

**THE GROWTH OF RETAIL REITS  
AN EXPLORATION OF CURRENT PRACTICES AND IMPLICATIONS**

by

A. Eric Toth  
B.A. Babson College, 1993

Submitted to the Department of Urban Studies and Planning  
in Partial Fulfillment of the Requirements for the Degree of  
Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology  
September 2003

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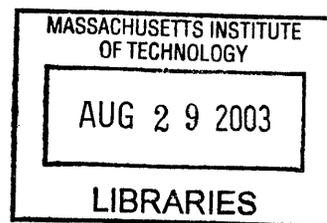
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**Abstract**

This study is an exploration of the current growth activity of retail real estate investment trusts (REITs). The specific questions to be explored are: How are retail REITs currently growing, how is this growth being financed and what are the implications of these choices on the retail sector and individual REITs?

This paper begins with a general overview of REIT specific characteristics and the retail sector that serves as background information to the data analysis found in the second part of this work.

The author hopes that this thesis is of interest to REIT investors, managers, analysts and anyone else who might be curious about the current state of the retail REIT industry.

Thesis Supervisor: John T. Riordan  
Title: Chairman, MIT Center for Real Estate

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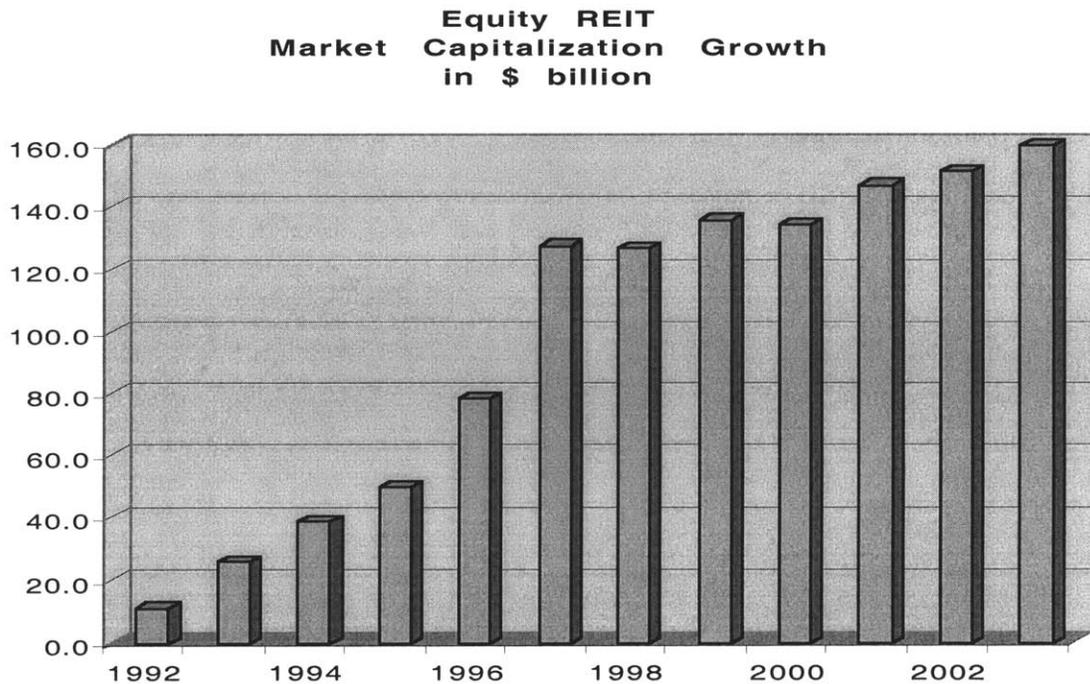
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## Chapter One – Background

### Historical REIT Growth

The past decade has experienced phenomenal growth in the Equity Real Estate Investment Trust (EREIT) industry. As measured by market value, EREITs have grown from an obscure 1993 value of \$26 billion to an impressive \$160 billion market today (NAREIT).



Graph 1.1 – source NAREIT

Early 90's EREIT growth was attributable to significant increases in IPO's and secondary stock offers. Mid to late 90's industry increases were fuelled by a massive string of mergers and acquisitions that were predominately financed with debt (Mullaney, 1998). Beginning in 2000, mergers and acquisition trailed off slightly and REIT equity once again became popular as evidenced by the past two and half years of healthy REIT share price appreciation (Chan, 2003).

As the EREIT industry continues to mature, marked influences are affecting the industry's segments. Specifically, the retail REIT segment's choices for expansion have narrowed due to decreased demand for new malls and shopping centers. The retail segment's current state of market demand equilibrium has prompted the more growth-oriented firms to concentrate on acquisitions and mergers as a means to increase cash flow and shareholder value. This thesis is dedicated to the exploration of the financial related aspects of this external growth activity within the retail REIT segment.

**Note:** Throughout this paper (unless otherwise stated) the generic acronym "REIT" is a reference to Equity Real Estate Investment Trusts (versus private REITs or a combination of public and private REITs). In addition, the "Retail REIT" segment includes the Regional Mall and Shopping Center sub-segments only. To avoid potential confusion, a short glossary of REIT related terms is included on page 34 of this document.

## **Special REIT Characteristics**

### *REITs as Income Stocks*

In many respects, REITs are like any other publicly traded entity. They are strategically managed (hopefully to maximize shareholder wealth), borrow debt and issue publicly traded equity shares. However, unlike many publicly traded companies, REITs decisions and operations are dictated by the prevailing market expectation that REITs should be income (versus growth) investments. This market expectation is the result of the rules governing REITs and the inherent cash flow characteristics of real estate. REITs are predominately comprised of leased property and or portfolios of mortgages. Both leased property and mortgages produce relatively stable and contractual cash flows. As dictated by federal tax law, REITs are required to payout 90% of their pretax cash flow as dividends to shareholders. In exchange for this large payout ratio, REITs are not required to pay corporate level income. Instead, the tax burden is "passed

through” to the shareholder and thus double taxation is avoided. In the case of non-mortgage REITs, the entity is comprised of hard physical real estate assets. If the REIT faces financial distress or bankruptcy, then these hard assets can be sold off, which in essence limits the downside of REIT investments (especially when compared to other publicly traded entities that do not derive the majority of their share holder value from their physical assets). Therefore, the typical non-mortgage REIT produces a relatively stable 90% of earnings dividend that is backed by hard physical assets. The combination of these characteristics gives REITs a “bond-like feel” and thus reveal why they are predominately viewed as income investments. (Geltner & Miller, 2001)

The fact that the market views REIT investing as an income versus growth play does not mean that REITs do not appreciate in value or increase dividends over time. Although REITs have some characteristics similar to bonds, they are still stocks. If a REIT did not have the ability to increase its dividends then it would be viewed much like any other high-yield investment such as preferred stocks or bonds and be purchased only for their yield. In fact, a REIT’s growth potential is one of the key competitive factors among equity REITs. Investors tend to expect a certain current baseline dividend yield from individual REIT stocks, but also base their investment decision on historical and forecasted funds from operations (FFO), which are direct derivatives of REIT growth.

## *How do REITs Grow?*

REIT growth can be divided into two categories: internal growth and external growth.

<b>Sources of REIT Growth</b>	
<b>Internal Growth</b>	<b>External Growth</b>
<ul style="list-style-type: none"><li>* Rental increases</li><li>* Percentage rent, rent bumps, etc.</li><li>* Tenant upgrades</li><li>* Property refurbishments</li><li>* Sale &amp; reinvestments</li></ul>	<ul style="list-style-type: none"><li>* Acquisitions</li><li>* Development</li></ul>

Graph 1.2

### ***Internal Growth***

Perhaps the most direct method of REIT value enhancement is through internal growth of the firm's existing assets. The market value of a REIT is determined by a number of factors including the value of the REIT's portfolio of cash flowing assets less liabilities, which is commonly referred to as net asset value (NAV). A REIT's NAV can increase for a variety of reasons including: positive market fluctuations in real estate values, physical improvements to the REIT's property and decreases in values or levels of a REIT liabilities. A REIT's value is also determined by an entity's funds from operations (FFO) and dividend yields. FFO and dividends are typically affected by increases in rental and or management fee revenues (commonly induced by tenant rollovers or changes in lease terms), decrease in operating costs (due to more efficient asset management) or divestment of assets. Although asset / market value appreciation is an important aspect of REIT growth, its value contributions are

largely a derivative of exogenous market fluctuations versus strategic management. (Block, 2002)

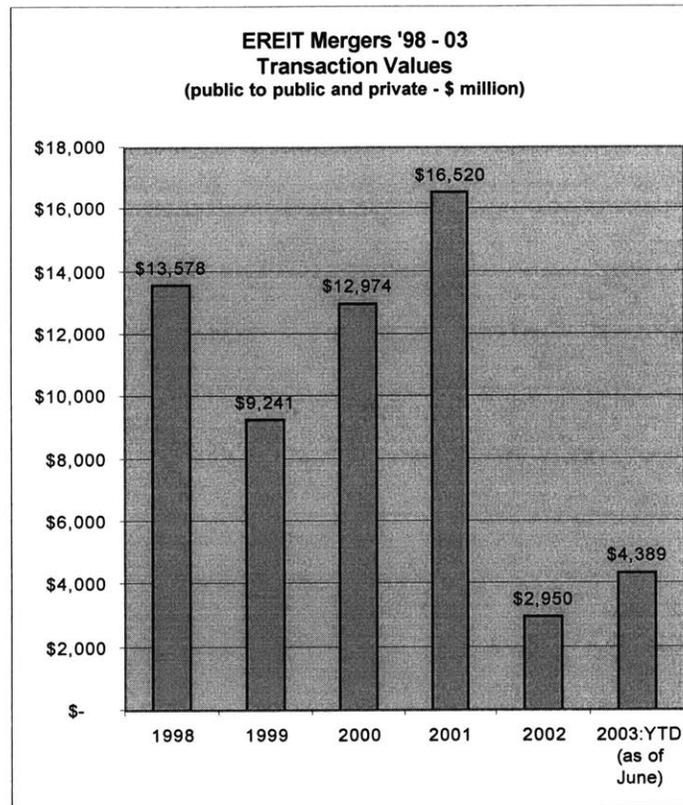
### ***External growth***

Typically, REITs experience more substantial growth via external sources; namely, development and acquisitions. Obviously, a REIT can increase in size by acquiring land or distressed property and turning it into a cash-flowing real estate asset. However, property development and rehabilitation are relatively risky activities. Many things can go wrong or change during the three plus years it commonly takes to develop leaseable property. In addition, development is traditionally a cash intensive process that has marked effects on a REIT's ever-important cash flow and FFO. The risk associated with development and the REIT market's general impatience to bet on future development projects, limits the pursuit of development to all but the most established and proven development-oriented REITs.

The less risky form of REIT external growth is via acquisitions of existing cash flowing property and of other REITs. The key to acquisitions is finding properties with yields higher than the REIT's cost of capital. If the target investment's IRR is greater than the REIT's WACC, then the acquisition should add value to the firm (Zhang, 2000). Typically, the source of an acquisition's value comes from increased economies of scale and capacity utilization or potential to rehab property into a more valuable asset (Timon & Woodward, 1998).

The prevailing view on consolidation is presented in the influential writing of Peter Linneman of the Wharton School of Business (1997) and advanced by REIT industry leader Sam Zell. Mr. Linneman and Mr. Zell believe that the industry will eventually consolidate into fifteen or so dominate companies that control the majority of the REIT market's assets (Campbell & Ghosh, 1998). This prediction is strengthened by the recent merger activity (see graph 1.3) and the

decreasing number of equity REITs that peaked at 178 in 1995 and has since gradually declined to 149 in 2002. (NAREIT)



Graph 1.3 – source NAREIT

### **The theory of capital structure**

After deciding how to externally grow (acquisitions or development), REITs must then decide on how to finance the growth. According to federal tax law, REITs must payout 90% of their profits as dividends in order to avoid double taxation (Geltner & Miller, 2001). In practice many REITs actually distribute dividends in excess of 100% of pre-tax profits. Payout ratios above 100% are possible because pre-tax profit numbers include “non actual expense” items such as depreciation (Chan, 2003). In any case, the residual earnings available to finance growth are meager if they exist at all. The lack of retained earnings has

forced REITs to use debt and equity as the prevailing methods of external growth financing.

The correct amount of debt and equity to be used by a firm (a.k.a. capital structure) is a matter of great strategic importance that requires special consideration when applied to REITs. Modigliani and Miller (two scholars that are commonly referred to as “The Fathers of Modern Finance”) produced the first popular theory of capital structure in 1958. Modigliani and Miller proposed that capital structure should not matter in a theoretical world where there are no taxes, bankruptcy costs, or agency costs (Modigliani & Miller, 1958). The contemporary finance scholars Dennis Capozza and Paul Seguin (2001) have recently argued that REITs actually exist in a state similar to Modigliani and Miller’s theoretical world of:

**“No taxes”** – Because REITs must payout at least 90% of their income as dividends, they effectively do not pay corporate income tax.

**“No bankruptcy costs”** – In the case of financial distress, it is argued that REITs can liquidate some or all of their assets. This privilege is attributable to REIT’s dual asset market situation which means that a functioning market exists for both REIT equity shares and the underlying REIT property assets (Geltner & Miller, 2001). Capozza and Seguin believe that this ability to partially liquidate vastly reduces the probability of full-blown bankruptcy.

**“No Agency costs”** – Agency costs represent the ability of managers to engage in activities that increase their compensation but at the same time decrease shareholder value. Agency costs definitely do exist in the world of modern REITs, but the REIT structure serves to mitigate such costs. There is a high degree of transparency and tangibility associated with REIT assets. The parallel market for real estate assets provides benchmark prices and rents for a REIT’s assets. In addition, because REITs are publicly traded entities, they must

disclose all operating and investment activity. Shareholders use this public information and parallel market benchmarks to judge the management of the REITs, and therefore reduce potential agency costs. If one agrees with Mr. Capozza and Mr. Seguin's logic, then it must be concluded that the Modigliani and Miller theory does not hold true for REITs.

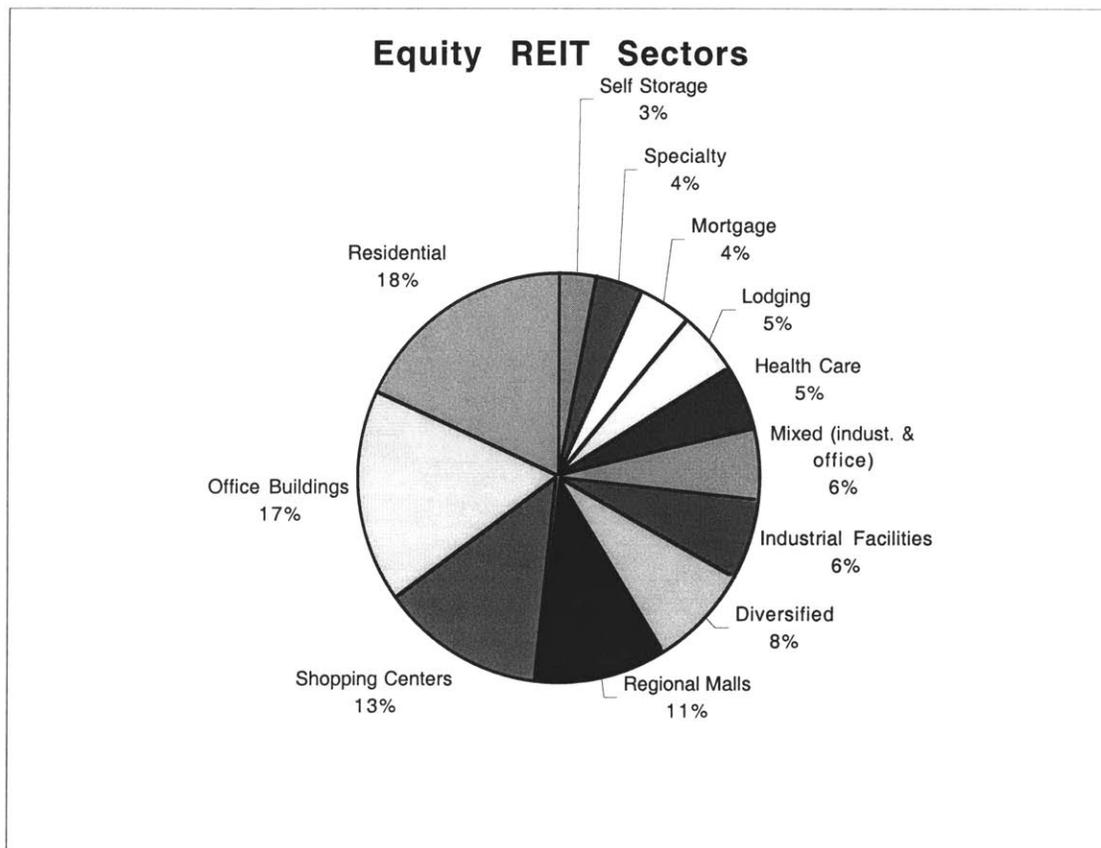
Scholar Gordon Donaldson (1961) also disagreed with Modigliani and Miller's conclusions. In contrast, he proposed that capital structure matters to all firms and that financing decisions are based on a "Pecking Order". Donaldson's pecking order suggested that companies should always use the least costly form of financing first before moving onto the next expensive level. He concluded that companies first use retained earnings, then debt and finally equity to finance their capital budgets.

Stewart C. Myers (MIT Sloan School Finance Professor) subsequently expanded Donaldson's conclusions in 1984 in his paper titled "Capital Structure Puzzle". Myers believed that a company's management held a position of superior knowledge regarding the firm's future and used this knowledge to make financing decisions. For example, if corporate management believes that (in light of their superior knowledge regarding the future) the firm's stock is overvalued, they will take advantage of the situation by issuing equity shares to finance growth. Conversely, if management perceives an under-valuation of their firm's stock, they will use debt financing. Myers believes that this predictable behavior can send "signals" regarding the health and future of a firm i.e.: issuance of stock causes stock prices to decrease and debt borrowing causes stock prices to increase. (Myers, 1984)

The theory of optimal capital structure continues to be a mystery to managers and academics alike. Most agree that capital structure does seem to matter, but it has been impossible to conclude exactly why and the question is further complicated by the unique structure of REITs. This paper will attempt to address this matter further in the upcoming data analysis section.

## Retail REIT Overview

Currently, there are thirty-one publicly traded retail REITs (excluding the “free-standing” sub-sector). As a REIT segment, retail accounts for 24% of the implied market capitalization value of all equity REITs, which equates to a March 31, 2003 value of \$44.8 billion (NAREIT) :



Graph 1.4 – source NAREIT

Despite a sluggish economy and lack of job growth, retail REITs are currently a popular and profitable investment. Typically, during economic downturns, consumer spending is curtailed and the retail sector is adversely affected. However, low interest rates and expectations of an improving economy have kept consumer spending stable. This stability combined with a lack of overbuilding has positioned the retail sector at a point of equilibrium, which has in turn lowered the demand for new retail facilities. The declining need for new mall

and shopping centers has prompted retail REITs to focus on acquisitions as their primary source of growth (see next section “*Retail REIT Growth – Current Situation*” for further details).

The Retail REIT sector is comprised of two sub-sectors Shopping Centers and Regional Malls:

### *Shopping Centers*

Most shopping centers (also referred to as *neighborhood* shopping centers and *strip* centers) are a collection of basic stores that offer a variety of simple goods and services. A typical shopping center layout includes two major anchor stores with a common combination being a supermarket and drugstore. Since shopping centers focus on commodity / necessity goods, many believe that neighborhood centers are less vulnerable to national recessions or regional slowdowns. Strip centers are relatively inexpensive to build, so there is a high probability of multiple competing centers within a given market area. At the operating level, shopping centers rents are comparatively low and their leases are usually triple net, requiring the tenant to pay for real estate taxes, repairs, insurance and utilities. (Block, 2002)

As of May 2003, there were twenty-one NYSE traded Shopping Center REITs with a total market cap value of \$20.5 billion. The largest Shopping Center REIT is Kimco Realty Corporation, which has a market value of +\$3.9 billion. The top four shopping center REITs (Kimco, Weingarten, Regency and New Plan) account for half of the shopping center sub-segment value. The 2002 mean shopping center dividend yield was 6.35%. (NAREIT)

## *Regional Malls*

In contrast to Shopping Centers, Regional Malls offer a large spectrum of specialty and disposable income related goods and services. Regional malls originally earned their name (in the 1950's) because they were intended to draw shoppers from the entire region they served, which, in a typical suburban area, included anywhere within a 30-minute drive. Regional Malls tend to be large in size and contain multiple anchor tenants. Attracting healthy anchor tenants is one of the most important strategic aspects of Regional Mall management. Non-anchor tenants are hesitant to sign lease agreements until at least one major anchor tenant has committed to a development. The elevated importance of the mall anchor means that they are usually given a comparative per square foot rent discounts. (Block, 2002)

Malls are more expensive to build, but receive higher per square foot rents and sales volumes. There are a few regional malls over one million square feet in size and recently, it is not uncommon for mall revenues per square foot to exceed \$600. (Morgan Stanley)

Regional malls are categorized by their target market and resulting tenant mix. "A" malls target wealthier customers and consequently feature high-end retailers such as Neiman Marcus, Ralph Lauren and merchants of exclusive lines of household goods like Crate and Barrel and Pottery Barn. "B" malls focus on upper-middle and middle class shoppers. The tenant mix in "B" malls maybe similar to that in "A" malls, but the selection is not as exclusive and department store anchors tend to be a step below those found in "A" malls. "C" malls cater to middle and low-income consumers and feature stores that target that income bracket. (Carliner, 2002)

Currently, there are nine NYSE publicly traded Regional Mall REITs with a total market cap value of \$24.4 billion. The largest Mall REIT is Simon Property Group, which has a market value of +\$7 billion. The top two mall REITs (Simon

and General Growth) account for half of the mall sub-segment value. The 2002 mean shopping center dividend yield was 6.38%. (NAREIT)

## **Chapter Two - Data Analysis**

This thesis is an exploration of the current growth activity of retail real estate investment trusts. The specific questions to be explored are: How are retail REITs currently growing, how is this growth being financed and what are the implications of these choices on the retail sector and individual REITs? This section of the paper provides the analysis and conclusions that answer these questions.

The data used in this section of the thesis comes from many sources. Historical financial data was derived from the SNL Financial database (SNL is a internet-based company that collects and distributes financial related data that is derived from corporate annual and quarterly reports – SNL data courtesy of Matt Ostrower, REIT Analyst at Morgan Stanley in New York). Most of the industry trend related data was sourced from the REIT industry's trade association "NAREIT" (National Association of Real Estate Investment Trusts) and to a lesser extent, REIT analyst reports and periodicals. In all cases, the author has made the best effort possible to present the data and analytical findings in a manner that accurately represents the contributor's intended interpretation.

### **Retail REIT growth – current situation**

During the past three years, the retail REIT segment has experienced a tremendous amount of merger and acquisitions activity. Since 2000, the number of publicly traded shopping center REITs has decreased by 30% (from 31 to 21 REITs) and the number of regional mall REITs has dropped by 25% (12 to 9 REITs) (NAREIT). The increased retail merger and acquisition activity is a by-product of decreased demand for new regional malls and strip centers (refer to previous "Retail REIT Overview" section). The current interest in acquisitions combined with a low number of properties being put up for sale, has put downward pressure on retail cap rates. In fact, some of the most drastic cap rate

decreases have actually occurred in 2003. As the proceeding Table 1.1 illustrates, "A" rated Malls cap rates decreased from a relatively stable 8.4% in 2002 to a nine year low of only 6.7%. Cap rates in B and C Malls have also decreased from 9.2% to 9% and from 9.9% to 9.3% respectively. (Morgan Stanley)

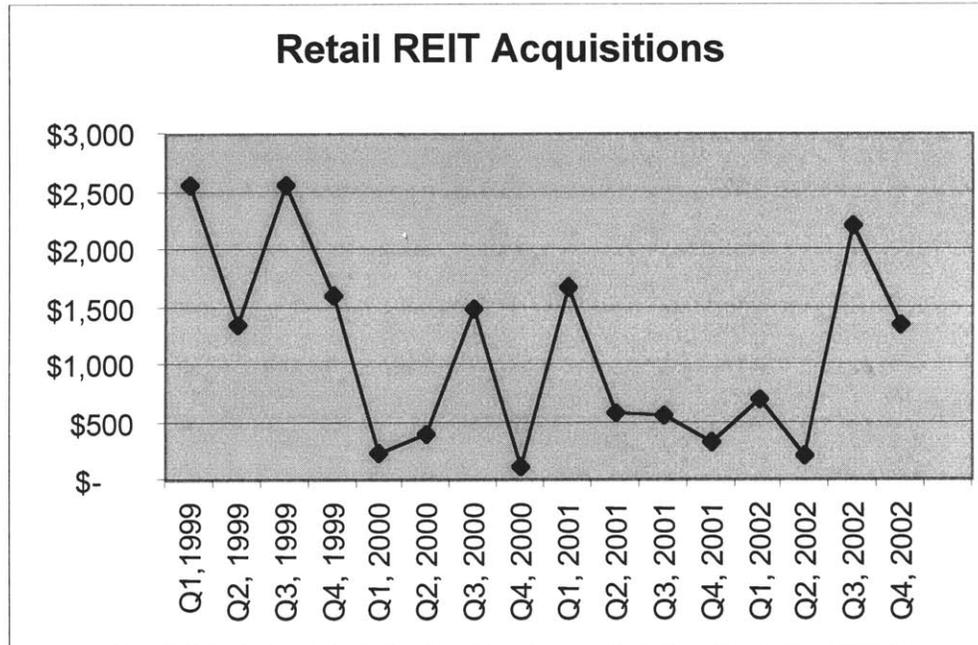
Table 1.1

<b>Mall Cap Rates 1995 - 2003</b>					
Data courtesy of Morgan Stanley					
<b>A Malls</b>					
	Price/SF	Sales/SF	Price/Sales	Cap Rate	
1995	482	443	1.0	8.2%	
1996	400	383	1.0	8.4%	
1997	459	442	1.0	8.3%	
1998	462	382	1.2	7.4%	
1999	713	695	1.0	7.8%	
2000	454	459	1.0	7.8%	
2001	632	525	1.2	8.5%	
2002	517	462	1.1	8.4%	
2003	744	612	1.3	6.7%	
<b>B Malls</b>					
	Price/SF	Sales/SF	Price/Sales	Cap Rate	
1995	269	256	1.0	8.5%	
1996	202	267	0.8	9.7%	
1997	197	306	0.7	8.4%	
1998	259	296	0.9	8.5%	
1999	305	336	0.9	8.9%	
2000	262	315	0.8	10.7%	
2001	255	367	0.7	9.2%	
2002	281	350	0.8	9.2%	
2003	303	339	0.9	9.0%	
<b>C Malls</b>					
	Price/SF	Sales/SF	Price/Sales	Cap Rate	
1995	194	215	0.9	9.4%	
1996	186	231	0.8	9.5%	
1997	154	216	0.8	10.0%	
1998	182	218	0.7	10.6%	
1999	131	254	0.7		
2000	191	242	0.8	10.8%	
2001					
2002	200	262	0.8	9.9%	
2003	204	275	0.8	9.3%	

The retail REIT's increasing appetite for acquisitions is further highlighted by Simon Property Group's (the largest mall REIT) recent buyout bids for (number seven) Taubman Centers, Inc. Through a series of tendered cash offers Simon Property and their acquisitions partner Westfield America Trust have effectively attempted the retail REIT industry's first hostile takeover. The proposed \$3.55 billion acquisition would include 30 high quality malls that produce an average \$456 in square foot sales, which is considerably higher than the national average. The latest buyout offer was \$20 a share, which represents an approximate 15% premium over recent Taubman stock prices. Despite an 85% approval from Taubman stockholders, the offer has not been accepted (Simon Property press release). If the Taubman acquisition does happen, REIT analysts such as Matt Ostrower of Morgan Stanley believe that more hostile takeovers will occur, further progressing Sam Zell and Peter Linneman's predicted industry consolidation.

The recent retail REIT acquisitions activity is represented in the following graph:

Graph 2.1:



Data source: NAREIT

As the graph shows, there were over \$4.5 billion of total retail acquisitions in 2002 - in comparison, acquisitions totaled \$3.1 billion in 2001, and \$2.2 billion in 2000. Of interest is Q3 2002, when there was \$2.2 billion in acquisitions, the highest level in twelve quarters. Although 2002 is not the largest year for acquisitions the data does confirm an increasing near term trend.

### **How are retail REITs financing their acquisitions / growth?**

The question of how retail REITs are financing their growth is best answered through an investigation of the retail segment and individual REIT capital structures. Using historical SNL GAAP data, the following ratios were used to calculate the time-trended changes in debt to market capitalization

values. The premise of this approach is that increases in the debt ratio indicate an increase in debt financing and decreases signal a REIT preference for equity.

**“Main” Formula**

$$\text{Debt to market cap ratio} = \frac{(\text{Debt} + \text{Preferred equity})}{\text{Total market capitalization}}$$

**“Supporting” formulas”**

**Total Market Capitalization =**  
Common equity + Preferred equity + Debt

**Common Equity =**  
(Common shares outstanding + Operating partnership units) x Static stock price

**Preferred Equity =**  
Value of common preferred equity + Value of preferred operating partnership equity

**Debt =**  
Total consolidated debt + Joint venture debt

*Note:* For purposes of reference, the detailed debt ratio calculations and supporting GAAP data are included in the appendix section of this thesis, labeled as “Exhibit One – Debt ratio data and calculations”.

**REITs included in the study**

There were 28 equity retail REITs included in the analysis. A list of the specific subject REITs can be found in the appendix section of this document.

## **Analysis assumptions / caveats**

The biggest assumption used in this study is that the all the capital raised was used for purposes of growth and most likely for external growth (acquisitions and or development). Although this assumption may not be entirely true for every REIT, it is logical due to the fact that REITs are highly transparent entities and frivolous or non-income producing activities will easily identified and “punished” by the market. This fact was proven in a related study conducted by Dennis Capozza and Paul Seguin (1998). The paper evaluated the operating expenses of equity REITs over a ten-year period. Capozza and Seguin concluded that those firms with unfounded, increasing operating expenses experienced declining stock valuations were penalized with decreasing stock values. Based on this study, it can be assumed that investors highly scrutinize the financing activities of publicly traded REITs. Considering this level of evaluation and importance, it is most likely that substantial acts of REIT financing will be associated with growth activity.

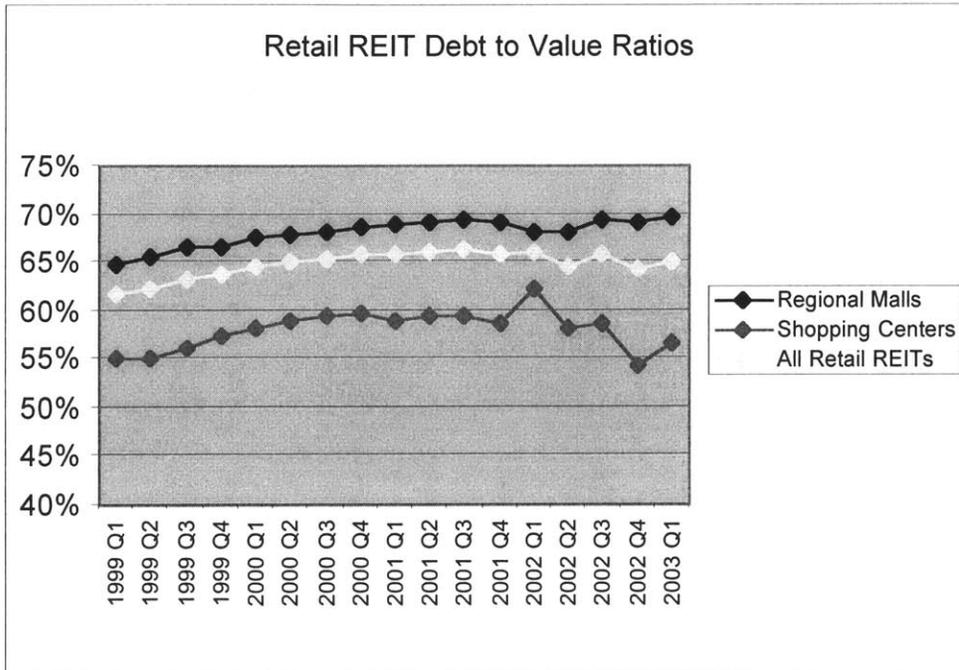
The second assumption is that due to its coupon (versus dividend) yield, preferred equity is included in the debt component of the ratio.

## **Analysis results**

The results of the historical REIT GAAP debt to market capitalization ratios are summarized in graph 2.2. As the analysis shows, the retail REIT segment has slightly been increasing its use of debt over the past four years. In 1999 the segment average was just above 60% and the Q1 2003 ratio was at 65%. This reality is in agreement with the increasing absolute dollar value of debt employed by the retail REIT segment, which is illustrated in graph 2.3.

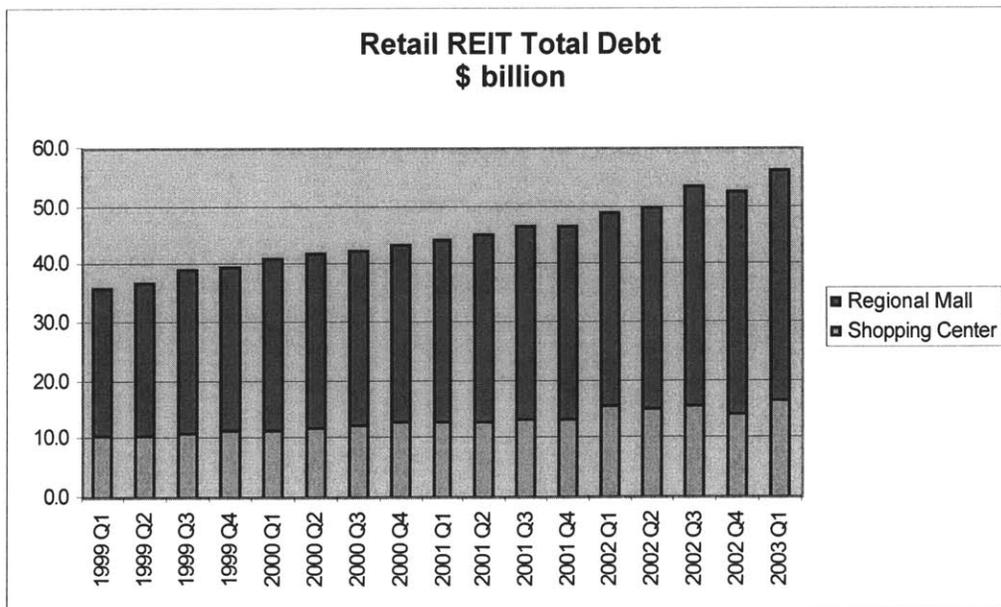
These results suggest that the retail segment is primarily financing its growth by increasing the level of debt on its balance sheet. The data also reveals that while mall REITs are increasing their debt, shopping centers are actually decreasing their use of this type of financing.

Graph 2.2



data source: SNL Financial

Graph 2.3



data source: SNL Financial

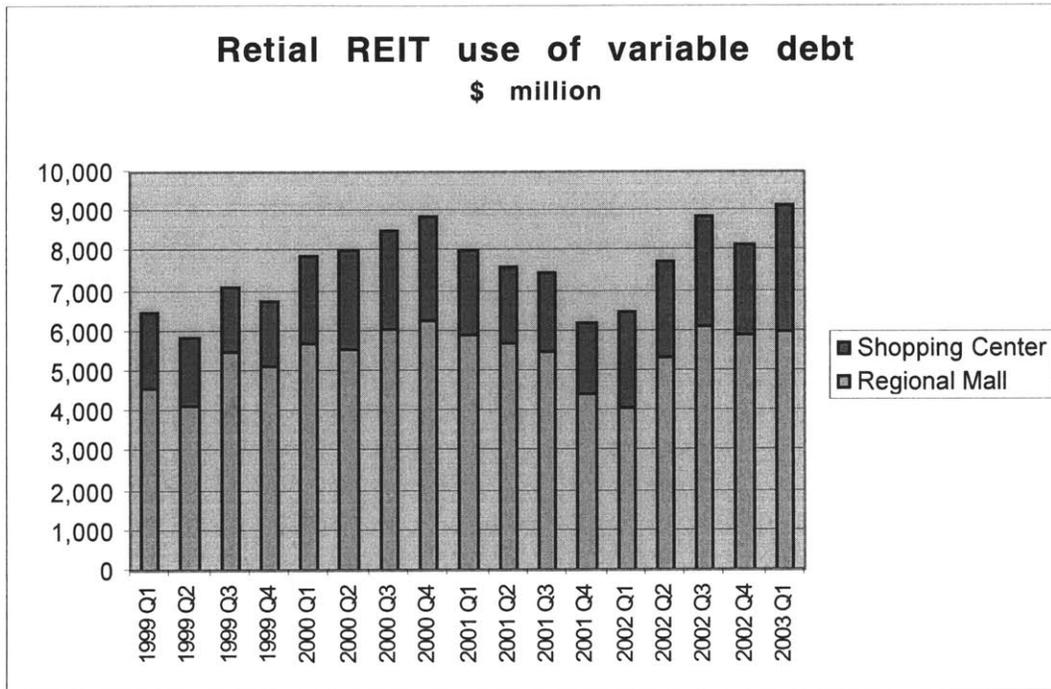
### **Fixed versus variable rate debt**

In order to fully understand the acquisition financing activity, the REIT debt was parsed into its variable and fixed components. The underlying assumption is that variable rate debt is associated with short term financing (most likely lines of credit) and long term financing with fixed debt. The results of this parse are graphically illustrated in graphs 2.4 and 2.5. (The detailed calculations are included as parts of exhibit one).

**Caveat:** it should be noted that the variable rate debt used in these calculations does not include the variable rate debt attributable to joint ventures. This component was not included because it is not reported as a separate line item in the REIT's annual and quarterly reports and is therefore difficult and in some cases impossible to find. This omission is of little concern, as its inclusion would only serve to strengthen the results.

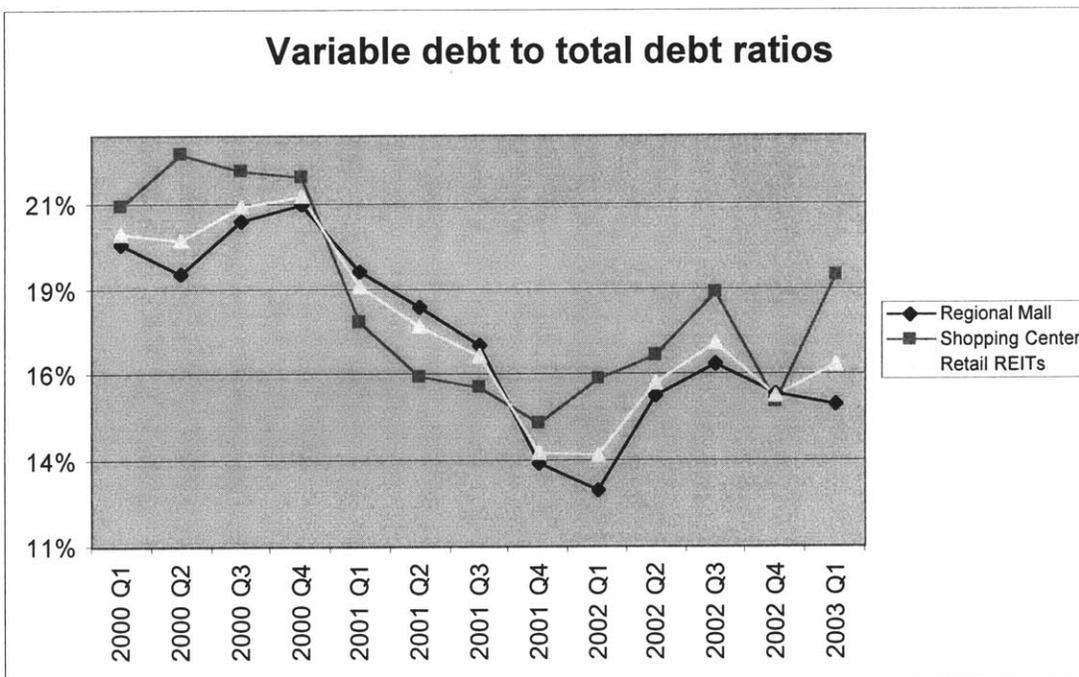
The analysis shows that total dollar value of retail REIT variable rate debt has been steadily increasing from \$6 billion in Q4, 2001 to just over \$9 billion in Q1, 2003. However, as mentioned earlier, retail REIT market values have also been increasing over time; so a better measure of the relative amount of variable rate debt is the ratio of that debt to total debt, which is depicted in graph 2.5.

Graph 2.4:



data source: NAREIT

Graph 2.5:



As illustrated in graph 2.5, beginning in Q1 of 2002, the retail variable rate debt to total debt ratio began to steadily increase. The variable ratio hit a high of 17% (18% for shopping centers and 16% for malls) in Q3 of 2002, which was the most active quarter of 2002 acquisitions. The continued conclusion of this study is therefore that retail REITs are currently heavily involved in acquisitions and a majority of these acquisitions are being financed with variable rate debt. The questions arising from this conclusion are why are REITs choosing variable rate over fixed rate debt and are these financing decisions sensible?

### **Why variable rate debt?**

The rationale for the use of debt financing over the past four quarters is straightforward. Over the past 30 months the United States Federal Reserve has been progressively reducing interest rates, thus making debt an attractive / less costly form of financing (Crutsinger, 2003). In 2002 the average corporate AA – BB corporate interest rate was 4.25% (Ibbotson). In comparison, the average retail REIT dividend yield was around 6.5% (NAREIT). Apparently, the spread between these two methods of financing widened to a point where debt financing produced the most accretive acquisitions related results, and thus became an attractive form of financing.

Although the retail REIT industry's decision to use comparably less costly debt financing is clear, it is not immediately obvious why there has been an increase in variable rate debt. The arising issue lies within the concept of duration matching. Prevailing finance theory suggests that assets held for the long term should be matched with financing of a similar duration (Brealey & Myers, 2000). By definition, REITs are in the business of asset securitization (versus being a "dealer" that buys and sells property for capital gain). This means that the assets acquired by a REIT will be portfolioed and held for the long term. The most logical theory explaining this violation of financial logic lies

within the recent widening spread between short and long-term interest rates, which is the defining characteristic of an upward sloping bond yield curve.

Since November 2001, the yield curve has been continually “steeply” upward sloping – defined by at least a +3% spread between long term and short interest rates. Retail REITs obviously recognized this dramatic difference and were consequently enticed to take on more, low priced short-term debt. However, just because short-term debt is less expensive does not justify its use in relation to duration matching. The author’s hypothesized justifications for why retail REITs have taking advantage of the yield spread are as follows:

- 1.) If economic climate improves, variable rates are likely to increase, however rents and revenues will also increase and offset the increasing variable rate interest expense.
- 2.) Based on the fact that interest rates have continually and gradually decreased over the past 30 months, it is possible that variable rates will continue to decrease; however, if they should begin to increase, it would be relatively easy and inexpensive to refinance with long-term debt.
- 3.) It is convenient to finance multiple acquisitions with a credit line (variable rate debt) and then later exchange these various loans with a single long-term equity issue or fixed rate debt. This strategy allows the acquired asset to be bought with short-term money, rehabbed or re-positioned and then re-financed at a higher value.

The first two hypothesized justifications insinuate that REIT management strategy includes making bets on interest rate volatility. Although in reality some REITs might be involved in short versus long term interest rate plays, investors typically frown upon such non-core business strategies (think about the recent issue with off-balance sheet options and derivatives trading); especially with a low to medium risk income investment like REITs. (Ostrower, 2003)

The third financing theory is more feasible and supported by recent market data. Theoretically, if REITs consistently chose the least expensive method of

acquisitions financing, then their capital structures would vary greatly – as dictated by debt interest rates and expected dividend yields. Such behavior would be in agreement with Modigliani and Miller’s capital structure “in a theoretical world with no taxes, bankruptcy costs or agency costs” theory. To test this theory, debt to asset ratios were time trend plotted over the past four years. In this specific analysis, we are concerned with aggregate capital structure so the stock price component of the debt ratios reflects the actual quarter ending market values (versus held constant as in the previous debt ratios). The REIT specific results of this analysis are found in exhibit 3 of this thesis.

As the graphical analysis comprising Exhibit 3 shows, the variable debt component of the individual REITs varies considerably more than the total debt to value ratio. In fact of the twelve subject REITs, five had a four-year total debt to value standard deviations of only 3% and the remaining seven REITs ranged between 4% and 5%. The variable debt ratio’s standard deviations were considerably higher and ranged between 2% and 15%. These results suggest that capital structure does indeed matter to retail REITs and that over time a relatively constant level of total debt is maintained at the aggregate firm level.

These findings are consistent with current occurrences in the retail REIT market such as General Growth’s recent decision to exchange \$600 million of variable rate debt with \$816 of fixed rate mortgage loans (General Growth press release July 1, 2003). Another example of the third hypothesis is Glimcher Realty Trust’s recently announced intent to refinance the Lloyd Center with a 10-year, \$140 million fixed rate mortgage that will replace a \$130 million floating rate loan. (Glimcher Realty Trust Website)

### **Are retail REITs current financing decisions irresponsible?**

As previously highlighted, REITs are predominately held as income investments and the value of their stock is a derivative of FFO. The key

operating income related issue with REIT debt financing is that it increases interest expense, which effectively reduces FFO and dividends. The use of variable rate debt intensifies this risk by adding an element of uncertainty to the REIT's contractual interest rate obligations. If a REIT were to default on their debt (by missing a payment) they can be forced into receivership by the debtor. All of these debt specific characteristics represent potential risks to REIT shareholders. However, if a REIT uses debt responsibly then positive debt leverage occurs and shareholder wealth increases (this is the basic concept behind "positive spread / accretive investing").

Using historical SNL Financial GAAP data, analysis was conducted to see if the retail REITs current acquisitions and associated financing choices are responsible. This was done with the calculation of REIT specific and retail segment debt coverage ratios (data courtesy of Morgan Stanley). The ratios are defined by the following formula:

$$\frac{\text{Consolidated EBITDA} + \text{Joint Venture EBITDA}}{\text{Interest Expense} + \text{Joint Venture Interest Expense} + \text{Preferred Dividends}}$$

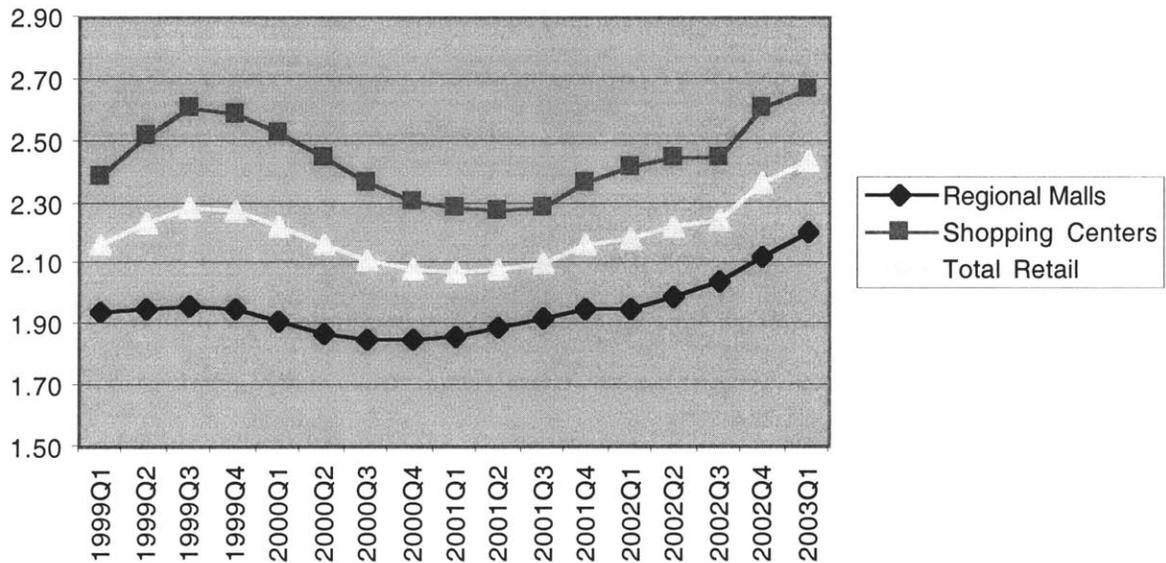
EBITDA, which is an acronym for "Earnings Before Interest, Taxes, Depreciation and Amortization", is actually the firm's Net Operating Income (NOI). When NOI is divided by the firm's interest obligations, the result is a ratio that expresses the amount of operating income available to cover interest expense. A ratio of 2 would suggest that NOI is two times the firm's interest expense and thus there is sufficient operating capital to pay the expense. A ratio of below one suggests that there is not enough operating cash flow to cover interest expense and the firm is in danger of default. Obviously if the coverage ratio is increasing over time then the REIT is operating in a manner that should increase FFO, dividends, stock price and shareholder wealth.

It should be noted that the ratios are calculated using twelve months of trailing data. This was done in order to more accurately represent the time trended coverage ratio versus the ratio at a specific point in time only.

The results of the debt coverage ratio analysis are positive - as signified by a consistent near quarter over quarter ratio increase:

Graph 2.6:

### Retail REIT Debt Coverage Ratios



This information suggests that the retail REIT's use of debt and variable rate debt is rational and most likely accretive. The REIT's debt expense might be increasing, but revenues are also increasing and at a higher rate. This should be good news to retail REIT investors. As a point of reference / interest, exhibit four of this thesis contains a table of the individual retail REIT's debt ratios.

## **Sub-segment results – Malls versus Shopping Centers**

An interesting aspect highlighted by the historical REIT data is the difference in debt usage between the two retail REIT sub-sectors (refer to previous graph 2.2). During the past four years, regional mall REITs have averaged a debt ratio of 68% and shopping center REITs a comparable 58%. More recently (beginning in 2002), the sector differences have increased with a mall average ratio of 69% and shopping centers at 56%. The hypothesized explanation of this difference is that it is attributable the opposing characteristics of the underlying properties and leases represented in each sub-segment category:

Regional malls are comparatively more expensive to build and more valuable than shopping centers. In order to be competitive, malls must be centrally located within their target market. The type of central real estate needed to make a mall successful is very expensive, which drives mall development costs up. Also, most regional malls are enclosed and often require structured parking; elements that drastically effect construction costs. In exchange for higher build costs, malls receive higher consumer traffic and per square foot sales and profits. These elements are equated with higher cash flows, rents and valuations. However, higher valuations on their own do not justify higher levels of debt usage. The key to malls being allowed to use more debt leverage lies within the level of business risk associated with the retail operations. As earlier stated, malls take great care and effort to correctly calibrate their tenant mix. The result of the mall's tenant mix efforts is most often a diversified roster of healthy / creditworthy tenants with medium to long-term leases. Shopping centers, on the other hand are less expensive to build, face more market competition due to low barriers to entry and produce lower per square foot rents (Block, 2002).

Based on the presented logic, it is concluded that regional malls borrow more debt as a percent of value because they are less risky and therefore able to

secure debt financing at lower interest rates. This theory is supported by the fact that regional mall selling cap rates are lower than shopping center cap rates and that regional mall dividend yields are lower than those of shopping centers.

## Conclusions / Summary

As the REIT industry matures and the economy fluctuates, marked influences are affecting the REIT segments. Retail is one such segment, whose choices for growth have recently narrowed due to decreased demand for new malls and shopping centers. The lack of new development opportunities has prompted retail REITs to concentrate on acquisitions as their primary source of growth. The increase in acquisitions coupled with a lack of properties available for sale has driven purchase cap rate to very low levels and likely encouraged the retail REIT industry's first hostile takeover attempt.

From a financial perspective, changes in capital structure suggest that the retail REIT's acquisitions are being financed with an increasing absolute dollar amount of debt and an increasing percentage of variable rate debt. The increase in the use of variable rate debt is most likely due to the widening spread between short and long-term interest rates.

Greater volatility in the amount of variable rate debt versus total debt and the relatively consistent total debt ratios observed in individual REITs suggest that REITs do care about their capital structures and consequently pursue long-term policies of duration matching. The most likely reason REITs use variable rate debt to acquire assets is because it is convenient to finance multiple acquisitions with a credit line and then later exchange these various loans with a single long-term equity issue or fixed rate debt. This strategy allows the acquired asset to be bought with short-term money, rehabbed or re-positioned and then re-financed at a higher value. Current debt coverage ratios reveal that the retail REIT's increased use of variable rate is not irresponsible as their ability to pay their interest expense has actually improved over time.

On average, Mall REITs use more debt than Shopping Center REITs. This variation is presumably attributable to differences in property value, revenues per square foot and tenant / mix quality.

## Glossary of terms

Certain REIT specific terms and acronyms are used throughout this paper. In order to avoid confusion, a glossary of these terms is provided as follows:

**Accretive acquisitions** - acquisitions that increase earnings and hence REIT value; acquisitions that do not dilute stock values.

**AFFO** – “Adjusted Funds from Operations”. Equal to FFO less non-revenue related expenditures that are capitalized by the REIT, but which are necessary to properly maintain and lease the property; adjustments are also made for the effects of straight-lining of rents.

**Anchor store** - An anchor store is a large store that “anchors” one end of a mall.

**Consolidated debt** – Debt directly associated with the assets that are “wholly” (versus joint venture) owned by the REIT.

**Dividend yield** - The yearly dividends per share divided by the market price at time of purchase.

**EBITDA** – Earnings before interest, taxes, depreciation and amortization – often referred to as net operating income (NOI)

**Equity REIT** – A REIT that owns, or has equity interest in, real estate (rather than one making loans secured by real estate collateral).

**EREIT** – “Equity Real Estate Investment Trust”. An EREIT owns and operates income producing real estate as opposed to a Mortgage REIT that lends money to real estate owners and operators, or indirectly through acquisitions of loans or mortgage-backed securities. EREITs are also different from Hybrid REITs, which are companies that both own property and make loans. (NAREIT)

**FFO** – “Funds from Operations” – A measure of the profitability defined as GAAP net income plus depreciation and amortization of deferred charges. (Barrons Dictionary of RE Terms)

**GAAP** – “Generally Accepted Accounting Principles”. The quarterly and annual financial statements of publicly traded REITs must be filed using this set of accounting related requirements.

**Interest Coverage Ratio** – The ratio of a company’s operating income before amortization, depreciation and interest expense) to total interest expense. This ratio measures the extent to which interest expense on existing debt is covered by existing cash flow.

**Market Capitalization** – The equity capitalization of a REIT plus all outstanding debt.

**Mortgage REIT** – A REIT that owns mortgages secured by real estate collateral.

**NAREIT** - Acronym for National Association of Real Estate Investment Trusts. The REIT industry’s trade association.

**NAV** – “Net Asset Value”. An estimate of the net market value of REIT’s assets (including real estate but not franchise value) less all outstanding liabilities. At the property level, NAV is the estimated fair market value a property would trade for less that property’s financial liabilities.

**Payout Ratio** – The ratio of a REIT’s annual dividend rate to its FFO or AFFO

**REIT** – Acronym for “Real Estate Investment Trust” also know as “real estate stocks”. A REIT is a company that owns and in most cases operates income producing real estate. Some REITs finance real estate. In order to be a REIT, a company must annually distribute 90% of its taxable income to shareholders as dividends.(NAREIT)

**Retail REITs** – REITs that specialize in neighborhood (or “strip”) shopping centers, malls and factory outlet centers.

**Securitization** – the process of financing a pool of similar but unrelated financial assets by issuing security interests representing claims against the cash flow and other economic benefits generated by the pool of assets.

**SNL Financial** – “SNL Securities is the recognized authority for accurate, comprehensive and immediate information on the banking, thrift, specialized financial services, real estate, insurance and energy industries. SNL provides leading industry professionals, executives and investors with key financial, market, corporate and M&A data alongside breaking news and analysis. “ – description taken directly from SNL website ([www.snl.com](http://www.snl.com))

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Morgan Stanley:  
[MorganStanley.com](http://MorganStanley.com)

Glimcher Realty Investment Trust Website:  
[www.glimcher.com](http://www.glimcher.com)

General Growth Properties Website:  
[www.generalgrowth.com](http://www.generalgrowth.com)

Hoovers “the business information authority” online:  
[www.hoovers.com](http://www.hoovers.com)

SNL Financial:  
[www.snl.com](http://www.snl.com)

Ibbotson Associates (historical financial database)  
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### **Interviews and Conversations**

Geltner, David. - Director MIT Center for Real Estate, professor of Real Estate Finance

Grupe, Michael R. - Senior Vice President, Research & Investment Affairs  
NAREIT

Ostrower, Matthew - Analyst Morgan Stanley

McCarthy, Abigail F. - Director, Industry Information and Statistics

Riordan, John T. – Thomas G. Eastman Chairman, MIT Center for Real Estate

# APPENDIX

## **Exhibit One - Debt ratio data and calculations**

Data source: SNL Financial Database, Courtesy of Morgan Stanley, New York

**Common Shares Outstanding**  
**Actual Number of Units**

	2000_01	2000_02	2000_03	2000_04	2001_01	2001_02	2001_03	2001_04	2002_01	2002_02	2002_03	2002_04	2003_01
CBL & Associates Properties, Inc.	24,806,975	24,975,332	25,012,707	25,067,287	25,281,464	25,512,507	25,564,671	25,616,917	29,085,039	29,684,611	29,729,009	29,797,469	29,886,912
Crown American Realty Trust	26,207,919	26,207,919	26,207,919	26,207,919	26,207,919	26,207,919	26,207,919	26,207,919	26,208,049	31,971,049	31,971,049	32,038,296	32,071,965
General Growth Properties, Inc.	51,928,328	52,000,641	52,149,627	52,281,259	52,391,112	52,415,791	52,710,766	61,923,932	62,027,430	62,214,647	62,346,469	62,397,085	62,819,765
Glimcher Realty Trust	23,782,331	23,797,410	23,809,052	23,821,652	23,837,170	29,793,495	29,938,332	30,093,231	30,553,101	30,833,803	34,297,331	34,314,646	34,405,950
Macerich Company	34,147,711	34,149,681	34,174,418	33,612,462	33,740,191	33,850,167	33,904,642	33,981,946	36,182,008	36,257,095	36,271,718	51,490,929	51,843,652
Mills Corporation	23,208,216	23,368,589	23,408,824	23,408,824	23,508,684	24,222,646	27,903,960	28,462,926	30,491,302	38,488,226	38,928,195	43,196,297	43,654,582
Rouse Company	70,306,205	69,942,163	69,167,888	67,880,405	68,757,563	69,058,627	69,272,238	69,354,169	86,369,372	86,747,385	86,822,272	86,865,000	87,851,541
Simon Property Group, Inc.	173,655,668	173,735,768	171,934,718	171,945,760	172,435,890	172,682,063	172,819,261	173,806,306	174,230,029	176,464,318	185,539,785	185,539,785	188,964,244
Taubman Centers, Inc.	52,675,443	52,616,843	51,931,397	50,984,397	50,008,272	50,750,551	50,284,549	50,734,984	51,017,431	51,121,140	51,314,492	52,207,756	52,270,965
Acadia Realty Trust	25,294,463	25,145,158	28,345,057	28,150,472	28,011,672	28,481,786	28,448,699	28,697,666	24,700,328	24,800,328	25,048,078	25,257,178	25,431,216
CV REIT, Inc.	7,966,621	18,752,912	18,752,912	18,752,912	18,752,912	18,811,612	18,857,295	18,872,295	18,872,295	21,237,095	21,265,985	23,075,985	23,358,685
Developers Diversified Realty Corporatic	52,598,599	54,861,781	54,877,181	54,880,486	54,958,781	55,136,643	55,297,588	59,454,648	57,730,769	64,908,458	64,920,769	66,608,623	84,987,910
Equity One, Inc.	11,480,157	11,663,616	11,665,491	12,799,481	12,800,746	12,800,746	28,653,108	28,781,000	33,317,785	34,291,000	34,375,000	34,540,000	59,755,000
Federal Realty Investment Trust	39,311,427	39,358,423	39,441,187	39,469,378	39,603,779	39,974,295	40,012,010	40,071,239	40,637,380	43,187,541	43,300,533	43,328,000	45,188,117
Heritage Property Investment Trust, Inc.	NA	5,588,776	41,349,208	41,504,208	41,504,208	41,778,708							
Kimco Realty Corporation	91,205,015	91,809,948	94,561,475	94,717,289	95,252,366	96,117,327	96,256,866	103,352,570	104,361,920	104,493,665	104,559,024	104,601,828	104,940,140
Mid-Atlantic Realty Trust	13,777,372	13,742,169	13,744,634	13,810,162	14,306,502	14,678,510	14,718,130	15,103,221	17,229,392	17,772,063	17,788,852	17,971,818	18,074,865
New Plan Excel Realty Trust	87,650,665	87,650,655	87,651,000	87,320,000	87,205,000	87,209,804	87,213,000	87,352,000	94,774,491	96,873,080	96,893,000	96,916,000	97,053,000
Pan Pacific Retail Properties, Inc.	21,252,512	21,252,512	21,252,512	32,074,368	31,399,638	31,728,864	32,196,686	32,789,913	33,292,997	33,538,271	33,583,520	33,584,186	39,778,851
Ramco-Gershenson Properties Trust	7,215,993	7,184,093	7,170,793	7,128,893	7,104,693	7,104,926	7,092,826	7,092,000	7,095,841	12,241,216	12,259,841	12,268,091	12,300,791
Regency Realty Corporation	56,510,825	56,903,040	56,913,182	56,898,171	57,458,771	57,528,433	57,590,202	57,601,451	58,109,679	58,189,049	58,560,130	59,557,036	60,404,451
Saul Centers, Inc.	13,468,841	13,600,181	13,731,106	13,869,535	13,997,948	14,174,163	14,354,692	14,535,803	14,705,629	14,831,187	14,970,829	15,196,582	15,415,651
Weingarten Realty Investors	40,119,000	40,176,000	40,212,000	40,381,500	47,487,000	48,607,500	48,736,500	51,520,500	51,919,500	51,970,000	52,021,000	52,076,000	52,113,000

Convertible Partnership Units

Actual Number of Units

	2000_01	2000_02	2000_03	2000_04	2001_01	2001_02	2001_03	2001_04	2002_01	2002_02	2002_03	2002_04	2003_01
CBL & Associates Properties, Inc.	11,859,333	11,901,000	11,982,677	11,826,088	24,485,883	24,516,891	24,516,891	24,516,891	25,016,621	24,570,777	24,750,326	25,682,995	25,683,000
Crown American Realty Trust	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398	9,956,398
General Growth Properties, Inc.	19,805,755	19,783,509	19,697,173	19,593,705	19,572,493	19,572,493	19,572,493	19,572,493	19,572,493	19,572,493	19,561,887	19,556,247	19,436,203
Gilmcher Realty Trust	2,965,000	2,965,000	3,226,000	3,226,000	3,226,000	3,226,000	3,226,000	3,191,000	3,058,000	3,089,741	3,089,741	3,279,000	3,279,000
Macerich Company	10,945,000	10,945,000	10,945,000	11,179,444	11,153,351	11,153,351	11,153,351	11,200,000	11,200,000	11,100,000	11,800,000	13,716,000	13,713,000
Mills Corporation	15,827,909	15,827,909	15,821,909	15,827,909	15,827,909	15,827,909	15,827,909	16,797,152	16,797,152	16,719,036	16,467,425	16,237,425	16,220,361
Rouse Company	0	0	0	0	0	0	0	0	0	0	0	0	0
Simon Property Group, Inc.	65,442,151	65,436,414	64,966,226	64,966,226	64,932,560	64,889,347	64,889,347	63,930,350	63,830,005	63,749,063	63,746,013	63,746,013	60,749,042
Taubman Centers, Inc.	31,835,066	31,486,948	31,835,066	31,835,066	31,835,066	31,835,066	31,835,066	31,767,066	31,767,066	31,767,066	31,767,066	31,767,066	31,784,842
Acadia Realty Trust	10,484,143	10,484,143	9,903,318	6,804,144	6,804,144	5,638,263	5,625,950	5,249,717	3,723,080	3,623,080	3,372,080	3,162,980	3,024,033
CV REIT, Inc.	1,462,406	1,317,608	1,317,608	1,317,608	1,317,608	1,317,608	1,317,608	1,653,879	1,666,152	1,666,152	1,666,152	1,666,152	1,666,152
Developers Diversified Realty Corporatic Equity One, Inc.	4,702,000 93,656	4,659,000 93,656	1,028,000 93,656	1,051,310 93,656	1,051,310 261,850	1,051,310 261,850	1,038,000 261,850	1,038,027 261,850	964,000 261,850	946,000 261,850	946,000 261,850	911,227 261,850	984,000 261,850
Federal Realty Investment Trust	1,004,589	1,004,589	904,589	904,589	904,589	904,589	904,589	904,589	904,589	796,773	796,773	792,000	792,000
Heritage Property Investment Trust, Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	26,199	340,270	340,270	340,270
Kimco Realty Corporation	0	0	0	0	0	0	0	0	0	0	0	2,400,000	2,400,000
Mid-Atlantic Realty Trust	3,373,907	3,407,240	3,407,240	3,387,947	3,339,099	3,339,099	3,324,962	3,036,327	3,008,532	3,020,776	3,020,776	3,020,776	3,020,776
New Plan Excel Realty Trust	1,235,000	1,235,000	1,235,000	1,092,714	1,235,000	1,235,000	1,235,000	1,076,763	1,116,000	894,000	798,000	2,134,542	2,133,001
Pan Pacific Retail Properties, Inc.	1,147,204	1,147,204	1,147,204	2,059,139	2,059,139	1,959,139	1,499,377	1,036,072	802,074	802,073	802,073	802,073	955,672
Ramco-Gershenson Properties Trust	2,944,977	2,944,977	2,944,977	2,944,977	2,944,977	2,944,977	2,944,977	2,944,977	2,938,062	2,938,062	2,938,062	2,931,062	2,931,062
Regency Realty Corporation	2,075,003	1,766,275	1,684,632	1,662,824	1,617,384	1,565,604	1,555,636	1,555,636	1,535,411	1,514,458	1,509,458	1,504,458	1,496,293
Saul Centers, Inc.	5,172,241	5,172,241	5,172,241	5,172,241	5,172,241	5,172,241	5,172,241	5,172,241	5,172,241	5,172,000	5,172,000	5,175,000	5,179,000
Weingarten Realty Investors	0	0	0	0	0	0	0	0	1,479,000	1,479,000	1,479,000	1,479,000	1,590,000

**Total Common Shares Outstanding  
In K Units**

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
<b>CBL &amp; Associates Properties, Inc.</b>	36,666	36,876	36,995	36,893	49,767	50,029	50,082	50,134	54,102	54,255	54,479	55,480	55,570
<b>Crown American Realty Trust</b>	36,164	36,164	36,164	36,164	36,164	36,164	36,164	36,164	36,164	41,927	41,927	41,995	42,028
<b>General Growth Properties, Inc.</b>	71,734	71,784	71,847	71,875	71,964	71,988	72,283	81,496	81,600	81,787	81,908	81,953	82,256
<b>Glimcher Realty Trust</b>	26,747	26,762	27,035	27,048	27,063	33,019	33,164	33,284	33,611	33,924	37,387	37,594	37,685
<b>Macerich Company</b>	45,093	45,095	45,119	44,792	44,894	45,004	45,058	45,182	47,382	47,357	48,072	65,207	65,557
<b>Mills Corporation</b>	39,036	39,196	39,231	39,237	39,337	40,051	43,732	45,260	47,288	55,207	55,396	59,434	59,875
<b>Rouse Company</b>	70,306	69,942	69,168	67,880	68,758	69,059	69,272	69,354	86,369	86,747	86,822	86,865	87,852
<b>Simon Property Group, Inc.</b>	239,098	239,172	236,901	236,912	237,368	237,571	237,709	237,737	238,060	240,213	249,286	249,286	249,713
<b>Taubman Centers, Inc.</b>	84,511	84,104	83,766	82,819	81,843	82,586	82,120	82,502	82,784	82,888	83,082	83,975	84,056
<b>Acadia Realty Trust</b>	35,779	35,629	38,248	34,955	34,816	34,120	34,075	33,947	28,423	28,423	28,420	28,420	28,455
<b>CV REIT, Inc.</b>	9,429	20,071	20,071	20,071	20,071	20,129	20,175	20,526	20,538	22,903	22,932	24,742	25,025
<b>Developers Diversified Realty Corporation</b>	57,301	59,521	55,905	55,932	56,010	56,188	56,336	60,493	58,695	65,854	65,867	67,520	85,972
<b>Equity One, Inc.</b>	11,574	11,757	11,759	12,893	13,063	13,063	28,915	29,043	33,580	34,553	34,637	34,802	60,751
<b>Federal Realty Investment Trust</b>	40,316	40,363	40,346	40,374	40,508	40,879	40,917	40,976	41,542	43,984	44,097	44,120	45,980
<b>Heritage Property Investment Trust, Inc.</b>	NA	5,615	41,689	41,844	41,844	42,119							
<b>Kimco Realty Corporation</b>	91,205	91,810	94,561	94,717	95,252	96,117	96,257	103,353	104,362	104,494	104,559	107,002	107,340
<b>Mid-Atlantic Realty Trust</b>	17,151	17,149	17,152	17,198	17,646	18,018	18,043	18,140	20,238	20,793	20,810	20,993	21,096
<b>New Plan Excel Realty Trust</b>	88,886	88,886	88,886	88,413	88,440	88,445	88,448	88,429	95,890	97,767	97,691	99,051	99,186
<b>Pan Pacific Retail Properties, Inc.</b>	22,400	22,400	22,400	34,134	33,459	33,688	33,696	33,826	34,095	34,340	34,386	34,386	40,735
<b>Ramco-Gershenson Properties Trust</b>	10,161	10,129	10,116	10,074	10,050	10,050	10,038	10,037	10,034	15,179	15,198	15,199	15,232
<b>Regency Realty Corporation</b>	58,586	58,669	58,598	58,561	59,076	59,094	59,146	59,157	59,645	59,704	60,070	61,061	61,901
<b>Saul Centers, Inc.</b>	18,641	18,772	18,903	19,042	19,170	19,346	19,527	19,708	19,878	20,003	20,143	20,372	20,595
<b>Weingarten Realty Investors</b>	40,119	40,176	40,212	40,382	47,487	48,608	48,737	51,521	51,920	53,449	53,500	53,555	53,703

Price per share at period end (\$)

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	20.4375	25.0000	25.0625	25.3125	26.6000	30.6900	27.2500	31.5000	35.3500	40.5000	38.7500	40.0500	40.5900
Crown American Realty Trust	5.3125	5.3750	6.0625	5.3125	6.7500	8.3500	7.1000	7.8000	9.7400	9.4000	9.1900	9.2000	9.8200
General Growth Properties, Inc.	30.4375	31.7500	32.1875	36.1875	34.9500	39.3600	34.7700	38.8000	44.2000	51.0000	51.5000	52.0000	53.9500
Glimcher Realty Trust	13.5000	14.3750	14.9375	12.5000	15.1100	17.9000	16.1800	18.8300	18.5500	18.5000	18.7400	17.7500	19.2000
Macerich Company	20.6250	22.0625	21.2500	19.1875	21.9500	24.8000	22.1000	26.6000	30.1500	31.0000	30.9800	30.7500	31.6800
Mills Corporation	18.0000	18.8125	18.9375	16.5625	20.8900	24.6000	21.3800	26.4800	27.9600	31.0000	29.6600	29.3400	31.2000
Rouse Company	21.1250	24.7500	24.9375	25.5000	25.8600	28.6500	24.1700	29.2900	30.9800	33.0000	31.9500	31.7000	34.5500
Simon Property Group, Inc.	23.3125	22.1875	23.4375	24.0000	25.6000	29.9700	26.9100	29.3300	32.6300	36.8400	35.7300	34.0700	35.8300
Taubman Centers, Inc.	11.1250	11.0000	11.5625	10.9375	12.0500	14.0000	12.5000	14.8500	15.0600	15.2500	14.2300	16.2300	17.0300
Acadia Realty Trust	5.2500	5.6875	5.8125	5.6250	6.3000	6.9800	6.4900	6.3500	6.9500	8.1500	7.4000	7.4200	8.0200
CV REIT, Inc.	9.1250	9.3750	9.3750	8.9375	11.0200	13.6800	12.4900	14.6000	13.5500	15.9900	14.8000	14.6500	15.0000
Developers Diversified Realty Corporation	13.8750	14.9375	12.8750	13.3125	14.7000	18.3800	17.9500	19.1000	21.0000	22.5000	22.0100	21.9900	24.1500
Equity One, Inc.	9.3750	9.6250	10.3125	9.8750	10.4900	11.2400	11.7000	13.7400	13.4500	14.0000	13.2000	13.3500	15.2900
Federal Realty Investment Trust	19.3125	20.0000	19.1250	19.0000	19.5600	20.7400	22.0000	23.0000	25.6700	27.7100	27.0000	28.1200	30.3700
Heritage Property Investment Trust, Inc.	NA	26.7100	24.9600	24.9700	25.0500								
Kimco Realty Corporation	25.0000	27.3333	28.1667	29.4583	28.6667	31.5667	32.3667	32.6900	32.7000	33.4900	31.1000	30.6400	35.1200
Mid-Atlantic Realty Trust	9.2500	10.0000	11.8125	12.1875	12.5000	12.5000	14.0000	15.5500	15.3000	17.6000	16.0300	17.4000	18.2300
New Plan Excel Realty Trust	13.7500	13.0000	13.6875	13.1250	16.0000	15.3000	17.1000	19.0500	20.0500	20.8300	18.4400	19.0900	19.5900
Pan Pacific Retail Properties, Inc.	18.4375	20.1250	20.0625	22.3125	22.1500	26.0000	26.3500	28.7200	30.5700	34.1800	34.4800	36.5300	37.8500
Ramco-Gershenson Properties Trust	14.2500	15.5000	14.8125	12.9375	14.6500	17.2000	16.4000	16.0500	17.7600	20.1500	19.6600	19.7500	21.9700
Regency Realty Corporation	19.7500	23.7500	22.9375	23.6875	25.0000	25.4000	25.7500	27.7500	29.0200	29.6500	31.0000	32.4000	32.9500
Saul Centers, Inc.	16.1250	16.1250	15.9375	18.6250	18.3000	18.8900	19.0000	21.3500	22.2000	25.9000	23.2200	23.8000	23.0500
Weingarten Realty Investors	24.5000	26.9167	27.1667	29.1667	28.2000	29.2333	32.4000	32.0000	34.2667	35.4000	36.6000	36.8600	39.1100

COMMON EQUITY CALCULATION

	<u>2000 01</u>	<u>2000 02</u>	<u>2000 03</u>	<u>2000 04</u>	<u>2001 01</u>	<u>2001 02</u>	<u>2001 03</u>	<u>2001 04</u>	<u>2002 01</u>	<u>2002 02</u>	<u>2002 03</u>	<u>2002 04</u>	<u>2003 01</u>
CBL & Associates Properties, Inc.	\$749,368	\$921,908	\$927,197	\$933,864	\$1,323,811	\$1,535,402	\$1,364,723	\$1,579,215	\$1,912,494	\$2,197,343	\$2,111,074	\$2,221,993	\$2,255,583
Crown American Realty Trust	\$192,123	\$194,383	\$219,246	\$192,123	\$244,109	\$301,972	\$256,767	\$282,082	\$352,242	\$394,118	\$385,313	\$386,351	\$412,719
General Growth Properties, Inc.	\$2,183,406	\$2,279,147	\$2,312,569	\$2,600,975	\$2,515,128	\$2,833,459	\$2,513,289	\$3,162,061	\$3,606,717	\$4,171,144	\$4,218,280	\$4,261,573	\$4,437,709
Gilmcher Realty Trust	\$361,089	\$384,710	\$403,836	\$338,096	\$408,924	\$591,049	\$536,599	\$626,742	\$623,486	\$627,586	\$700,634	\$667,287	\$723,551
Macerich Company	\$930,037	\$994,901	\$958,788	\$859,445	\$985,413	\$1,116,087	\$995,782	\$1,201,840	\$1,428,568	\$1,468,070	\$1,489,262	\$2,005,113	\$2,076,835
Mills Corporation	\$702,650	\$737,384	\$742,932	\$649,858	\$821,741	\$985,244	\$934,987	\$1,198,487	\$1,322,185	\$1,711,425	\$1,643,034	\$1,743,785	\$1,868,098
Rouse Company	\$1,485,219	\$1,731,069	\$1,724,874	\$1,730,950	\$1,778,071	\$1,978,530	\$1,674,310	\$2,031,384	\$2,675,723	\$2,862,664	\$2,773,972	\$2,753,621	\$3,035,271
Simon Property Group, Inc.	\$5,573,968	\$5,306,633	\$5,552,366	\$5,685,888	\$6,076,632	\$7,120,015	\$6,396,739	\$6,972,816	\$7,767,899	\$8,849,461	\$8,906,982	\$8,493,167	\$8,947,227
Taubman Centers, Inc.	\$940,179	\$925,142	\$968,550	\$905,838	\$986,212	\$1,156,199	\$1,026,495	\$1,225,155	\$1,246,735	\$1,264,045	\$1,182,251	\$1,362,911	\$1,431,470
Acadia Realty Trust	\$187,838	\$202,642	\$222,319	\$196,620	\$219,340	\$238,158	\$221,144	\$215,566	\$197,543	\$231,651	\$210,309	\$210,878	\$228,211
CV REIT, Inc.	\$86,040	\$188,161	\$188,161	\$179,380	\$221,177	\$275,368	\$251,985	\$299,682	\$278,296	\$366,223	\$339,396	\$362,472	\$375,373
Developers Diversified Realty Corporati	\$795,046	\$889,092	\$719,779	\$744,592	\$823,348	\$1,032,735	\$1,011,224	\$1,155,410	\$1,232,590	\$1,481,725	\$1,449,728	\$1,484,762	\$2,076,222
Equity One, Inc.	\$108,504	\$113,164	\$121,266	\$127,320	\$137,027	\$146,824	\$338,305	\$399,049	\$451,646	\$483,740	\$457,206	\$464,605	\$928,885
Federal Realty Investment Trust	\$778,603	\$807,260	\$771,613	\$767,105	\$792,344	\$847,828	\$900,165	\$942,444	\$1,066,382	\$1,218,805	\$1,190,627	\$1,240,654	\$1,396,416
Heritage Property Investment Trust, Inc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,113,526	\$1,044,438	\$1,044,857	\$1,055,080
Kimco Realty Corporation	\$2,280,125	\$2,509,469	\$2,663,485	\$2,790,210	\$2,730,571	\$3,034,107	\$3,115,517	\$3,378,596	\$3,412,635	\$3,499,493	\$3,251,786	\$3,278,536	\$3,769,786
Mid-Atlantic Realty Trust	\$158,649	\$171,494	\$202,607	\$209,602	\$220,570	\$225,220	\$252,603	\$282,070	\$309,640	\$365,954	\$333,578	\$365,271	\$384,574
New Plan Excel Realty Trust	\$1,222,178	\$1,155,514	\$1,216,627	\$1,160,417	\$1,415,040	\$1,353,206	\$1,512,461	\$1,684,568	\$1,922,604	\$2,036,488	\$1,801,422	\$1,890,875	\$1,943,054
Pan Pacific Retail Properties, Inc.	\$412,995	\$450,794	\$449,394	\$761,604	\$741,112	\$875,888	\$887,891	\$971,482	\$1,042,286	\$1,173,753	\$1,185,615	\$1,256,130	\$1,541,802
Ramco-Gershenson Properties Trust	\$144,794	\$157,001	\$149,840	\$130,331	\$147,228	\$172,858	\$164,620	\$161,093	\$178,202	\$305,862	\$298,791	\$300,183	\$334,644
Regency Realty Corporation	\$1,157,070	\$1,393,396	\$1,344,087	\$1,387,164	\$1,476,904	\$1,500,989	\$1,523,005	\$1,641,609	\$1,730,901	\$1,770,209	\$1,862,157	\$1,978,392	\$2,039,630
Saul Centers, Inc.	\$300,587	\$302,705	\$301,272	\$354,653	\$350,814	\$365,454	\$371,012	\$420,767	\$441,289	\$518,083	\$467,716	\$484,844	\$474,707
Weingarten Realty Investors	\$982,916	\$1,081,405	\$1,092,427	\$1,177,795	\$1,339,133	\$1,420,958	\$1,579,063	\$1,648,656	\$1,779,110	\$1,892,095	\$1,958,100	\$1,974,037	\$2,100,324

Preferred Equity

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	69,855	69,855	69,855	69,855	69,855	69,855	69,855	69,855	69,855	166,875	166,875	166,875	166,875
Crown American Realty Trust	118,671	118,671	117,484	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742
General Growth Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Glimcher Realty Trust	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950
Macerich Company	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336
Mills Corporation	0	0	0	0	0	0	0	0	0	0	0	192,500	195,000
Rouse Company	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	0	202,500
Simon Property Group, Inc.	541,511	538,684	538,684	538,684	538,736	537,229	877,348	877,468	877,587	814,041	814,159	814,254	814,373
Taubman Centers, Inc.	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032	200,032
Acadia Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
CV REIT, Inc.	0	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040
Developers Diversified Realty Corporatic	303,750	303,750	303,750	303,750	303,750	303,750	303,750	303,750	453,750	304,000	304,000	304,000	534,000
Equity One, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Realty Investment Trust	100,000	100,000	100,000	100,000	100,000	100,000	100,000	235,000	235,000	235,000	235,000	235,000	235,000
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	414,961	0	0	0	0
Kimco Realty Corporation	332,129	329,569	329,569	329,564	329,555	329,552	328,122	248,098	225,000	225,000	225,000	225,000	225,000
Mid-Atlantic Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
New Plan Excel Realty Trust	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	232,500	232,500	232,500
Pan Pacific Retail Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Ramco-Gershenson Properties Trust	33,829	33,829	33,829	33,829	33,829	33,829	33,829	33,829	33,829	0	0	23,804	23,804
Regency Realty Corporation	34,696	34,696	34,696	34,696	34,696	34,696	34,696	34,696	34,696	34,696	34,696	10,506	0
Saul Centers, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Weingarten Realty Investors	279,375	278,375	277,750	277,100	276,575	276,300	276,000	275,950	275,850	275,750	275,675	275,600	275,540

Preferred Minority Interest in OP

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Crown American Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
General Growth Properties, Inc.	0	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	240,000	427,070	468,201	468,201
Glimcher Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
Macerich Company	0	0	0	0	0	0	0	0	0	0	0	0	0
Mills Corporation	0	0	0	0	0	0	0	0	0	0	0	0	10,000
Rouse Company	0	0	0	0	0	0	0	0	0	0	0	0	0
Simon Property Group, Inc.	149,885	149,885	149,885	149,885	150,852	150,852	150,852	150,852	150,852	150,852	150,852	150,852	150,852
Taubman Centers, Inc.	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275	97,275
Acadia Realty Trust	553	553	553	553	553	553	553	553	553	553	553	553	553
CV REIT, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Developers Diversified Realty Corporation	104,736	207,111	207,111	207,111	207,111	207,111	207,111	207,111	207,111	207,111	207,111	175,010	0
Equity One, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Realty Investment Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	75,000	75,000	75,000	75,000	75,000
Kimco Realty Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0
Mid-Atlantic Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
New Plan Excel Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
Pan Pacific Retail Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Ramco-Gershenson Properties Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
Regency Realty Corporation	283,816	352,059	375,438	375,408	375,404	375,404	375,404	375,404	375,404	375,404	375,404	375,404	302,326
Saul Centers, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Weingarten Realty Investors	0	0	0	0	0	0	0	0	0	0	0	0	0

PREFERRED EQUITY CALC.

- same as debt -

	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1
CBL & Associates Properties, Inc.	69,855	69,855	69,855	69,855	69,855	69,855	69,855	69,855	69,855	166,875	166,875	166,875	166,875
Crown American Realty Trust	118,671	118,671	117,484	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742	117,742
General Growth Properties, Inc.	0	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	240,000	427,070	468,201	468,201
Glimcher Realty Trust	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950	127,950
Macerich Company	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336	247,336
Mills Corporation	0	0	0	0	0	0	0	0	0	0	0	192,500	205,000
Rouse Company	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	0	202,500
Simon Property Group, Inc.	691,396	688,569	688,569	688,569	689,588	688,081	1,028,200	1,028,320	1,028,439	964,893	965,011	965,106	965,225
Taubman Centers, Inc.	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307	297,307
Acadia Realty Trust	553	553	553	553	553	553	553	553	553	553	553	553	553
CV REIT, Inc.	0	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040	51,040
Developers Diversified Realty Corporatic	408,486	510,861	510,861	510,861	510,861	510,861	510,861	510,861	660,861	511,111	511,111	479,010	534,000
Equity One, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Realty Investment Trust	100,000	100,000	100,000	100,000	100,000	100,000	100,000	235,000	235,000	235,000	235,000	235,000	235,000
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	489,961	75,000	75,000	75,000	75,000
Kimco Realty Corporation	332,129	329,569	329,569	329,564	329,555	329,552	328,122	248,098	225,000	225,000	225,000	225,000	225,000
Mid-Atlantic Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
New Plan Excel Realty Trust	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	270,170	232,500	232,500	232,500
Pan Pacific Retail Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Ramco-Gershenson Properties Trust	33,829	33,829	33,829	33,829	33,829	33,829	33,829	33,829	33,829	0	0	23,804	23,804
Regency Realty Corporation	318,512	386,755	410,134	410,104	410,100	410,100	410,100	410,100	410,100	410,100	410,100	385,910	302,326
Saul Centers, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Weingarten Realty Investors	279,375	278,375	277,750	277,100	276,575	276,300	276,000	275,950	275,850	275,750	275,675	275,600	275,540

TOTAL EQUITY CALC.

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	749,368	921,908	927,197	933,864	1,323,811	1,535,402	1,364,723	1,579,215	1,912,494	2,197,343	2,111,074	2,221,993	2,255,583
Crown American Realty Trust	192,123	194,383	219,246	192,123	244,109	301,972	256,767	282,082	352,242	394,118	385,313	386,351	412,719
General Growth Properties, Inc.	2,183,406	2,279,147	2,312,569	2,600,975	2,515,128	2,833,459	2,513,289	3,162,061	3,606,717	4,171,144	4,218,280	4,261,573	4,437,709
Glimcher Realty Trust	361,089	384,710	403,836	338,096	408,924	591,049	536,599	626,742	623,486	627,586	700,634	667,287	723,551
Macerich Company	930,037	994,901	958,788	859,445	985,413	1,116,087	995,782	1,201,840	1,428,568	1,468,070	1,489,262	2,005,113	2,076,835
Mills Corporation	702,650	737,384	742,932	649,858	821,741	985,244	934,987	1,198,487	1,322,185	1,711,425	1,643,034	1,743,785	1,868,098
Rouse Company	1,485,219	1,731,069	1,724,874	1,730,950	1,778,071	1,978,530	1,674,310	2,031,384	2,675,723	2,862,664	2,773,972	2,753,621	3,035,271
Simon Property Group, Inc.	5,573,968	5,306,633	5,552,366	5,685,888	6,076,632	7,120,015	6,396,739	6,972,816	7,767,899	8,849,461	8,906,982	8,493,167	8,947,227
Taubman Centers, Inc.	940,179	925,142	968,550	905,838	986,212	1,156,199	1,026,495	1,225,155	1,246,735	1,264,045	1,182,251	1,362,911	1,431,470
Acadia Realty Trust	187,838	202,642	222,319	196,620	219,340	238,158	221,144	215,566	197,543	231,651	210,309	210,878	228,211
CV REIT, Inc.	86,040	188,161	188,161	179,380	221,177	275,368	251,985	299,682	278,296	366,223	339,396	362,472	375,373
Developers Diversified Realty Corporatic	795,046	889,092	719,779	744,592	823,348	1,032,735	1,011,224	1,155,410	1,232,590	1,481,725	1,449,728	1,484,762	2,076,222
Equity One, Inc.	108,504	113,164	121,266	127,320	137,027	146,824	338,305	399,049	451,646	483,740	457,206	464,605	928,885
Federal Realty Investment Trust	778,603	807,260	771,613	767,105	792,344	847,828	900,165	942,444	1,066,382	1,218,805	1,190,627	1,240,654	1,396,416
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	0	1,113,526	1,044,438	1,044,857	1,055,080
Kimco Realty Corporation	2,280,125	2,509,469	2,663,485	2,790,210	2,730,571	3,034,107	3,115,517	3,378,596	3,412,635	3,499,493	3,251,786	3,278,536	3,769,786
Mid-Atlantic Realty Trust	158,649	171,494	202,607	209,602	220,570	225,220	252,603	282,070	309,640	365,954	333,578	365,271	384,574
New Plan Excel Realty Trust	1,222,178	1,155,514	1,216,627	1,160,417	1,415,040	1,353,206	1,512,461	1,684,568	1,922,604	2,036,488	1,801,422	1,890,875	1,943,054
Pan Pacific Retail Properties, Inc.	412,995	450,794	449,394	761,604	741,112	875,888	887,891	971,482	1,042,286	1,173,753	1,185,615	1,256,130	1,541,802
Ramco-Gershenson Properties Trust	144,794	157,001	149,840	130,331	147,228	172,858	164,620	161,093	178,202	305,862	298,791	300,183	334,644
Regency Realty Corporation	1,157,070	1,393,396	1,344,087	1,387,164	1,476,904	1,500,989	1,523,005	1,641,609	1,730,901	1,770,209	1,862,157	1,978,392	2,039,630
Saul Centers, Inc.	300,587	302,705	301,272	354,653	350,814	365,454	371,012	420,767	441,289	518,083	467,716	484,844	474,707
Weingarten Realty Investors	982,916	1,081,405	1,092,427	1,177,795	1,339,133	1,420,958	1,579,063	1,648,656	1,779,110	1,892,095	1,958,100	1,974,037	2,100,324

**Total Consolidated Debt**

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
<b>CBL &amp; Associates Properties, Inc.</b>	1,377,808	1,389,560	1,399,326	1,424,337	2,326,452	2,318,113	2,347,106	2,315,955	2,191,043	2,208,884	2,210,391	2,402,079	2,443,482
<b>Crown American Realty Trust</b>	714,925	718,415	722,817	725,248	721,417	719,564	725,666	713,036	731,240	676,484	724,177	754,176	753,705
<b>General Growth Properties, Inc.</b>	3,192,808	3,100,835	3,184,902	3,244,126	3,360,742	3,442,345	3,584,516	3,398,207	3,390,375	3,360,655	4,433,292	4,592,311	4,531,537
<b>Glimcher Realty Trust</b>	1,057,916	1,049,336	1,027,651	1,069,466	1,059,501	1,217,263	1,208,331	1,246,741	1,192,036	1,175,753	1,149,232	1,095,930	1,142,439
<b>Macerich Company</b>	1,563,017	1,513,360	1,518,110	1,550,935	1,559,390	1,582,076	1,588,935	1,523,660	1,486,219	1,640,915	2,675,563	2,291,908	2,555,094
<b>Mills Corporation</b>	908,194	944,540	926,267	966,505	1,035,198	989,683	965,387	1,023,894	1,036,040	1,209,611	1,335,803	1,298,682	1,740,455
<b>Rouse Company</b>	3,381,663	3,401,538	3,402,928	3,058,038	3,454,979	3,443,655	3,496,034	3,501,398	3,335,115	4,380,040	4,526,090	0	4,511,805
<b>Simon Property Group, Inc.</b>	8,845,111	8,805,667	8,792,597	8,728,582	8,747,218	8,730,012	8,792,090	8,841,378	8,812,130	9,597,064	9,549,174	9,546,081	9,803,899
<b>Taubman Centers, Inc.</b>	955,668	975,384	1,106,170	1,175,554	1,243,487	1,316,161	1,385,055	1,423,545	1,423,477	1,465,786	1,367,725	1,543,693	1,568,423
<b>Acadia Realty Trust</b>	308,230	307,398	308,392	277,112	271,387	252,860	251,897	261,607	218,966	211,348	206,313	202,361	197,900
<b>CV REIT, Inc.</b>	155,347	519,557	517,358	500,294	500,802	493,619	499,490	510,212	510,241	502,162	500,429	480,489	472,426
<b>Developers Diversified Realty Corporatic</b>	1,138,689	1,156,578	1,226,491	1,227,575	1,247,200	1,402,144	1,386,137	1,308,301	1,189,806	1,336,909	1,500,386	1,498,798	2,167,409
<b>Equity One, Inc.</b>	118,663	120,203	132,740	284,639	129,312	130,262	365,664	372,456	325,374	348,811	344,220	355,143	763,293
<b>Federal Realty Investment Trust</b>	973,743	956,105	987,558	1,034,446	1,089,969	1,140,993	1,191,836	1,110,468	1,152,091	1,155,521	1,197,064	1,200,000	1,251,089
<b>Heritage Property Investment Trust, Inc.</b>	0	0	0	0	0	0	0	0	1,160,040	951,913	946,979	1,005,153	1,034,946
<b>Kimco Realty Corporation</b>	1,310,009	1,317,389	1,288,266	1,325,663	1,329,675	1,330,727	1,329,344	1,328,079	1,337,580	1,477,057	1,554,193	1,576,982	1,689,347
<b>Mid-Atlantic Realty Trust</b>	210,029	217,532	222,739	232,963	231,482	230,730	232,203	241,941	215,852	212,509	242,095	240,031	259,762
<b>New Plan Excel Realty Trust</b>	1,252,778	1,227,924	1,215,748	1,214,976	1,227,502	1,208,410	1,065,185	978,854	1,530,475	1,524,520	1,502,577	1,742,342	1,772,388
<b>Pan Pacific Retail Properties, Inc.</b>	355,802	368,350	394,426	626,411	646,160	639,233	640,261	668,235	689,275	717,688	744,004	734,218	975,896
<b>Ramco-Gershenson Properties Trust</b>	336,995	344,944	356,708	354,008	331,454	333,680	339,289	347,275	355,488	377,253	399,360	423,248	438,905
<b>Regency Realty Corporation</b>	1,038,703	1,078,634	1,199,734	1,307,072	1,272,606	1,262,997	1,290,489	1,396,721	1,427,114	1,406,282	1,395,532	1,333,524	1,429,910
<b>Saul Centers, Inc.</b>	319,183	327,236	335,995	343,453	347,970	348,404	350,247	351,820	354,698	363,017	377,269	380,743	379,868
<b>Weingarten Realty Investors</b>	631,163	681,995	716,355	792,353	691,339	1,003,364	1,076,077	1,070,835	1,148,484	1,220,391	1,283,700	1,330,369	1,423,143

Joint Venture Debt

	<u>2000_01</u>	<u>2000_02</u>	<u>2000_03</u>	<u>2000_04</u>	<u>2001_01</u>	<u>2001_02</u>	<u>2001_03</u>	<u>2001_04</u>	<u>2002_01</u>	<u>2002_02</u>	<u>2002_03</u>	<u>2002_04</u>	<u>2003_01</u>
CBL & Associates Properties, Inc.	23,200	23,440	26,600	27,226	60,000	60,000	80,403	101,265	105,369	110,283	92,753	66,498	66,262
Crown American Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
General Growth Properties, Inc.	1,226,318	1,238,608	1,236,104	1,295,910	1,363,482	1,361,933	1,402,473	1,610,573	1,607,869	1,593,919	1,812,366	2,177,024	2,121,765
Gilmcher Realty Trust	153,844	162,161	161,024	154,041	158,170	127,977	135,431	150,231	151,586	153,079	101,551	94,475	77,222
Macerich Company	637,983	718,206	725,456	725,637	724,128	722,411	722,559	720,749	718,821	716,912	1,071,298	1,084,318	991,176
Mills Corporation	389,988	454,992	484,136	509,179	517,188	526,813	541,037	530,689	536,246	611,941	634,519	675,791	696,294
Rouse Company	347,217	347,422	354,720	777,240	314,539	397,045	428,300	436,442	449,870	424,313	444,974	0	565,012
Simon Property Group, Inc.	1,874,281	1,952,703	1,993,834	2,166,788	2,179,390	2,214,475	2,281,283	2,392,523	2,420,481	2,293,998	2,278,727	2,279,609	2,310,541
Taubman Centers, Inc.	496,398	515,792	461,815	483,683	516,039	532,527	548,327	562,811	581,602	673,969	648,800	581,700	634,900
Acadia Realty Trust	17,147	17,091	17,033	16,974	16,914	16,853	16,790	16,725	16,659	16,725	20,649	20,552	42,133
CV REIT, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Developers Diversified Realty Corporatic	362,471	351,345	340,379	322,823	401,100	359,412	374,282	401,100	419,494	399,439	400,315	387,094	413,345
Equity One, Inc.	0	0	0	0	0	0	0	0	0	22,369	0	0	22,277
Federal Realty Investment Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Kimco Realty Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0
Mid-Atlantic Realty Trust	0	0	0	0	0	0	0	0	0	0	0	0	0
New Plan Excel Realty Trust	0	0	0	0	0	0	0	0	46,298	46,830	48,088	37,912	35,134
Pan Pacific Retail Properties, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Ramco-Gershenson Properties Trust	0	0	0	0	0	0	0	0	0	20,420	25,902	20,414	20,351
Regency Realty Corporation	21,135	6,182	6,172	5,884	5,836	18,766	14,202	14,680	13,345	14,636	25,566	38,830	40,473
Saul Centers, Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Weingarten Realty Investors	0	0	0	19,901	0	0	19,789	19,745	19,707	19,661	17,627	17,597	17,566

**TOTAL DEBT CALCULATION**

	<u>2000_01</u>	<u>2000_02</u>	<u>2000_03</u>	<u>2000_04</u>	<u>2001_01</u>	<u>2001_02</u>	<u>2001_03</u>	<u>2001_04</u>	<u>2002_01</u>	<u>2002_02</u>	<u>2002_03</u>	<u>2002_04</u>	<u>2003_01</u>
CBL & Associates Properties, Inc.	1,470,863	1,482,855	1,495,781	1,521,418	2,456,307	2,447,968	2,497,364	2,487,075	2,366,267	2,486,042	2,470,019	2,635,452	2,676,619
Crown American Realty Trust	833,596	837,086	840,301	842,990	839,159	837,306	843,408	830,778	848,982	794,226	841,919	871,918	871,447
General Growth Properties, Inc.	4,419,126	4,514,443	4,596,006	4,715,036	4,899,224	4,979,278	5,161,989	5,183,780	5,173,244	5,194,574	6,672,728	7,237,536	7,121,503
Glimcher Realty Trust	1,339,710	1,339,447	1,316,625	1,351,457	1,345,621	1,473,190	1,471,712	1,524,922	1,471,572	1,456,782	1,378,733	1,318,355	1,347,611
Macerich Company	2,448,336	2,478,902	2,490,902	2,523,908	2,530,854	2,551,823	2,558,830	2,491,745	2,452,376	2,605,163	3,994,197	3,623,562	3,793,606
Mills Corporation	1,298,182	1,399,532	1,410,403	1,475,684	1,552,386	1,516,496	1,506,424	1,554,583	1,572,286	1,821,552	1,970,322	2,166,973	2,641,749
Rouse Company	3,931,380	3,951,460	3,960,148	4,037,778	3,972,018	4,043,200	4,126,834	4,140,340	3,987,485	5,006,853	5,173,564	5,222,000	5,279,317
Simon Property Group, Inc.	11,410,788	11,446,939	11,475,000	11,583,939	11,616,196	11,632,568	12,101,573	12,262,221	12,261,050	12,855,955	12,792,912	12,790,796	13,079,665
Taubman Centers, Inc.	1,749,373	1,788,483	1,865,292	1,956,544	2,056,833	2,145,995	2,230,689	2,283,663	2,302,386	2,437,062	2,313,832	2,422,700	2,500,630
Acadia Realty Trust	325,930	325,042	325,978	294,639	288,854	270,266	269,240	278,885	236,178	228,626	227,515	223,466	240,586
CV REIT, Inc.	155,347	570,597	568,398	551,334	551,842	544,659	550,530	561,252	561,281	553,202	551,469	531,529	523,466
Developers Diversified Realty Corporatic	1,909,646	2,018,784	2,077,731	2,061,259	2,159,161	2,272,417	2,271,280	2,220,262	2,270,161	2,247,459	2,411,812	2,364,902	3,114,754
Equity One, Inc.	118,663	120,203	132,740	284,639	129,312	130,262	365,664	372,456	325,374	371,180	344,220	355,143	785,570
Federal Realty Investment Trust	1,073,743	1,056,105	1,087,558	1,134,446	1,189,969	1,240,993	1,291,836	1,345,468	1,387,091	1,390,521	1,432,064	1,435,000	1,486,089
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	1,650,001	1,026,913	1,021,979	1,080,153	1,109,946
Kimco Realty Corporation	1,642,138	1,646,958	1,617,835	1,655,227	1,659,230	1,660,279	1,657,466	1,576,177	1,562,580	1,702,057	1,779,193	1,801,982	1,914,347
Mid-Atlantic Realty Trust	210,029	217,532	222,739	232,963	231,482	230,730	232,203	241,941	215,852	212,509	242,095	240,031	259,762
New Plan Excel Realty Trust	1,522,948	1,498,094	1,485,918	1,485,146	1,497,672	1,478,580	1,335,355	1,249,024	1,846,943	1,841,520	1,783,165	2,012,754	2,040,022
Pan Pacific Retail Properties, Inc.	355,802	368,350	394,426	626,411	646,160	639,233	640,261	668,235	689,275	717,688	744,004	734,218	975,896
Ramco-Gershenson Properties Trust	370,824	378,773	390,537	387,837	365,283	367,509	373,118	381,104	389,317	397,673	425,262	467,466	483,060
Regency Realty Corporation	1,378,350	1,471,571	1,616,040	1,723,060	1,688,542	1,691,863	1,714,791	1,821,501	1,850,559	1,831,018	1,831,198	1,758,264	1,772,709
Saul Centers, Inc.	319,183	327,236	335,995	343,453	347,970	348,404	350,247	351,820	354,698	363,017	377,269	380,743	379,868
Weingarten Realty Investors	910,538	960,370	994,105	1,089,354	967,914	1,279,664	1,371,866	1,366,530	1,444,041	1,515,802	1,577,002	1,623,566	1,716,249

**TOTAL DEBT + EQUITY**

A.K.A. – Market Capitalization Value

	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1
<b>CBL &amp; Associates Properties, Inc.</b>	2,220,231	2,404,763	2,422,978	2,455,282	3,780,118	3,983,370	3,862,087	4,066,290	4,278,761	4,683,385	4,581,093	4,857,445	4,932,202
<b>Crown American Realty Trust</b>	1,025,719	1,031,469	1,059,547	1,035,113	1,083,268	1,139,278	1,100,175	1,112,860	1,201,224	1,188,344	1,227,232	1,258,269	1,284,166
<b>General Growth Properties, Inc.</b>	6,602,532	6,793,590	6,908,575	7,316,011	7,414,352	7,812,737	7,675,278	8,345,841	8,779,961	9,365,718	10,891,008	11,499,109	11,559,212
<b>Glimcher Realty Trust</b>	1,700,799	1,724,157	1,720,461	1,689,553	1,754,545	2,064,239	2,008,311	2,151,664	2,095,058	2,084,368	2,079,367	1,985,642	2,071,162
<b>Macerich Company</b>	3,378,373	3,473,803	3,449,690	3,383,353	3,516,267	3,667,910	3,554,612	3,693,585	3,880,944	4,073,233	5,483,459	5,628,675	5,870,441
<b>Mills Corporation</b>	2,000,832	2,136,916	2,153,335	2,125,542	2,374,127	2,501,740	2,441,411	2,753,070	2,894,471	3,532,977	3,613,356	3,910,758	4,509,847
<b>Rouse Company</b>	5,416,599	5,682,529	5,685,022	5,768,728	5,750,089	6,021,730	5,801,144	6,171,724	6,663,208	7,869,517	7,947,536	7,975,621	8,314,588
<b>Simon Property Group, Inc.</b>	16,984,756	16,753,572	17,027,366	17,269,827	17,692,828	18,752,583	18,498,312	19,235,037	20,028,949	21,705,416	21,699,894	21,283,963	22,026,892
<b>Taubman Centers, Inc.</b>	2,689,552	2,713,625	2,833,842	2,862,382	3,043,045	3,302,194	3,257,184	3,508,818	3,549,121	3,701,107	3,496,083	3,785,611	3,932,100
<b>Acadia Realty Trust</b>	513,768	527,684	548,297	491,259	508,194	508,424	490,384	494,451	433,721	460,277	437,824	434,344	468,797
<b>CV REIT, Inc.</b>	241,387	758,758	756,559	730,714	773,019	820,027	802,515	860,934	839,577	919,425	890,865	894,001	898,839
<b>Developers Diversified Realty Corporation</b>	2,704,692	2,907,876	2,797,510	2,805,851	2,982,509	3,305,152	3,282,504	3,375,672	3,502,751	3,729,184	3,861,540	3,849,664	5,190,976
<b>Equity One, Inc.</b>	227,167	233,367	254,006	411,959	266,339	277,086	703,969	771,505	777,020	854,920	801,426	819,748	1,714,455
<b>Federal Realty Investment Trust</b>	1,852,346	1,863,365	1,859,171	1,901,551	1,982,313	2,088,821	2,192,001	2,287,912	2,453,473	2,609,326	2,622,691	2,675,654	2,882,505
<b>Heritage Property Investment Trust, Inc.</b>	0	0	0	0	0	0	0	0	1,650,001	2,140,439	2,066,417	2,125,010	2,165,026
<b>Kimco Realty Corporation</b>	3,922,263	4,156,427	4,281,320	4,445,437	4,389,801	4,694,386	4,772,983	4,954,773	4,975,215	5,201,550	5,030,979	5,080,518	5,684,133
<b>Mid-Atlantic Realty Trust</b>	368,678	389,026	425,346	442,565	452,052	455,950	484,806	524,011	525,492	578,463	575,673	605,302	644,336
<b>New Plan Excel Realty Trust</b>	2,745,126	2,653,608	2,702,545	2,645,563	2,912,712	2,831,786	2,847,816	2,933,592	3,769,547	3,878,008	3,584,587	3,903,629	3,983,076
<b>Pan Pacific Retail Properties, Inc.</b>	768,797	819,144	843,820	1,388,015	1,387,272	1,515,121	1,528,152	1,639,717	1,731,561	1,891,441	1,929,619	1,990,348	2,517,698
<b>Ramco-Gershenson Properties Trust</b>	515,618	535,774	540,377	518,168	512,511	540,367	537,738	542,197	567,519	703,535	724,053	767,649	817,704
<b>Regency Realty Corporation</b>	2,535,420	2,864,967	2,960,127	3,110,224	3,165,446	3,192,852	3,237,796	3,463,110	3,581,460	3,601,227	3,693,355	3,736,656	3,812,339
<b>Saul Centers, Inc.</b>	619,770	629,941	637,267	698,106	698,784	713,858	721,259	772,587	795,987	881,100	844,985	865,587	854,575
<b>Weingarten Realty Investors</b>	1,893,454	2,041,775	2,086,532	2,267,149	2,307,047	2,700,622	2,950,929	3,015,186	3,223,151	3,407,897	3,535,102	3,597,603	3,816,573

**TOTAL DEBT as % of Value**

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	66.25%	61.66%	61.73%	61.97%	64.98%	61.45%	64.66%	61.16%	55.30%	53.08%	53.92%	54.26%	54.27%
Crown American Realty Trust	81.27%	81.15%	79.31%	81.44%	77.47%	73.49%	76.66%	74.65%	70.68%	66.83%	68.60%	69.30%	67.86%
General Growth Properties, Inc.	66.93%	66.45%	66.53%	64.45%	66.08%	63.73%	67.25%	62.11%	58.92%	55.46%	61.27%	62.94%	61.61%
Glimcher Realty Trust	78.77%	77.69%	76.53%	79.99%	76.69%	71.37%	73.28%	70.87%	70.24%	69.89%	66.31%	66.39%	65.07%
Macerich Company	72.47%	71.36%	72.21%	74.60%	71.98%	69.57%	71.99%	67.46%	63.19%	63.96%	72.84%	64.38%	64.62%
Mills Corporation	64.88%	65.49%	65.50%	69.43%	65.39%	60.62%	61.70%	56.47%	54.32%	51.56%	54.53%	55.41%	58.58%
Rouse Company	72.58%	69.54%	69.66%	69.99%	69.08%	67.14%	71.14%	67.09%	59.84%	63.62%	65.10%	65.47%	63.49%
Simon Property Group, Inc.	67.18%	68.33%	67.39%	67.08%	65.65%	62.03%	65.42%	63.75%	61.22%	59.23%	58.95%	60.10%	59.38%
Taubman Centers, Inc.	65.04%	65.91%	65.82%	68.35%	67.59%	64.99%	68.49%	65.08%	64.87%	65.85%	66.18%	64.00%	63.60%
Regional Malls	68.78%	68.45%	68.08%	68.35%	67.38%	64.22%	67.43%	64.18%	60.77%	59.55%	61.63%	61.57%	60.95%
Acadia Realty Trust	63.44%	61.60%	59.45%	59.98%	56.84%	53.16%	54.90%	56.40%	54.45%	49.67%	51.96%	51.45%	51.32%
CV REIT, Inc.	64.36%	75.20%	75.13%	75.45%	71.39%	66.42%	68.60%	65.19%	66.85%	60.17%	61.90%	59.46%	58.24%
Developers Diversified Realty Corporatic	70.60%	69.42%	74.27%	73.46%	72.39%	68.75%	69.19%	65.77%	64.81%	60.27%	62.46%	61.43%	60.00%
Equity One, Inc.	52.24%	51.51%	52.26%	69.09%	48.55%	47.01%	51.94%	48.28%	41.87%	43.42%	42.95%	43.32%	45.82%
Federal Realty Investment Trust	57.97%	56.68%	58.50%	59.66%	60.03%	59.41%	58.93%	58.81%	56.54%	53.29%	54.60%	53.63%	51.56%
Heritage Property Investment Trust, Inc.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	47.98%	49.46%	50.83%	51.27%
Kimco Realty Corporation	41.87%	39.62%	37.79%	37.23%	37.80%	35.37%	34.73%	31.81%	31.41%	32.72%	35.36%	35.47%	33.68%
Mid-Atlantic Realty Trust	56.97%	55.92%	52.37%	52.64%	51.21%	50.60%	47.90%	46.17%	41.08%	36.74%	42.05%	39.65%	40.31%
New Plan Excel Realty Trust	55.48%	56.45%	54.98%	56.14%	51.42%	52.21%	46.89%	42.58%	49.00%	47.49%	49.75%	51.56%	51.22%
Pan Pacific Retail Properties, Inc.	46.28%	44.97%	46.74%	45.13%	46.58%	42.19%	41.90%	40.75%	39.81%	37.94%	38.56%	36.89%	38.76%
Ramco-Gershenson Properties Trust	71.92%	70.70%	72.27%	74.85%	71.27%	68.01%	69.39%	70.29%	68.60%	56.52%	58.73%	60.90%	59.08%
Regency Realty Corporation	54.36%	51.36%	54.59%	55.40%	53.34%	52.99%	52.96%	52.60%	51.67%	50.84%	49.58%	47.05%	46.50%
Saul Centers, Inc.	51.50%	51.95%	52.72%	49.20%	49.80%	48.81%	48.56%	45.54%	44.56%	41.20%	44.65%	43.99%	44.45%
Weingarten Realty Investors	48.09%	47.04%	47.64%	48.05%	41.95%	47.38%	46.49%	45.32%	44.80%	44.48%	44.61%	45.13%	44.97%
Shopping Centers	54.44%	53.77%	54.37%	54.31%	52.48%	51.41%	50.60%	48.51%	51.28%	46.66%	48.20%	47.88%	47.40%

Variable-rate Debt

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
CBL & Associates Properties, Inc.	134,500	143,800	135,700	52,607	332,900	410,500	644,100	632,604	566,400	247,900	316,550	534,164	499,760
Crown American Realty Trust	119,513	127,723	138,496	141,117	107,617	108,367	117,117	115,028	113,528	78,995	98,457	132,638	172,528
General Growth Properties, Inc.	1,472,483	1,272,972	1,308,224	1,312,584	1,533,188	1,496,187	1,462,099	491,764	489,815	465,227	1,251,580	1,402,820	1,338,504
Glimcher Realty Trust	410,685	421,955	498,257	492,543	351,286	344,760	365,698	367,221	366,229	513,401	314,209	319,029	333,373
Macerich Company	244,501	197,014	186,722	147,340	220,250	233,250	154,000	159,000	125,000	283,000	1,098,349	650,170	953,065
Mills Corporation	380,804	409,099	436,329	436,765	423,751	377,757	102,015	82,578	97,740	142,532	408,824	32,148	230,036
Rouse Company	635,143	676,081	676,000	620,186	628,541	305,063	357,166	287,584	187,693	767,746	544,864	430,000	382,942
Simon Property Group, Inc.	2,333,493	2,300,865	2,659,905	2,583,557	1,768,344	1,766,042	1,568,475	1,592,234	1,487,045	2,114,518	1,486,278	1,604,959	1,374,738
Taubman Centers, Inc.	0	0	0	508,984	579,000	652,200	722,100	678,739	679,400	724,400	627,800	805,850	681,100
Acadia Realty Trust	108,355	108,233	109,912	100,309	146,579	128,579	78,160	85,000	106,343	73,622	57,579	57,126	56,540
CV REIT, Inc.	49,786	126,223	105,861	106,500	108,402	102,600	88,900	90,500	84,300	84,100	84,100	70,200	66,100
Developers Diversified Realty Corporation	358,839	461,423	564,673	567,957	416,955	339,170	384,786	334,171	272,114	418,094	643,620	730,694	1,037,070
Equity One, Inc.	15,086	19,831	13,206	0	3,772	5,572	42,876	42,934	33,635	60,528	61,142	47,635	99,000
Federal Realty Investment Trust	321,900	305,448	336,847	232,041	184,238	192,521	240,208	158,968	201,394	225,418	267,174	0	158,400
Heritage Property Investment Trust, Inc.	0	0	0	0	0	0	0	0	318,000	210,000	205,000	249,661	266,567
Kimco Realty Corporation	215,837	205,840	118,765	157,110	166,915	117,725	117,645	17,555	17,260	157,160	259,376	95,047	225,163
Mid-Atlantic Realty Trust	46,100	54,000	45,741	48,259	51,967	55,579	59,359	57,998	29,298	39,367	56,378	49,347	70,351
New Plan Excel Realty Trust	341,300	314,100	292,402	169,837	184,645	177,449	106,904	44,801	425,174	259,810	239,727	351,541	420,951
Pan Pacific Retail Properties, Inc.	128,150	141,550	168,500	267,650	288,400	133,600	135,600	165,300	188,117	162,891	190,278	81,601	186,008
Ramco-Gershenson Properties Trust	93,666	102,406	89,943	140,221	68,557	61,397	67,987	76,985	86,240	78,950	89,910	87,396	110,986
Regency Realty Corporation	293,088	371,087	337,438	506,640	254,354	253,268	282,616	395,691	211,725	198,887	155,043	104,998	203,190
Saul Centers, Inc.	53,569	48,658	58,854	67,824	73,926	75,903	64,342	58,342	62,842	72,742	80,842	86,124	44,680
Weingarten Realty Investors	129,447	204,023	224,943	219,570	110,137	296,186	278,870	290,335	305,797	347,259	323,600	274,681	233,460

**Variable Debt as % of Total Debt**

	<u>2000 Q1</u>	<u>2000 Q2</u>	<u>2000 Q3</u>	<u>2000 Q4</u>	<u>2001 Q1</u>	<u>2001 Q2</u>	<u>2001 Q3</u>	<u>2001 Q4</u>	<u>2002 Q1</u>	<u>2002 Q2</u>	<u>2002 Q3</u>	<u>2002 Q4</u>	<u>2003 Q1</u>
<b>CBL &amp; Associates Properties, Inc.</b>	9.14%	9.70%	9.07%	3.46%	13.55%	16.77%	25.79%	25.44%	23.94%	9.97%	12.82%	20.27%	18.67%
<b>Crown American Realty Trust</b>	14.34%	15.26%	16.48%	16.74%	12.82%	12.94%	13.89%	13.85%	13.37%	9.95%	11.69%	15.21%	19.80%
<b>General Growth Properties, Inc.</b>	33.32%	28.20%	28.46%	27.84%	31.29%	30.05%	28.32%	9.49%	9.47%	8.96%	18.76%	19.38%	18.80%
<b>Glimcher Realty Trust</b>	30.65%	31.50%	37.84%	36.45%	26.11%	23.40%	24.85%	24.08%	24.89%	35.24%	22.79%	24.20%	24.74%
<b>Macerich Company</b>	9.99%	7.95%	7.50%	5.84%	8.70%	9.14%	6.02%	6.38%	5.10%	10.86%	27.50%	17.94%	25.12%
<b>Mills Corporation</b>	29.33%	29.23%	30.94%	29.60%	27.30%	24.91%	6.77%	5.31%	6.22%	7.82%	20.75%	1.48%	8.71%
<b>Rouse Company</b>	16.16%	17.11%	17.07%	15.36%	15.82%	7.55%	8.65%	6.95%	4.71%	15.33%	10.53%	8.23%	7.25%
<b>Simon Property Group, Inc.</b>	20.45%	20.10%	23.18%	22.30%	15.22%	15.18%	12.96%	12.98%	12.13%	16.45%	11.62%	12.55%	10.51%
<b>Taubman Centers, Inc.</b>	0.00%	0.00%	0.00%	26.01%	28.15%	30.39%	32.37%	29.72%	29.51%	29.72%	27.13%	33.26%	27.24%
<b>Acadia Realty Trust</b>	33.24%	33.30%	33.72%	34.04%	50.75%	47.57%	29.03%	30.48%	45.03%	32.20%	25.31%	25.56%	23.50%
<b>CV REIT, Inc.</b>	32.05%	22.12%	18.62%	19.32%	19.64%	18.84%	16.15%	16.12%	16.12%	15.24%	15.25%	13.21%	12.63%
<b>Developers Diversified Realty Corporation</b>	18.79%	22.86%	27.18%	27.55%	19.31%	14.93%	16.94%	15.05%	11.99%	18.60%	26.69%	30.90%	33.30%
<b>Equity One, Inc.</b>	12.71%	16.50%	9.95%	0.00%	2.92%	4.28%	11.73%	11.53%	10.34%	16.31%	17.76%	13.41%	12.60%
<b>Federal Realty Investment Trust</b>	29.98%	28.92%	30.97%	20.45%	15.48%	15.51%	18.59%	11.82%	14.52%	16.21%	18.66%	0.00%	10.66%
<b>Heritage Property Investment Trust, Inc.</b>	na	19.27%	20.45%	20.06%	23.11%	24.02%							
<b>Kimco Realty Corporation</b>	13.14%	12.50%	7.34%	9.49%	10.06%	7.09%	7.10%	1.11%	1.10%	9.23%	14.58%	5.27%	11.76%
<b>Mid-Atlantic Realty Trust</b>	21.95%	24.82%	20.54%	20.72%	22.45%	24.09%	25.56%	23.97%	13.57%	18.52%	23.29%	20.56%	27.08%
<b>New Plan Excel Realty Trust</b>	22.41%	20.97%	19.68%	11.44%	12.33%	12.00%	8.01%	3.59%	23.02%	14.11%	13.44%	17.47%	20.63%
<b>Pan Pacific Retail Properties, Inc.</b>	36.02%	38.43%	42.72%	42.73%	44.63%	20.90%	21.18%	24.74%	27.29%	22.70%	25.57%	11.11%	19.06%
<b>Ramco-Gershenson Properties Trust</b>	25.26%	27.04%	23.03%	36.15%	18.77%	16.71%	18.22%	20.20%	22.15%	19.85%	21.14%	18.70%	22.98%
<b>Regency Realty Corporation</b>	21.26%	25.22%	20.88%	29.40%	15.06%	14.97%	16.48%	21.72%	11.44%	10.86%	8.47%	5.97%	11.46%
<b>Saul Centers, Inc.</b>	16.78%	14.87%	17.52%	19.75%	21.24%	21.79%	18.37%	16.58%	17.72%	20.04%	21.43%	22.62%	11.76%
<b>Weingarten Realty Investors</b>	14.22%	21.24%	22.63%	20.16%	11.38%	23.15%	20.33%	21.25%	21.18%	22.91%	20.52%	16.92%	13.60%

## **Exhibit Two - List of retail REITs included in the study:**

### **Regional Malls**

CBL & Associates Properties, Inc.  
Crown American Realty Trust  
General Growth Properties, Inc.  
Glimcher Realty Trust  
Macerich Company  
Mills Corporation  
Rouse Company  
Simon Property Group, Inc.  
Taubman Centers, Inc.

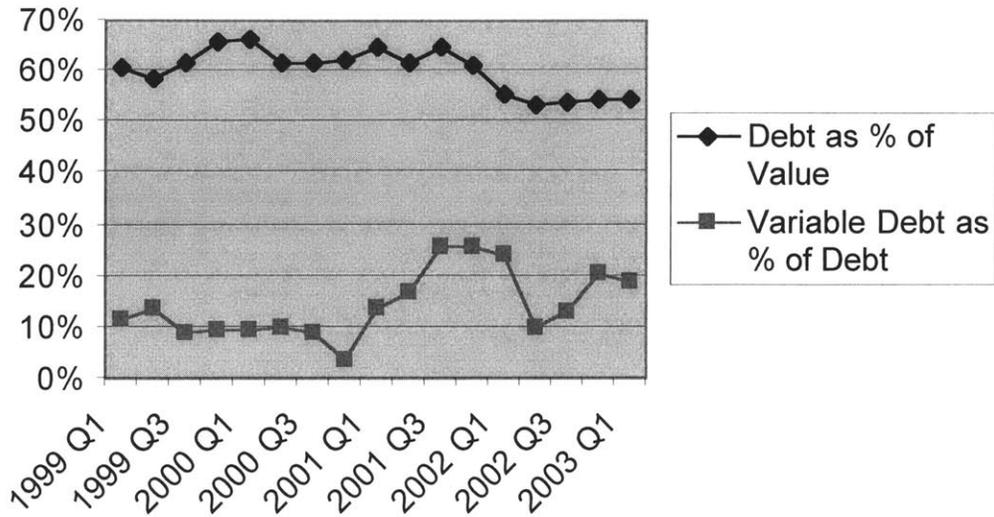
### **Shopping Centers**

Acadia Realty Trust  
CV REIT, Inc.  
Developers Diversified Realty Corporation  
Equity One, Inc.  
Federal Realty Investment Trust  
Heritage Property Investment Trust, Inc.  
Kimco Realty Corporation  
Konover Property Trust, Inc.  
Mid-Atlantic Realty Trust  
New Plan Excel Realty Trust  
Pan Pacific Retail Properties, Inc.  
Ramco-Gershenson Properties Trust  
Regency Realty Corporation  
Saul Centers, Inc.  
Weingarten Realty Investors

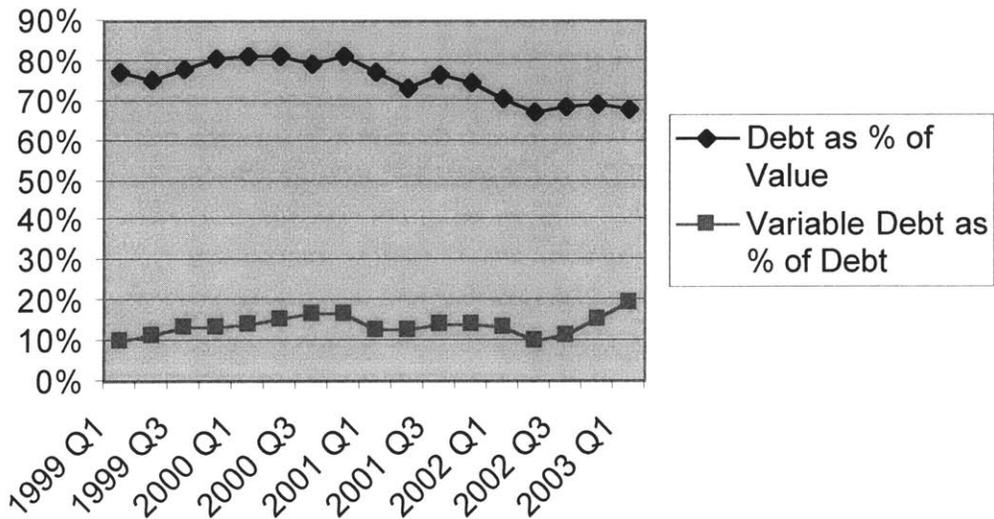
**Note:** These companies represent the majority of current (as of Q4, 2002) NYSE publicly traded (versus private) retail REITs. Some public REITs were excluded from this study due to lack of historical data and or active growth / financing activity.

**Exhibit Three – Individual REIT debt to value ratios**

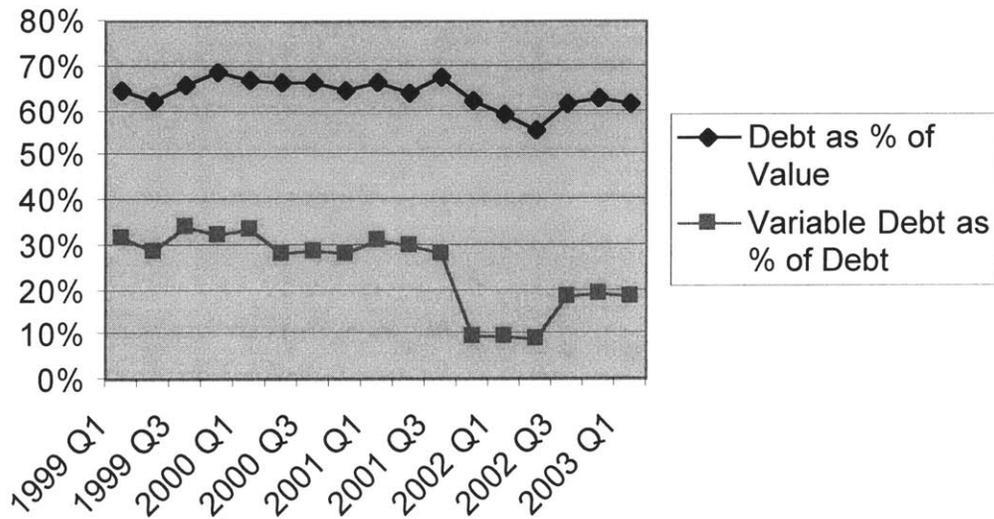
### CBL & Associates



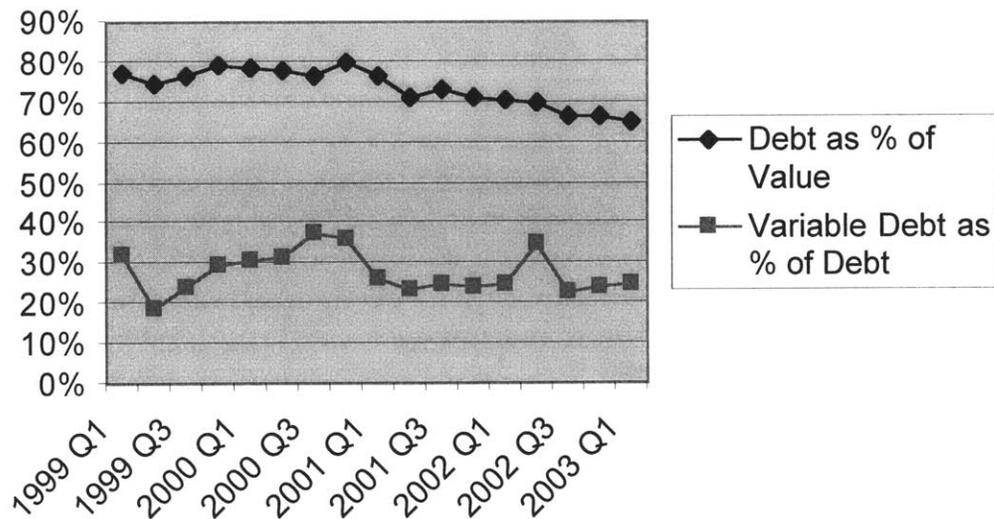
### Crown American



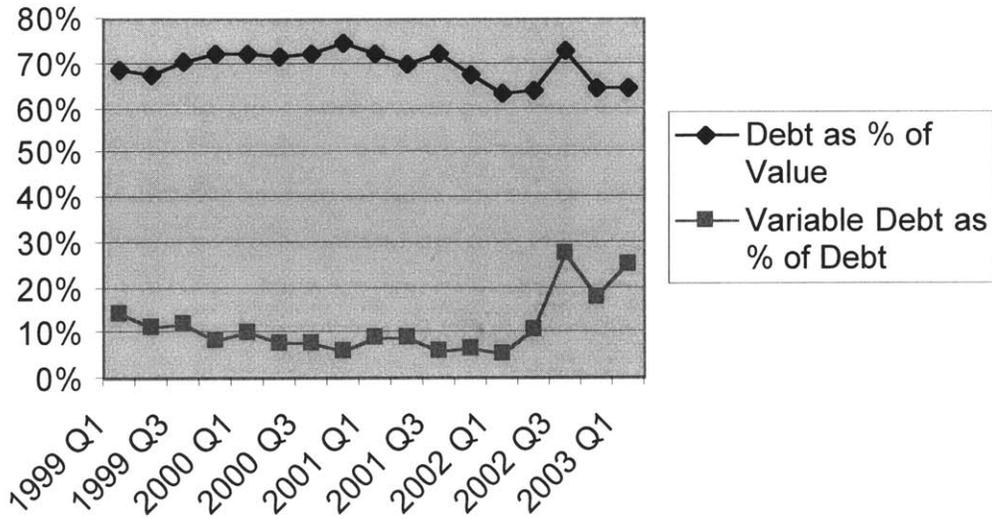
### General Growth



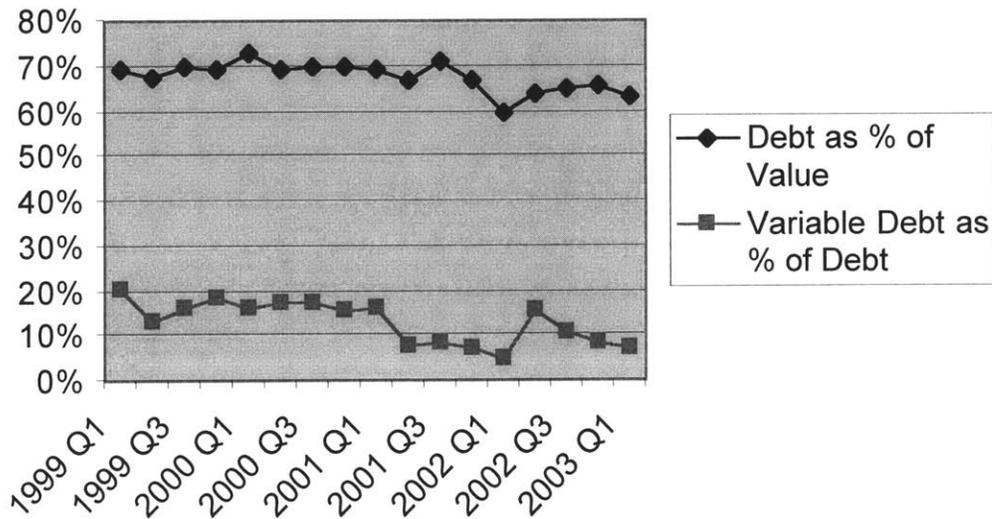
### Glimcher



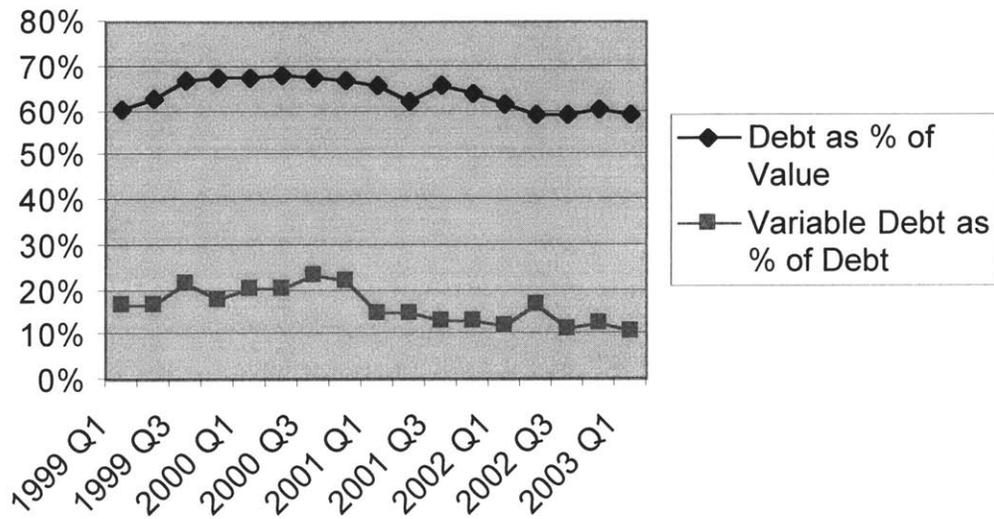
### Macerich



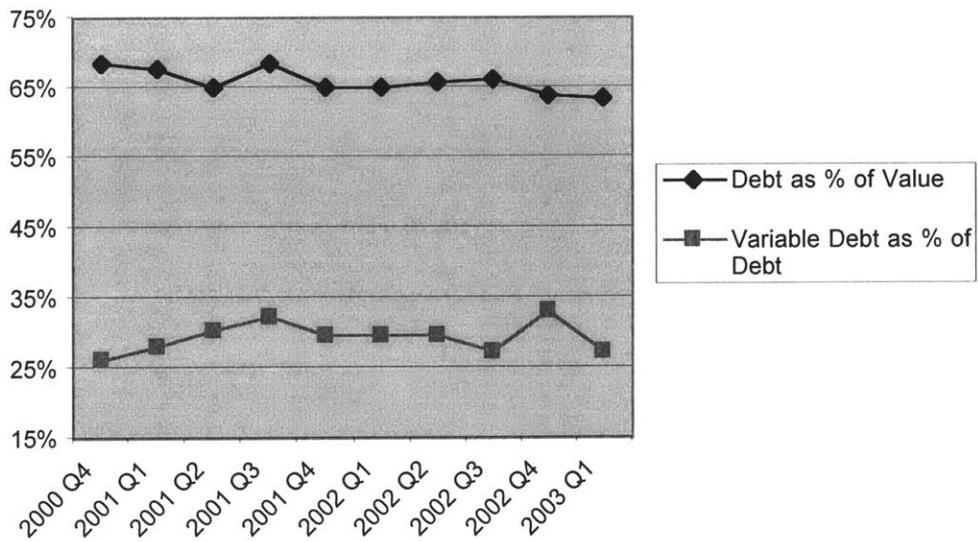
### Rouse



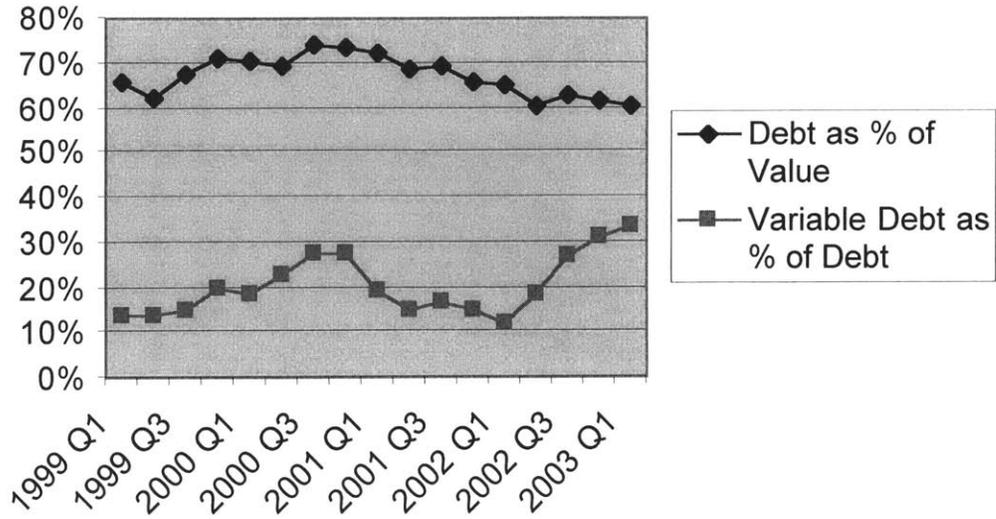
### Simon



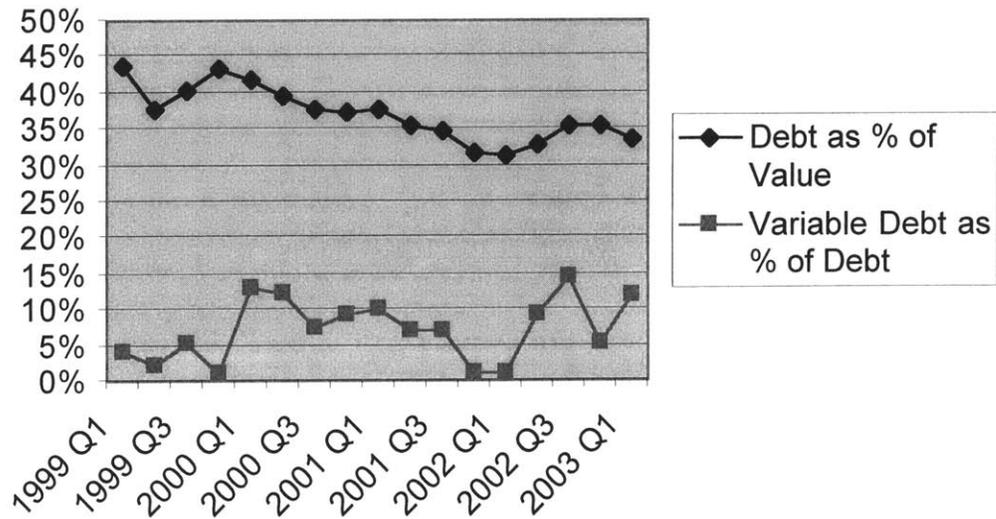
### Taubman



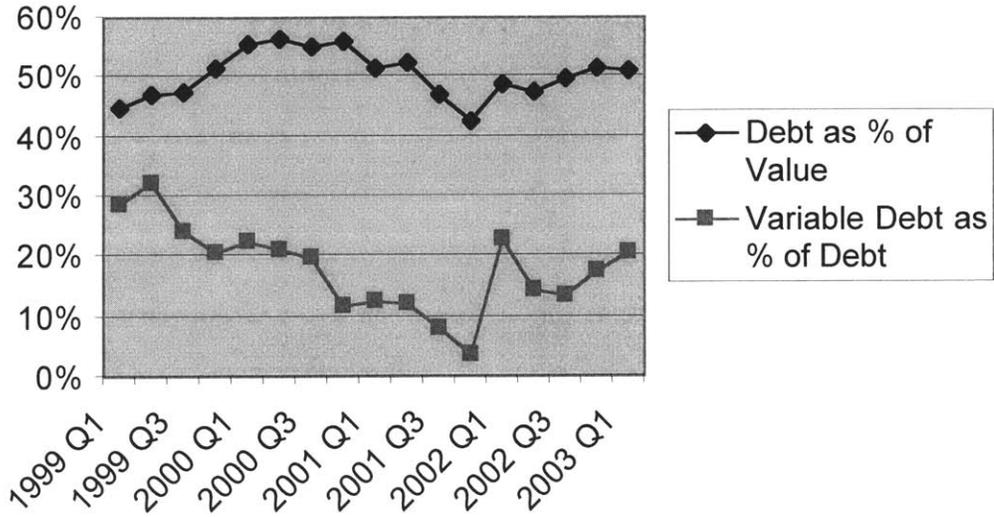
### Developers Diversified



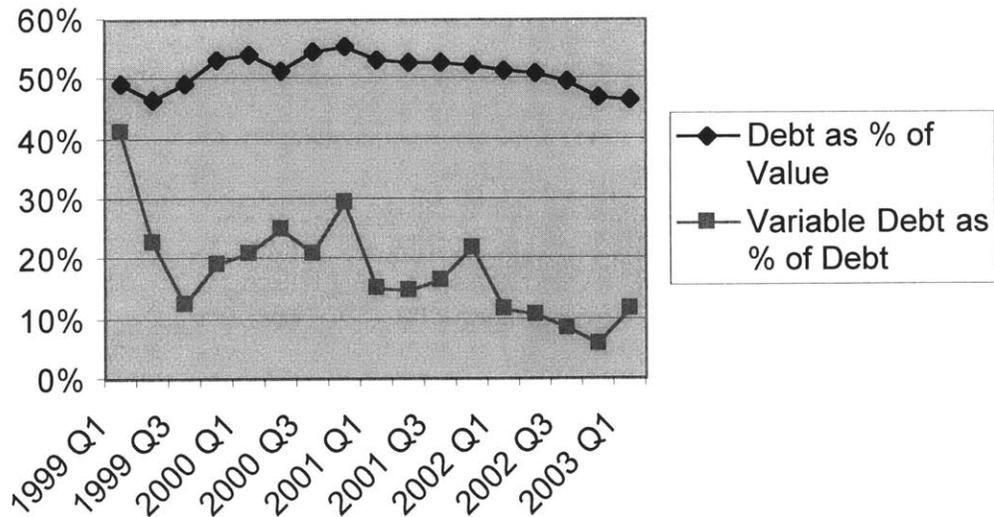
### Kimco



### New Plan



### Regency



## Exhibit Four – Debt Coverage Ratios

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2	2000Q3	2000Q4	2001Q1	2001Q2	2001Q3	2001Q4	2002Q1	2002Q2	2002Q3	2002Q4	2003Q1
<b>Regional Malls</b>																	
CBL & Associates Properties, Inc.	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.1	2.2	2.2	2.4	2.4	2.5	2.5
Crown American Realty Trust	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.8
General Growth Properties, Inc.	2.0	1.9	1.9	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.0	2.1	2.2	2.2	2.3	2.5	2.5
Glimcher Realty Trust	1.9	1.8	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.6	1.7	1.7	1.7	1.8
Macerich Company	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.9	2.0	2.3
Mills Corporation	2.7	2.7	2.6	2.5	2.4	2.3	2.2	2.1	2.1	2.2	2.2	2.3	2.0	2.1	2.2	2.4	2.4
Rouse Company	1.6	1.6	1.6	1.6	1.5	1.4	1.4	1.4	1.6	1.7	1.9	2.0	2.1	2.1	2.1		
Simon Property Group, Inc.	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.2
Taubman Centers, Inc.	1.7	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9				
<b>Shopping Centers</b>																	
Agree Realty Corp.			3.0	3.0	2.9	2.8	2.7	2.6	2.6	2.6	2.7	2.8	2.9	3.1	3.1	3.2	3.2
Acadia Realty Trust	1.4	1.6	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.5	3.0	3.2	3.4	3.2	3.0	3.1
Saul Centers, Inc.	2.3	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.7	2.7	2.7	2.7
Developers Diversified Realty Corporation	2.1	2.1	2.1	1.9	1.9	1.8	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.8	1.9	2.0	2.2
Equity One, Inc.		3.8	3.8	3.6	3.4	3.3	3.2	3.1	3.1	3.0	2.7	2.7	2.6				
Federal Realty Investment Trust	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.5		
Kimco Realty Corporation	2.7	2.7	2.8	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2	3.4	3.5	3.5	3.5	3.6
CV REIT, Inc.	2.2	2.1	2.1	2.1	2.0	1.9	1.7	1.6	1.6	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.7
Malan Realty Investors, Inc.	1.5	1.6	1.6	1.6	1.6	1.5	1.5	1.4	1.4	1.2	1.1	1.1	1.0	1.0	0.8		
New Plan Excel Realty Trust			2.7	2.6	2.5	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.2	2.3	2.4	2.3	2.4
Pan Pacific Retail Properties, Inc.	3.3	3.3	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.8	2.9	3.0	3.0	3.1	3.2	3.2	3.1
Regency Realty Corporation	3.2	3.2	3.2	3.3	3.2	2.9	2.6	2.4	2.3	2.3	2.4	2.5	2.5	2.4	2.4	2.4	2.6
Ramco-Gershenson Properties Trust	1.9	1.9	1.9	1.9	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.8	1.9
Weingarten Realty Investors	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.0	3.0	2.9

Data courtesy of Morgan Stanley