its total investment in the development will be $57 million, of which $17.1 million had been incurred as of December 31, 2011; and
- *Walgreens* in Zionsville, Indiana was transitioned to an in-process development in 2011. The Company anticipates its total investment in the single-tenant development will be $5.2 million, of which $2.4 million had been incurred as of December 31, 2011.

2011 Acquisitions

- *Oleander Pointe*, a 52,000 square foot, retail shopping center in Wilmington, North Carolina, was acquired in February 2011 for a purchase price of $3.5 million. The Company is currently redeveloping this property, and the Whole Foods anchor is scheduled to open in May 2012;
- *The Centre* is an 81,000 square foot shopping center located in Carmel, Indiana, a suburb of Indianapolis. In February 2011, we completed the acquisition of the remaining 40% interest in the property from our joint venture partners and assumed leasing and management responsibilities. The purchase price was approximately $2.2 million, including the settlement of a $0.6 million loan made by the Company; and
- *Lithia Crossing,* an 87,000 square foot, retail shopping center in Tampa, Florida, was acquired in June 2011 for a purchase price of $13.3 million.

2011 Cash Distributions

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

Business Objectives and Strategies

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

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

- *Operating Strategy*: Maximizing the internal growth in revenue from our operating properties by leasing and re-leasing those properties to a diverse group of retail tenants at increasing rental rates, when possible**,** and redeveloping or renovating certain properties to make them more attractive to existing and prospective tenants and consumers or to permit additional or more productive uses of the properties;
- *Growth Strategy*: Using debt and equity capital prudently to redevelop or renovate our existing properties, selectively acquire additional retail properties and develop shopping centers on land parcels that we currently own where we believe that investment returns would meet or exceed internal benchmarks; and
- *Financing and Capital Preservation Strategy*: Maintaining a strong balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective manner; funding sources include borrowings under our existing revolving credit facility, new secured debt, accessing the public securities markets when conditions are favorable, with internally generated funds and proceeds from selling land and

properties that no longer fit our strategy, and investment in strategic joint ventures. We continuously monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

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

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

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

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

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

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

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

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

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

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

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

- prudently managing our balance sheet, including reducing the aggregate amount of indebtedness outstanding under our unsecured revolving credit facility so that we have additional capacity available to fund our development and redevelopment projects and pay down maturing debt if refinancing that debt is not feasible;
- extending the maturity dates of and/or refinancing of our near-term mortgage, construction and other indebtedness. Subsequent to December 31, 2011, we retired $45 million of our 2012 maturities, leaving $11 million to be addressed over the balance of the year. We are pursuing financing alternative to enable us to repay, refinance, or extend the maturity date of this loan;
- staggering our maturities with long-term debt on recently completed projects;
- entering into construction loans typically prior to commencement of construction to fund our in-process developments, redevelopments, and future developments;
- raising additional capital through the issuance of common shares, preferred shares or other securities;
- managing our exposure to interest rate increases on our variable-rate debt through the use of fixed rate hedging transactions and securing property specific long-term nonrecourse financing; and
- investing in joint venture arrangements in order to access less expensive capital and to mitigate risk.

Business Segments

Our principal business is the ownership, operation, acquisition and development of high-quality neighborhood and community shopping centers in selected markets in the United States. Historically, the operations of the Company have

been aligned into two business segments: (1) real estate operations and development activities, and (2) construction and advisory services. Over the last several years, the Company made a strategic decision to reduce its third party construction and advisory services activity. As a result of this decision, the Company has not entered into any new significant construction or advisory contracts in 2011. The operations of this segment are de minimis for the year ended December 31, 2011, and the Company expects they will remain so in the foreseeable future.

Competition

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

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

Government Regulation

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

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

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

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

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

RISKS RELATED TO OUR OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. Our leases generally do not contain provisions designed to ensure the creditworthiness of our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition, particularly during periods of economic uncertainty such as what has recently occurred. For example, Sears Holdings, which leases 111,000 square feet and accounts for 1.1% of our annualized base rent has recently announced it is closing 100 stores. The store in our center is not one of those identified by Sears for closure; however, there is no assurance that this will continue to be the case in the future. In the event of a prolonged economic downturn, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by a major tenant or non-owned anchor or a failure by that major tenant or non-owned anchor to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers because of contractual co-tenancy termination or rent reduction rights under the

terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant or a non-owned anchor with ground leases in multiple locations, could have a material adverse effect on our results of operations. As of December 31, 2011, the five largest tenants in our operating portfolio in terms of annualized base rent were Publix, Bed Bath & Beyond/Buy Buy Baby, PetSmart, Ross Stores and Toys "R" Us, representing 2.9%, 2.7%, 2.6%, 2.3%, and 2.2%, respectively, of our total annualized base rent.

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

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

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

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

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

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

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

- requiring us to use a substantial portion of our funds from operations to pay principal and interest, which reduces the amount available for distributions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;

- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; and
- limiting our ability to borrow more money for operating or capital needs or to finance development and acquisitions in the future.

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

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

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

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

We are subject to risks associated with hedging agreements.

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

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

transactions. As units are redeemed for common shares, the market price of our common shares could drop significantly if the holders of such shares sell them or are perceived by the market as intending to sell them.

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

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

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

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

Our financial covenants may restrict our operating and acquisition activities.

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

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

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

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

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

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

We compete with numerous developers, owners and operators of retail shopping centers for tenants. These competitors include institutional investors, other REITs and other owner-operators of community and neighborhood shopping centers, some of which own or may in the future own properties similar to ours in the same markets in which our properties are located, but which have greater capital resources. As of December 31, 2011, leases were scheduled to expire on a total of 5.3% of the space at our properties in 2012. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may be unable to lease on satisfactory terms to potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our leases with them expire. We also may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements than we have historically. As a result, our financial condition, results of operations, cash flow, trading price of our common shares and ability to satisfy our debt service obligations and to pay distributions to our shareholders may be materially adversely affected. In addition, increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any capital improvements we undertake may reduce cash available for distributions to shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

Potential losses may not be covered by insurance.

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

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

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

loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Events such as these could adversely affect our results of operations and our ability to meet our obligations.

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

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

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

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

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

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

Our efforts to identify environmental liabilities may not be successful.

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

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

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

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

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

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

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

- our financial condition and operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication by securities analysts of research reports about us or our industry;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);
- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- actions by institutional shareholders or hedge funds;
- increase or decrease in dividends;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

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

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

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

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

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

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

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

ownership in excess of the 7% limit or the 9.8% limit, as applicable, would not jeopardize our qualification as a REIT. In addition, our declaration of trust contains certain other ownership restrictions intended to prevent us from earning income from related parties if such income would cause us to fail to comply with the REIT gross income requirements. The various ownership restrictions may:

- discourage a tender offer or other transactions or a change in management or control that might involve a premium price for our shares or otherwise be in the best interests of our shareholders; or
- compel a shareholder who has acquired our shares in excess of these ownership limitations to dispose of the additional shares and, as a result, to forfeit the benefits of owning the additional shares. Any acquisition of our common shares in violation of these ownership restrictions will be void *ab initio* and will result in automatic transfers of our common shares to a charitable trust, which will be responsible for selling the common shares to permitted transferees and distributing at least a portion of the proceeds to the prohibited transferees.

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

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

Certain provisions of Maryland law could inhibit changes in control.

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

- "business combination moratorium/fair price" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares" from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

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

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

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

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

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

We depend on external capital to fund our capital needs.

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

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

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

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

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

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

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

TAX RISKS

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

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

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

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

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return

objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the IRS would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that our predecessors otherwise would have sold or that it might otherwise be in our best interest to sell.

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

REIT distribution requirements may increase our indebtedness.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Retail Operating Properties

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

OPERATING RETAIL PROPERTIES - TABLE I

Property[1]	State	MSA	Year Built/Renovated	Year Added to Operating Portfolio	Acquired, Redeveloped, or Developed	Total GLA[2]	Owned GLA[2]	Percentage of Owned GLA Leased[3]
Bayport Commons[7]	FL	Oldsmar	2008	2008	Developed	268,556	97,112	91.3%
Cobblestone Plaza	FL	Ft. Lauderdale	2011	2011	Developed	143,493	133,214	92.2%
Coral Springs	FL	Ft. Lauderdale	2004/2010	2004	Redeveloped	46,079	46,079	100.0%
Estero Town Commons	FL	Naples	2006	2007	Developed	206,600	25,631	72.6%
Indian River Square	FL	Vero Beach	1997/2004	2005	Acquired	379,246	142,706	93.5%
International Speedway Square	FL	Daytona	1999	1999	Developed	242,995	233,495	92.7%
King's Lake Square	FL	Naples	1986	2003	Acquired	85,497	85,497	90.5%
Lithia Crossing	FL	Tampa	1993	2011	Acquired	86,950	81,504	87.9%
Pine Ridge Crossing	FL	Naples	1993	2006	Acquired	258,874	105,515	96.3%
Riverchase Plaza	FL	Naples	1991/2001	2006	Acquired	78,380	78,380	95.5%
Shops at Eagle Creek	FL	Naples	1983	2003	Redeveloped	72,271	72,271	52.0%
Tarpon Springs Plaza	FL	Naples	2007	2007	Developed	276,346	82,547	95.1%
Wal-Mart Plaza	FL	Gainesville	1970	2004	Acquired	177,826	177,826	90.9%
Waterford Lakes Village	FL	Orlando	1997	2004	Acquired	77,948	77,948	96.1%
Kedron Village	GA	Atlanta	2006	2006	Developed	282,125	157,409	90.8%
Publix at Acworth	GA	Atlanta	1996	2004	Acquired	69,628	69,628	81.6%
The Centre at Panola	GA	Atlanta	2001	2004	Acquired	73,079	73,079	98.2%
Fox Lake Crossing	IL	Chicago	2002	2005	Acquired	99,072	99,072	89.4%
Naperville Marketplace	IL	Chicago	2008	2008	Developed	169,600	83,758	98.1%
South Elgin Commons	IL	Chicago	2009	2009	Developed	128,000	128,000	100.0%
50 South Morton	IN	Indianapolis	1999	1999	Developed	2,000	2,000	100.0%
54th & College	IN	Indianapolis	2008	2008	Developed	20,100	—	*
Beacon Hill[7]	IN	Crown Point	2006	2007	Developed	127,821	57,191	73.1%
Boulevard Crossing	IN	Kokomo	2004	2004	Developed	213,696	123,629	93.3%
Bridgewater Marketplace	IN	Indianapolis	2008	2008	Developed	50,820	25,975	68.3%
Cool Creek Commons	IN	Indianapolis	2005	2005	Developed	137,107	124,583	96.4%
Eddy Street Commons (Retail only)	IN	South Bend	2009	2010	Developed	88,143	88,143	93.8%
Fishers Station[4]	IN	Indianapolis	1989	2004	Acquired	116,885	116,885	91.1%
Geist Pavilion	IN	Indianapolis	2006	2006	Developed	64,114	64,114	72.8%
Glendale Town Center	IN	Indianapolis	1958/2008	2008	Redeveloped	685,827	403,198	97.6%
Greyhound Commons	IN	Indianapolis	2005	2005	Developed	153,187	—	*
Hamilton Crossing Centre	IN	Indianapolis	1999	2004	Acquired	87,353	82,353	98.3%
Red Bank Commons	IN	Evansville	2005	2006	Developed	324,308	34,258	77.8%
Rivers Edge	IN	Indianapolis	2011	2011	Redeveloped	149,209	149,209	100.0%
Stoney Creek Commons	IN	Indianapolis	2000	2000	Developed	189,527	49,330	100.0%
The Corner	IN	Indianapolis	1984/2003	1984	Developed	42,612	42,612	92.9%
Traders Point	IN	Indianapolis	2005	2005	Developed	348,835	279,684	99.2%
Traders Point II	IN	Indianapolis	2005	2005	Developed	46,600	46,600	64.4%
Whitehall Pike	IN	Bloomington	1999	1999	Developed	128,997	128,997	100.0%
Zionsville Place	IN	Indianapolis	2006	2006	Developed	12,400	12,400	100.0%
Ridge Plaza	NJ	Oak Ridge	2002	2003	Acquired	115,088	115,088	81.6%
Eastgate Pavilion	OH	Cincinnati	1995	2004	Acquired	236,230	236,230	100.0%
Cornelius Gateway[7]	OR	Portland	2006	2007	Developed	35,800	21,324	62.3%
Shops at Otty[5]	OR	Portland	2004	2004	Developed	154,845	9,845	100.0%
Burlington Coat Factory[6]	TX	San Antonio	1992/2000	2000	Redeveloped	107,400	107,400	100.0%
Cedar Hill Village	TX	Dallas	2002	2004	Acquired	139,092	44,214	94.2%
Market Street Village	TX	Hurst	1970/2004	2005	Acquired	163,625	156,625	100.0%
Plaza at Cedar Hill	TX	Dallas	2000	2004	Acquired	303,531	303,531	95.3%
Plaza Volente	TX	Austin	2004	2005	Acquired	160,333	156,333	92.1%
Preston Commons	TX	Dallas	2002	2002	Developed	142,539	27,539	77.4%
Sunland Towne Centre	TX	El Paso	1996	2004	Acquired	312,450	306,437	97.6%
50th & 12th	WA	Seattle	2004	2004	Developed	14,500	14,500	100.0%
Gateway Shopping Center	WA	Seattle	2008	2008	Developed	285,200	99,444	94.8%
Sandifur Plaza[7]	WA	Pasco	2008	2008	Developed	12,552	12,552	82.5%
					TOTAL	8,395,291	5,492,894	93.3%

OPERATING RETAIL PROPERTIES - TABLE I (continued)

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

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

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

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

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

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

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

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

OPERATING RETAIL PROPERTIES – TABLE II

Property	State	MSA	Encumbrances	Annualized Base Rent Revenue[1]	Annualized Ground Lease Revenue	Annualized Total Retail Revenue	Percentage of Annualized Total Retail Revenue	Base Rent Per Leased Owned GLA[2]	Major Tenants and Non-Owned Anchors[3]
Bayport Commons	FL	Oldsmar	$ 13,070,487	$1,621,013	$ —	$1,621,013	2.28%	$18.29	Petsmart, Best Buy, Michaels, Target (non-owned)
Cobblestone Plaza	FL	Ft. Lauderdale	33,637,744	2,950,595	250,000	3,200,595	4.50%	24.02	Whole Foods, Party City, All Pets Emporium
Coral Springs	FL	Ft. Lauderdale	—	663,538	—	663,538	0.93%	14.40	Toys "R" Us/Babies "R" Us, Lowe's Home Improvement (non-owned), Wal-Mart (non-owned)
Estero Town Commons	FL	Naples	10,500,000	485,359	750,000	1,235,359	1.74%	26.08	Lowe's Home Improvement
Indian River Square	FL	Vero Beach	12,853,758	1,401,093	—	1,401,093	1.97%	10.50	Beall's, Office Depot, Target (non-owned), Lowe's Home Improvement (non-owned)
International Speedway Square	FL	Daytona	20,835,938	2,191,935	405,475	2,597,410	3.65%	10.13	Bed Bath & Beyond, Stein Mart, Old Navy, Staples, Michaels, Dick's Sporting Goods
King's Lake Square	FL	Naples	—	999,293	—	999,293	1.40%	12.91	Publix, Retro Fitness
Lithia Crossing	FL	Tampa	—	1,003,212	72,000	1,075,212	1.51%	14.00	Stein Mart
Pine Ridge Crossing	FL	Naples	17,470,402	1,622,611	—	1,622,611	2.28%	15.97	Publix, Target (non-owned), Beall's (non-owned)
Riverchase Plaza	FL	Naples	10,482,241	1,045,378	—	1,045,378	1.47%	13.97	Publix
Shops at Eagle Creek	FL	Naples	—	610,844	55,104	665,948	0.94%	16.27	Staples, Lowe's Home Improvement (non-owned)
Tarpon Springs Plaza	FL	Naples	12,187,942	1,609,775	100,000	1,709,775	2.40%	20.50	Cost Plus, AC Moore, Staples, Target (non-owned)
Wal-Mart Plaza	FL	Gainesville	—	856,486	—	856,486	1.20%	5.30	Books-A-Million, Save-A-Lot, Wal-Mart
Waterford Lakes Village	FL	Orlando	—	906,987	—	906,987	1.27%	12.11	Winn-Dixie
Kedron Village	GA	Atlanta	29,700,000	2,422,736	—	2,422,736	3.40%	16.95	Bed Bath & Beyond, Ross, PETCO, Target (non-owned)
Publix at Acworth	GA	Atlanta	7,070,510	632,643	—	632,643	0.89%	11.13	Publix
The Centre at Panola	GA	Atlanta	3,257,178	869,502	—	869,502	1.22%	12.11	Publix
Fox Lake Crossing	IL	Chicago	10,799,299	1,166,027	—	1,166,027	1.64%	13.17	Dominick's Finer Foods, Dollar Tree
Naperville Marketplace	IL	Chicago	9,560,127	1,044,205	—	1,044,205	1.47%	12.71	TJ Maxx, PetSmart, Caputo's (non-owned)
South Elgin Commons	IL	Chicago	13,252,337	1,771,900	—	1,771,900	2.49%	13.84	LA Fitness, Target (non-owned), Ross, Toys "R" Us/Babies "R" Us
50 South Morton	IN	Indianapolis	—	126,000	—	126,000	0.18%	63.00	
54th & College	IN	Indianapolis	—	—	260,000	260,000	0.37%	—	The Fresh Market (non-owned)
Beacon Hill	IN	Crown Point	7,217,850	587,251	—	587,251	0.83%	14.05	Strack & VanTill (non-owned), Walgreens (non-owned)
Boulevard Crossing	IN	Kokomo	13,593,310	1,598,782	—	1,598,782	2.25%	13.86	PETCO, TJ Maxx, Ulta Salon, Kohl's (non-owned)
Bridgewater Marketplace	IN	Indianapolis	7,000,000	311,253	—	311,253	0.44%	17.55	Walgreens (non-owned)
Cool Creek Commons	IN	Indianapolis	17,410,311	1,938,301	—	1,938,301	2.72%	16.14	The Fresh Market, Stein Mart, Bang Fitness
Eddy Street Commons	IN	South Bend	25,394,089	1,904,440	—	1,904,440	2.68%	23.04	Hammes Bookstore, Urban Outfitters
Fishers Station	IN	Indianapolis	3,625,230	1,163,187	—	1,163,187	1.63%	10.92	Marsh Supermarkets, Goodwill, Dollar Tree
Geist Pavilion	IN	Indianapolis	11,125,000	754,203	—	754,203	1.06%	16.15	Goodwill, Ace Hardware
Glendale Town Center	IN	Indianapolis	—	2,518,762	—	2,518,762	3.54%	6.40	Macy's, Landmark Theatres, Staples, Indianapolis Library, Lowe's Home Improvement (non-owned), Target (non-owned), Walgreens (non-owned)
Greyhound Commons	IN	Indianapolis	—	—	221,748	221,748	0.31%	—	Lowe's Home Improvement (non-owned)
Hamilton Crossing Centre	IN	Indianapolis	12,995,797	1,493,716	78,650	1,572,366	2.21%	18.44	Office Depot
Red Bank Commons	IN	Evansville	—	363,264	—	363,264	0.51%	13.63	Wal-Mart (non-owned), Home Depot (non-owned)
Rivers Edge	IN	Indianapolis	19,685,563	2,831,115	—	2,831,115	3.98%	18.97	Buy Buy Baby, Nordstrom Rack, The Container Store, Arhaus Furniture
Stoney Creek Commons	IN	Indianapolis	—	491,323	—	491,323	0.69%	9.96	HH Gregg, Office Depot, Lowe's Home Improvement (non-owned),
The Corner	IN	Indianapolis	—	604,131	—	604,131	0.85%	15.26	Hancock Fabrics
Traders Point	IN	Indianapolis	45,783,943	4,074,696	435,000	4,509,696	6.34%	14.69	Dick's Sporting Goods, AMC Theatre, Marsh, Bed Bath & Beyond, Michaels, Old Navy, Petsmart
Traders Point II	IN	Indianapolis	—	797,375	—	797,375	1.12%	26.58	
Whitehall Pike	IN	Bloomington	7,637,673	1,014,000	—	1,014,000	1.42%	7.86	Lowe's Home Improvement
Zionsville Place	IN	Indianapolis	—	252,400	—	252,400	0.35%	20.35	

OPERATING RETAIL PROPERTIES – TABLE II (continued)

Property	State	MSA	Encumbrances	Annualized Base Rent Revenue[1]	Annualized Ground Lease Revenue	Annualized Total Retail Revenue	Percentage of Annualized Total Retail Revenue	Base Rent Per Leased Owned GLA[2]	Major Tenants and Non-Owned Anchors[3]
Ridge Plaza	NJ	Oak Ridge	14,459,965	1,493,068	—	1,493,068	2.10%	15.90	A&P Grocery, CVS
Eastgate Pavilion	OH	Cincinnati	16,800,000	2,119,766	—	2,119,766	2.98%	8.97	Best Buy, Dick's Sporting Goods, Value City Furniture, Petsmart, DSW
Cornelius Gateway	OR	Portland	—	275,230	—	275,230	0.39%	20.71	Fedex/Kinkos
Shops at Otty	OR	Portland	—	285,492	136,300	421,792	0.59%	29.00	Wal-Mart (non-owned)
Burlington Coat Factory	TX	San Antonio	—	537,000	—	537,000	0.75%	5.00	Burlington Coat Factory
Cedar Hill Village	TX	Dallas	—	723,651	—	723,651	1.02%	17.37	24 Hour Fitness, JC Penny (non-owned)
Market Street Village	TX	Hurst	—	1,780,097	33,000	1,813,097	2.55%	11.37	Jo-Ann Fabric, Ross, Office Depot, Buy Buy Baby
Plaza at Cedar Hill	TX	Dallas	24,722,234	3,487,280	—	3,487,280	4.90%	12.05	Hobby Lobby, Office Max, Ross, Marshalls, Sprouts Farmers Market, Toys "R" Us/Babies "R" Us, DSW, Home Goods
Plaza Volente	TX	Austin	27,717,728	2,194,589	110,000	2,304,589	3.24%	15.23	H-E-B Grocery
Preston Commons	TX	Dallas	4,135,348	526,332	—	526,332	0.74%	24.69	Lowe's Home Improvement (non-owned)
Sunland Towne Centre	TX	El Paso	24,887,224	3,093,992	115,290	3,209,282	4.51%	10.35	Petsmart, Ross, HMY Roomstore, Kmart, Bed Bath & Beyond, Specs Fine Wines
50th & 12th	WA	Seattle	4,211,416	475,000	—	475,000	0.67%	32.76	Walgreens
Gateway Shopping Center	WA	Seattle	20,352,866	2,117,432	144,000	2,261,432	3.18%	22.46	Petsmart, Ross, Rite Aid, Party City, Kohl's (non-owned), Winco (non-owned)
Sandifur Plaza	WA	Pasco	—	196,320	—	196,320	0.28%	18.96	Walgreens (non-owned)
		TOTAL	**$ 513,433,510**	**$68,004,580**	**$3,166,567**	**$71,171,147**	**100%**	**$13.26**	

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

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

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

Commercial Properties

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

OPERATING COMMERCIAL PROPERTIES

Property	MSA	Year Built/ Renovated	Acquired, Redeveloped or Developed	Encumbrances	Owned NRA	Percentage of Owned NRA Leased	Annualized Base Rent[1]	Percentage of Annualized Commercial Base Rent	Base Rent Per Leased Sq. Ft.	Major Tenants
Indiana										
30 South[2]	Indianapolis	1905/2002	Redeveloped	$ 20,900,992	298,346	87.0%	$ 4,628,044	64.2%	$ 17.82	Indiana Supreme Court, City Securities, Kite Realty Group, Lumina Foundation
Pen Products	Indianapolis	2003	Developed	—	85,875	100.0%	834,705	11.6%	9.72	Indiana Dept. of Administration
Union Station Parking Garage[3]	Indianapolis	1986	Acquired	—	N/A	N/A	N/A	N/A	N/A	Denison Parking
Indiana State Motorpool	Indianapolis	2004	Developed	3,307,415	115,000	100.0%	639,400	8.8%	5.56	Indiana Dept. of Administration
Eddy Street Office (part of Eddy Street Commons)[4]	South Bend	2009	Developed	—	81,628	100.0%	1,108,719	15.4%	13.58	University of Notre Dame Offices
			TOTAL	$ **24,208,407**	**580,849**	**93.3%**	$ **7,210,868**	**100.0%**	$ **13.30**	

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

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

3 The garage is managed by a third party.

4 The Company also owns a parking garage that serves the office and retail components of the property.

In-Process Development / Redevelopment Projects

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

Project	Company Ownership %	Project Type	MSA	Encumbrances	Actual/ Projected Opening Date[1]	Projected Owned GLA[2]	Projected Total GLA[3]	Percent of Owned GLA Pre-Leased/ Committed[5]	Total Estimated Project Cost[6]	Cost Incurred as of December 31, 2011[7]	Major Tenants and Non-owned Anchors
Delray Marketplace, FL[8]	50%	Development	Delray Beach	$ 7,798,762	Q4 2012	253,371	258,084	71.7%	$ 93,000	$ 51,739	Publix, Frank Theatres, Max's Grille, Charming Charlie, Chico's, White House/Black Market, Jos. A Banks
New Hill Place, NC – Phase I	100%	Development	Raleigh	—	Q2 2013	204,936	374,334	65.1%	57,000	17,092	Target (non-owned), Dick's Sporting Goods, Marshall's, Michael's, Petco
Oleander Pointe, NC	100%	Redevelopment	Wilmington	—	Q1 2012	43,806	48,306	85.9%	5,000	1,685	Whole Foods
Four Corner Square / Maple Valley, WA[9]	100%	Development/ Redevelopment	Seattle	—	Q4 2012	108,523	118,523	81.0%	23,500	11,246	Johnson Home & Gardens, Walgreens, Grocery Outlet
Walgreens, IN	100%	Development	Indianapolis	1,080,000	Q3 2012	14,550	14,550	100.0%	5,200	2,351	Walgreens
Total In-Process Development / Redevelopment Projects				**$ 8,878,762**		**625,186**	**813,797**	**72.8%**	**$ 183,700**	**$ 84,113**	
Cost incurred as of December 31, 2011 included in Construction in progress on consolidated balance sheet[7]										**$ 83,863**	

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

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

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

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

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

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

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

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

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

Future Development and Redevelopment Activity

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

Project	Project Type	MSA	Company Ownership %	Encumbrances	Estimated Total GLA[1]	Total Estimated Project Cost[1,2]	Cost Incurred as of Dec. 31, 2011[2]	Major Tenants and Non-owned Anchors
Unconsolidated –								
Parkside Town Commons, NC[3]	Development	Raleigh	40%	$ 14,440,000	1,500,000	$ 148,000	$ 63,966	Target (non-owned), Frank Theatres, Grocery, Jr. Boxes, Restaurants
KRG Current Share of Unconsolidated Project Cost[3]				$ 5,776,000		$ 29,600	$ 25,586	
Consolidated –								
The Centre, IN	Redevelopment	Indianapolis	100%	$ —	80,689	$ 2,000	$ —	Grocer, CVS Pharmacy
Bolton Plaza, FL	Redevelopment	Jacksonville	100%	—	172,938	5,700	3,149	Academy Sports & Outdoors
Courthouse Shadows, FL	Redevelopment	Naples	100%	—	134,867	2,500	388	Publix, Office Max
Broadstone Station, NC	Development	Raleigh	100%	—	345,000	19,100	13,501	Shops, Pad Sales, Jr. Boxes, Super Wal-Mart (non-owned)
New Hill Place, NC – Phase II	Development	Raleigh	100%	—	170,000	44,300	14,452	Target (non-owned), Frank Theatres, and three Junior Anchors
TOTAL				$ —	903,494	$ 73,600	$ 31,490	
KRG Current Share of Consolidated Project Cost						$ 103,200	$ 57,076	

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

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

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

Land Held for Future Development

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

Tenant Diversification

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

TOP 10 RETAIL TENANTS BY GROSS LEASABLE AREA

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

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

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

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

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

TOP 25 TENANTS BY ANNUALIZED BASE RENT[1, 2]

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

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

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

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

Geographic Information

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

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

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

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

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

Lease Expirations

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

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO[1]

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

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO (continued)

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

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

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

LEASE EXPIRATION TABLE – RETAIL ANCHOR TENANTS[1]

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

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

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

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

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

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

LEASE EXPIRATION TABLE – RETAIL SHOPS

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

LEASE EXPIRATION TABLE – RETAIL SHOPS (continued)

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

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

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

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

LEASE EXPIRATION TABLE – COMMERCIAL TENANTS

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

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

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

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

Lease Activity – New and Renewal

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

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

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

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

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

Holders

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

Distributions

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

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

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

Distributions by us to the extent of our current and accumulated earnings and profits for federal income tax purposes will be taxable to shareholders as either ordinary dividend income or capital gain income if so declared by us. Distributions in excess of earnings and profits generally will be treated as a non-taxable return of capital. These distributions, to the extent that they do not exceed the shareholder's adjusted tax basis in its common shares, have the effect of deferring taxation until the sale of a shareholder's common shares. To the extent that distributions are both in excess of earnings and profits and in excess of the shareholder's adjusted tax basis in its common shares, the distribution will be treated as gain from the sale of common shares. In order to maintain our qualification as a REIT, we must make annual distributions to shareholders of at least 90% of our REIT taxable income and we must make distributions to shareholders equal to 100% of

our net taxable income to eliminate federal income tax liability. Under certain circumstances, we could be required to make distributions in excess of cash available for distributions in order to meet such requirements. For the taxable year ended December 31, 2011, approximately 66% of our distributions to shareholders constituted a return of capital, approximately 8% constituted taxable ordinary income dividends and approximately 26% constituted taxable capital gains.

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

Issuer Repurchases; Unregistered Sales of Securities

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

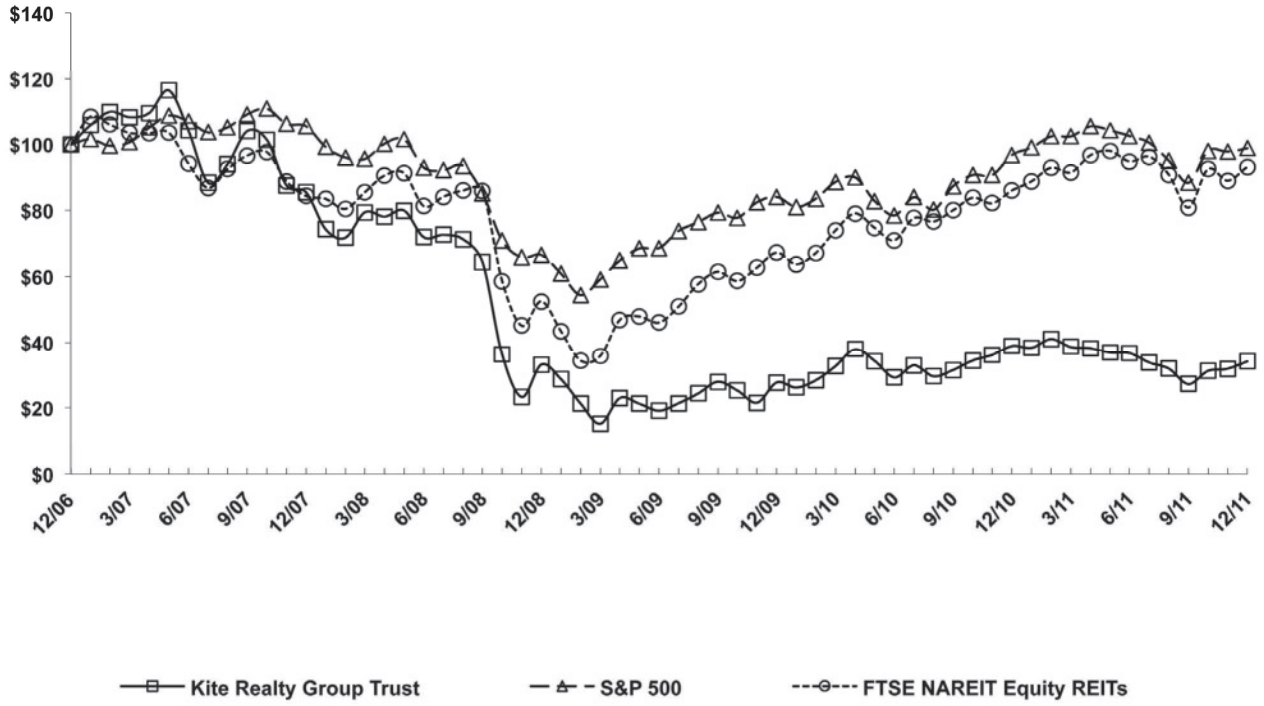
Performance Graph

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

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Kite Realty Group Trust, the S&P 500 Index, and the FTSE NAREIT Equity REITs Index



*$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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

ITEM 6. SELECTED FINANCIAL DATA

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

	Year Ended December 31				
	2011[1]	2010	2009[2]	2008[2, 3]	2007[2, 3, 4]
	($ in thousands, except share and per share data)				
Operating Data:					
Revenues:					
Rental related revenue	$ 101,536	$ 94,568	$ 95,841	$ 102,960	$ 95,604
Construction and service fee revenue	373	6,848	19,451	39,103	37,260
Total revenue	101,909	101,416	115,292	142,063	132,864
Expenses:					
Property operating	18,608	17,692	18,189	16,388	14,171
Real estate taxes	13,829	12,045	12,069	11,865	11,066
Cost of construction and services	309	6,142	17,192	33,788	32,077
General, administrative, and other	6,284	5,372	5,712	5,880	6,285
Depreciation and amortization	37,069	40,732	32,148	34,893	29,731
Total expenses	76,099	81,983	85,310	102,814	93,330
Operating income	25,810	19,433	29,982	39,249	39,534
Interest expense	(25,292)	(28,532)	(27,151)	(29,372)	(25,965)
Income tax benefit (expense) of taxable REIT subsidiary	1	(266)	22	(1,928)	(762)
Income (loss) from unconsolidated entities	334	(52)	226	843	291
Non-cash gain from consolidation of subsidiary	—	—	1,635	—	—
Gain on sale of unconsolidated property	4,320	—	—	1,233	—
Other income, net	210	231	225	158	778
Income (loss) from continuing operations	5,383	(9,186)	4,939	10,183	13,876
Discontinued operations:					
Discontinued operations	—	—	(732)	331	2,079
Non-cash loss on impairment of discontinued operation	—	—	(5,385)	—	—
(Loss) gain on sale of operating property	(398)	—	—	(2,690)	2,036
(Loss) income from discontinued operations	(398)	—	(6,117)	(2,359)	4,115
Consolidated net income (loss)	4,985	(9,186)	(1,178)	7,824	17,991
Net (income) loss attributable to noncontrolling interests	(4)	915	(604)	(1,731)	(4,468)
Net income (loss) to Kite Realty Group Trust	4,981	(8,271)	(1,782)	6,093	13,523
Dividends on preferred shares	(5,775)	(377)	—	—	—
Net (loss) income attributable to common shareholders	$ (794)	$ (8,648)	$ (1,782)	$ 6,093	$ 13,523
(Loss) income per common share – basic:					
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ 0.07	$ 0.26	$ 0.36
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders	(0.00)	—	(0.10)	(0.06)	0.11
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ (0.03)	$ 0.20	$ 0.47
(Loss) income per common share – diluted:					
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ 0.07	$ 0.26	$ 0.35
(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders	(0.00)	—	(0.10)	(0.06)	0.11
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ (0.03)	$ 0.20	$ 0.46
Weighted average Common Shares outstanding – basic	63,557,322	63,240,474	52,146,454	30,328,408	28,908,274
Weighted average Common Shares outstanding – diluted	63,557,322	63,240,474	52,146,454	30,340,449	29,180,987
Distributions declared per Common Share	$ 0.2400	$ 0.2400	$ 0.3325	$ 0.8200	$ 0.8000
Net (loss) income attributable to Kite Realty Group Trust common shareholders:					
(Loss) income from continuing operations	$ (440)	$ (8,648)	$ 3,516	$ 7,945	$ 10,325
Discontinued operations	(354)	—	(5,298)	(1,852)	3,198
Net (loss) income attributable to Kite Realty Group Trust common shareholders	$ (794)	$ (8,648)	$ (1,782)	$ 6,093	$ 13,523

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

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

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

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

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

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

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

Overview

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

Our Business and Properties

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

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

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

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

Current Economic Conditions and Impact on Our Retail Tenants

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

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

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

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

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

Impact of Economy on REITs, Including Us

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

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

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

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

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

Financing Strategy; 2012 and 2013 Debt Maturities

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

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

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

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

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

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

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

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

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

Summary of Critical Accounting Policies and Estimates

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

Capitalization of Certain Pre-Development and Development Costs

We incur costs prior to land acquisition and for certain land held for development, including acquisition contract deposits as well as legal, engineering, cost of internal resources and other external professional fees related to evaluating the feasibility of developing a shopping center or other project. These pre-development costs are capitalized and included in construction in progress in the accompanying consolidated balance sheets. If we determine that the completion of a development project is no longer probable, all previously incurred pre-development costs are immediately expensed.

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

Impairment of Investment Properties and Joint Ventures

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

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

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

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

Revenue Recognition

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

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

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

Gains from sales of real estate are not recognized unless a sale has been consummated, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property, we have transferred to the buyer the usual risks and rewards of ownership, and we do not have a substantial continuing financial involvement in the

property. As part of the Company's ongoing business strategy, it will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants, on a case by case basis.

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

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

Fair Value Measurements

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

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

Income Taxes and REIT Compliance

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

Results of Operations

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

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

At December 31, 2009, we owned interests in 55 operating properties (consisting of 51 retail properties and four operating commercial properties) and seven entities that held development or redevelopment properties in which we have an interest. These redevelopment properties included Bolton Plaza, Coral Springs Plaza, Courthouse Shadows, Rivers Edge

and Four Corner Square. Of the 62 total properties held at December 31, 2009, only a limited service hotel component of a development parcel was owned through an unconsolidated joint venture and was accounted for under the equity method.

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

Development Activities

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

Property Name	MSA	Economic Occupancy Date[1]	Owned GLA
Eddy Street Commons, Phase I[2]	South Bend, IN	September 2009	169,771
South Elgin Commons, Phase I[2]	Chicago, IL	June 2009	45,000
South Elgin Commons, Phase II[2]	Chicago, IL	September 2011	83,000
Cobblestone Plaza[2]	Ft. Lauderdale, FL	March 2009	133,214

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

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

Property Acquisition Activities

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

Property Name	MSA	Acquisition Date	Acquisition Cost (Millions)	Financing Method	Owned GLA
Oleander Pointe[1, 2]	Wilmington, NC	February 2011	$ 3.5	Primarily Debt	52,000
Lithia Crossing	Tampa, FL	June 2011	13.3	Primarily Debt	81,504

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

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

Operating Property Disposition Activities

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

Property Name	MSA	Disposition Date	Owned GLA
Martinsville Shops[1]	Indianapolis, IN	December 2011	10,886
Eddy Street Commons Limited Service Hotel[2]	South Bend, IN	November 2011	N/A

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

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

Redevelopment Activities

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

Property Name	MSA	Transition Date[1]	Owned GLA
Coral Springs Plaza[2]	Boca Raton, FL	March 2009	46,079
Courthouse Shadows[3]	Naples, FL	September 2008	134,867
Four Corner Square[4]	Seattle, WA	September 2008	29,177
Bolton Plaza[5]	Jacksonville, FL	June 2008	172,938
Rivers Edge[6]	Indianapolis, IN	June 2008	149,209
Oleander Pointe[7]	Wilmington, NC	March 2011	43,806

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

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

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

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

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

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

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

Other Property Activities

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

Same Property Net Operating Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- $1.4 million increase in base rental revenue due to improved occupancy levels at operating properties along with improved rent spreads on new and renewal leases. In addition, to the increased rent payments from these new and

existing tenants, these commencements met co-tenancy requirements at two operating properties, favorably impacting billable rents to other tenants; and

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

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

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

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

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

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

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

- $0.2 million net decrease in bad debt expense at a number of our operating properties reflecting a general recovery in the economic condition of our tenants;
- $0.2 million decrease in snow removal costs offset by $0.1 million increases in repairs and maintenance and $0.1 million increase in landscaping costs; and
- The change in other categories of expense were not individually significant.

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

	Net change 2010 to 2011
Development properties that became operational or were partially operational in 2010 and/or 2011	$ 475,724
Properties acquired during 2011	131,946
Properties under redevelopment during 2010 and/or 2011	162,870
Properties fully operational during 2010 and 2011 & other	1,013,489
Total	$ 1,784,029

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years Ended December 31,		
	2010	2009	Net change 2009 to 2010
Revenue:			
Rental income (including tenant reimbursements)	$ 89,502,860	$ 89,775,606	$ (272,746)
Other property related revenue	5,065,169	6,065,708	(1,000,539)
Construction and service fee revenue	6,848,073	19,450,789	(12,602,716)
Total revenue	101,416,102	115,292,103	(13,876,001)
Expenses:			
Property operating	17,691,738	18,188,710	(496,972)
Real estate taxes	12,044,966	12,068,903	(23,937)
Cost of construction and services	6,142,042	17,192,267	(11,050,225)
General, administrative, and other	5,372,056	5,711,623	(339,567)
Depreciation and amortization	40,732,228	32,148,318	8,583,910
Total expenses	81,983,030	85,309,821	(3,326,791)
Operating income	19,433,072	29,982,282	(10,549,210)
Interest expense	(28,532,440)	(27,151,054)	(1,381,386)
Income tax (expense) benefit of taxable REIT subsidiary	(265,986)	22,293	(288,279)
(Loss) income from unconsolidated entities	(51,964)	226,041	(278,005)
Non-cash gain from consolidation of subsidiary	-	1,634,876	(1,634,876)
Other income, net	231,178	224,927	6,251
(Loss) income from continuing operations	(9,186,140)	4,939,365	(14,125,505)
Discontinued operations:			
Discontinued operations	-	(732,621)	732,621
Non-cash loss on impairment of discontinued operation	-	(5,384,747)	5,384,747
Loss from discontinued operations	-	(6,117,368)	6,117,368
Consolidated net loss	(9,186,140)	(1,178,003)	(8,008,137)
Less: Net (loss) income attributable to noncontrolling interests	915,310	(603,763)	1,519,073
Net loss attributable to Kite Realty Group Trust	$ (8,270,830)	$ (1,781,766)	$ (6,489,064)
Dividends on preferred shares	(376,979)	-	(376,979)
Net loss attributable to Kite Realty Group Trust	$ (8,647,809)	$ (1,781,766)	$ (6,866,043)

Rental income (including tenant reimbursements) decreased $0.3 million, or 3%, due to the following:

	Net change 2009 to 2010
Development properties that became operational or were partially operational in 2009 and/or 2010	2,736,718
Consolidation of The Centre	916,490
Properties under redevelopment during 2009 and/or 2010	(610,082)
Properties fully operational during 2009 and 2010 & other	(3,315,872)
Total	$ (272,746)

Excluding the changes due to transitioned development properties, the consolidation of The Centre, and properties under redevelopment, the net $3.3 million decrease in rental income for our properties was primarily related to the following:

- $1.6 million net decrease in real estate tax recoveries from tenants primarily due to decreased assessments at a number of our operating properties;
- $0.8 million related to the net decreased tenancy at these properties between periods;
- $0.5 million decreases at two of our properties due to the bankruptcy of Circuit City; and
- $0.4 million decrease from the 2009 sale of our Eagle Creek II asset.

For the overall portfolio, the gross recovery ratio improved from 69.8% in 2009 to 71.8% in 2010, primarily because a portion of refunds received pursuant to real estate tax appeals were not refundable to tenants. Gross recovery ratio is computed by dividing tenant reimbursements by the sum of recoverable property operating expenses and real estate tax expense.

Other property related revenue primarily consists of parking revenues, percentage rent, lease settlement income and gains on land sales. This revenue decreased $1.0 million, or 16%, primarily as a result of the following:

- $0.8 million decrease in gains on land sales in 2010 compared to 2009; and
- 2009 reversal of a $0.4 million liability for which we are no longer obligated.

Offsetting these decreases was a $0.1 million increase in parking revenue primarily from our Eddy Street Commons property.

Construction and service fee revenue decreased $12.6 million, or 65% primarily as a result of a decline in third party construction contracts and construction management fees due to the economic downturn and our strategic decision to reduce third party construction activity.

Property operating expenses decreased $0.5 million, or 2.7%, due to the following:

	Net change 2009 to 2010
Development properties that became operational or were partially operational in 2009 and/or 2010	1,177,328
Consolidation of The Centre	210,036
Properties under redevelopment during 2009 and/or 2010	(254,992)
Properties fully operational during 2009 and 2010 & other	(1,629,344)
Total	$ (496,972)

Excluding the changes due to transitioned development properties, the consolidation of The Centre, and properties under redevelopment, the net $1.6 million decrease in property operating expenses for our properties was primarily due to the following:

- $0.5 million net decrease in bad debt expense at a number of our operating properties reflecting a general recovery in the economic condition of our tenants; and

- Cost containment efforts producing a $1.3 million decrease in landscaping, repairs, maintenance, and insurance expenses, a portion of which is refundable to tenants and reflected as a reduction to tenant reimbursement revenue offset by a $0.2 million net increase in various other operating expenses.

Real estate taxes decreased $24,000, or 0.2%, due to the following:

	Net change 2009 to 2010
Development properties that became operational or were partially operational in 2009 and/or 2010	1,103,785
Consolidation of The Centre	113,694
Properties under redevelopment during 2009 and/or 2010	(154,433)
Properties fully operational during 2009 and 2010 & other	(1,086,983)
Total	$ (23,937)

Excluding the changes due to transitioned development properties, the consolidation of The Centre, and properties under redevelopment, the net $1.1 million decrease in real estate tax expense for our properties was primarily due to the timing of the reassessments of the taxable value of certain of our operating properties and the effects of successful appeals of these assessments. The majority of the increases and decreases in our real estate tax expense from increased assessments and subsequent appeals is recoverable from (or reimbursable to) tenants and, therefore, reflected in tenant reimbursement revenue.

Cost of construction and services decreased $11.1 million, or 64% primarily as a result of a decline in third party construction contracts and construction management fees due to the economic downturn and our strategic decision to reduce third party construction activity, as discussed above.

General, administrative and other expenses decreased $0.3 million, or 6% due to declines in personnel-related expenses and various costs of operating as a public company, consistent with our strategy to reduce overhead.

Depreciation and amortization expense increased $8.6 million, or 27%, due to the following:

	Net change 2009 to 2010
Development properties that became operational or were partially operational in 2009 and/or 2010	1,114,109
Consolidation of The Centre	432,964
Properties under redevelopment during 2009 and/or 2010	5,664,991
Properties fully operational during 2009 and 2010 & other	1,371,846
Total	$ 8,583,910

Of the $8.6 million total increase in depreciation and amortization expense, $5.7 million was due to additional depreciation on the Coral Springs Plaza and Rivers Edge redevelopment properties. Redevelopment plans for these properties were finalized during the second quarter of 2010, resulting in a reduction to the useful lives of certain assets that were subsequently demolished to prepare for the properties' renovation. Excluding the changes due to transitioned development properties, the consolidation of The Centre, and properties under redevelopment, the net $1.4 million increase in depreciation and amortization expense was primarily due to the higher amounts of accelerated depreciation and amortization of vacated tenant costs related to tenants that terminated at our operating properties in 2010 as compared to the prior year.

Interest expense increased $1.4 million, or 5%, with $1.1 million of the increase primarily due to the cessation of interest capitalization as we delayed our plans at one of our development properties in 2010 and also transitioned other properties to operating status. The remainder of the increase was due to higher borrowing costs for new borrowings and debt refinanced since 2009 partially offset by debt repayments during the same period.

Income tax (expense) benefit of our taxable REIT subsidiary changed from a benefit of $22,000 in 2009 to an expense of $266,000 in 2010. The 2009 benefit resulted from low construction volume in our taxable REIT subsidiary, and the 2010 expense is due to income to our taxable REIT subsidiary related to the sale of residential assets at the Eddy Street Commons development.

(Loss) income from unconsolidated entities changed from income of $0.2 million in 2009 to a loss of $0.1 million in 2010. The $0.2 million of income relates to The Centre operating property, which was consolidated in September 2009. The loss of $0.1 million in 2010 includes our share of pre-operating expenses related to the limited service hotel at our Eddy Street Commons property, which opened in June 2010. Our other equity method joint venture was under development and was not yet generating operating results.

The $1.6 million non-cash gain from consolidation of subsidiary in 2009 was recognized upon the consolidation of The Centre joint venture as of September 30, 2009. Our share of the gain was $1.0 million.

The $6.1 million loss from discontinued operations in 2009 relates to the impairment and subsequent transfer of our Galleria Plaza property to the ground lessor.

Net loss (income) attributable to noncontrolling interests changed from income of $0.6 million in 2009 to a loss of $0.9 million in 2010. Net loss (income) attributable to noncontrolling interests generally reflects the net income attributable to the Operating Partnership, less dividends on preferred shares, that is owned by the limited partners and interests in consolidated properties owned by others. Due to the May 2009 common share offering, the limited partners weighted average diluted ownership percentage declined from 13.4% in 2009 to 11.1% in 2010. In 2009, noncontrolling interests included the noncontrolling interests in the non-cash gain from the consolidation of The Centre of $0.7 million and the noncontrolling interest from the sale of an outlot parcel of $0.2 million.

Liquidity and Capital Resources

Current State of Capital Markets and Our Financing Strategy

Our primary finance and capital strategy is to strengthen our balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective manner. We consider a number of factors when evaluating our level of indebtedness and when making decisions regarding additional borrowings or equity offerings, including the purchase price of properties to be developed or acquired, the estimated market value of our properties and the Company as a whole upon placement of the borrowing or offering, and the ability of particular properties to generate cash flow to cover debt service. We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

In 2011, we did not complete any offerings of common shares or preferred shares. In 2008 and 2009, we received aggregate net proceeds of $135.3 million from offerings of our common shares. In December 2010, we received net proceeds of $67.5 million from an offering of our Series A Cumulative Redeemable Perpetual Preferred Shares.

In addition to raising new capital, we have also been successful in refinancing or extending the maturities of our debt that were originally scheduled to mature in 2011 and 2012. In 2011, we entered into an amended and restated three-year $200 million unsecured revolving credit facility with a one-year extension option. We also entered into $213 million of additional financing and refinancing related activities in 2011. Subsequent to December 31, 2011, we had retired $45 million of the $56 million of debt maturing in 2012 through asset sales and borrowing on our unsecured revolving credit facility. The remaining $11 million of our 2012 debt maturities relates to our Fox Lake Crossing shopping center. We are pursuing financing alternatives to enable us to repay, refinance, or extend the maturity date of this loan.

We were also able to effectively recycle capital by selling outlots, unoccupied land parcels, and non-core operating properties. During 2011, we generated gross proceeds of $10.8 million from such sales, the majority of which was used to pay down outstanding indebtedness. In February 2012, we sold Gateway Shopping Center in Marysville, Washington for a sales price of $29.4 million and expect to record a gain on this sale in the first quarter of 2012. The net proceeds from the sale were used to retire the variable rate loan on the property of $20.4 million, and the Company's share of the remaining net proceeds was approximately $7 million.

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

As of December 31, 2011, we had cash and cash equivalents (including pro-rata share of unconsolidated joint ventures cash) on hand of $10.6 million. We may be subject to concentrations of credit risk with regards to our cash and cash equivalents. We place our cash and short-term cash investments with high-credit-quality financial institutions. From time to time, such investments may temporarily be held in accounts in excess of FDIC and SIPC insurance limits; however, we attempt to limit our exposure at any one time. We also maintain certain compensating balances in several financial institutions in support of borrowings from those institutions. Such compensating balances were not material to the consolidated balance sheets.

Our Principal Capital Resources

Our Unsecured Revolving Credit Facility

The Operating Partnership is a party to an amended and restated three-year $200 million unsecured revolving credit facility (the "unsecured facility") along with a group of financial institutions led by Key Bank National Association, as administrative agent, and Bank of America, N.A., as syndication agent. The Company and several of the Operating Partnership's subsidiaries are guarantors of the Operating Partnership's obligations under the unsecured facility. The unsecured facility has a maturity date of June 6, 2014 and has a one-year option to renew under certain circumstances. Borrowings under the unsecured facility bear interest at a floating interest rate of LIBOR + 225 to 325 basis points, depending on the Company's leverage. The unsecured facility has a commitment fee of 25 to 35 basis points on unused borrowings. Subject to certain conditions, including the prior consent of the lenders, the Company has the option to increase its borrowings under the unsecured facility to a maximum of $300 million if there are sufficient unencumbered assets to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of $25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

The amount that the Company may borrow under the unsecured facility is based on the value of assets in its unencumbered property pool. As of December 31, 2011, the Company had 47 unencumbered properties and other assets used to calculate the value of the unencumbered property pool, of which 44 were wholly owned and three of which were owned through joint ventures. The major unencumbered assets include: Broadstone Station, The Centre, Coral Springs Plaza, Courthouse Shadows, Four Corner Square, King's Lake Square, Lithia Crossing, Market Street Village, Oleander Pointe, PEN Products, Red Bank Commons, Shops at Eagle Creek, Traders Point II, Union Station Parking Garage, Wal-Mart Plaza, and Waterford Lakes Village. As of December 31, 2011, the total amount available for borrowing under the unsecured credit facility was $22.7 million.

As of December 31, 2011, our outstanding indebtedness under the unsecured facility was $134.7 million, bearing interest at a rate of LIBOR + 325 basis points. We anticipate that the interest rate will range from LIBOR + 275 basis points to LIBOR + 325 basis points in 2012. In addition, we had outstanding letters of credit totaling $4.4 million as of December 31, 2011.

The Company's ability to borrow under the unsecured facility is subject to ongoing compliance with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the unsecured facility requires that the Company satisfy certain financial covenants, including but not all:

- a maximum leverage ratio of 65%, reducing to 62.5% on December 31, 2012. After this date, the leverage ratio can be above 62.5% for a maximum of two consecutive quarters;
- Adjusted EBITDA (as defined in the unsecured facility) to fixed charges coverage ratio (excluding preferred dividends) of at least 1.50 to 1;
- minimum tangible net worth (defined as Total Asset Value less Total Indebtedness) of $325 million (plus 75% of the net proceeds of any future equity issuances from the date of the agreement);
- the aggregate amount of unsecured debt of the Company, Operating Partnership and their respective subsidiaries not exceeding the lesser of (a) 62.5% of the value of all properties then included in an

unencumbered pool of properties that satisfy certain requirements and (b) the maximum principal amount of debt which would not cause the ratio of certain net operating income less capital reserves to debt service under the unsecured facility to be less than 1.40 to 1;

- ratio of secured indebtedness to total asset value of no more than .575 to 1;
- minimum unencumbered property pool occupancy rate of 80%;
- ratio of floating rate debt to total asset value of no more than 0.35 to 1; and
- ratio of recourse debt to total asset value of no more than 0.30 to 1.

The Company was in compliance with all applicable covenants under the unsecured facility as of December 31, 2011.

Under the terms of the unsecured facility, the Company is permitted to make distributions to its shareholders of up to 95% of its funds from operations provided that no event of default exists. If an event of default exists, the Company may only make distributions sufficient to maintain its REIT status. However, the Company may not make any distributions if an event of default resulting from nonpayment or bankruptcy exists, or if its obligations under the credit facility are accelerated.

Capital Markets

We have filed a registration statement with the Securities and Exchange Commission allowing us to offer, from time to time, common shares or preferred shares for an aggregate initial public offering price of up to $500 million.

In May 2009, we issued 28,750,000 common shares for net proceeds of $87.5 million.

In December 2010, the Company completed an equity offering of 2,800,000 shares of 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares at an offering price of $25.00 per share for aggregate gross and net proceeds of $70.0 million and $67.5 million, respectively. A portion of the net proceeds were used to retire our $55 million unsecured term loan, which had a maturity date of July 2011. The remaining net proceeds and borrowings on the line of credit were used to retire the $18.3 million loan and temporarily unencumber International Speedway Square. Our Series A cumulative redeemable preferred shares have no stated maturity date although they may be redeemed, at our option, beginning in December 2015.

We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

Sale of Real Estate Assets

We may pursue opportunities to sell non-strategic real estate assets in order to generate additional liquidity. Our ability to dispose of such properties is dependent on the availability of credit to potential buyers to purchase properties at prices that we consider acceptable. Sales prices on such transactions may be less than our carrying value.

In 2011, we were also able to effectively recycle capital by selling outlots, unoccupied land parcels, and non-core operating properties. During 2011, we generated gross proceeds of $10.8 million from such sales, the majority of which was used to pay down outstanding indebtedness. In February 2012, we sold Gateway Shopping Center in Marysville, Washington for a sales price of $29.4 million and expect to record a gain on this sale in the first quarter of 2012. The net proceeds from the sale were used to retire the variable rate loan on the property of $20.4 million, and the Company's share of the remaining net proceeds was approximately $7 million.

Short and Long-Term Liquidity Needs

Overview

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. While we believe that the nature of the properties in which we typically invest—primarily neighborhood and community shopping centers—provides a relatively stable revenue flow in uncertain economic times, the recent economic downturn adversely affected the ability of some of our tenants to meet their lease obligations, as discussed in more detail above in "Overview" on page 42. These conditions, in turn, had a negative impact on our business.

Short-Term Liquidity Needs

The nature of our business, coupled with the requirements to qualify for REIT status and in order to receive a tax deduction for some or all of the dividends paid to shareholders, necessitate that we distribute at least 90% of our taxable income on an annual basis, which will cause us to have substantial liquidity needs over both the short term and the long term. Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest expense and scheduled principal payments on our debt, expected dividend payments (including distributions to persons who hold units in our Operating Partnership) and recurring capital expenditures. Our Board of Trustees (the "Board") declared quarterly cash distribution of $0.06 per common share for each quarter of 2011 and 2010. Each quarter we discuss with our Board our liquidity requirements along with other relevant factors before the Board decides whether and in what amount to declare a cash distribution.

When we lease space to new tenants, or renew leases for existing tenants, we also incur expenditures for tenant improvements and external leasing commissions. This amount, as well as the amount of recurring capital expenditures that we incur, will vary from year to year. During the year ended December 31, 2011, we incurred $0.5 million of costs for recurring capital expenditures on operating properties and also incurred $5.1 million of costs for tenant improvements and external leasing commissions (excluding first generation space and development and redevelopment properties). We currently anticipate incurring approximately $0.7 million in recurring capital expenditures at our operating properties and approximately $11 million of additional major tenant improvements and renovation costs within the next twelve months at several operating properties. We believe we currently have sufficient financing in place to fund our investment in these projects through borrowings on our unsecured credit facility and construction loans. In certain circumstances, we may seek to place specific construction financing on these redevelopment projects.

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

2012 Debt Maturities

As of December 31, 2011, $56 million of our outstanding indebtedness was scheduled to mature in 2012, excluding scheduled monthly principal payments. Subsequent to December 31, 2011, we had retired $45 million of these maturities through asset sales and borrowing on our unsecured revolving credit facility. The remaining $11 million of our 2012 debt maturities relates to our Fox Lake Crossing shopping center. We are pursuing financing alternatives to enable us to repay, refinance, or extend the maturity date of this loan.

Long-Term Liquidity Needs

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

In-Process Development and Redevelopment Properties. As of December 31, 2011, we had five in-process development or redevelopment projects. The total estimated cost, including our share and our joint venture partners' share, for these projects is approximately $184 million, of which $84 million had been incurred as of December 31, 2011. We

believe we currently have sufficient financing in place to fund these projects and expect to do so primarily through construction loans.

Future Redevelopment Properties. As of December 31, 2011, three of our properties (Bolton Plaza, The Centre, and Courthouse Shadows) were undergoing redevelopment. We currently anticipate our total investment in these redevelopment projects will be approximately $10.2 million, of which $3.5 million has been incurred as of December 31, 2011; however, this amount may increase as redevelopment plans are finalized. We believe we currently have sufficient financing in place to fund our investment in the remaining projects through borrowings on our unsecured revolving credit facility. In certain circumstances, we may seek to place specific construction financing on these redevelopment projects.

Future Development Pipeline. In addition to our in-process developments, we have a future development pipeline which includes land parcels that are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third-party financing. As of December 31, 2011, this future development pipeline consisted of three projects that are expected to contain approximately 2.0 million square feet of total leasable area. We currently anticipate the total estimated cost of these projects will be approximately $211 million, of which our share is currently expected to be approximately $93 million. Although we intend to develop these properties, we are not contractually obligated to complete any of these future developments. With respect to each future development project, our policy is to not commence vertical construction until pre-established leasing thresholds are achieved and the requisite third-party financing is in place. We intend to fund our investment in these developments primarily through new construction loans and joint ventures, as well as borrowings on our unsecured revolving credit facility, if necessary.

Selective Acquisitions, Developments and Joint Ventures. We may selectively pursue the acquisition and development of other properties, which would require additional capital. It is unlikely we would have sufficient funds on hand to meet these long-term capital requirements. We would have to satisfy these needs through participation in joint venture arrangements, additional borrowings, sales of common or preferred shares and/or cash generated through property dispositions. We cannot be certain that we would have access to these sources of capital on satisfactory terms, if at all, to fund our long-term liquidity requirements. We evaluate all future opportunities against pre-established criteria including, but not limited to, location, demographics, tenant relationships, and amount of existing retail space. Our ability to access the capital markets will be dependent on a number of factors, including general capital market conditions, which is discussed in more detail above in "Overview" on page 42.

Cash Flows

Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010

Cash provided by operating activities was $32.3 million for the year ended December 31, 2011, an increase of $2.0 million from 2010. The increase was primarily due to improved operating results partially offset by higher cash out flows for deferred leasing costs and escrow deposits in 2011. In addition, we received distributions from unconsolidated entities of $4.4 million in 2011 as a result of the sale of the Eddy Street Limited Service hotel asset.

Cash used in our investing activities totaled $86.5 million in 2011, an increase of $50.1 million from 2010. The increase in cash used in investing activities was primarily a result of an increase in capital expenditures, net from $36.6 million in 2010 to $63.3 million in 2011 along with cash out flows for the acquisitions of Oleander Pointe and Lithia Crossing of $16.4 million. In addition, the Company contributed $8.5 million to our Parkside Town Commons development property in 2011; while, in 2010, we contributed $450,000 to our Eddy Street Commons limited service hotel property. These increases were offset by net proceeds from the sale of our Martinsville Shops operating property of $1.5 million.

Cash provided by financing activities totaled $49.0 million during 2011, an increase of $47.4 million from 2010. In 2011, we had a net increase in debt of $78.2 million that was utilized to fund current year development and acquisition activity. This increase was offset by current year distributions to common shareholders, preferred shareholders, and entities that hold noncontrolling interests. In addition, we paid $1.7 million to acquire our partners' interests in The Centre.

Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009

Cash provided by operating activities was $30.3 million for the year ended December 31, 2010, an increase of $9.3 million from 2009. The increase was primarily due to higher cash outflows for accounts payable and accrued expenses in 2009, the majority of which reflects third-party construction activity completed in the first half of 2009.

Cash used in our investing activities totaled $36.4 million in 2010, a decrease of $18.4 million from 2009. The decrease in cash used in investing activities was primarily a result of a decline of $11.6 million in contributions to joint ventures. In 2009, we contributed $12.0 million to our Parkside Town Commons development property and The Centre operating property; while, in 2010, we contributed $450,000 to our Eddy Street Commons limited service hotel property. Additionally, in 2009, we advanced $1.4 million to our joint venture partner in The Centre, and in 2010, $0.7 million of this note was repaid. The remainder is a decrease of $5.2 million in cash outflows for capital expenditures as part of our cash conservation strategy, we significantly reduced our acquisition, development and construction activities.

Cash provided by financing activities totaled $1.6 million during 2010, a decrease of $42.3 million from 2009. In 2010, we had a net reduction in debt of $46.9 million due to ongoing efforts to continue to strengthen our balance sheet. The following items highlight additional significant capital transactions:

- In December 2010, we issued 2.8 million shares of Series A Cumulative Redeemable Perpetual Preferred Shares for net proceeds of $67.5 million. A portion of the net proceeds were utilized to retire our $55 million unsecured term loan.
- In order to retain additional cash to meet our capital needs, we reduced our quarterly dividend beginning in the second quarter of 2009. We paid cash dividends of $0.24 per share in 2010, compared to cash dividends of $0.3325 per share in 2009.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We do, however, have certain obligations to some of the projects in our in-process development pipeline, as discussed below in "Contractual Obligations", as well as our joint venture with Prudential Real Estate Investors with respect to our Parkside Town Commons development, as discussed above. As of December 31, 2011, we owned a 40% interest in this joint venture which, under the terms of this joint venture, will be reduced to 20% upon the placement of construction financing.

As of December 31, 2011, our share of unconsolidated joint venture indebtedness was $5.8 million. Unconsolidated joint venture debt is the liability of the joint venture and is typically secured by the assets of the joint venture. The Operating Partnership had guaranteed its $5.8 million share of the unconsolidated joint venture debt related to the Parkside Town Commons development in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture and the joint venture could sell the property in order to satisfy the outstanding obligation. See Note 6 to the accompanying consolidated financial statements for information on our unconsolidated joint ventures for the years ended December 31, 2011, 2010 and 2009.

As of December 31, 2011, we have outstanding letters of credit totaling $4.4 million and no amounts were advanced against these instruments.

With respect to our Eddy Street Commons development, we have jointly guaranteed the apartment developer's construction loan, which had an outstanding balance of $30.3 million as of December 31, 2011. The apartments are complete with stabilized occupancy and the owner intends to secure nonrecourse financing in 2012 at which time our guarantee obligation will be eliminated. We have not been required and do not expect to be required to satisfy any portion of this guarantee.

Contractual Obligations

The following table summarizes our contractual obligations to third parties based on contracts executed as of December 31, 2011.

	Development and Construction Contracts	Tenant Allowances[1]	Operating Leases	Consolidated Long-term Debt and Interest[2]	Pro Rata Share of Joint Venture Debt and Interest	Employment Contracts[3]	Total
2012	$ 1,725,855	$14,229,277	$ 471,552	$ 92,007,270	$ 176,168	$ 1,295,000	$109,905,122
2013	—	—	357,252	120,853,769	5,893,445	—	127,104,466
2014	—	—	364,752	207,015,712	—	—	207,380,464
2015	—	—	346,501	61,887,861	—	—	62,234,362
2016	—	—	310,000	180,014,246	—	—	180,324,246
Thereafter	—	—	1,382,500	181,707,785	—	—	183,090,285
Total	$ 1,725,855	$14,229,277	$3,232,557	$ 843,486,643	$ 6,069,613	$ 1,295,000	$870,038,945

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

2 Our long-term debt consists of both variable and fixed-rate debt and includes both principal and interest. Interest expense for variable-rate debt was calculated using the interest rates as of December 31, 2011.

3 We have entered into employment agreements with certain members of senior management. Under these agreements, each individual received a stipulated annual base salary through December 31, 2011. Each agreement has an automatic one-year renewal unless we or the individual elects not to renew the agreement. The contracts have been extended through December 31, 2012.

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

In connection with our formation at the time of our IPO, we entered into an agreement that restricts our ability, prior to December 31, 2016, to dispose of six of our properties in taxable transactions and limits the amount of gain we can trigger with respect to certain other properties without incurring reimbursement obligations owed to certain limited partners. We have agreed that if we dispose of any interest in six specified properties in a taxable transaction before December 31, 2016, then we will indemnify the contributors of those properties for their tax liabilities attributable to their built-in gain that exists with respect to such property interest as of the time of our IPO (and tax liabilities incurred as a result of the reimbursement payment).

The six properties to which our tax indemnity obligations relate represented 15.6% of our annualized base rent in the aggregate as of December 31, 2011. These six properties are International Speedway Square, Shops at Eagle Creek, Whitehall Pike, Ridge Plaza Shopping Center, Thirty South, and Market Street Village.

Construction Contracts

Construction contracts in the table above represent commitments for contracts executed as of December 31, 2011 related to new developments and redevelopments.

Obligations in Connection with Our In-Process Developments and Redevelopments

We are obligated under various completion guarantees with lenders and lease agreements with tenants to complete all or portions of our in-process development and redevelopment projects. We believe we currently have sufficient financing in place to fund these projects and expect to do so primarily through existing or new construction loans. In addition, if necessary, we may make draws on our unsecured facility.

Outstanding Indebtedness

The following table presents details of outstanding consolidated indebtedness as of December 31, 2011:

Property	Balance Outstanding	Interest Rate	Maturity
Fixed Rate Debt - Mortgage:			
50th & 12th	$ 4,211,416	5.67%	11/11/2014
Bayport Commons	13,070,487	5.44%	9/1/2021
The Centre at Panola, Phase I	3,257,178	6.78%	1/1/2022
Cool Creek Commons	17,410,311	5.88%	4/11/2016
Eddy Street Commons	25,394,089	5.44%	9/1/2021
Four Property Pool Loan	43,219,744	5.44%	9/1/2021
Fox Lake Crossing	10,799,299	5.16%	7/1/2012
Geist Pavilion	11,125,000	5.78%	1/1/2017
Indian River Square	12,853,758	5.42%	6/11/2015
International Speedway Square	20,835,938	5.77%	4/1/2021
Kedron Village	29,700,000	5.70%	1/11/2017
Pine Ridge Crossing	17,470,402	6.34%	10/11/2016
Plaza at Cedar Hill[2]	24,722,234	7.38%	2/1/2012
Plaza Volente	27,717,728	5.42%	6/11/2015
Preston Commons	4,135,348	5.90%	3/11/2013
Riverchase Plaza	10,482,241	6.34%	10/11/2016
Sunland Towne Centre	24,887,224	6.01%	7/1/2016
30 South	20,900,992	6.09%	1/11/2014
Traders Point	45,783,943	5.86%	10/11/2016
Whitehall Pike	7,637,673	6.71%	7/5/2018
	375,615,005		
Floating Rate Debt - Hedged:			
Associated Bank	15,100,000	1.35%	12/31/2016
TD Bank	14,577,612	3.31%	1/3/2017
	29,677,612		
Net unamortized premium on assumed debt of acquired properties	116,054		
Total Fixed Rate Indebtedness	$ 405,408,671		

Property	Balance Outstanding	Interest Rate[3]	Maturity	Interest Rate at 12/31/11
Variable Rate Debt - Mortgage:				
951 & 41	$ 7,800,000	LIBOR + 300	9/22/2013	3.30%
Beacon Hill	7,217,850	LIBOR + 125	3/30/2014	1.55%
Eastgate Pavilion	16,800,000	LIBOR + 225	12/31/2016	2.55%
Estero Town Commons	10,500,000	LIBOR + 325	1/15/2013	3.55%
Fishers Station[4]	3,625,230	LIBOR + 340	6/30/2014	3.70%
Gateway Shopping Center	20,352,866	LIBOR + 190	10/31/2012	2.20%
Indiana State Motor Pool	3,307,415	LIBOR + 325	2/4/2014	3.55%
Ridge Plaza	14,459,965	LIBOR + 325	1/3/2017	3.55%
Tarpon Springs Plaza	12,187,942	LIBOR + 325	1/15/2013	3.55%
Subtotal Mortgage Notes	96,251,268			
Variable Rate Debt - Secured by Properties under Construction:				
Bridgewater Marketplace[1]	7,000,000	LIBOR + 185	6/29/2013	5.00%
Cobblestone Plaza	33,637,744	LIBOR + 350	2/12/2013	3.80%
Delray Marketplace	7,798,762	LIBOR + 200	11/18/2014	2.30%
Rivers Edge	19,685,563	LIBOR + 325	1/15/2016	3.55%
South Elgin Commons	13,252,337	LIBOR + 325	9/30/2013	3.55%
Zionsville Walgreens	1,080,000	LIBOR + 225	6/30/2015	2.55%
Subtotal Construction Notes	82,454,406			

Unsecured Credit Facility[3]	134,686,200	LIBOR + 3.25%	6/6/2014	3.55%
Floating Rate Debt - Hedged:	(29,677,612)	LIBOR + 3.25%	Various	
Total Variable Rate Indebtedness	283,714,262			
Total Consolidated Indebtedness	**$ 689,122,933**			

1 This loan has a LIBOR floor of 3.15%.

2 This loan was paid off with the Company's Unsecured Credit Facility subsequent to December 31, 2011.

3 At December 31, 2011, one-month LIBOR was 0.30%.

4 In addition, the Company has a $4.3 million revolving line of credit that is secured by this property. This revolver has a maturity date of June 30, 2013 at an interest rate of LIBOR + 305. There are no amounts outstanding under this line of credit as of December 31, 2011.

Funds From Operations

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

Given the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors as a starting point in measuring our operational performance because it excludes various items included in consolidated net income that do not relate to or are not indicative of our operating performance, such as gains (or losses) from sales of depreciated property and depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult. We believe that our presentation of adjusted FFO provides investors with another financial measure that may facilitate comparison of operating performance between periods and compared to our peers. FFO should not be considered as an alternative to consolidated net income (determined in accordance with GAAP) as an indicator of our financial performance, is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and is not indicative of funds available to satisfy our cash needs, including our ability to make distributions. Our computations of FFO may not be comparable to FFO reported by other REITs.

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

Funds From Operations:	**Year Ended December 31, 2011**	**Year Ended December 31, 2010**	**Year Ended December 31, 2009**
Consolidated net income (loss)	$ 4,984,740	$ (9,186,140)	$ (1,178,003)
Less preferred stock dividend	(5,775,000)	(376,979)	—
Add loss (deduct gain) on sale of operating property	397,909	—	—
Add non-cash loss on impairment of real estate asset	—	—	5,384,747
Less non-cash gain from consolidation of subsidiary, net of noncontrolling interests	—	—	(980,926)
Less gain on sale of unconsolidated property, including tax benefit	(4,320,155)	—	—
Less net income attributable to noncontrolling interests in properties	(101,069)	(117,155)	(879,463)
Add depreciation and amortization of consolidated entities, net of noncontrolling interests	36,577,580	39,950,624	31,759,173
Funds From Operations of the Kite Portfolio	31,764,005	30,270,350	34,105,528
Less redeemable noncontrolling interests in Funds From Operations	(3,494,040)	(3,359,076)	(3,848,585)
Funds From Operations allocable to the Company	$ 28,269,965	$ 26,911,274	$ 30,256,943

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

Forward-Looking Statements

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

- national and local economic, business, real estate and other market conditions, particularly in light of the recent slowing of growth in the U.S. economy;
- financing risks, including the availability of and costs associated with sources of liquidity;
- the Company's ability to refinance, or extend the maturity dates of, its indebtedness;
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent and the risk of tenant bankruptcies;
- the competitive environment in which the Company operates;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- the Company's ability to maintain its status as a real estate investment trust ("REIT") for federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property the Company owns;
- risks related to the geographical concentration of our properties in Indiana, Florida and Texas;
- other factors affecting the real estate industry generally; and
- other risks identified in this Annual Report on Form 10-K and, from time to time, in other reports we file with the Securities and Exchange Commission (the "SEC") or in other documents that we publicly disseminate.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Market Risk Related to Fixed and Variable Rate Debt

We had $689.1 million of outstanding consolidated indebtedness as of December 31, 2011 (inclusive of net premiums on acquired debt of $0.1 million). As of December 31, 2011, we were party to various consolidated interest rate hedge agreements for a total of $29.7 million, with maturities over various terms ranging from 2016 through 2017. Including the effects of these hedge agreements, our fixed and variable rate debt would have been $405.4 million (59%) and $283.7 million (41%), respectively, of our total consolidated indebtedness at December 31, 2011. Including our $5.8

million share of unconsolidated variable rate debt and the effect of related hedge agreements, our fixed and variable rate debt is 58% and 42%, respectively, of the total of consolidated and our share of unconsolidated indebtedness at December 31, 2011.

Our future earnings, cash flows and fair values related to financial instruments are dependent upon prevalent market rates of interest, primarily LIBOR. LIBOR was at historically low levels during 2011. Based on the amount of our fixed rate debt at December 31, 2011, a 100 basis point increase in market interest rates would result in a decrease in the fair value of our fixed rate debt of approximately $16.2 million. A 100 basis point increase in interest rates on our variable rate debt as of December 31, 2011 would decrease our annual cash flow by approximately $2.9 million. Based upon the terms of our variable rate debt, we are most vulnerable to change in short-term LIBOR interest rates. The sensitivity analysis was estimated using cash flows discounted at current borrowing rates adjusted by 100 basis points.

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

Inflation

Most of our leases contain provisions designed to mitigate the adverse impact of inflation by requiring the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance to the extent we are able to recover such costs from our tenants. However, increased inflation could have a more pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases or limits on such tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time, and limit our ability to recover all of our operating expenses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as that term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in *Internal Control – Integrated Framework,* the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

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

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

Report of Independent Registered Public Accounting Firm

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

We have audited Kite Realty Group Trust and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Kite Realty Group Trust and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Kite Realty Group Trust and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kite Realty Group Trust and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011 and the related financial statement schedule listed in the index at Item 15(a) as of December 31, 2011 of Kite Realty Group Trust and subsidiaries and our report dated March 2, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Indianapolis, Indiana

March 2, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

The remaining information required by this Item is hereby incorporated by reference to the material appearing in our 2012 Annual Meeting Proxy Statement (the "Proxy Statement"), which we intend to file within 120 days after our fiscal year-end, under the captions "Proposal 1: Election of Trustees Nominees for Election for a One-Year Term Expiring at the 2012 Annual Meeting", "Executive Officers", "Information Regarding Governance and Board and Committee Meetings – Committee Charters and Corporate Governance", "Information Regarding Corporate Governance and Board and Committee Meetings – Board Committees" and "Other Matters – Section 16(a) Beneficial Ownership Reporting Compliance".

ITEM 11. EXECUTIVE COMPENSATION

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

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

(a) Documents filed as part of this report:

(1) Financial Statements:
Consolidated financial statements for the Company listed on the index immediately preceding the financial statements at the end of this report.

(2) Financial Statement Schedule:
Financial statement schedule for the Company listed on the index immediately preceding the financial statements at the end of this report.

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

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

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

SIGNATURES

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

KITE REALTY GROUP TRUST
(Registrant)

/s/ JOHN A. KITE
John A. Kite
Chairman and Chief Executive Officer
(Principal Executive Officer)

March 2, 2012
(Date)

/s/ DANIEL R. SINK
Daniel R. Sink
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

March 2, 2012
(Date)

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

Signature	Title	Date
/s/ JOHN A. KITE (John A. Kite)	Chairman, Chief Executive Officer, and Trustee (Principal Executive Officer)	March 2, 2012
/s/ WILLIAM E. BINDLEY (William E. Bindley)	Trustee	March 2, 2012
/s/ RICHARD A. COSIER (Richard A. Cosier)	Trustee	March 2, 2012
/s/ EUGENE GOLUB (Eugene Golub)	Trustee	March 2, 2012
/s/ GERALD L. MOSS (Gerald L. Moss)	Trustee	March 2, 2012
/s/ MICHAEL L. SMITH (Michael L. Smith)	Trustee	March 2, 2012
/s/ DARELL E. ZINK, JR. (Darell E. Zink, Jr.)	Trustee	March 2, 2012
/s/ DANIEL R. SINK (Daniel R. Sink)	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 2, 2012

Kite Realty Group Trust
Index to Financial Statements

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Kite Realty Group Trust and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audit also included the financial statement schedule listed in the index at item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kite Realty Group Trust and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Kite Realty Group Trust and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Indianapolis, Indiana

March 2, 2012

Kite Realty Group Trust
Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
Assets:		
Investment properties, at cost:		
Land	$ 238,129,092	$ 228,707,073
Land held for development	36,977,501	27,384,631
Buildings and improvements	845,173,680	780,038,034
Furniture, equipment and other	5,474,403	5,166,303
Construction in progress	147,973,380	158,636,747
	1,273,728,056	1,199,932,788
Less: accumulated depreciation	(178,006,632)	(152,083,936)
	1,095,721,424	1,047,848,852
Cash and cash equivalents	10,042,450	15,394,528
Tenant receivables, including accrued straight-line rent of $11,398,347 and $9,113,712, respectively, net of allowance for uncollectible accounts	20,413,671	18,204,215
Other receivables	2,978,225	5,484,277
Investments in unconsolidated entities, at equity	21,646,443	11,193,113
Escrow deposits	9,424,986	8,793,968
Deferred costs, net	31,079,129	24,207,046
Prepaid and other assets	1,959,790	1,656,746
Total Assets	$ 1,193,266,118	$ 1,132,782,745
Liabilities and Equity:		
Mortgage and other indebtedness	$ 689,122,933	$ 610,926,613
Accounts payable and accrued expenses	36,048,324	32,362,917
Deferred revenue and other liabilities	12,636,228	15,399,002
Total Liabilities	737,807,485	658,688,532
Commitments and contingencies		
Redeemable noncontrolling interests in Operating Partnership	41,836,613	44,115,028
Equity:		
Kite Realty Group Trust Shareholders' Equity		
Preferred Shares, $.01 par value, 40,000,000 shares authorized, 2,800,000 shares issued and outstanding, with a liquidation value of $70,000,000	70,000,000	70,000,000
Common Shares, $.01 par value, 200,000,000 shares authorized, 63,617,019 shares and 63,342,219 shares issued and outstanding at December 31, 2011 and 2010, respectively	636,170	633,422
Additional paid in capital	449,763,528	448,779,180
Accumulated other comprehensive loss	(1,524,095)	(2,900,100)
Accumulated deficit	(109,504,068)	(93,447,581)
Total Kite Realty Group Trust Shareholders' Equity	409,371,535	423,064,921
Noncontrolling Interests	4,250,485	6,914,264
Total Equity	413,622,020	429,979,185
Total Liabilities and Equity	$ 1,193,266,118	$ 1,132,782,745

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

Kite Realty Group Trust
Consolidated Statements of Operations and Comprehensive Income

	Year Ended December 31,		
	2011	2010	2009
Revenue:			
Minimum rent	$ 77,019,425	$ 71,836,417	$ 71,612,415
Tenant reimbursements	20,264,222	17,666,443	18,163,191
Other property related revenue	4,252,623	5,065,169	6,065,708
Construction and service fee revenue	373,105	6,848,073	19,450,789
Total revenue	101,909,375	101,416,102	115,292,103
Expenses:			
Property operating	18,607,865	17,691,738	18,188,710
Real estate taxes	13,828,995	12,044,966	12,068,903
Cost of construction and services	309,074	6,142,042	17,192,267
General, administrative, and other	6,284,397	5,372,056	5,711,623
Depreciation and amortization	37,068,830	40,732,228	32,148,318
Total expenses	76,099,161	81,983,030	85,309,821
Operating income	25,810,214	19,433,072	29,982,282
Interest expense	(25,291,512)	(28,532,440)	(27,151,054)
Income tax benefit (expense) of taxable REIT subsidiary	1,294	(265,986)	22,293
Income (loss) from unconsolidated entities	333,628	(51,964)	226,041
Gain on sale of unconsolidated property, including tax benefit	4,320,155	—	—
Non-cash gain from consolidation of subsidiary	—	—	1,634,876
Other income, net	208,870	231,178	224,927
Income (loss) from continuing operations	5,382,649	(9,186,140)	4,939,365
Discontinued operations:			
Discontinued operations	—	—	(732,621)
Non-cash loss on impairment of discontinued operations	—	—	(5,384,747)
Loss gain on sale of operating property	(397,909)	—	—
Loss from discontinued operations	(397,909)	—	(6,117,368)
Consolidated net income (loss)	4,984,740	(9,186,140)	(1,178,003)
Net (income) loss attributable to noncontrolling interests	(3,466)	915,310	(603,763)
Net income (loss) attributable to Kite Realty Group Trust	4,981,274	(8,270,830)	(1,781,766)
Dividends on preferred shares	(5,775,000)	(376,979)	—
Net loss attributable to common shareholders	$ (793,726)	$ (8,647,809)	$ (1,781,766)
Net loss per common share – basic & diluted:			
(Loss) Income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ 0.07
(Loss) from discontinued operations attributable to Kite Realty Group Trust common shareholders	(0.00)	—	(0.10)
Net loss attributable to Kite Realty Group Trust common shareholders	$ (0.01)	$ (0.14)	$ (0.03)
Weighted average Common Shares outstanding – basic	63,557,322	63,240,474	52,146,454
Weighted average Common Shares outstanding – diluted	63,557,322	63,240,474	52,146,454
Dividends declared per Common Share	$ 0.2400	$ 0.2400	$ 0.3325
Net (loss) income attributable to Kite Realty Group Trust common shareholders:			
(Loss) income from continuing operations	$ (439,412)	$ (8,647,809)	$ 3,515,875
Loss from discontinued operations	(354,314)	—	(5,297,641)
Net loss attributable to Kite Realty Group Trust common shareholders	$ (793,726)	$ (8,647,809)	$ (1,781,766)
Consolidated net income (loss)	$ 4,984,740	$ (9,186,140)	$ (1,178,003)
Change in fair value of derivatives	1,547,918	3,274,373	3,032,080
Total comprehensive income (loss)	6,532,658	(5,911,767)	1,854,077
Comprehensive (income) loss attributable to noncontrolling interests	(175,379)	543,243	(1,699,095)
Comprehensive income (loss) attributable to Kite Realty Group Trust	$ 6,357,279	$ (5,368,524)	$ 154,982

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

Kite Realty Group Trust
Consolidated Statements of Shareholders' Equity

	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balances, December 31, 2008	—	$ —	34,181,179	$ 341,812	$ 343,631,595	$ (7,739,154)	$ (51,276,059)	$ 284,958,194
Stock compensation activity	—	—	40,984	410	865,597	—	—	866,007
Proceeds of common share offering, net of costs	—	—	28,750,000	287,500	87,199,059	—	—	87,486,559
Proceeds from employee share purchase plan	—	—	15,939	159	51,012	—	—	51,171
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	—	—	1,936,748		1,936,748
Distributions declared	—	—	—	—	—	—	(16,555,938)	(16,555,938)
Net loss attributable to Kite Realty Group Trust	—	—	—	—	—	—	(1,781,766)	(1,781,766)
Exchange of redeemable noncontrolling interest for common stock	—	—	73,981	740	1,124,247	—	—	1,124,987
Adjustment to redeemable noncontrolling interests - Operating Partnership	—	—	—	—	16,991,880	—	—	16,991,880
Balances, December 31, 2009	—	$ —	63,062,083	$ 630,621	$ 449,863,390	$ (5,802,406)	$ (69,613,763)	$ 375,077,842
Stock compensation activity	—	—	150,825	1,508	763,369	—	—	764,877
Proceeds of preferred share offering, net	2,800,000	70,000,000	—	—	(2,517,500)	—	—	67,482,500
Proceeds from employee share purchase plan	—	—	9,311	93	39,301	—	—	39,394
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	—	—	2,902,306	—	2,902,306
Distributions declared to common shareholders	—	—	—	—	—	—	(15,186,009)	(15,186,009)
Distributions to preferred shareholders	—	—	—	—	—	—	(376,979)	(376,979)
Net loss attributable to Kite Realty Group Trust	—	—	—	—	—	—	(8,270,830)	(8,270,830)
Exchange of redeemable noncontrolling interest for common stock	—	—	120,000	1,200	1,558,800	—	—	1,560,000
Adjustment to redeemable noncontrolling interests - Operating Partnership	—	—	—	—	(928,180)	—	—	(928,180)
Balances, December 31, 2010	2,800,000	$ 70,000,000	63,342,219	$ 633,422	$ 448,779,180	$ (2,900,100)	$ (93,447,581)	$ 423,064,921
Stock compensation activity	—	—	253,442	2,534	798,462	—	—	800,996
Proceeds from employee share purchase plan	—	—	5,358	54	23,978	—	—	24,032
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	—	—	1,376,005	—	1,376,005
Acquisition of noncontrolling interest in The Centre	—	—	—	—	(31,005)	—	—	(31,005)
Offering costs	—	—	—	—	(276,253)	—	—	(276,253)
Distributions declared to common shareholders	—	—	—	—	—	—	(15,262,761)	(15,262,761)
Distributions to preferred shareholders	—	—	—	—	—	—	(5,775,000)	(5,775,000)
Net income attributable to Kite Realty Group Trust	—	—	—	—	—	—	4,981,274	4,981,274
Exchange of redeemable noncontrolling interest for common stock	—	—	16,000	160	207,840	—	—	208,000
Adjustments to redeemable noncontrolling interests – Operating Partnership	—	—	—	—	261,326	—	—	261,326
Balances, December 31, 2011	2,800,000	$ 70,000,000	63,617,019	$ 636,170	$ 449,763,528	$ (1,524,095)	$ (109,504,068)	$ 409,371,535

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

Kite Realty Group Trust
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2011	2010	2009
Cash flow from operating activities:			
Consolidated net income (loss)	$ 4,984,740	$ (9,186,140)	$ (1,178,003)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:			
Non-cash loss on impairment of real estate asset	—	—	5,384,747
Non-cash gain from consolidation of subsidiary	—	—	(1,634,876)
Gain on sale of unconsolidated property	(4,320,155)	—	—
Equity in (earnings) loss of unconsolidated entities	(333,628)	51,964	(226,041)
Loss on sale of operating property	397,909	—	—
Straight-line rent	(2,690,710)	(547,063)	(1,591,209)
Depreciation and amortization	38,655,771	42,564,646	34,003,017
Provision for credit losses, net of recoveries	1,364,820	1,443,675	2,104,841
Compensation expense for equity awards	519,929	488,557	526,795
Amortization of debt fair value adjustment	(430,858)	(430,858)	(430,858)
Amortization of in-place lease liabilities	(2,460,002)	(2,822,305)	(3,120,359)
Distributions of income from unconsolidated entities	4,432,456	—	145,701
Changes in assets and liabilities:			
Tenant receivables	524,137	(539,800)	(566,121)
Deferred costs and other assets	(11,930,493)	421,494	(2,309,437)
Accounts payable, accrued expenses, deferred revenue, and other liabilities	3,513,039	(1,178,564)	(10,116,910)
Net cash provided by operating activities	32,226,955	30,265,606	20,991,287
Cash flow from investing activities:			
Acquisitions of interests in properties	(16,368,190)	—	—
Capital expenditures, net	(63,559,852)	(39,032,155)	(36,806,704)
Net proceeds from sales of operating properties	1,483,941	—	—
Change in construction payables	297,918	2,392,632	(5,036,410)
Note receivable from joint venture partner	125,780	687,648	(1,375,298)
Contributions to unconsolidated entities	(8,518,604)	(445,295)	(12,044,052)
Cash from consolidation of subsidiary	—	—	247,969
Distributions of capital from unconsolidated entities	—	—	167,361
Net cash used in investing activities	(86,539,007)	(36,397,170)	(54,847,134)
Cash flow from financing activities:			
Common share issuance proceeds, net of costs	(252,221)	39,394	87,537,730
Preferred share issuance proceeds, net of costs	—	67,482,500	—
Acquisition of noncontrolling interests in The Centre	(1,697,137)	—	—
Loan proceeds	211,528,578	58,726,952	93,536,599
Loan transaction costs	(4,370,749)	(989,943)	(981,163)
Loan payments	(132,901,400)	(105,663,994)	(112,472,694)
Distributions paid – common shareholders	(15,246,825)	(15,546,044)	(19,746,716)
Distributions paid – preferred shareholders	(5,694,792)	—	—
Distributions paid – redeemable noncontrolling interests	(1,884,965)	(1,907,073)	(3,877,243)
Distributions to noncontrolling interests	(520,515)	(574,076)	(100,165)
Net cash provided by financing activities	48,959,974	1,567,716	43,896,348
(Decrease) increase in cash and cash equivalents	(5,352,078)	(4,563,848)	10,040,501
Cash and cash equivalents, beginning of year	15,394,528	19,958,376	9,917,875
Cash and cash equivalents, end of year	$ 10,042,450	$ 15,394,528	$ 19,958,376
Supplemental disclosures			
Cash paid for interest, net of capitalized interest	$ 24,286,585	$ 26,661,839	$ 25,830,213
Cash paid for taxes	$ 77,000	$ 298,493	$ 110,225

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

Note 1. Organization

Kite Realty Group Trust (the "Company" or "REIT") was organized in Maryland in 2004 to succeed the development, acquisition, construction and real estate businesses of Kite Property Group (the "Predecessor"). The Predecessor was owned by Al Kite, John Kite and Paul Kite (the "Principals") and certain executives and other family members and consisted of the properties, entities and interests contributed to the Company or its subsidiaries by its founders. The Company began operations in 2004 when it completed its initial public offering of common shares and concurrently consummated certain other formation transactions.

The Company, through Kite Realty Group, L.P. ("the Operating Partnership"), is engaged in the ownership, operation, management, leasing, acquisition, construction management, redevelopment and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. The Company also provides real estate facilities management, construction management, development and other advisory services to third parties through its taxable REIT subsidiaries.

At December 31, 2011, the Company owned interests in 58 operating properties (consisting of 54 retail properties and four commercial operating properties) and five in-process development or redevelopment projects. The Company also owned land parcels intended for future development and redevelopment which include parcels that are undergoing pre-development activities and are in various stages of preparation for construction to commence, including pre-leasing activity and negotiations for third-party financings. As of December 31, 2011, these future developments and redevelopments consisted of six projects that are expected to contain approximately 2.4 million square feet of total gross leasable area (including non-owned anchor space) upon completion of development or redevelopment. Finally, as of December 31, 2011, the Company also owned interests in other land parcels comprising 101 acres that are expected to be used for future expansion of existing properties or development of new retail or commercial properties. The Company may also elect to sell such land to third parties under certain circumstances. These land parcels are classified as "Land held for development" in the accompanying consolidated balance sheets.

At December 31, 2010, the Company owned interests in 57 operating properties (consisting of 53 retail properties, four commercial operating properties), six properties under development or redevelopment and 93 acres of land held for development.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported period. Actual results could differ from these estimates.

Consolidation and Investments in Joint Ventures

The accompanying financial statements of the Company are presented on a consolidated basis and include all accounts of the Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership, subsidiaries of the Company or the Operating Partnership that are controlled and any variable interest entities ("VIEs") in which the Company is the primary beneficiary. In general, a VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) has equity investors that do not provide sufficient financial resources for the entity to support its activities, (b) does not have equity investors with voting rights or (c) has equity investors whose votes are disproportionate from their economics and substantially all of the activities are conducted on behalf of the investor with disproportionately fewer voting rights. The Company consolidates properties that are wholly owned as well as properties it controls but in which it owns less than a 100% interest. Control of a property is demonstrated by, among other factors:

- the Company's ability to refinance debt and sell the property without the consent of any other partner or owner;

- the inability of any other partner or owner to replace the Company as manager of the property; or
- being the primary beneficiary of a VIE. The primary beneficiary is defined as the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

As of December 31, 2011, the Company had investments in three joint ventures that are VIEs in which the Company is the primary beneficiary. As of this date, these VIEs had total debt of $35.4 million which is secured by assets of the VIEs totaling $86.5 million. The Operating Partnership guarantees the debt of these VIEs. In addition to The Centre, which is discussed below, in 2011 the Company acquired the entire outside partners' interests in two VIEs, which were consolidated by the Company, which was previously deemed to be the primary beneficiary, for nominal amounts.

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as it exercises significant influence over, but does not control, operating and financial policies. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions.

The Company considers all relationships between itself and the VIE, including development agreements, management agreements and other contractual arrangements, in determining whether it has the power to direct the activities of the VIE that most significantly affect the VIE's performance. The Company also continuously reassesses primary beneficiary status. Other than with regard to The Centre as described below and as described above, there were no changes during the years ended December 31, 2011, 2010 or 2009 to the Company's conclusions regarding whether an entity qualifies as a VIE or whether the Company is the primary beneficiary of any previously identified VIE.

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

The Centre

The Centre is a retail operating property located in Carmel, Indiana. In 2009, the third-party loan secured by the assets of The Centre, a previously unconsolidated operating property in which the Company owned a 60% interest, matured. In order to pay off this loan, the Company made a capital contribution of $2.1 million and simultaneously extended a loan of $1.4 million to the partnership that owned the property. The Company's extension of a loan to the partnership caused the Company to reevaluate whether The Centre qualifies as a VIE and whether the Company is its primary beneficiary. The analysis concluded that The Centre qualified as a VIE and the Company was its primary beneficiary. As a result, the financial statements of The Centre were consolidated as of September 30, 2009, the assets and liabilities were recorded at fair value, and a non-cash gain of $1.6 million was recorded, of which the Company's share was $1.0 million. The fair values recognized from the real estate and related assets acquired were primarily determined using the income approach. The most significant assumptions in the fair value estimates were the discount rates, market leasing rates, and exit capitalization rates using Level 2 and Level 3 inputs.

In February 2011, the Company completed the acquisition of the remaining 40% interest in The Centre, a consolidated redevelopment property, from its joint venture partners and assumed all leasing and management responsibilities of the property. The purchase price of the 40% interest was $2.2 million, including the settlement of a $0.6 million loan previously made by the Company. The transaction was accounted for as an equity transaction as the Company retained its controlling financial interest. The carrying amount of the non-controlling interest was eliminated, and the difference between the fair value of the consideration paid and the non-controlling interest was recognized in additional paid-in capital.

Purchase Accounting

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

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

- the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, independent appraisals or other relevant data;
- above-market and below-market in-place lease values for acquired properties are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the leases. Any below-market renewal options are also considered in the in-place lease values. The capitalized above-market and below-market lease values are amortized as a reduction of or addition to rental income over the remaining non-cancelable terms of the respective leases. Should a tenant vacate, terminate its lease, or otherwise notify the Company of its intent to do so, the unamortized portion of the lease intangibles would be charged or credited to income; and
- the value of leases acquired. The Company utilizes independent sources for its estimates to determine the respective in-place lease values. The Company's estimates of value are made using methods similar to those used by independent appraisers. Factors the Company considers in their analysis include an estimate of costs to execute similar leases including tenant improvements, leasing commissions and foregone costs and rent received during the estimated lease-up period as if the space was vacant. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

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

Investment Properties

Capitalization and Depreciation

Investment properties are recorded at cost and include costs of acquisitions, development, pre-development, construction, certain allocated overhead, tenant allowances and improvements, and interest and real estate taxes incurred during construction. Significant renovations and improvements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. If a tenant vacates a space prior to the lease expiration, terminates its lease, or otherwise notifies the Company of its intent to do so, any related unamortized tenant allowances are immediately expensed. Maintenance and repairs that do not extend the useful lives of the respective assets are reflected in property operating expense.

The Company incurs costs prior to land acquisition and for certain land held for development including acquisition contract deposits, as well as legal, engineering, cost of internal resources and other external professional fees related to evaluating the feasibility of developing a shopping center or other project. These pre-development costs are included in construction in progress in the accompanying consolidated balance sheets. If the Company determines that the development of a property is no longer probable, any pre-development costs previously incurred are immediately expensed. Once construction commences on the land, it is transferred to construction in progress.

The Company also capitalizes costs such as construction, interest, real estate taxes, and salaries and related costs of personnel directly involved with the development of our properties. As portions of the development property become operational, the Company expenses appropriate costs on a pro rata basis.

Depreciation on buildings and improvements is provided utilizing the straight-line method over estimated original useful lives ranging from 10 to 35 years. Depreciation on tenant allowances and improvements is provided utilizing the straight-line method over the term of the related lease. Depreciation on equipment and fixtures is provided utilizing the straight-line method over 5 to 10 years.

Impairment

Management reviews both operational and development properties, land parcels and intangible assets for impairment on at least a quarterly basis or whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable. The review for possible impairment requires management to make certain assumptions and estimates and requires significant judgment. Impairment losses for investment properties are measured when the undiscounted cash flows estimated to be generated by the investment properties during the expected holding period are less than the carrying amounts of those assets. Impairment losses are recorded as the excess of the carrying value over the estimated fair value of the asset. If the Company decides to sell or otherwise dispose of an asset, its carrying value may differ from its sales price.

In 2009, the Company wrote off the net book value on the Galleria Plaza operating property in Dallas, Texas and recognized a non-cash impairment charge of $5.4 million.

Held for Sale and Discontinued Operations

Operating properties held for sale include only those properties available for immediate sale in their present condition and for which management believes it is probable that a sale of the property will be completed within one year among other factors. Operating properties are carried at the lower of cost or fair value less costs to sell. Depreciation and amortization are suspended during the period during which the asset is held-for-sale. There were no assets classified as held for sale as of December 31, 2011 or 2010.

The Company's properties generally have operations and cash flows that can be clearly distinguished from the rest of the Company. The operations reported in discontinued operations include those operating properties that were sold, disposed of or considered held-for-sale and for which operations and cash flows can be clearly distinguished. The operations from these properties are eliminated from ongoing operations and the Company will not have a continuing involvement after disposition. Prior periods have been reclassified to reflect the operations of these properties as discontinued operations to the extent they are material to the results of operations.

Escrow Deposits

Escrow deposits consist of cash held for real estate taxes, property maintenance, insurance and other requirements at specific properties as required by lending institutions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. From time to time, such investments may temporarily be held in accounts that are in excess of FDIC and SIPC insurance limits; however the Company attempts to limit its exposure at any one time.

The Company maintains certain compensating balances in several financial institutions in support of borrowings from those institutions. Such compensating balances were not material to the consolidated balance sheets.

Fair Value Measurements

Cash and cash equivalents, accounts receivable, escrows and deposits, and other working capital balances approximate fair value.

As discussed below under "Derivative Financial Instruments," the Company accounts for its derivative financial instruments at fair value calculated in accordance with Topic 820—"Fair Value Measurements and Disclosures" in the ASC. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs for identical instruments that are classified within Level 1 and observable inputs for similar instruments that are classified within Level 2) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3). As further discussed in Note 10, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Derivative Financial Instruments

All derivative instruments are recorded on the consolidated balance sheets at fair value. Gains or losses resulting from changes in the fair values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company uses derivative instruments such as interest rate swaps or rate locks to mitigate interest rate risk on related financial instruments.

Changes in the fair values of derivatives that qualify as cash flow hedges are recognized in other comprehensive income ("OCI") while any ineffective portion of a derivative's change in fair value is recognized immediately in earnings. Upon settlement of the hedge, gains and losses associated with the transaction are recorded in OCI and amortized over the underlying term of the hedged transaction. All of the Company's derivative instruments qualify for hedge accounting.

Revenue Recognition

As lessor, the Company retains substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases.

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

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

Gains from sales of real estate are recognized when a sale has been consummated, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property, the Company has transferred to the buyer the usual risks and rewards of ownership, and the Company does not have a substantial continuing financial involvement in the property. As part of the Company's ongoing business strategy, it will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants. Net gains realized on such sales were $0.2 million, $2.6 million, and $2.9 million for the years ended December 31, 2011, 2010, and 2009, respectively, and are classified as other property related revenue in the accompanying consolidated statements of operations.

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

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

Tenant Receivables and Allowance for Doubtful Accounts

Tenant receivables consist primarily of billed minimum rent, accrued and billed tenant reimbursements, and accrued straight-line rent. The Company generally does not require specific collateral other than corporate or personal guarantees from its tenants.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of certain tenants or others to meet contractual obligations under their lease or other agreements. Accounts are written off when, in the opinion of management, the balance is uncollectible.

	2011	2010	2009
Balance, beginning of year	$ 1,629,883	$ 1,913,584	$ 808,024
Provision for credit losses, net of recoveries	1,364,820	1,443,675	2,104,841
Accounts written off	(1,660,188)	(1,727,376)	(999,281)
Balance, end of year	$ 1,334,515	$ 1,629,883	$ 1,913,584

Other Receivables

Other receivables consist primarily of receivables due from municipalities and from tenants for non-rental revenue related activities. Prior to 2011, other receivables consisted primarily of receivables due in the ordinary course of the Company's construction and advisory services businesses.

Concentration of Credit Risk

The Company may be subject to concentrations of credit risk with regards to its cash and cash equivalents. The Company places its cash and temporary cash investments with high-credit-quality financial institutions. From time to time, such cash and investments may temporarily be in excess of FDIC and SIPC insurance limits. In addition, the Company's accounts receivable from and leases with tenants potentially subjects it to a concentration of credit risk related to its accounts receivable and revenue. At December 31, 2011, 43%, 15% and 17% of total billed receivable were due from tenants leasing space in the states of Indiana, Florida, and Texas, respectively. For the year ended December 31, 2011, 39%, 24% and 15% of the Company's revenue recognized was from tenants leasing space in the states of Indiana, Florida, and Texas, respectively. There were no significant changes in the concentration percentages for the years ended December 31, 2010 and 2009.

Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined based on the weighted average number of shares outstanding combined with the incremental average shares that would have been outstanding assuming all potentially dilutive shares were converted into common shares as of the earliest date possible.

Potentially dilutive securities include outstanding share options, units in the Operating Partnership, which may be exchanged for either cash or common shares, at our option, under certain circumstances, and deferred share units, which may be credited to the accounts of non-employee trustees in lieu of the payment of cash compensation or the issuance of common shares to such trustees. Due to the Company's net loss for the years ended December 31, 2011, 2010 and 2009, the potentially dilutive securities were not dilutive for these periods.

For each of the years ended December 31, 2011, 2010, and 2009, 1.7 million, 1.7 million, and 1.4 million of the Company's outstanding common share options were excluded from the computation of diluted earnings per share because their impact was not dilutive.

Income Taxes and REIT Compliance

The Company, which is considered a corporation for federal income tax purposes, qualifies as a REIT and generally will not be subject to federal income tax to the extent it distributes its REIT taxable income to its shareholders and meets certain other requirements on a recurring basis. REITs are subject to a number of organizational and operational

requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate rates. The Company may also be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income even if it does qualify as a REIT. For example, the Company will be subject to income tax to the extent it distributes less than 90% of its REIT taxable income (including capital gains).

The Company has elected taxable REIT subsidiary ("TRS") status for some of its subsidiaries as permitted by the Code. This enables the Company to receive income and provide services that would otherwise be impermissible for REITs. Deferred tax assets and liabilities are established for temporary differences between the financial reporting bases and the tax bases of assets and liabilities at the enacted rates expected to be in effect when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

For the years ended December 31, 2011 and 2009, there were insignificant amounts of income tax benefits recorded. Income tax provision for the year ended December 31, 2010 was $266,000.

Other state and local income taxes were not significant in any of the periods presented.

Noncontrolling Interests

The Company reports its noncontrolling interest in a subsidiary as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest is identified in the consolidated financial statements.

The noncontrolling interests in consolidated properties for the years ended December 31, 2011, 2010, and 2009 were as follows:

	2011	2010	2009
Noncontrolling interests balance January 1	$ 6,914,264	$ 7,371,185	$ 4,416,533
Net income allocable to noncontrolling interests, excluding redeemable noncontrolling interests	101,069	117,155	879,463
Acquisition of noncontrolling interest in The Centre	(2,244,333)		
Distributions to noncontrolling interests	(520,515)	(574,076)	(100,165)
Recognition of noncontrolling interests upon consolidation of subsidiary and other	—	—	2,175,354
Noncontrolling interests balance at December 31	$ 4,250,485	$ 6,914,264	$ 7,371,185

The Company classifies redeemable noncontrolling interests in the Operating Partnership in the accompanying consolidated balance sheets outside of permanent equity because the Company may be required to pay cash to unitholders upon redemption of their interests in the limited partnership under certain circumstances.

The redeemable noncontrolling interests in the Operating Partnership for the years ended December 31, 2011, 2010, and 2009 were as follows:

	2011	2010	2009
Redeemable noncontrolling interests balance January 1	$ 44,115,028	$ 47,307,115	$ 67,276,904
Net loss allocable to redeemable noncontrolling interests	(97,603)	(1,032,465)	(275,700)
Accrued distributions to redeemable noncontrolling interests	(1,883,399)	(1,899,839)	(2,672,554)
Other comprehensive income allocable to redeemable noncontrolling interests [1]	171,913	372,037	1,095,332
Exchange of redeemable noncontrolling interest for common stock	(208,000)	(1,560,000)	(1,124,987)
Adjustment to redeemable noncontrolling interests - Operating Partnership[2]	(261,326)	928,180	(16,991,880)
Redeemable noncontrolling interests balance at December 31	$ 41,836,613	$ 44,115,028	$ 47,307,115

1 Represents the noncontrolling interests' share of the changes in the fair value of derivative instruments accounted for as cash flow hedges (see Note 10).

2 Includes adjustments to reflect amounts at the greater of historical book value or redemption value.

The following sets forth accumulated other comprehensive loss allocable to noncontrolling interests for the years ended December 31, 2011, 2010, and 2009:

	2011	2010	2009
Accumulated comprehensive loss balance at January 1	$ (359,798)	$ (731,835)	$ (1,827,167)
Other comprehensive income allocable to noncontrolling interests [1]	171,913	372,037	1,095,332
Accumulated comprehensive loss balance at December 31	$ (187,885)	$ (359,798)	$ (731,835)

1 Represents the noncontrolling interests' share of the changes in the fair value of derivative instruments accounted for as cash flow hedges (see Note 10).

The carrying amount of the redeemable noncontrolling interests in the Operating Partnership is required to be reflected at the greater of historical book value or redemption value with a corresponding adjustment to additional paid in capital. As of December 31, 2011, 2010 and 2009, the historical book value of the redeemable noncontrolling interests exceeded the redemption value, so no adjustment was necessary.

The Company allocates net operating results of the Operating Partnership after preferred dividends and noncontrolling interest in the consolidated properties based on the partners' respective weighted average ownership interest. The Company adjusts the redeemable noncontrolling interests in the Operating Partnership at the end of each period to reflect their interests in the Operating Partnership. This adjustment is reflected in the Company's shareholders' equity. The Company's and the redeemable noncontrolling weighted average interests in the Operating Partnership for the years ended December 31, 2011, 2010, and 2009 were as follows:

	Year Ended December 31,		
	2011	2010	2009
Company's weighted average diluted interest in Operating Partnership	89.0%	88.9%	86.6%
Redeemable noncontrolling weighted average diluted interests in Operating Partnership	11.0%	11.1%	13.4%

The Company's and the redeemable noncontrolling ownership interests in the Operating Partnership at December 31, 2011 and 2010 were as follows:

	Balance at December 31,	
	2011	2010
Company's interest in Operating Partnership	89.0%	89.0%
Redeemable noncontrolling interests in Operating Partnership	11.0%	11.0%

Note 3. Share-Based Compensation

Overview

The Company's 2004 Equity Incentive Plan (the "Plan") authorized options and other share-based compensation awards to be granted to employees and trustees for up to 2,000,000 common shares of the Company. The Plan was amended in May 2009 to authorize an additional 1,000,000 shares of the Company's common stock for future issuance. The Company accounts for its share-based compensation in accordance with the fair value recognition provisions provided under Topic 718—"Stock Compensation" in the ASC.

The total share-based compensation expense, net of amounts capitalized, included in general and administrative expenses for the years ended December 31, 2011, 2010, and 2009 was $0.7 million, $0.7 million, and $0.5 million, respectively. Total share-based compensation cost capitalized for the years ended December 31, 2011, 2010, and 2009 was $0.3 million, $0.3 million, and $0.3 million, respectively, related to development and leasing activities.

As of December 31, 2011, there were 430,626 shares available for grant under the 2004 Equity Incentive Plan.

Share Options

Pursuant to the Plan, the Company periodically grants options to purchase common shares at an exercise price equal to the grant date per-share fair value of the Company's common shares. Granted options typically vest over a five year period and expire ten years from the grant date. The Company issues new common shares upon the exercise of options.

For the Company's share option plan, the grant date fair value of each grant was estimated using the Black-Scholes option pricing model. The Black-Scholes model utilizes assumptions related to the dividend yield, expected life and volatility of the Company's common shares, and the risk-free interest rate. The dividend yield is based on the Company's historical dividend rate. The expected life of the grants is derived from expected employee duration, which is based on Company history, industry information, and other factors. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities utilized in the model are based on the historical volatility of the Company's share price and other factors.

The following summarizes the weighted average assumptions used for grants in fiscal periods 2011, 2010, and 2009:

	2011	2010	2009
Expected dividend yield	5.00%	10.00%	10.00%
Expected term of option	8 years	8 years	6 years
Risk-free interest rate	3.33%	3.00%	1.96%
Expected share price volatility	40.00%	52.71%	55.51%

A summary of option activity under the Plan as of December 31, 2011, and changes during the year then ended, is presented below:

	Options	Weighted-Average Exercise Price
Outstanding at January 1, 2011	1,741,860	$ 9.49
Granted	76,271	5.26
Exercised	(14,033)	3.04
Forfeited	(67,120)	10.46
Outstanding at December 31, 2011	1,736,978	$ 9.32
Exercisable at December 31, 2011	1,273,727	$ 10.58
Exercisable at December 31, 2010	1,072,799	$ 11.45

The fair value on the respective grant dates of the 76,271, 161,500, and 526,730 options granted during the periods ended December 31, 2011, 2010, and 2009 was $1.18, $0.65, and $0.55 per option, respectively.

The aggregate intrinsic value of the 14,033 and 6,000 options exercised during the years ended December 31, 2011 and 2010 was $27,824 and $6,180, respectively. No options were exercised during the year ended December 31, 2009.

The aggregate intrinsic value and weighted average remaining contractual term of the outstanding and exercisable options at December 31, 2011 were as follows:

	Options	Aggregative Intrinsic Value	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 31, 2011	1,736,978	$ 648,334	5.48
Exercisable at December 31, 2011	1,273,727	$ 360,609	4.80

As of December 31, 2011, there was $0.4 million of total unrecognized compensation cost related to outstanding unvested share option awards, which is expected to be recognized over a weighted-average period of 1.26 years. We expect to incur $0.2 million of this expense in fiscal year 2012, $0.1 million in fiscal year 2013, and the remaining $0.1 million in fiscal year 2014 through 2016.

Restricted Shares

In addition to share option grants, the Plan also authorizes the grant of share-based compensation awards in the form of restricted common shares. Under the terms of the Plan, these restricted shares, which are considered to be outstanding shares from the date of grant, typically vest over a period ranging from one to five years. In addition, the Company pays dividends on restricted shares that are charged directly to shareholders' equity.

The following table summarizes all restricted share activity to employees and non-employee members of the Board of Trustees as of December 31, 2011 and changes during the year then ended:

	Restricted Shares	Weighted Average Grant Date Fair Value per share
Restricted shares outstanding at January 1, 2011	177,077	$ 5.58
Shares granted	244,134	5.12
Shares forfeited	(5,556)	5.10
Shares vested	(81,931)	6.46
Restricted shares outstanding at December 31, 2011	333,724	$ 5.02

During the years ended December 31, 2011, 2010 and 2009, the Company granted 244,134, 136,324 and 31,692 restricted shares to employees and non-employee members of the Board of Trustees with weighted average grant date fair values of $5.12, $4.20 and $2.84, respectively. The total fair value of shares vested during the years ended December 31, 2011, 2010, and 2009 was $0.4 million, $0.2 million, and $0.2 million.

As of December 31, 2011, there was $1.6 million of total unrecognized compensation cost related to restricted shares granted under the Plan, which is expected to be recognized over a weighted-average period of 1.9 years. We expect to incur $0.6 million of this expense in fiscal year 2012, $0.4 million in fiscal year 2013, $0.3 million in fiscal year 2014, $0.3 million in fiscal year 2015, and the remainder in fiscal year 2016.

Deferred Share Units Granted to Trustees

The Plan allows for the deferral of certain equity grants into the Trustee Deferred Compensation Plan. The Trustee Deferred Compensation Plan authorizes the issuance of "deferred share units" to the Company's non-employee trustees. Each deferred share unit is equivalent to one common share of the Company. Non-employee trustees receive an annual retainer, fees for Board meetings attended, Board committee chair retainers and fees for Board committee meetings attended. Except as described below, these fees are paid in cash or common shares of the Company.

Under the Plan, at the Trustee's election, deferred share units may be credited to non-employee trustees in lieu of the payment of compensation in the form of cash or common shares. In addition, beginning on the date on which deferred share units are credited to a non-employee trustee, the number of deferred share units credited is increased by additional deferred share units in an amount equal to the relationship of dividends declared to the value of the Company's common shares. The deferred share units credited to a non-employee trustee are not settled until he or she ceases to be a member of the Board of Trustees, at which time an equivalent number of common shares will be issued to the Trustee.

During the years ended December 31, 2011, 2010, and 2009, three trustees elected to receive at least a portion of their compensation in deferred share units and an aggregate of 44,379, 32,639, and 42,739 deferred share units, respectively, including dividends that were reinvested for additional share units, were credited to those non-employee trustees based on a weighted-average grant date fair value of $4.24, $4.55, and $3.42, respectively. During the years ended December 31, 2011, 2010, and 2009, the Company incurred expense of $0.1 million, $0.2 million, and $0.2 million, respectively, related to deferred share units credited to non-employee trustees.

Other Equity Grants

During the years ended 2011, 2010, and 2009, the Company issued 7,935, 8,631, and 10,968 unrestricted common shares, respectively, with weighted average grant date fair values of $4.72, $4.34, and $3.42 per share, respectively, to non-employee members of our Board of Trustees in lieu of 50% of their annual retainer compensation.

Note 4. Deferred Costs

Deferred costs consist primarily of financing fees incurred to obtain long-term financing, acquired lease intangible assets, and broker fees and capitalized salaries and related benefits incurred in connection with lease originations. Deferred financing costs are amortized on a straight-line basis over the terms of the respective loan agreements. Deferred leasing costs, lease intangibles and similar costs are amortized on a straight-line basis over the terms of the related leases. At December 31, 2011 and 2010, deferred costs consisted of the following:

	2011	2010
Deferred financing costs	$ 8,904,454	$ 7,325,325
Acquired lease intangible assets	5,397,258	5,404,889
Deferred leasing costs and other	33,598,741	27,446,067
	47,900,453	40,176,281
Less—accumulated amortization	(16,821,324)	(15,969,235)
Total	$ 31,079,129	$ 24,207,046

The estimated aggregate amortization amounts from net unamortized acquired lease intangible assets for each of the next five years and thereafter are as follows:

2012	$ 554,298
2013	484,329
2014	301,655
2015	194,370
2016	136,677
Thereafter	533,666
Total	$ 2,204,995

The accompanying consolidated statements of operations include amortization expense as follows:

	For the year ended December 31,		
	2011	2010	2009
Amortization of deferred financing costs	$ 1,586,941	$ 1,832,418	$ 1,602,161
Amortization of deferred leasing costs, lease intangibles and other	$ 3,965,814	$ 4,473,346	$ 4,108,855

Amortization of deferred leasing costs, leasing intangibles and other is included in depreciation and amortization expense, while the amortization of deferred financing costs is included in interest expense.

Note 5. Deferred Revenue and Other Liabilities

Deferred revenue and other liabilities consist of unamortized fair value of in-place lease liabilities recorded in connection with purchase accounting, construction billings in excess of costs, construction retainages payable, and tenant rents received in advance. The amortization of in-place lease liabilities is recognized as revenue over the remaining life of the leases through 2036. Construction contracts are recognized as revenue using the percentage of completion method. Tenant rents received in advance are recognized as revenue in the period to which they apply, usually the month following their receipt.

At December 31, 2011 and 2010, deferred revenue and other liabilities consisted of the following:

	2011	2010
Unamortized in-place lease liabilities	$ 8,637,607	$ 9,867,906
Deferred construction revenue and other	910,184	958,220
Construction retainages payable	148,564	1,378,808
Tenant rents received in advance	2,515,221	2,647,531
Deferred income taxes	424,652	546,537
Total	$ 12,636,228	$ 15,399,002

The estimated aggregate amortization of acquired lease intangibles (unamortized fair value of in-place lease liabilities) for each of the next five years and thereafter is as follows:

2012	$ 1,686,855
2013	1,591,948
2014	1,242,134
2015	829,118
2016	428,154
Thereafter	2,859,397
Total	$ 8,637,607

Note 6. Investments in Unconsolidated Joint Ventures

As discussed in Note 2, the Centre was a retail operating property in which the Company owned a 60% equity interest. As of September 30, 2009, the Company consolidated The Centre. In February 2011, the Company acquired the remaining 40% interests and assumed all leasing and management responsibilities. During the first nine months of 2009, this entity was unconsolidated. In the summarized financial information below, the 2009 income reflects the first nine months of activity from The Centre.

During the second quarter of 2010, a limited service hotel at the Eddy Street Commons property, in which the Company holds a 50% noncontrolling interest, commenced operations. Subsequent to its development, the joint venture received an unsolicited offer to acquire the hotel. On November 1, 2011, the limited service hotel was sold by the joint venture resulting in a gain of $8.3 million. A portion of the net proceeds from the sale of this property were utilized to retire the $9.5 million construction loan, and the remaining proceeds were distributed to the partners. The Company's share of the gain was $4.3 million, including related tax effects. The Company maintains an investment in the joint venture, which is in the process of winding up its activities and distributing remaining net assets.

As of December 31, 2011, the Company owned a non-controlling interest in one development land parcel (Parkside Town Commons), which was also accounted for under the equity method. The Company has determined that Parkside Town Commons is a VIE and that the Company is not the primary beneficiary. The Company's investment in Parkside Town Commons was $21.3 million and $10.9 million as of December 31, 2011 and 2010, respectively. Parkside Town Commons is owned in a joint venture with Prudential Real Estate Investors ("PREI"). The joint venture is in the process of developing a mixed-use shopping center. As of December 31, 2011, the Company owned a 40% interest in Parkside Town Commons, which under the terms of the operating agreement, will be reduced to 20% upon project specific construction financing.

Combined summary financial information of entities accounted for using the equity method of accounting and a summary of the Company's investment in and share of income from these entities follows:

	December 31, 2011	December 31, 2010
Assets:		
Investment properties at cost:		
Building and improvements	$ —	$ 9,438,204
Construction in progress	62,108,456	60,852,416
	62,108,456	70,290,620
Less: Accumulated depreciation	—	(388,260)
Investment properties, at cost, net	62,108,456	69,902,360
Cash and cash equivalents	1,267,585	1,146,354
Escrow deposits	432,176	600,000
Deferred costs and other assets	59,273	265,248
Total assets	$ 63,867,490	$ 71,913,962
Liabilities and Owners' Equity:		
Mortgage and other indebtedness	$ 14,440,000	$ 43,287,141
Accounts payable and accrued expenses	742,475	839,607
Total liabilities	15,182,475	44,126,748
Owners' equity	48,685,015	27,787,214
Total liabilities and owners' equity	$ 63,867,490	$ 71,913,962
Company share of total assets	$ 25,546,996	$ 29,789,769
Company investment in joint ventures	$ 21,646,443	$ 11,193,113
Company share of mortgage and other indebtedness	$ 5,776,000	$ 18,256,271

	Year ended December 31,		
	2011	2010	2009
Revenue:			
Minimum rent	$ —	$ —	$ 691,739
Tenant reimbursements	—	—	256,426
Hotel rental revenue	4,443,374	2,002,761	—
Other property related revenue	—	—	20,916
Total revenue	4,443,374	2,002,761	969,081
Expenses:			
Property operating	2,755,467	1,459,059	195,656
Real estate taxes	337,701	70,000	142,198
Depreciation and amortization	194,133	388,262	102,626
Total expenses	3,287,301	1,917,321	440,480
Operating income	1,156,073	85,440	528,601
Interest expense	(340,099)	(189,368)	(179,177)
Other income	—	—	179,492
Income (loss) from continuing operations	815,974	(103,928)	528,916
Gain on sale of operating property	8,286,246	—	—
Net income (loss)	$ 9,102,220	$ (103,928)	$ 528,916
Third-party investors' share of net income (loss)	(4,551,110)	51,964	(226,306)
Company share of net (loss) income	$ 4,551,110	$ 51,964	$ 302,610
Amortization of excess investment and other	—	—	(76,569)
Income (loss) from unconsolidated entities	$ 4,551,110	$ 51,964	$ 226,041
Amounts classified as:			
Company's share of income (loss) from unconsolidated entities	$ 333,628	$ (51,964)	$ 226,041
Company's share of gain on sale of unconsolidated property	4,217,482	—	—
Tax effects from sale of unconsolidated property and other parent-level costs	102,673	—	—
Income (loss) from unconsolidated entities and gain on sale of unconsolidated property	$ 4,653,783	$ (51,964)	$ 226,041

"Excess investment" represented the unamortized difference of the Company's investment over its share of the equity in the underlying net assets of the joint ventures acquired. The Company amortized the excess investment over the life of the related property of no more than 35 years and the amortization is included in equity in earnings from unconsolidated entities. The excess investment related to The Centre and was eliminated upon the September 30, 2009 consolidation of this property. In addition, as of December 31, 2011 and 2010, the Company has an excess investment in Parkside Town Commons of $2.1 million and $1.2 million, respectively.

As of December 31, 2011, the Company's share of unconsolidated joint venture indebtedness was $5.8 million, which was related to the Parkside Town Commons development. Unconsolidated joint venture debt is the liability of the joint venture and is typically secured by the assets of the joint venture. As of December 31, 2011, the Operating Partnership had guaranteed its share of unconsolidated joint venture debt of $5.8 million in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture and the joint venture could sell the property in order to satisfy the outstanding obligation.

Note 7. Development, Redevelopment, and Acquisition Activities

2011 Development Activities

Cobblestone Plaza

In 2011, the Company substantially completed the construction of Cobblestone Plaza, a neighborhood shopping center located in Ft. Lauderdale, Florida and transitioned it to the operating portfolio. The center is anchored by Whole Foods, Party City, and All Pets Emporium.

Delray Marketplace

In 2011, the Company transitioned Delray Marketplace in Delray Beach, Florida to an in-process development. The center will be anchored by Publix and Frank Theatres along with multiple shop retailers including Charming Charlie's, Chico's, Jos. A Bank, Max's Grille, and White House | Black Market. In November 2011, the Company closed on a $62 million construction loan to fund construction costs.

New Hill Place – Phase I

In 2011, the Company transitioned New Hill Phase – Phase I near Raleigh, North Carolina to an in-process development. The center will be anchored by Dick's Sporting Goods, Marshall's, Michael's, and Petco and a non-owned Target.

Walgreens

In 2011, the Company commenced construction on a Walgreens in Indianapolis, Indiana and the asset is included as an in-process development.

2011 Redevelopment Activities

During 2010, the Company completed plans for its redevelopment projects at Rivers Edge and Coral Springs Plaza. As part of finalizing its plans, the Company reduced the estimated useful lives of certain assets that were demolished. As a result of this change in estimate, a total of $5.8 million of additional depreciation was recognized in 2010.

Rivers Edge

In 2011, the Company substantially completed the construction of its Rivers Edge property in Indianapolis, Indiana and transitioned it to the operating portfolio. The center is anchored by Nordstrom Rack, the Container Store, and buy buy Baby. Additional anchors Arhaus Furniture and an expanded BGI Fitness are projected to open in mid-2012.

Oleander Pointe

In 2011, the Company acquired Oleander Pointe in Wilmington, North Carolina. Subsequent to the acquisition, the Company executed a lease termination agreement with the former anchor and a new lease with Whole Foods and transitioned the property to an in-process redevelopment. In connection with the lease termination agreement, the Company received a lease termination fee of $0.8 million. During 2011, the Company completed plans for the redevelopment of this property and recognized $1.5 million of accelerated depreciation and amortization.

Four Corner Square/Maple Valley

The Company transitioned its wholly-owned Four Corner Square/Maple Valley project near Seattle, Washington to an in-process development/redevelopment. In addition to the existing center, the Company also owns approximately ten acres of adjacent land for the expansion of the shopping center. The center will be anchored by Johnson's Home & Garden, Walgreens, and Grocery Outlet. The Company anticipates the majority of the existing center will remain open during the redevelopment.

2011 Acquisition Activities

In February 2011, the Company acquired Oleander Pointe, an unencumbered shopping center in Wilmington, North Carolina, for a purchase price of $3.5 million. The Company allocated the purchase price to the fair value of tangible assets and intangibles.

In June 2011, the Company acquired Lithia Crossing, an unencumbered shopping center in Tampa, Florida for a purchase price of $13.3 million. The Company allocated the purchase price to the fair value of tangible assets and intangibles.

Note 8. Discontinued Operations

In 2009, the Company conveyed the title to its Galleria Plaza operating property in Dallas, Texas to the ground lessor upon determining there was no value to the improvements and intangibles related to the property and recognized a non-cash impairment charge of $5.4 million to write off its net book value. The operating results related to this property are reported as discontinued operations in the accompanying statement of operations.

In 2011, the Company sold its Martinsville Shops property for a loss of $0.4 million. The operating results of this property were not material for any of the periods presented.

The results of the discontinued operations related to Galleria Plaza were comprised of the following for the year ended December 31, 2009:

	Year Ended December 31, 2009
Rental income	$ 554,934
Expenses:	
Property operations	802,500
Real estate taxes and other	193,639
Depreciation and amortization	256,172
Non-cash loss on impairment of discontinued operation	5,384,747
Total expenses	6,637,058
Operating (loss) income	(6,082,124)
Interest expense and other income, net	(35,244)
(Loss) income from discontinued operations	(6,117,368)
Loss on sale of operating property	—
Total loss from discontinued operations	$(6,117,368)
Loss from discontinued operations attributable to Kite Realty Group Trust common shareholders	$(5,297,641)
Loss from discontinued operations attributable to noncontrolling interests	(819,727)
Total loss from discontinued operations	$(6,117,368)

Note 9. Mortgage Loans and Other Indebtedness

Mortgage and other indebtedness consist of the following at December 31, 2011 and 2010:

Description	Balance at December 31, 2011	2010
Unsecured Revolving Credit Facility[1]		
Matures June 2014; maximum borrowing level of $161.7 million and $175.8 million available at December 31, 2011 and 2010, respectively; interest at LIBOR + 3.25%[5] or 3.55% at December 31, 2011 and interest at LIBOR + 1.25%[5] or 1.51% at December 31, 2010	$134,686,200	$122,300,000
Notes Payable Secured by Properties under Construction—Variable Rate		
Generally interest only; maturing at various dates through 2016; interest at LIBOR+1.85%-3.50%, ranging from 2.30% to 5.00%[3] at December 31, 2011 and interest at LIBOR+1.85%-3.50%, ranging from 2.56% to 5.252%[3,4] at December 31, 2010	82,454,406	88,424,770
Mortgage Notes Payable—Fixed Rate		
Generally due in monthly installments of principal and interest; maturing at various dates through 2022; interest rates ranging from 5.16% to 7.38% at December 31, 2011 and interest rates ranging from 5.16% to 7.65% at December 31, 2010	375,615,005	277,560,128
Mortgage Notes Payable—Variable Rate[2]		
Due in monthly installments of principal and interest; maturing at various dates through 2017; interest at LIBOR + 1.25%-3.40%, ranging from 1.55% to 3.70% at December 31, 2011 and interest at LIBOR + 1.25%-3.50%, ranging from 1.51% to 3.73% at December 31, 2010	96,251,268	122,094,803
Net premium on acquired indebtedness	116,054	546,912
Total mortgage and other indebtedness	$689,122,933	$610,926,613

1 The Company entered into two cash flow hedge agreements that fix interest on portions of its unsecured revolving credit facility. These hedges expired in February 2011.

2 The Company entered into a cash flow hedge for $55 million of outstanding variable rate debt that fixed the LIBOR rate at 3.27%, which the Company initially associated with the variable-rate term loan. After repayment of the term loan in 2010 and consistent with the designation documents, the hedge was associated with other variable-rate mortgage notes. This hedge expired in July 2011.

3 The Bridgewater Marketplace construction loan has a LIBOR floor of 3.15%.

4 The South Elgin Commons construction loan had a LIBOR floor of 2.00%.

5 The rate on the Company's unsecured revolving credit facility varied at certain parts of the year due to provisions in the agreement and the amendment and restatement of the agreement.

The one month LIBOR interest rate was 0.30% and 0.26% as of December 31, 2011 and 2010, respectively.

For the year ended December 31, 2011, the Company had loan borrowing proceeds of $211.5 million and loan repayments of $132.9 million. The major components of this activity are as follows:

- Draws of $55.7 million were made on the unsecured revolving credit facility. These draws were utilized to fund the acquisitions of Oleander Pointe in Wilmington, North Carolina, Lithia Crossing in Tampa, Florida, and the partners' noncontrolling interest in The Centre in Indianapolis, Indiana, as well as contributions to Parkside Town Commons in Raleigh, North Carolina, redevelopment costs, and tenant improvement and leasing costs;
- The Company made draws on construction loans totaling $15.7 million related to the development of South Elgin Commons Phase II, Eddy Street Commons, Rivers Edge, and Cobblestone Plaza developments;
- The Company closed on a $16.8 million loan secured by the Eastgate Pavilion property to replace the secured variable rate loan that was scheduled to mature in April 2012. The loan has a maturity date of December 31, 2016 and carries a variable interest rate of LIBOR plus 225 basis points. The all-in rate on this loan when considering the interest rate swap is 3.6%;

- The Company closed on a $4.7 million construction loan to fund the construction of the Zionsville Walgreen's in-process development property in Indianapolis, Indiana. The loan has a maturity date of June 30, 2015 and carries a variable interest rate of LIBOR plus 225 basis points. The Company made a draw of $1.1 million at the closing of the loan;
- The Company closed on a $62 million construction loan to fund the construction of the Delray Marketplace in-process development property in Delray Beach, Florida. The loan has a maturity date of November 18, 2014 and carries a variable interest rate of LIBOR plus 200 basis points. The Company made a draw of $7.8 million at the closing of the loan;
- The Company closed on a total of $82 million of nonrecourse loans secured by its Bayport Commons, Eddy Street Commons, Hamilton Crossing, Boulevard Crossing, Publix at Acworth, and Naperville Marketplace properties. Each of these loans has a ten-year term and a fixed interest rate of 5.44%. The Hamilton Crossing, Boulevard Crossing, Publix at Acworth, and Naperville Marketplace properties, as a group, serve as collateral for $43 million of the total borrowings. A portion of the net proceeds were used to pay down the variable rate debt on the Bayport Commons, Eddy Street Commons, and Glendale Town Center properties and the remainder was initially used to pay down the Company's unsecured revolving credit facility;
- The Company issued $7.8 million of variable rate debt, which matures on September 22, 2013, that carries a variable interest rate of LIBOR plus 300 basis points. The loan is secured by land held for development in Naples, Florida. The net proceeds were utilized to pay down the Company's unsecured revolving credit facility;
- The Company issued $21.0 million of fixed rate debt with a 10-year term and an interest rate of 5.77%. The loan is secured by the International Speedway Square property in Daytona, Florida. The net proceeds were utilized to pay down the Company's unsecured revolving credit facility;
- The Company retired the $1.5 million fixed rate loan on The Corner property;
- The maturity date of the variable rate loan on the Indiana State Motor Pool property was extended to February 2014 at an interest rate of LIBOR plus 325 basis points;
- The Company increased the borrowing capacity on the construction loan for the South Elgin Commons property from $9.4 million to $16.5 million and removed the LIBOR floor of 2.00%. The loan has a maturity date of September 30, 2013 and carries a variable interest rate of LIBOR plus 325 basis points;
- The Company closed on a $3.7 million loan secured by the small shops portion of the Fishers Station property to replace the secured loan that matured in June 2011. The loan has a maturity date of June 30, 2014 and carries a variable interest rate of LIBOR plus 340 basis points. In addition, the Company closed a $4.3 million revolving line of credit that is secured by the anchor of this property. This line of credit has a maturity date of June 30, 2013 and carries a variable interest rate of LIBOR plus 305 basis points. There were no amounts outstanding under this line of credit as of December 31, 2011; and
- The Company made scheduled principal payments totaling $5.2 million.

Unsecured Revolving Credit Facility

In June 2011, the Operating Partnership entered into an amended and restated three-year $200 million unsecured revolving credit facility (the "unsecured facility") with a group of financial institutions led by Key Bank National Association, as administrative agent, and Bank of America, N.A., as syndication agent. The Company and several of the Operating Partnership's subsidiaries are guarantors of the Operating Partnership's obligations under the unsecured facility. The unsecured facility has a maturity date of June 6, 2014 with a one-year option to extend under certain circumstances. Borrowings under the unsecured facility bear interest at a floating interest rate of LIBOR + 225 to 325 basis points, depending on the Company's leverage. The unsecured facility has a commitment fee of 25 to 35 basis points on unused borrowings. Subject to certain conditions, including the prior consent of the lenders, the Company has the option to increase its borrowings under the unsecured facility to a maximum of $300 million if there are sufficient unencumbered assets to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of $25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

The amount that the Company may borrow under the unsecured facility is based on the value of assets in its unencumbered property pool. As of December 31, 2011, the Company had 47 unencumbered properties and other assets used to calculate the value of the unencumbered property pool, of which 44 were wholly owned and three of which were owned through joint ventures. The major unencumbered assets include: Broadstone Station, The Centre, Coral Springs Plaza, Courthouse Shadows, Four Corner Square, King's Lake Square, Lithia Crossing, Market Street Village, Oleander Pointe, PEN Products, Red Bank Commons, Shops at Eagle Creek, Traders Point II, Union Station Parking Garage, Wal-

Mart Plaza, and Waterford Lakes Village. As of December 31, 2011, the total amount available for borrowing under the unsecured credit facility was $22.7 million.

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

- a maximum leverage ratio of 65%, reducing to 62.5% on December 31, 2012. After this date, the leverage ratio can be above 62.5% for a maximum of two consecutive quarters;
- Adjusted EBITDA (as defined in the unsecured facility) to fixed charges coverage ratio (excluding preferred dividends) of at least 1.50 to 1;
- minimum tangible net worth (defined as Total Asset Value less Total Indebtedness) of $325 million (plus 75% of the net proceeds of any future equity issuances from the date of the agreement);
- the aggregate amount of unsecured debt of the Company, Operating Partnership and their respective subsidiaries not exceeding the lesser of (a) 62.5% of the value of all properties then included in an unencumbered pool of properties that satisfy certain requirements and (b) the maximum principal amount of debt which would not cause the ratio of certain net operating income less capital reserves to debt service under the unsecured facility to be less than 1.40 to 1;
- ratio of secured indebtedness to total asset value of no more than .575 to 1;
- minimum unencumbered property pool occupancy rate of 80%;
- ratio of floating rate debt to total asset value of no more than 0.35 to 1; and
- ratio of recourse debt to total asset value of no more than 0.30 to 1.

The Company was in compliance with all applicable covenants under the unsecured facility as of December 31, 2011.

Under the terms of the unsecured facility, the Company is permitted to make distributions to its shareholders of up to 95% of its funds from operations provided that no event of default exists. If an event of default exists, the Company may only make distributions sufficient to maintain its REIT status. However, the Company may not make any distributions if an event of default resulting from nonpayment or bankruptcy exists, or if its obligations under the credit facility are accelerated.

Unsecured Term Loan

The Operating Partnership had a $55 million unsecured term loan agreement (the "Term Loan") that was originally scheduled to mature on July 15, 2011 and bore interest at LIBOR + 265 basis points. In connection with obtaining the Term Loan, the Company entered into a cash flow hedge for $55 million, which the Company initially associated with the variable rate Term Loan and effectively fixed the interest rate at 5.92%. In December 2010, the Term Loan was retired utilizing a portion of the proceeds from the Company's Series A Cumulative Redeemable Perpetual Preferred Share Offering. The cash flow hedge expired in June 2011.

Mortgage and Construction Loans

Mortgage and construction loans are secured by certain real estate, are generally due in monthly installments of interest and principal and mature over various terms through 2022.

The following table presents maturities of mortgage debt, corporate debt, and construction loans as of December 31, 2011:

Year	Amount
2012	$ 61,032,333
2013	93,888,696
2014	185,910,518
2015	44,494,733
2016	148,901,534
Thereafter	154,779,065
	$ 689,006,879
Unamortized Premiums	116,054
Total	$ 689,122,933

See Note 19 for refinancing activity subsequent to December 31, 2011.

The amount of interest capitalized in 2011, 2010, and 2009 was $8.5 million, $8.8 million, and $8.9 million, respectively.

Fair Value of Fixed and Variable Rate Debt

As of December 31, 2011, the fair value of fixed rate debt was approximately $405.5 million compared to the book value of $375.6 million. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments which ranged from 3.17% to 4.54%. As of December 31, 2011, the fair value of variable rate debt was approximately $315 million compared to the book value of approximately $313 million. The fair value was estimated using cash flows discounted at current borrowing rates for similar instruments which ranged from 2.46% to 7.85%.

As of December 31, 2010, the fair value of fixed rate debt was approximately $287.0 million compared to the book value of $277.6 million. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments which ranged from 3.76% to 5.91%. As of December 31, 2010, the fair value of variable rate debt was approximately $320.8 million compared to the book value of $332.8 million. The fair value was estimated using cash flows discounted at current borrowing rates for similar instruments which ranged from 3.42% to 5.25%.

Note 10. Derivative Instruments, Hedging Activities and Other Comprehensive Income

The Company is exposed to capital market risk, including changes in interest rates. In order to manage volatility relating to variable interest rate risk, the Company enters into interest rate hedging transactions from time to time. The Company does not use derivatives for trading or speculative purposes nor does the Company currently have any derivatives that are not designated as cash flow hedges. The Company has agreements with each of its derivative counterparties that contain a provision that if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of December 31, 2011, the Company was party to various consolidated cash flow hedge agreements totaling $30 million, which effectively fix certain variable rate debt over various terms through 2017. Utilizing a weighted average spread over LIBOR on all variable rate debt resulted in a weighted average interest rate of 5.38%.

These interest rate hedge agreements are the only assets or liabilities that the Company records at fair value on a recurring basis. The valuation is determined using widely accepted techniques including discounted cash flow analysis, which considers the contractual terms of the derivatives (including the period to maturity) and uses observable market-based inputs such as interest rate curves and implied volatilities. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

As a basis for considering market participant assumptions in fair value measurements, accounting guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs for identical instruments that are classified within Level

1 and observable inputs for similar instruments that are classified within Level 2) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3). In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2011 and 2010, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

The fair values of the Company's interest rate hedge liabilities as of December 31, 2011 and 2010 were $1.7 million and $3.8 million, respectively, including accrued interest of $43,000 and $0.5 million as of December 31, 2011 and 2010, respectively, and are recorded in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

The Company currently expects an increase to interest expense of approximately $0.7 million as the hedged forecasted interest payments occur. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to earnings over time as the hedged items are recognized in earnings during 2012. During the years ended December 31, 2011, 2010 and 2009, $3.1 million, $7.1 million and $6.4 million, respectively, were reclassified as a reduction to earnings.

The Company's share of net unrealized gains (losses) on its interest rate hedge agreements are the only components of its accumulated comprehensive income (loss). The following sets forth comprehensive income allocable to the Company for the years ended December 31, 2011, 2010, and 2009:

	Year ended December 31,		
	2011	2010	2009
Net income (loss) attributable to Kite Realty Group Trust	$ 4,981,274	$ (8,270,830)	$ (1,781,766)
Other comprehensive income (loss) allocable to Kite Realty Group Trust[1]	1,376,005	2,902,306	1,936,748
Comprehensive income attributable to Kite Realty Group Trust	$ 6,357,279	$ (5,368,524)	$ 154,982

1 Reflects the Company's share of the net change in the fair value of derivative instruments accounted for as cash flow hedges.

Note 11. Lease Information

Tenant Leases

The Company receives rental income from the leasing of retail and commercial space under operating leases. The leases generally provide for certain increases in base rent, reimbursement for certain operating expenses and may require tenants to pay contingent rentals to the extent their sales exceed a defined threshold. The weighted average initial term of the lease agreements is approximately 16 years. During the periods ended December 31, 2011, 2010, and 2009, the Company earned percentage rent of $0.4 million, $0.3 million, and $0.3 million, respectively.

As of December 31, 2011, future minimum rentals to be received under non-cancelable operating leases for each of the next five years and thereafter, excluding tenant reimbursements of operating expenses and percentage rent based on sales volume, are as follows:

2012	$ 70,849,731
2013	67,751,776
2014	61,810,208
2015	53,218,448
2016	45,145,626
Thereafter	203,177,674
Total	$ 501,953,463

Lease Commitments

As of December 31, 2011, the Company was obligated under eight ground leases for approximately 36 acres of land with five landowners, all of which require fixed annual rent payments. The expiration dates of the initial terms of these ground leases range from 2012 to 2083. These leases have five to ten year extension options ranging in total from 20 to 30 years. Ground lease expense incurred by the Company on these operating leases (including Galleria Plaza in 2009) for the years ended December 31, 2011, 2010, and 2009 was $0.7 million, $0.6 million, and $1.1 million, respectively.

During 2009, the Company was also obligated under a ground lease for its Galleria Plaza operating property in Dallas, Texas. The lease had been for 4.1 acres of land, required fixed annual rent of $594,000, and was scheduled to expire in 2027. As previously discussed, during the third quarter of 2009, the Company recognized a non-cash impairment charge of $5.4 million to write off the property's net book value. In December 2009, the Company conveyed the title to Galleria Plaza to the ground lessor. In connection with the transfer, the Company was released from the original ground lease and was released from any future obligations related to this property.

As further discussed in Note 15, the Company is obligated under a ground lease for one of its operating properties, Eddy Street Commons at the University of Notre Dame. The Company makes ground lease payments to the University of Notre Dame for the land beneath the initial phase of the development. This lease agreement is for a 75-year term at a fixed payment for the first two years, after which payments are based on a percentage of certain gross revenues. Contingent amounts are not readily estimable and are not reflected in the table below for fiscal years 2012 and beyond.

Future minimum lease payments due under such leases for the next five years ending December 31 and thereafter are as follows:

2012	$ 471,552
2013	357,252
2014	364,752
2015	346,501
2016	310,000
Thereafter	1,382,500
Total	$ 3,232,557

Note 12. Shareholders' Equity and Redeemable Noncontrolling Interests

Common Equity

In May 2009, the Company completed an equity offering of 28,750,000 common shares at an offering price of $3.20 per share for net offering proceeds of $87.5 million, of which $57 million was used to repay borrowings under the Company's unsecured revolving credit facility and the remainder was retained as cash.

Accrued but unpaid distributions on common shares and units were $4.3 million as of December 31, 2011 and 2010, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These distributions were paid in January of the following year.

Preferred Equity

In December 2010, the Company completed an equity offering of 2,800,000 shares of 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares at an offering price of $25.00 per share for net offering proceeds of $67.5 million.

A portion of the net proceeds were used to retire the Company's $55 million Term Loan. The remaining net proceeds, along with borrowings on the Company's revolving line of credit, were used to retire the $18.3 million loan and temporarily unencumber the International Speedway Square property in Daytona, Florida. The Series A preferred shares have no stated maturity date although they may be redeemed, at the Company's option, beginning in December 2015.

Accrued but unpaid distributions on the Series A preferred shares were $0.5 million and $0.4 million as of December 31, 2011 and 2010, respectively and are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These distributions were paid in March of the following year.

Dividend Reinvestment and Share Purchase Plan

The Company maintains a Dividend Reinvestment and Share Purchase Plan (the "Dividend Reinvestment Plan") which offers investors a dividend reinvestment component to invest all or a portion of the dividends on their common shares, or cash distributions on their units in the Operating Partnership, in additional common shares. In addition, the direct share purchase component permits Dividend Reinvestment Plan participants and new investors to purchase common shares by making optional cash investments with certain restrictions.

Redeemable Noncontrolling Interests

Concurrent with the Company's IPO and related formation transactions, certain individuals received units of the Operating Partnership in exchange for their interests in certain properties. Limited Partners were granted the right to redeem Operating Partnership units on or after August 16, 2005 for cash in an amount equal to the market value of an equivalent number of common shares at the time of redemption. The Company also has the right to redeem the Operating Partnership units directly from the limited partner in exchange for either cash in the amount specified above or a number of common shares equal to the number of units being redeemed. For the years ended December 31, 2011, 2010, and 2009, respectively, 16,000, 120,000, and 73,981 Operating Partnership units were exchanged for the same number of common shares.

Note 13. Segment Information

Historically, the operations of the Company have been aligned into two business segments: (i) real estate operations and development activities and (ii) construction and advisory services. Over the last several years, the Company made a strategic decision to reduce its third party construction and advisory services activities. As a result of this decision, the Company did not enter into any new significant construction or advisory contracts in 2011. The operations of this segment are de minimis for the year ended December 31, 2011 and the Company expects they will remain so in the foreseeable future. As a result, segment information for this period is not presented.

Segment data of the Company for the years ended December 31, 2010 and 2009 is as follows:

Year Ended December 31, 2010	Real Estate Operations and Development	Construction and Advisory Services	Subtotal	Intersegment Eliminations	Total
Revenues	$ 95,619,569	$ 11,980,263	$ 107,599,832	$ (6,183,730)	$ 101,416,102
Operating expenses, cost of construction and services, general, administrative and other	35,553,324	11,819,328	47,372,652	(6,121,850)	41,250,802
Depreciation and amortization	40,549,406	182,822	40,732,228	-	40,732,228
Operating income (loss)	19,516,839	(21,887)	19,494,952	(61,880)	19,433,072
Interest expense	(28,956,953)	(156,834)	(29,113,787)	581,347	(28,532,440)
Income tax expense of taxable REIT subsidiary	-	(265,986)	(265,986)	-	(265,986)
Other income, net	897,050	(136,489)	760,561	(581,347)	179,214
Loss from continuing operations	(8,543,064)	(581,196)	(9,124,260)	(61,880)	(9,186,140)
Consolidated net loss	(8,543,064)	(581,196)	(9,124,260)	(61,880)	(9,186,140)
Less: Net loss attributable to noncontrolling interests	851,131	57,312	908,443	6,867	915,310
Net loss attributable to Kite Realty Group Trust	$ (7,691,933)	$ (523,884)	$ (8,215,817)	$ (55,013)	$ (8,270,830)
Total assets at December 31, 2010	$ 1,135,512,416	$ 15,738,344	$ 1,151,250,760	$ (18,468,015)	$ 1,132,782,745

Year Ended December 31, 2009	Real Estate Operations and Development	Construction and Advisory Services	Subtotal	Intersegment Eliminations	Total
Revenues	$ 97,061,070	$ 42,759,584	$ 139,820,654	$ (24,528,551)	$ 115,292,103
Operating expenses, cost of construction and services, general, administrative and other	33,787,084	43,683,182	77,470,266	(24,308,763)	53,161,503
Depreciation and amortization	31,971,118	177,200	32,148,318	-	32,148,318
Operating income (loss)	31,302,868	(1,100,798)	30,202,070	(219,788)	29,982,282
Interest expense	(27,506,702)	(150,046)	(27,656,748)	505,694	(27,151,054)
Income tax benefit of taxable REIT subsidiary	-	22,293	22,293	-	22,293
Income from unconsolidated entities	206,564	-	206,564	19,477	226,041
Non-cash gain from consolidation of subsidiary	1,634,876	-	1,634,876	-	1,634,876
Other income, net	750,098	-	750,098	(525,171)	224,927
Income (loss) from continuing operations	6,387,704	(1,228,551)	5,159,153	(219,788)	4,939,365
Discontinued operations:					
Discontinued operations	(732,621)	-	(732,621)	-	(732,621)
Non-cash loss on impairment of discontinued operation	(5,384,747)	-	(5,384,747)	-	(5,384,747)
Loss from discontinued operations	(6,117,368)	-	(6,117,368)	-	(6,117,368)
Consolidated net income (loss)	270,336	(1,228,551)	(958,215)	(219,788)	(1,178,003)
Less: Net (income) loss attributable to noncontrolling interests	(797,841)	164,626	(633,215)	29,452	(603,763)
Net loss attributable to Kite Realty Group Trust	$ (527,505)	$ (1,063,925)	$ (1,591,430)	$ (190,336)	$ (1,781,766)
Total assets at December 31, 2009	$ 1,138,963,146	$ 23,925,090	$ 1,162,888,236	$ (22,202,792)	$ 1,140,685,444

Note 14. Quarterly Financial Data (Unaudited)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2011 and 2010.

	Quarter Ended March 31, 2011	Quarter Ended June 30, 2011	Quarter Ended September 30, 2011	Quarter Ended December 31, 2011
Total revenue	$ 24,445,022	$ 25,330,656	$ 25,461,283	$ 26,672,414
Operating income	$ 5,146,828	$ 5,728,027	$ 7,148,975	$ 7,786,384
Income (loss) from continuing operations	$ (777,311)	$ 104,068	$ 742,235	$ 5,313,657
Loss from discontinued operations	$ —	$ —	$ —	$ (397,909)
Consolidated net income (loss)	$ (777,311)	$ 104,068	$ 742,235	$ 4,915,748
Net income (loss) from continuing operations attributable to Kite Realty Group Trust common shareholders	$ (2,150,567)	$ (1,057,137)	$ (643,584)	$ 3,411,876
Net income (loss) attributable to Kite Realty Group Trust common shareholders	$ (2,150,567)	$ (1,057,137)	$ (643,584)	$ 3,057,562
Net income (loss) per common share – basic and diluted:				
Net income (loss) from continuing operations attributable to Kite Realty Group Trust common shareholders	$ (0.03)	$ (0.02)	$ (0.01)	$ 0.05
Net income (loss) attributable to Kite Realty Group Trust common shareholders	$ (0.03)	$ (0.02)	$ (0.01)	$ 0.05
Weighted average Common Shares outstanding				
- basic	63,448,048	63,567,964	63,597,290	63,613,728
- diluted	63,448,048	63,567,964	63,597,290	63,852,565

	Quarter Ended March 31, 2010	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Quarter Ended December 31, 2010
Total revenue	$ 25,555,634	$ 24,801,116	$ 25,155,856	$ 25,903,496
Operating income	$ 5,925,825	$ 2,846,614	$ 4,362,960	$ 6,297,674
Consolidated net loss	$ (1,131,124)	$ (4,550,173)	$ (2,644,975)	$ (859,868)
Net loss attributable to Kite Realty Group Trust common shareholders	$ (1,074,680)	$ (4,020,555)	$ (2,389,954)	$ (1,162,620)
Loss per common share – basic and diluted:				
Net loss attributable to Kite Realty Group Trust common shareholders	$ (0.02)	$ (0.06)	$ (0.04)	$ (0.02)
Weighted average Common Shares outstanding				
- basic	63,121,498	63,209,194	63,288,181	63,340,098
- diluted	63,121,498	63,209,194	63,288,181	63,340,098

Note 15. Commitments and Contingencies

Eddy Street Commons at Notre Dame

Phase I of Eddy Street Commons at the University of Notre Dame, located adjacent to the university in South Bend, Indiana, was substantially completed and moved to the operating portfolio in the fourth quarter of 2010. This multi-phase project includes retail, office, a limited service hotel, a parking garage, apartments, and residential units and is expected to include a full service hotel.

The City of South Bend has contributed $35 million to the development, funded by tax increment financing (TIF) bonds issued by the City and a cash commitment from the City, both of which were used for the construction of the parking garage and infrastructure improvements to this project. The majority of the bonds will be funded by real estate tax payments made by the Company and subject to reimbursement from the tenants of the property; however, the Company has

no obligations to repay or guarantee the bonds. If there are delays in the development, the Company is obligated to pay certain fees. However, it has an agreement with the City of South Bend to limit its exposure to a maximum of $1 million as to such fees. In addition, the Company will not be in default concerning other obligations under the agreement with the City of South Bend so long as it commences and diligently pursues the completion of its obligations under that agreement.

Although the Company does not expect to own either the residential or the apartment complex components of the project, the Company has jointly guaranteed the apartment developer's construction loan, which at December 31, 2011, had an outstanding balance of $30.3 million. As of December 31, 2011, the construction of the apartments is complete. The Company also has a contractual obligation in the form of a completion guarantee to the University of Notre Dame and a similar agreement in favor of the City of South Bend to complete all phases and the Company expects its portion to be approximately $64 million, with the exception of certain of the residential units, consistent with commitments the Company typically makes in connection with other bank-funded development projects. If the Company fails to fulfill its contractual obligations in connection with the project, but is timely commencing and pursuing a cure, it will not be in default to either the University of Notre Dame or the City of South Bend.

Joint Venture Indebtedness

Joint venture debt is the liability of the joint venture and is typically secured by the assets of the joint venture under circumstances where the lender has limited recourse to the Company. As of December 31, 2011, the Company's share of unconsolidated joint venture indebtedness was $5.8 million, which was entirely related to the Parkside Town Commons development.

As of December 31, 2011, the Operating Partnership had guaranteed its $5.8 million share of the unconsolidated joint venture debt related to the Parkside Town Commons development in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture and the joint venture could sell the property in order to satisfy the outstanding obligation.

Other Commitments and Contingencies

The Company is not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Company's consolidated financial statements.

The Company is obligated under various completion guarantees with lenders and lease agreements with tenants to complete all or portions of our in development and redevelopment projects. The Company believes it currently has sufficient financing in place to fund these projects and expect to do so primarily through existing or new construction loans. In addition, if necessary, it may make draws on its unsecured facility.

As of December 31, 2011, the Company had outstanding letters of credit totaling $4.4 million. At that date, there were no amounts advanced against these instruments.

Note 16. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which it matches 100% of the employee's contribution up to 3% of the employee's salary and 50% of the employee's contribution over 3% and up to 5% of the employee's salary, not to exceed an annual maximum of $16,500, except in certain limited circumstances. The Company contributed $0.2 million, $0.2 million, and $0.3 million to this plan for the years ended December 31, 2011, 2010, and 2009, respectively.

Note 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, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
Recognition of noncontrolling interests upon consolidation of subsidiary	$ —	$ —	$ 2,175,354
Settlement of loan in acquisition of noncontrolling interest in The Centre	$ 578,200	$ —	$ —
Accrued distribution to preferred shareholders	$ 481,250	$ 376,979	$ —

Note 18. Related Parties

Subsidiaries of the Company provide certain management, construction management and other services to certain unconsolidated entities and to entities owned by certain members of the Company's management. During the years ended December 31, 2011, 2010 and 2009, the Company earned $30,000, $0.1 million and $0.1 million, respectively from unconsolidated entities, and $40,000, $40,000 and $0.1 million, respectively from entities owned by certain members of management.

The Company reimburses an entity owned by certain members of the Company's management for travel and related services. During the years ended December 31, 2011, 2010 and 2009, amounts paid by the Company to this related entity were $0.2 million, $0.2 million and $0.3 million, respectively.

Note 19. Subsequent Events

2012 Debt Activity

In January 2012, the Company retired the $24.7 million fixed rate loan on the Plaza at Cedar Hill property utilizing the Company's unsecured credit facility.

2012 Asset Sale Activity

In February 2012, the Company sold Gateway Shopping Center in Marysville, Washington. The gain on the sale will be reflected in the first quarter of 2012.

Dividend Declaration

On February 8, 2012, the Board of Trustees declared a quarterly preferred share cash distribution of $0.515625 per preferred share covering the distribution period from December 2, 2011 to March 1, 2012 payable to shareholders of record as of February 21, 2012. This distribution was paid on March 1, 2012.

Kite Realty Group Trust
Schedule III
Consolidated Real Estate and Accumulated Depreciation

Name, Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/ Development		Gross Carry Amount Close of Period			Accumulated Depreciation	Year Built/ Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
Shopping Centers											
50th & 12th	$ 4,211,416	$ 2,995,931	$ 2,810,145	$ -	$ -	$ 2,995,931	$ 2,810,145	$ 5,806,076	$ 594,210	2004	NA
The Shops at Otty *	-	26,000	2,150,737	-	193,192	26,000	2,343,929	$ 2,369,929	582,369	2004	NA
Burlington Coat *	-	29,000	3,333,311	-	-	29,000	3,333,311	$ 3,362,311	1,265,589	1992/2000	2000
Cedar Hill Village *	-	1,352,645	5,721,843	-	1,530,914	1,352,645	7,252,757	$ 8,605,402	1,672,651	2002	2004
Coral Springs *	-	2,033,000	7,587,474	-	3,488	2,033,000	7,590,962	$ 9,623,962	893,558	2004/2010	NA
The Corner *	-	303,916	4,084,525	-	739,754	303,916	4,824,279	$ 5,128,195	2,763,668	1984/2003	1984
Eastgate Pavilion	16,800,000	8,482,803	21,634,620	-	104,153	8,482,803	21,738,773	$ 30,221,576	6,641,284	1995	2004
Glendale Town Center *	-	1,510,643	46,322,185	-	40,571	1,510,643	46,362,756	$ 47,873,399	17,367,159	1958/2008	1999
Publix at Acworth	7,070,510	1,395,379	8,303,543	-	762,489	1,395,379	9,066,032	$ 10,461,411	1,947,953	1996	2004
Shops at Eagle Creek *	-	2,877,727	8,016,340	200,087	2,709,888	3,077,814	10,726,228	$ 13,804,042	1,994,040	1998	2003
King's Lake Square *	-	4,519,000	7,541,065	-	1,076,325	4,519,000	8,617,390	$ 13,136,390	2,192,235	1986	2003
Boulevard Crossing	13,593,310	4,385,525	10,514,392	-	1,262,031	4,385,525	11,776,423	$ 16,161,948	2,989,431	2004	NA
Ridge Plaza	14,459,965	4,664,000	17,619,955	-	809,684	4,664,000	18,429,639	$ 23,093,639	5,191,712	2002	2003
Fishers Station	3,625,230	3,735,807	11,543,410	-	439,612	3,735,807	11,983,022	$ 15,718,829	4,076,604	1989	2004
Plaza at Cedar Hill	24,722,234	5,782,304	37,922,659	-	6,118,067	5,782,304	44,040,726	$ 49,823,030	8,908,671	2000	2004
Wal-Mart Plaza *	-	5,437,373	10,119,246	-	5,778	5,437,373	10,125,024	$ 15,562,397	2,056,211	1970	2004
Hamilton Crossing	12,995,797	5,672,477	10,128,711	-	502,379	5,672,477	10,631,090	$ 16,303,567	2,839,007	1999	2004
Centre at Panola *	3,257,179	1,985,975	8,239,172	-	18,685	1,985,975	8,257,857	$ 10,243,832	2,026,244	2001	2004
Sunland Towne Centre *	24,887,224	14,773,536	23,693,811	-	3,255,718	14,773,536	26,949,529	$ 41,723,065	5,868,027	1996	2004
Waterford Lakes *	-	2,316,674	7,571,584	-	164,768	2,316,674	7,736,352	$ 10,053,026	2,125,184	1997	2004
International Speedway Square *	20,835,938	7,769,277	19,312,662	-	5,897,501	7,769,277	25,210,163	$ 32,979,440	8,509,043	1999	NA
50 South Morton *	-	110,212	919,705	-	-	110,212	919,705	$ 1,029,917	441,867	1999	NA
Preston Commons	4,135,347	1,102,000	3,294,102	-	554,785	1,102,000	3,848,887	$ 4,950,887	1,750,574	2002	NA
Whitehall Pike	7,637,673	3,688,857	6,405,940	-	120,742	3,688,857	6,526,682	$ 10,215,539	3,703,485	1999	NA
Stoney Creek Commons *	-	627,964	4,599,185	-	-	627,964	4,599,185	$ 5,227,149	892,321	2000	NA
Bolton Plaza *	-	3,560,389	11,432,016	173,037	768,311	3,733,426	12,200,327	$ 15,933,753	1,692,709	1986	2005
Indian River Square	12,853,758	5,180,000	9,650,940	-	25,800	5,180,000	9,676,740	$ 14,856,740	3,420,437	1997/2004	2005
Fox Lake Crossing	10,799,299	5,289,306	9,336,901	-	120,962	5,289,306	9,457,863	$ 14,747,169	2,031,279	2002	2005
Plaza Volente	27,717,728	4,600,000	29,387,612	-	285,022	4,600,000	29,672,634	$ 34,272,634	6,033,146	2004	2005
Market Street Village *	-	9,764,381	19,120,268	-	2,018,562	9,764,381	21,138,830	$ 30,903,211	4,723,550	1970/2004	2005
Cool Creek Commons *	17,410,311	6,062,351	15,344,759	-	158,987	6,062,351	15,503,746	$ 21,566,097	3,956,380	2005	NA
Traders Point	45,783,943	9,443,449	37,151,671	-	83,616	9,443,449	37,235,287	$ 46,678,736	7,980,519	2005	NA
Traders Point II *	-	2,375,797	7,083,524	-	7,269	2,375,797	7,090,793	$ 9,466,590	1,485,987	2005	NA
Greyhound Commons *	-	2,629,064	866,993	-	-	2,629,064	866,993	$ 3,496,057	291,928	2005	NA

Name, Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/ Development		Gross Carry Amount Close of Period			Accumulated Depreciation	Year Built/ Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
Shopping Centers (continued)											
Geist Pavilion	11,125,000	1,367,816	9,766,801	-	816,594	1,367,816	10,583,395	11,951,211	2,339,070	2006	NA
Red Bank Commons *	-	1,408,328	4,752,715	-	-	1,408,328	4,752,715	6,161,043	1,097,732	2005	NA
Zionsville Place *	-	640,332	2,481,662	-	249,372	640,332	2,731,034	3,371,366	544,794	2006	NA
Pine Ridge Crossing	17,470,402	5,639,675	18,659,753	-	366,513	5,639,675	19,026,266	24,665,941	3,710,750	1993	2006
Riverchase	10,482,241	3,888,945	11,906,165	-	49,645	3,888,945	11,955,810	15,844,755	1,939,008	1991/2001	2006
Courthouse Shadows *	-	4,998,974	17,162,878	-	12,031	4,998,974	17,174,909	22,173,883	3,879,193	1987/1999	2006
Kedron Village	29,700,000	3,750,000	33,282,635	-	178,750	3,750,000	33,461,385	37,211,385	5,484,507	2006	NA
Tarpon Springs Plaza	12,187,942	5,370,399	24,543,715	-	-	5,370,399	24,543,715	29,914,114	3,218,399	2007	NA
Estero Town Commons	10,500,000	8,973,290	10,182,138	-	-	8,973,290	10,182,138	19,155,428	1,360,644	2006	NA
Beacon Hill Shopping Center	7,217,850	3,293,393	13,872,310	-	13,160	3,293,393	13,885,470	17,178,863	1,692,637	2006	NA
Cornelius Gateway	-	1,249,447	3,642,842	-	-	1,249,447	3,642,842	4,892,289	512,339	2006	NA
Naperville Marketplace	9,560,127	5,364,101	12,162,580	-	-	5,364,101	12,162,580	17,526,681	1,455,577	2008	NA
Gateway Shopping Center	20,352,866	6,095,738	20,289,672	-	-	6,095,738	20,289,672	26,385,410	2,321,933	2008	NA
Bridgewater Marketplace	7,000,000	3,406,641	8,591,367	-	-	3,406,641	8,591,367	11,998,008	973,066	2008	NA
Sandifur Plaza	-	834,034	2,071,015	-	-	834,034	2,071,015	2,905,049	327,661	2008	NA
Bayport Commons	13,070,487	7,868,354	22,360,472	-	-	7,868,354	22,360,472	30,228,826	2,481,976	2008	NA
54th & College *	-	2,671,501	-	-	-	2,671,501	-	2,671,501	-	2008	NA
Eddy Street Commons	25,394,089	1,900,000	38,582,898	-	-	1,900,000	38,582,898	40,482,898	2,110,230	2009	NA
Rivers Edge	19,685,563	5,646,522	27,795,760	-	-	5,646,522	27,795,760	33,442,282	1,571,561	1990 / 2011	2008
South Elgin	13,252,337	5,998,089	16,312,674	-	-	5,998,089	16,312,674	22,310,763	1,104,034	2009	NA
Lithia Crossing *	-	3,064,698	10,671,947	-	115,348	3,064,698	10,787,295	13,851,993	352,349	1993	2011
Cobblestone Plaza	33,637,744	11,596,016	42,468,128	-	-	11,596,016	42,468,128	54,064,144	1,215,292	2011	NA
The Centre	-	2,042,885	4,651,219	-	7,740	2,042,885	4,658,959	6,701,844	1,583,222	1986	NA
Total Shopping Centers	513,433,510	233,551,940	784,976,353	373,124	31,588,206	233,926,064	816,564,558	1,050,489,622	162,185,006		
Commercial Properties											
Indiana State Motor Pool	3,307,415	54,000	4,600,406	-	14,018	54,000	4,614,424	4,668,424	942,507	2004	NA
PEN Products *	-	126,000	5,966,519	-	127,784	126,000	6,094,303	6,220,303	1,965,479	2003	NA
Thirty South	20,900,992	1,643,415	10,075,377	-	12,900,915	1,643,415	22,976,292	24,619,707	6,790,306	1905/2002	2001
Union Station Parking Garage *	-	903,627	2,642,598	-	446,406	903,627	3,089,004	3,992,631	947,290	1986	2001
Total Commercial Properties	24,208,407	2,727,042	23,284,900	-	13,489,123	2,727,042	36,774,023	39,501,065	10,645,582		
In-Process Development and Redevelopment Properties											
Delray Beach	7,798,762	18,647,796	32,883,979	-	-	18,647,796	32,883,979	51,531,775	-		
Four Corner Square/Maple Valley *	-	9,972,981	11,706,151	-	292,465	9,972,981	11,998,616	21,971,597	1,250,600		
Oleander Pointe	-	862,500	2,930,869			862,500	2,930,869	3,793,369	85,958		
New Hill Place	-	36,988,398	-	-	-	36,988,398	-	36,988,398	-		
Zionsville Walgreens	1,080,000	2,351,128	-	-	-	2,351,128	-	2,351,128	-		
KRG Development	-	-	4,030	-	-	-	4,030	4,030	-		
Total Development Properties	8,878,762	68,822,803	47,525,029	-	292,465	68,822,803	47,817,494	116,640,297	1,336,558		

Name, Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/ Development		Gross Carry Amount Close of Period			Accumulated Depreciation	Year Built/ Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
Other **											
Frisco Bridges	-	1,101,558	-	-	-	1,101,558	-	1,101,558	-		
Eddy Street Commons	-	-	987,108	-	-	-	987,108	987,108			
Bridgewater Marketplace	-	1,989,248	-	-	-	1,989,248	-	1,989,248	-		
Eagle Creek IV *	-	1,736,379	-	-	-	1,736,379	-	1,736,379	-		
50 South Morton *	-	186,000	-	-	-	186,000	-	186,000	-		
Zionsville Place *	-	674,392	-	-	-	674,392	-	674,392	-		
Fox Lake Crossing II	-	3,853,832	-	-	-	3,853,832	-	3,853,832	-		
KR Peakway *	-	6,342,661	-	-	-	6,342,661	-	6,342,661	-		
KRG Peakway *	-	5,301,902	11,093,056	-	-	5,301,902	11,093,056	16,394,958	-		
Beacon Hill Shopping Center	-	3,839,836	-	-	-	3,839,836	-	3,839,836	-		
Pan Am Plaza	-	5,555,502	-	-	-	5,555,502	-	5,555,502	-		
951 & 41 *	7,800,000	18,961,194	-	-	-	18,961,194	-	18,961,194	-		
Total Other	7,800,000	49,542,504	12,080,164	-	-	49,542,504	12,080,164	61,622,668	-		
Line of credit - see *	134,686,200	-	-	-	-	-	-	-	-		
Grand Total	$ 689,006,879	$ 354,644,289	$ 867,866,445	$ 373,124	$ 45,369,794	$ 355,017,413	$ 913,236,239	$ 1,268,253,652	$ 174,167,146		

* This property or a portion of the property is included as an Unencumbered Pool Property used in calculating the Company's line of credit borrowing base.

** This category generally includes land held for development. The Company also has certain additional land parcels at its development and operating properties, which amounts are included elsewhere in this table.

Kite Realty Group Trust
Notes to Schedule III
Consolidated Real Estate and Accumulated Depreciation

Note 1. Reconciliation of Investment Properties

The changes in investment properties of the Company for the years ended December 31, 2011, 2010, and 2009 are as follows:

	2011	2010	2009
Balance, beginning of year	$ 1,194,766,485	$ 1,166,770,168	$ 1,134,480,942
Acquisitions	17,383,640	—	—
Consolidation of subsidiary	—	—	6,925,022
Improvements	67,626,743	41,900,543	49,375,257
Disposals	(11,523,216)	(13,904,226)	(24,011,053)
Balance, end of year	$ 1,268,253,652	$ 1,194,766,485	$ 1,166,770,168

The unaudited aggregate cost of investment properties for federal tax purposes as of December 31, 2011 was $1.1 billion.

Note 2. Reconciliation of Accumulated Depreciation

The changes in accumulated depreciation of the Company for the years ended December 31, 2011, 2010, and 2009 are as follows:

	2011	2010	2009
Balance, beginning of year	$ 147,889,371	$ 123,313,411	$ 100,762,741
Depreciation and amortization expense	32,706,686	35,767,040	27,714,495
Disposals	(6,428,912)	(11,191,080)	(5,163,825)
Balance, end of year	$ 174,167,146	$ 147,889,371	$ 123,313,411

Depreciation of investment properties reflected in the statements of operations is calculated over the estimated original lives of the assets as follows:

Buildings	35 years
Building improvements	10-35 years
Tenant improvements	Term of related lease
Furniture and Fixtures	5-10 years

EXHIBIT INDEX

Exhibit No.	Description	Location
3.1	Articles of Amendment and Restatement of Declaration of Trust of the Company	Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
3.2	Articles Supplementary designating Kite Realty Group Trust's 8.250% Series A Cumulative Redeemable Perpetual Preferred Shares, liquidation preference $25.00 per share, par value $0.01 per share	Incorporate by reference to Exhibit 3.2 to Kite Realty Group Trust's registration statement of Form 8-A filed on December 7, 2010
3.3	Amended and Restated Bylaws of the Company, as amended	Incorporated by reference to Exhibit 3.2 of the Annual Report on Form 10-K of Kite Realty Group Trust for the period ended December 31, 2004
4.1	Form of Common Share Certificate	Incorporated by reference to Exhibit 4.1 to Kite Realty Group Trust's registration statement on Form S-11 (File No. 333-114224) declared effective by the SEC on August 10, 2004
4.2	Form of share certificate evidencing the 8.250% Series A Cumulative Redeemable Perpetual Preferred Shares, liquidation preference $25.00 per share, per value $0.01 per share	Incorporate by reference to Exhibit 4.1 to Kite Realty Group Trust's registration statement on Form 8-A filed on December 7, 2010
10.1	Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P., dated as of August 16, 2004	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.2	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P., dated as of December 7, 2010	Incorporate by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on December 13, 2010
10.3	Employment Agreement, dated as of August 16, 2004, by and between the Company and John A. Kite*	Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.4	Employment Agreement, dated as of August 16, 2004, by and between the Company and Thomas K. McGowan*	Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.5	Employment Agreement, dated as of August 16, 2004, by and between the Company and Daniel R. Sink*	Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.6	Noncompetition Agreement, dated as of August 16, 2004, by and between the Company and John A. Kite*	Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.7	Noncompetition Agreement, dated as of August 16, 2004, by and between the Company and Thomas K. McGowan*	Incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.8	Noncompetition Agreement, dated as of August 16, 2004, by and between the Company and Daniel R. Sink*	Incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004

10.9	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Alvin E. Kite*	Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.10	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and John A. Kite*	Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.11	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Thomas K. McGowan*	Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.12	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Daniel R. Sink*	Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.13	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and William E. Bindley*	Incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.14	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Michael L. Smith*	Incorporated by reference to Exhibit 10.21 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.15	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Eugene Golub*	Incorporated by reference to Exhibit 10.22 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.16	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Richard A. Cosier*	Incorporated by reference to Exhibit 10.23 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.17	Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Gerald L. Moss*	Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.18	Indemnification Agreement, dated as of November 3, 2008, by and between Kite Realty Group, L.P. and Darell E. Zink, Jr.*	Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended September 30, 2008
10.19	Kite Realty Group Trust Equity Incentive Plan, as amended*	Incorporated by reference to the Kite Realty Group Trust definitive Proxy Statement, filed with the SEC on April 10, 2009
10.20	Kite Realty Group Trust Executive Bonus Plan*	Incorporated by reference to Exhibit 10.27 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.21	Kite Realty Group Trust 2008 Employee Share Purchase Plan*	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 12, 2008
10.22	Registration Rights Agreement, dated as of August 16, 2004, by and among the Company, Alvin E. Kite, Jr., John A. Kite, Paul W. Kite, Thomas K. McGowan, Daniel R. Sink, George F. McMannis, Mark Jenkins, Ken Kite, David Grieve and KMI Holdings, LLC	Incorporated by reference to Exhibit 10.32 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004

10.23	Amendment No. 1 to Registration Rights Agreement, dated August 29, 2005, by and among the Company and the other parties listed on the signature page thereto	Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended September 30, 2005
10.24	Tax Protection Agreement, dated August 16, 2004, by and among the Company, Kite Realty Group, L.P., Alvin E. Kite, Jr., John A. Kite, Paul W. Kite, Thomas K. McGowan and C. Kenneth Kite	Incorporated by reference to Exhibit 10.33 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.25	Form of Share Option Agreement under 2004 Equity Incentive Plan*	Incorporated by reference to Exhibit 10.39 to the Annual Report on Form 10-K of Kite Realty Group Trust for the period ended December 31, 2004
10.26	Form of Restricted Share Agreement under 2004 Equity Incentive Plan*	Incorporated by reference to Exhibit 10.40 of the Annual Report on Form 10-K of Kite Realty Group Trust for the period ended December 31, 2004
10.27	Schedule of Non-Employee Trustee Fees and Other Compensation*	Filed herewith
10.28	Kite Realty Group Trust Trustee Deferred Compensation Plan*	Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended June 30, 2006
10.29	Consulting Agreement, dated as of March 31, 2009, by and between the Company and Alvin E. Kite, Jr.	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on April 6, 2009
10.30	Credit Agreement, dated as of June 6, 2011, by and among the Operating Partnership, the Company, KeyBank National Association, as Administrative Agent, Bank of America, N. A., as Syndication Agent, Wells Fargo Bank, National Association, as successor to Wachovia Bank National Association as Documentation Agent and the other lenders party thereto.	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on June 9, 2011
10.31	Guaranty, dated as of June 6, 2011, by the Company and certain subsidiaries of the Operating Partnership party thereto.	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on June 9, 2011

12.1	Statement of Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	Filed herewith
21.1	List of Subsidiaries	Filed herewith
23.1	Consent of Ernst & Young LLP	Filed herewith
31.1	Certification of principal executive officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of principal financial officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

* Denotes a management contract or compensatory, plan contract or arrangement.

Exhibit 10.27

KITE REALTY GROUP TRUST

Schedule of Non-Employee Trustee Fees and Other Compensation

Annual Retainer	$25,000 (1)
Board Meeting Fees (telephonic and in-person)	$1,000
Committee Meeting Fees (telephonic and in-person)	$1,000
Committee Chair Annual Retainer	Audit Committee: $10,000 Compensation Committee: $7,500 Nominating and Corporate Governance Committee: $5,000
Lead Trustee Retainer	$10,000
Annual Restricted Share Awards	Upon initial election, each trustee receives 3,000 restricted shares that vest 1 year from date of grant. On an annual basis each year after their initial election, each trustee will receive restricted shares with a value of $25,000 that vest 1 year from the date of grant.

(1) The Board of Trustees receives approximately one-half of their $25,000 annual retainer in common shares of beneficial interest, par value $0.01 per share, of the Company. Trustees receive approximately 50% of the quarterly payment in common shares pursuant to unrestricted share grants under the Company's 2004 Equity Incentive Plan and the remainder in cash. The number of common shares to be issued each quarter will be based on the closing price of the common shares on the second business day after public release of the Company's financial data for the preceding calendar quarter (rounded down to the nearest whole common share).

Effective: May 2011

EXHIBIT 12.1

Kite Realty Group Trust

Calculation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends

	Years ended December 31				
	2011	**2010**	**2009**	**2008**	**2007**
Earnings:					
Net income (loss) from continuing operations	$ 5,382,649	$ (9,186,140)	$ 4,939,365	$ 10,183,056	$ 13,876,074
Add:					
Income taxes expense (benefit)	(1,294)	265,986	(22,293)	1,927,830	761,628
Fixed charges, net of capitalized interest	25,326,305	28,560,292	27,350,287	29,649,915	26,257,879
Distributions and income from majority-owned unconsolidated entity	—	—	381,514	825,747	621,793
Less:					
Income (loss) from unconsolidated entities	4,653,783	51,964	(226,041)	(842,425)	(290,710)
Earnings before fixed charges and preferred dividends	$ 26,053,877	19,692,102	32,422,832	41,744,123	41,226,664
Fixed charges:					
Interest expense	$ 25,291,512	$ 28,532,440	$ 27,151,054	$ 29,372,181	$ 25,965,141
Capitalized interest	8,486,590	8,807,062	8,892,218	10,061,770	12,824,398
Interest within rental expense	34,793	27,852	20,056	16,690	16,673
Fixed charges of unconsolidated entities	—	—	179,177	261,044	276,065
Total fixed charges	33,812,895	$ 37,367,354	$ 36,242,505	$ 39,711,685	$ 39,082,277
Preferred dividends	5,775,000	376,979	—	—	—
Total fixed charges and preferred dividends	$ 39,587,895	$ 37,744,333	$ 36,242,505	$ 39,711,685	$ 39,082,277
Ratio of earnings to fixed charges and preferred dividends	**(1)**	(2)	(3)	1.05	1.05

(1) The ratio is less than 1.0; the amount of coverage deficiency for the year ended December 31, 2011 was $13.5 million. The calculation of earnings includes $37.1 million of non-cash depreciation expense.

(2) The ratio is less than 1.0; the amount of coverage deficiency for the year ended December 31, 2010 was $18.1 million. The calculation of earnings includes $40.7 million of non-cash depreciation expense.

(3) The ratio is less than 1.0; the amount of coverage deficiency for the year ended December 31, 2009 was $3.8 million. The calculation of earnings includes $32.1 million of non-cash depreciation expense.

EXHIBIT 21.1

Kite Realty Group List of Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Formation
50th & 12th, LLC	Indiana
82 & Otty, LLC	Indiana
116 & Olio, LLC	Indiana
Brentwood Land Partners, LLC	Delaware
Brentwood Property Owners' Association, Inc.	Florida
Cornelius Adair, LLC	Indiana
Corner Associates, LP	Indiana
Delray Marketplace Master Association, Inc.	Florida
Eagle Plaza II, LLC	Indiana
Eddy Street Commons at Notre Dame Master Association, Inc.	Indiana
Estero Town Commons Property Owners Association, Inc.	Florida
Fishers Station Development Company	Indiana
Glendale Centre, LLC	Indiana
International Speedway Square, LTD	Florida
Jefferson Morton, LLC	Indiana
Kite Acworth, LLC	Indiana
Kite Acworth Management, LLC	Delaware
Kite Coral Springs, LLC	Indiana
Kite Daytona, LLC	Indiana
Kite Eagle Creek, LLC	Indiana
Kite Greyhound, LLC	Indiana
Kite Greyhound III, LLC	Indiana
Kite King's Lake, LLC	Indiana
Kite Kokomo, LLC	Indiana
Kite Kokomo Management, LLC	Delaware
Kite McCarty State, LLC	Indiana
Kite New Jersey, LLC	Delaware
Kite Pen, LLC	Indiana
Kite Realty Advisors, LLC d/b/a KMI Realty Advisors	Indiana
Kite Realty Construction, LLC	Indiana
Kite Realty Development, LLC	Indiana
Kite Realty Eddy Street Garage, LLC	Indiana
Kite Realty Eddy Street Land, LLC	Indiana
Kite Realty Group Trust	Maryland
Kite Realty Group, L.P.	Delaware
Kite Realty Holding, LLC	Indiana
Kite Realty New Hill Place, LLC	Indiana
Kite Realty Peakway at 55, LLC	Indiana
Kite Realty South Elgin, LLC	Indiana
Kite Realty Washington Parking, LLC	Indiana
Kite Realty/White LS Hotel Operators, LLC	Indiana
Kite San Antonio, LLC	Indiana
Kite Silver Glen, LLC	Indiana
Kite Washington, LLC	Indiana
Kite Washington Parking, LLC	Indiana
Kite West 86th Street, LLC	Indiana

Kite West 86th Street II, LLC	Indiana
KRG 951 & 41, LLC	Indiana
KRG Beacon Hill, LLC	Indiana
KRG Bolton Plaza, LLC	Indiana
KRG Bridgewater, LLC	Indiana
KRG Capital, LLC	Indiana
KRG Cedar Hill Plaza, LP	Delaware
KRG Cedar Hill Village, LP	Indiana
KRG Centre, LLC	Indiana
KRG CHP Management, LLC	Delaware
KRG College, LLC	Indiana
KRG College I, LLC	Indiana
KRG Construction, LLC	Indiana
KRG Cool Creek Management, LLC	Indiana
KRG Cool Creek Outlots, LLC	Indiana
KRG Corner Associates, LLC	Indiana
KRG Courthouse Shadows, LLC	Delaware
KRG Courthouse Shadows I, LLC	Delaware
KRG/CP Pan Am Plaza, LLC	Indiana
KRG CREC/KS Pembroke Pines, LLC	Florida
KRG Daytona Management, LLC	Indiana
KRG Daytona Management II, LLC	Delaware
KRG Daytona Outlot Management, LLC	Delaware
KRG Delray Beach, LLC	Indiana
KRG Development, LLC d/b/a Kite Development	Indiana
KRG Eagle Creek III, LLC	Indiana
KRG Eagle Creek IV, LLC	Indiana
KRG Eastgate Pavilion, LLC	Indiana
KRG Eddy Street Apartments, LLC	Indiana
KRG Eddy Street Commons, LLC	Indiana
KRG Eddy Street Commons at Notre Dame Declarant, LLC	Indiana
KRG Eddy Street FS Hotel, LLC	Indiana
KRG Eddy Street Land, LLC	Indiana
KRG Eddy Street Land Management, LLC	Delaware
KRG Eddy Street LS Hotel, LLC	Indiana
KRG Eddy Street Office, LLC	Indiana
KRG Estero, LLC	Indiana
KRG Fishers Station, LLC	Indiana
KRG Fishers Station II, LLC	Indiana
KRG Four Corner Square, LLC	Indiana
KRG Fox Lake Crossing, LLC	Delaware
KRG Fox Lake Crossing II, LLC	Indiana
KRG Frisco Bridges, LP	Indiana
KRG Gainesville, LLC	Indiana
KRG Geist Management, LLC	Indiana
KRG Hamilton Crossing, LLC	Indiana
KRG Hamilton Crossing Management, LLC	Delaware
KRG Indian River, LLC	Delaware
KRG ISS, LLC	Indiana
KRG ISS LH Outlot, LLC	Indiana
KRG Kedron Management, LLC	Delaware
KRG Kedron Village, LLC	Indiana

KRG Kokomo Project Company, LLC	Indiana
KRG Lithia, LLC	Indiana
KRG Management, LLC	Indiana
KRG Market Street Village, LP	Indiana
KRG Market Street Village I, LLC	Indiana
KRG Market Street Village II, LLC	Indiana
KRG Marysville, LLC	Indiana
KRG Naperville, LLC	Indiana
KRG Naperville Management, LLC	Delaware
KRG New Hill Place, LLC	Indiana
KRG Oak and Ford Zionsville, LLC	Indiana
KRG Oleander, LLC	Indiana
KRG Oldsmar, LLC	Indiana
KRG Oldsmar Management, LLC	Delaware
KRG Oldsmar Project Company, LLC	Delaware
KRG Pan Am Plaza, LLC	Indiana
KRG Panola I, LLC	Delaware
KRG Panola II, LLC	Indiana
KRG Peakway at 55, LLC	Indiana
KRG Pembroke Pines, LLC	Indiana
KRG Pine Ridge, LLC	Delaware
KRG Pipeline Pointe, LP	Indiana
KRG Plaza Volente, LP	Indiana
KRG Plaza Volente Management, LLC	Delaware
KRG PR Ventures, LLC	Indiana
KRG Riverchase, LLC	Delaware
KRG Rivers Edge, LLC	Indiana
KRG Rivers Edge II, LLC	Indiana
KRG San Antonio, LP	Indiana
KRG Sunland, LP	Indiana
KRG Sunland II, LP	Indiana
KRG Sunland Management, LLC	Delaware
KRG Texas, LLC	Indiana
KRG Traders Management, LLC	Delaware
KRG Washington Management, LLC	Delaware
KRG Waterford Lakes, LLC	Indiana
KRG Whitehall Pike Management, LLC	Indiana
KRG Zionsville, LLC	Indiana
KRG/Atlantic Delray Beach, LLC	Florida
KRG/I-65 Partners Beacon Hill, LLC	Indiana
KRG/KP Northwest 20, LLC	Indiana
KRG/KP Northwest 5, LLC	Indiana
KRG/PRISA II Parkside, LLC	Delaware
KRG/PRP Oldsmar, LLC	Florida
KRG/White LS Hotel, LLC	Indiana
KRG/WLM Marysville, LLC	Indiana
Noblesville Partners, LLC	Indiana
Ohio & 37, LLC	Indiana
Pasco Sandifur II, LLC	Indiana
Preston Commons, LLP	Indiana
Riverchase Owners' Association, Inc.	Florida
Westfield One, LLC	Indiana
Whitehall Pike, LLC	Indiana

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-120142, 333-152943, and 333-159219) and the Registration Statements on Form S-3 (File Nos. 333-127585, 333-163945 and 333-178792) in the related Prospectuses of Kite Realty Group Trust and Subsidiaries of our reports dated March 2, 2012, with respect to the consolidated financial statements and schedule of Kite Realty Group Trust and the effectiveness of internal control over financial reporting of Kite Realty Group Trust and Subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/Ernst & Young LLP

Indianapolis, Indiana

March 2, 2012

EXHIBIT 31.1

CERTIFICATION

I, John A. Kite, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2012

By: /s/ John A. Kite
John A. Kite
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Daniel R. Sink, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2012

By: /s/ Daniel R. Sink
Daniel R. Sink
Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, John A. Kite, Chairman and Chief Executive Officer of Kite Realty Group Trust (the "Company"), and Daniel R. Sink, Chief Financial Officer of the Company, each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of the Company for the year ended December 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2012

By: /s/ John A. Kite
John A. Kite
Chairman and Chief Executive Officer

By: /s/ Daniel R. Sink
Daniel R. Sink
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This page intentionally blank

CORPORATE HEADQUARTERS

Kite Realty Group Trust
30 South Meridian Street, Suite 1100
Indianapolis, Indiana 46204
Phone: (317) 577-5600
Fax: (317) 713-2764

WEBSITE

www.kiterealty.com

EXCHANGE LISTING

KRG LISTED NYSE New York Stock Exchange
NYSE: KRG

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP

TRANSFER AGENT AND REGISTRAR

Broadridge
Mr. Jason Fantry
51 Mercedes Way
Edgewood, NY 11717
(631) 274-2627

SHAREHOLDER INFORMATION

Shareholders seeking financial and operating information may contact Investor Relations, Kite Realty Group Trust, 30 South Meridian Street, Suite 1100, Indianapolis, Indiana 46204. Current investor information, including press releases and quarterly earning's information, can be obtained at www.kiterealty.com.

FORM 10-K

Copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2011 are available to shareholders without charge upon written request to Investor Relations, 30 South Meridian Street, Suite 1100, Indianapolis, Indiana 46204.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 9:00 a.m. local time on May 9, 2012, at 30 South Meridian Street, Eighth Floor Conference Center, Indianapolis, Indiana 46204.

OFFICERS

Tom McGowan, President and COO and Dan Sink, Executive VP and CFO

BOARD OF TRUSTEES

John A. Kite
Chairman and Chief Executive Officer
Kite Realty Group Trust

William E. Bindley
Chairman
Bindley Capital Partners, LLC

Dr. Richard Cosier
Avrum and Joyce Gray Director of the Burton D. Morgan Center for Entrepreneurship at Purdue University and Dean Emeritus and Leeds Professor of Management at Purdue University

Eugene Golub
Chairman, Golub & Company

Gerald L. Moss
Honorary of Counsel,
Bingham Greenebaum Doll LLP

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

Darell E. Zink, Jr.
Chairman and Chief Executive Officer
Strategic Capital Partners, LLC

CHAIRMAN EMERITUS

Alvin E. Kite
Kite Realty Group Trust

EXECUTIVE MANAGEMENT TEAM

John A. Kite
Chairman and Chief Executive Officer

Thomas K. McGowan
President and Chief Operating Officer

Daniel R. Sink
Executive Vice President and Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION AND NEW YORK STOCK EXCHANGE CERTIFICATIONS

The certifications of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure and required to be filed with the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, have been filed as Exhibits 31.1 and 31.2, respectively, in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company has submitted to the New York Stock Exchange the certification of the Chief Executive Officer certifying that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

FORWARD-LOOKING STATEMENT

This annual 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 of the Company to differ materially from historical results or from any results expressed or implied by such forward-looking statements, including, without limitation: national and local economic, business, real estate and other market conditions, particularly in light of the recent slowing of growth in the U.S. economy, financing risks, including the availability of and costs associated with sources of liquidity; the Company's ability to refinance, or extend the maturity dates of, its indebtedness; the level and volatility of interest rates; the financial stability of tenants, including their ability to pay rent and the risk of tenant bankruptcies; the competitive environment in which the Company operates; acquisition, disposition, development and joint venture risks; property ownership and management risks; the Company's ability to maintain its status as a real estate investment trust ("REIT") for federal income tax purposes; potential environmental and other liabilities; impairment in the value of real estate property the Company owns; risks related to the geographical concentration of our properties in Indiana, Florida and Texas; 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, 2011, which discuss these and other factors that could adversely affect the Company's results. The Company undertakes no obligation to publicly update or revise these forward-looking statements (including the FFO and net income estimates), whether as a result of new information, future events or otherwise.

KITE REALTY GROUP

30 South Meridian Street, Suite 1100
Indianapolis, IN 46204
P 317 577 5600
F 317 713 2764

kiterealty.com

KRG
LISTED
NYSE