INLAND WESTERN RETAIL REAL ESTATE TRUST INC
Form S-11
February 14, 2011
Table of Contents

As filed with the Securities and Exchange Commission on February 14, 2011

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

INLAND WESTERN RETAIL

REAL ESTATE TRUST, INC.

(Exact Name of Registrant as Specified in its Governing Instruments)

2901 Butterfield Road

Oak Brook, Illinois 60523

(630) 218-8000

(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

Steven P. Grimes

Chief Executive Officer

Inland Western Retail Real Estate Trust, Inc.

2901 Butterfield Road

Oak Brook, Illinois 60523

(630) 218-8000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Gilbert G. Menna	**Dennis K. Holland**	**David W. Bonser**
Daniel P. Adams	**General Counsel and Secretary**	**David P. Slotkin**
Goodwin Procter LLP	**Inland Western Retail Real Estate Trust, Inc.**	**Hogan Lovells US LLP**
Exchange Place, 53 State Street	**2901 Butterfield Road**	**555 Thirteenth Street, NW**
Boston, MA 02109	**Oak Brook, Illinois 60523**	**Washington, DC 20004**
(617) 570-1000	**(630) 218-8000**	**(202) 637-5600**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price (1)**	**Amount of registration fee**
Class A Common Stock, $0.001 par value per share	$350,000,000	$40,635

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes additional shares of Class A Common Stock that the underwriters have the option to purchase solely to cover overallotments, if any. See Underwriting.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 2011

PROSPECTUS

Shares

Class A Common Stock

Inland Western Retail Real Estate Trust, Inc. is a fully integrated, self administered and self-managed real estate company that owns and operates high quality, strategically located shopping centers across 37 states. We are one of the largest owners and operators of shopping centers in the United States.

We are offering shares of our Class A Common Stock as described in this prospectus. All of the shares of Class A Common Stock offered by this prospectus are being sold by us. We currently expect the public offering price to be between $ and $ per share. We intend to apply to have our Class A Common Stock listed on the New York Stock Exchange, or the NYSE, under the symbol IWST. Currently, our Class A Common Stock is not traded on a national securities exchange, and this will be our first listed public offering.

We are a Maryland corporation, and we have elected to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Shares of our Class A Common Stock are subject to ownership limitations that are primarily intended to assist us in maintaining our qualification as a REIT. Our charter contains certain restrictions relating to the ownership and transfer of our Class A Common Stock, including, subject to certain exceptions, a 9.8% ownership limit of common stock by value or number of shares, whichever is more restrictive. See Description of Capital Stock Restrictions on Ownership and Transfer beginning on page 143 of this prospectus.

Investing in our Class A Common Stock involves risk. See Risk Factors beginning on page 16 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters the option to purchase an additional shares of our Class A Common Stock on the same terms and conditions set forth above within 30 days after the date of this prospectus solely to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our Class A Common Stock on or about , 2011.

Citi	**Deutsche Bank Securities**	**J.P. Morgan**	**KeyBanc Capital Markets**

The date of this prospectus is , 2011.

Table of Contents

[PICTURE, TEXT AND/OR GRAPHICS FOR INSIDE COVER]

i

Table of Contents

TABLE OF CONTENTS

You should rely only upon the information contained in this prospectus, or in any free writing prospectus prepared by us or information to which we have referred you. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A Common Stock. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates. We will update this prospectus as required by law.

We use market data throughout this prospectus. We have obtained the information under Prospectus Summary Industry Overview and Industry Overview from the market study prepared for us by Rosen Consulting Group, or Rosen, a nationally recognized real estate consulting firm, and such information is included in this prospectus in reliance on Rosen s authority as an expert in such matters. See Experts. In addition, we have obtained certain market data from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projections or forecasts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

Table of Contents

On December 8, 2010, we filed a proxy statement with the Securities and Exchange Commission, or SEC, that is intended to facilitate the listing of our Class A Common Stock on the NYSE and, among other things, recommends that our shareholders approve an amendment and restatement of our charter. Unless otherwise indicated, the information contained in this prospectus assumes that the amendment and restatement of our charter is approved and adopted.

Recapitalization

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each then outstanding share of our common stock will receive:

- one share of our Class B-1 Common Stock; plus
- one share of our Class B-2 Common Stock; plus
- one share of our Class B-3 Common Stock.

In connection with this stock dividend, we intend to redesignate our then outstanding common stock as Class A Common Stock. Prior to the declaration of the stock dividend, we intend to effectuate a to one reverse stock split of our common stock outstanding.

In this prospectus, we refer to these transactions as the Recapitalization, we refer to Class B-1 Common Stock, Class B-2 Common Stock and Class B-3 Common Stock collectively as our Class B Common Stock, and we refer to Class A and Class B Common Stock collectively as our common stock. We are offering our Class A Common Stock in this offering, and we intend to list our Class A Common Stock on the NYSE. Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock at specified times. Subject to the provisions of our charter, shares of our Class B-1, Class B-2 and Class B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively. On the month anniversary of the listing of our Class A Common Stock on the NYSE (the Listing), all shares of our Class B Common Stock will have converted into our Class A Common Stock. The terms of our Class A and Class B Common Stock are described more fully under Description of Capital Stock in this prospectus.

The Recapitalization also will have the effect of reducing the total number of outstanding shares of our common stock. As of January 27, 2011, without giving effect to the Recapitalization, we had approximately 478.9 million shares of common stock outstanding. As of , 2011, after giving effect to the Recapitalization, we would have had an aggregate of approximately shares of our Class A and Class B Common Stock outstanding, divided equally among our Class A, Class B-1, Class B-2 and Class B-3 Common Stock.

The Recapitalization will be effected prior to the completion of this offering. Unless otherwise indicated, all information in this prospectus gives effect to, and all share and per share amounts have been retroactively adjusted to give effect to, the Recapitalization. Unless otherwise indicated, share and per share amounts have not been adjusted to give effect to any exercise by the underwriters of their option to purchase up to shares of our Class A Common Stock solely to cover overallotments, if any.

In this prospectus:

- annualized base rent as of a specified date means monthly base rent as of the specified date, before abatements, under leases which have commenced as of the specified date multiplied by 12. Annualized base rent (i) does not include tenant reimbursements or expenses borne by the tenants in triple net or modified gross leases, such as the expenses for real estate taxes and insurance and common area and

other operating expenses, (ii) does not reflect amounts due per percentage rent lease terms, where applicable, and (iii) is calculated on a cash basis and differs from how we calculate rent in accordance with generally accepted accounting principles in the United States of America, or GAAP, for purposes of our financial statements;

community center means a shopping center that we believe meets the International Council of Shopping Centers s, or ICSC s, definition of community center. ICSC, generally, defines a community center as a shopping center similar to a neighborhood center, defined below, but which offers a wider range of apparel and other soft goods than a neighborhood center. Community centers are usually configured as a strip, or may be laid out in an L or U shape, and are commonly anchored by supermarkets, super drugstores and discount department stores;

lifestyle center means a shopping center that we believe meets ICSC s definition of lifestyle center. ICSC, generally, defines a lifestyle center as a shopping center that is most often located near affluent residential neighborhoods and caters to the retail needs and lifestyle pursuits of consumers in its trading area. Lifestyle centers typically have open-air configurations, include at least 50,000 square feet of retail space occupied by upscale national chain specialty stores and include other elements serving its role as a multi-purpose leisure-time destination, such as restaurants and entertainment;

neighborhood center means a shopping center that we believe meets ICSC s definition of neighborhood center. ICSC, generally, defines a neighborhood center as a shopping center designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood, which is usually configured as a straight-line strip with parking in the front and no enclosed walkway or mall area. Neighborhood centers are frequently anchored by a grocer or drug store and supported by stores offering drugs, sundries, snacks and personal services;

power center means a shopping center that we believe meets ICSC s definition of power center. ICSC, generally, defines a power center as a shopping center dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or category killers, i.e., stores that offer tremendous selection in a particular merchandise category at low prices. Power centers typically consist of several anchors, some of which may be freestanding (unconnected) and only a minimum amount of small specialty tenants; and

shadow anchors means one or more retailers situated on parcels that are owned by unrelated third parties but, due to their location within or immediately adjacent to our shopping center, to the consumer appear as another retail tenant of the shopping center and, as a result, attract additional customer traffic to the center.

Unless otherwise indicated, references in this prospectus to our properties or portfolio include information with respect to properties held by us on a consolidated basis as of September 30, 2010.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before investing in our Class A Common Stock. You should read carefully the more detailed information set forth under the heading Risk Factors and the other information included in this prospectus. Except where the context suggests otherwise, the terms our company, we, us and our refer to Inland Western Retail Real Estate Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries. Unless otherwise indicated, the information contained in this prospectus assumes that the Class A Common Stock to be sold in the offering is sold at $ per share, the midpoint of the pricing range set forth on the cover page of this prospectus, and that the underwriters do not exercise their option to purchase up to an additional shares solely to cover overallotments, if any. Unless otherwise indicated, all property information contained in this prospectus is for our retail operating properties as of September 30, 2010 excluding seasonal leases.

Company Overview

We are one of the largest owners and operators of shopping centers in the United States. As of September 30, 2010, our retail operating portfolio consisted of 272 properties with 36.7 million square feet of gross leasable area, or GLA. Our retail operating portfolio is geographically diversified across 37 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties are recently constructed, with a weighted average age, based on annualized base rent, of only approximately 9.4 years since the initial construction or most recent major renovation. As of September 30, 2010, our retail operating portfolio was 87.8% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of September 30, 2010, we also held interests in 19 other operating properties, including 13 office properties and six industrial properties, 14 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development.

Our shopping centers are primarily anchored or shadow anchored by strong national and regional grocers, discount retailers and other retailers that provide basic household goods or clothing, including Target, TJX Companies, PetSmart, Best Buy, Home Depot, Kohl s, Wal-Mart, Publix and Lowe s. As of September 30, 2010, over 90% of our shopping centers, based on GLA, were anchored or shadow anchored by a grocer, discount department store, wholesale club or retailers that sell basic household goods or clothing. Overall, we have a broad and highly diversified retail tenant base that includes over 1,600 tenants with no one tenant representing more than 3.1% of the total annualized base rent generated from our retail operating properties, or our retail annualized base rent.

We are a client-focused organization, maintaining very active relationships with our key tenants. We have 20 property management offices strategically located across the country and over 180 employees primarily dedicated to our leasing, asset management and property management activities. Our senior management team applies a hands-on approach to leasing our portfolio and is supported by over 80 property managers and senior leasing agents who have an average of 15 years of experience in the industry. We believe that the size and scale of our property management and leasing organization, the breadth of our tenant relationships and the scale of our retail portfolio provides us with a competitive advantage in dealing with national and large regional grocers and retailers. Through the efforts of our leasing team during 2009 and the first nine months of 2010, we have renewed over 68% of our expiring leases based on GLA at aggregate base rental rates that reflected minimal decreases from the base rental rates of the expiring leases and have signed 328 new leases for 2.7 million square feet of GLA, representing 7.3% of the total GLA in our retail operating portfolio.

Table of Contents

Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of shopping centers through the following competitive strengths:

Large, Diversified, High Quality Retail Portfolio

We own a national portfolio of high quality retail properties that is well diversified both geographically and by property type. We have retail operating properties in 37 states with no one metropolitan statistical area, or MSA, accounting for more than 5.2% of our retail annualized base rent, other than the Dallas-Fort Worth-Arlington area, which accounts for 14.7% of our retail annualized base rent. Our retail operating portfolio is also well diversified by type, including 67 power centers with 16.7 million square feet of GLA, 62 community centers with 9.4 million square feet of GLA, 44 neighborhood centers with 3.3 million square feet of GLA and seven lifestyle shopping centers with 3.3 million square feet of GLA, as well as 92 single-user retail properties with 4.0 million square feet of GLA. We believe the size and scale of our retail portfolio gives us an advantage in working with national and large regional grocers and retailers, as we offer many potential locations within a selected area from which to choose and can address multiple needs for space in different geographic areas for tenants with multiple locations.

Our shopping centers are well located within strong retail districts in densely populated areas. They have high quality anchors and shadow anchors that consistently drive traffic to our centers and make them more attractive to other potential tenants. Consistent with our entire retail operating portfolio, our shopping centers are also generally recently constructed, which makes them more appealing to shoppers and potential tenants and reduces redevelopment and renovation costs. As of September 30, 2010, 68.5% of our shopping centers, based on annualized base rent, were located in the 50 largest MSAs. Using data from The Nielsen Company, we conducted our own analysis to find that these shopping centers are positioned in highly attractive markets with favorable demographics, including a weighted average population of 90,338, expected population growth of 8.0% per year and household income of approximately $87,107 within a three-mile radius. We believe our shopping centers located in markets outside of the 50 largest MSAs are among the most attractive shopping centers in each of the markets in which they are located based on location, age and overall quality. As of September 30, 2010, approximately 89.1% of these shopping centers, based on annualized base rent, are anchored or shadow anchored by either Best Buy (15 locations), Target (11 locations), Home Depot (ten locations), Kohl s (eight locations), Wal-Mart (seven locations), Lowe s (five locations), or a national or regional grocer, such as Publix (six locations), Stop & Shop (three locations), Kroger (three locations) and Giant Foods (two locations).

Diversified Base of Value-Oriented Retail Tenants

Our retail portfolio has a broad and highly diversified tenant base that primarily consists of grocers, drug stores, discount retailers and other retailers that provide basic household goods or services. As of September 30, 2010, our total retail tenant base included more than 1,600 tenants with over 3,300 leases at our retail properties, and our largest shopping center tenants include Best Buy, TJX Companies, Stop & Shop, Bed Bath & Beyond, Home Depot, PetSmart, Ross Dress for Less, Kohl s, Wal-Mart and Publix. As of September 30, 2010, no single retail tenant represented more than 3.1% of our retail annualized base rent, and our top 20 retail tenants, with 408 locations across our portfolio, represented an aggregate of 35.5% of our retail annualized base rent. Additionally, the financial strength of our tenants enhances the quality of our retail portfolio, as seven of our top ten retail tenants have investment grade credit ratings. We believe that maintaining a diversified tenant base with a value-oriented focus limits the impact of economic cycles and our exposure to any single tenant.

We generally have long-term leases with our tenants. As of September 30, 2010, the weighted average lease term of our existing retail leases, based on annualized base rent, was 6.2 years, with leases constituting less than 27% of our retail annualized base rent expiring before 2014. We believe the limited near-term expirations of our existing retail leases will allow us to more aggressively pursue leasing of space that is currently vacant and provide for more stable cash flows from operations.

Table of Contents

Demonstrated Leasing and Property Management Platform

We believe that our national leasing platform overseen by our focused executive team dedicated to leasing provides us with a distinct competitive advantage. Our executive team applies a hands-on approach and capitalizes upon a network of relationships to aggressively lease-up vacant space, maintain high tenant retention rates and creatively address the needs of our retail properties. Over the last 24 months, we have demonstrated our leasing capabilities through our success in addressing 3.2 million square feet of vacant space in our portfolio created by the bankruptcies of Mervyns, Linens n Things and Circuit City in 2008. Primarily as a result of these vacancies, the percentage of our retail operating portfolio that was leased decreased from 96.8% as of December 31, 2007. However, as a result of our strong leasing platform, as of January 27, 2011, we have been able to lease approximately 1.8 million square feet of this vacant space, primarily to existing tenants, and in total we have leased, sold or are in negotiations for 2.4 million square feet, or 73.6%, of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies.

As a large, national owner of retail properties, we believe that we offer national and large regional grocers and retailers a greater level of service and credibility with respect to property management than our smaller competitors. We believe that tenants value our commitment to consistently maintain the high standards of our retail properties through our in-house handling of property management and day-to-day operational functions, which has translated into tenant retention rates in excess of 68%, based on expiring GLA, during 2009 and the first nine months of 2010.

Capital Structure Positioned for Growth

Upon completion of this offering, our aggregate indebtedness will consist primarily of fixed rate debt, which will have staggered maturities and a weighted average maturity of approximately years based on balances as of September 30, 2010, as adjusted for our recently amended and restated credit agreement and the completion of this offering and the application of proceeds from both. We also will have a conservative leverage structure with less than $ million of debt maturing in any one year, a weighted average interest rate of % per annum and an undrawn $435.0 million senior secured line of credit. Overall, we believe our capital structure will provide us with significant financial flexibility to fund future growth.

Experienced Management Team with a Proven Track Record

Our senior management team has on average over 23 years of real estate industry experience through several real estate, credit and retail cycles. They have worked together for the past five years and have proven themselves by successfully managing our large, geographically diverse portfolio through the severe economic recession that began in December 2007. During 2009 and 2010, without accessing the public equity markets, we refinanced or repaid $2.2 billion of indebtedness, nearly 50% of our total indebtedness at the beginning of 2009, in severely constrained credit markets and in the process reduced our total indebtedness by over $675 million. Our senior management team also has significant transactional experience, having acquired, disposed of, contributed to joint ventures and developed billions of dollars of real estate throughout their careers. We believe that our senior management team s property management, leasing and operating expertise, combined with their acquisition and financing experience, provide us with a distinct competitive advantage.

Business and Growth Strategies

Our primary objective is to provide attractive risk-adjusted returns for our shareholders by increasing our cash flow from operations and realizing long-term growth strategies. The strategies we intend to execute to achieve this objective include:

Maximize Cash Flow Through Internal Growth

We believe that we will be able to generate cash flow growth through the leasing of vacant space in our retail operating portfolio. As of September 30, 2010, our retail operating portfolio was 87.8% leased, including leases signed but not commenced, and had 4.5 million square feet of available space, including a significant amount of space that was previously occupied by big box anchor and junior anchor tenants. As of September 30, 2010, we had approximately 441,000 square feet of GLA of signed leases that had not commenced, representing a total of approximately $5.3 million of annualized base rent that will increase our future cash flows. We believe the leasing of our vacant space provides a significant growth opportunity for our shareholders, particularly in light of the expansion plans that have been announced by a number of our largest retail tenants. In addition, as of September 30, 2010, 42.5% of the leases in our retail operating portfolio, based on annualized base rent, contained contractual rent increases, which will increase future cash flows.

Asset Preservation and Appreciation through Creative Transactions

We actively manage our portfolio focusing primarily on leasing opportunities, while also taking into account redevelopment, expansion and remerchandising opportunities. In pursuing these opportunities, we focus on increasing operating income and cash flows, active risk mitigation and tenant retention. Additional value enhancing strategies include cost reductions, long-term capital planning and asset sustainability initiatives. Examples of how we execute these strategies include Azalea Square, where we divided space that was vacated by Linens n Things and re-leased it to two new tenants for an 11.7% increase in total annualized base rent for the space, and Tollgate Marketplace, where we were able to anticipate that an existing grocery store tenant would not renew its lease due to the expected opening of a new Wal-Mart Supercenter in the area and re-lease the vacated space within nine months to Ashley Furniture for more than double the base rent per square foot that the grocer had been paying.

Recycle Capital Through Disposition of Non-Core Assets

We plan to pursue opportunistic dispositions of the non-retail properties and free-standing triple net retail properties in our operating portfolio in order to redeploy capital to continue to build our interest in well located, high quality shopping centers. In addition to our retail operating portfolio, as of September 30, 2010, we held interests in 19 other operating properties, including 13 office properties and six industrial properties, which had a total of 7.1 million square feet of GLA and represent 10.5% of our total operating portfolio based on annualized base rent. We believe that the disposition of these non-retail properties, along with select triple net retail properties, will serve as a source of capital for the growth of our retail portfolio.

As we have in the past, we intend to take advantage of opportunities that may arise to sell assets in our portfolio. From the end of 2007 through September 30, 2010, we sold 17 properties for an aggregate sales price of $689.0 million, including $420.4 million of debt that was assumed or repaid. During this time, we reduced the GLA of our non-retail properties and single-user retail properties by 23.9%. We plan to continue to pursue strategic dispositions to continue to focus our portfolio on well located, high quality shopping centers.

Pursue Acquisitions of High Quality Retail Properties

We intend to pursue disciplined and targeted acquisitions of retail properties that meet our retail property and market selection criteria and will further our strategy of focusing on well located, high quality shopping centers. Utilizing our senior management team s expertise, we intend to opportunistically acquire retail properties based on identified market and property characteristics, including: property classification, anchor tenant type, lease terms, geographic markets and demographics. We believe that the high level of diversification of our tenant base limits our exposure to any single tenant and allows us to take advantage of growth opportunities through the expansion of our existing relationships without significantly increasing our exposure to any single tenant. We believe that over the next several years the continued impact of the recent disruption in the real estate market will create opportunities to acquire retail properties that meet our investment criteria from owners facing operational and financial stress. Based on our operational expertise and capital resources, we believe that we are well positioned to take advantage of opportunities to acquire retail properties. We plan to pursue acquisitions directly and through joint ventures.

Pursue Strategic Joint Ventures to Leverage Management Platform

We intend to leverage our leasing and property management platform through the strategic formation, capitalization and management of joint ventures. In the past, we have partnered with strong institutional capital providers to supplement our capital base in a manner accretive to our shareholders. For example, in September 2010, we formed a joint venture with a wholly-owned affiliate of RioCan Real Estate Investment Trust, Canada s largest REIT, or RioCan, and agreed to contribute eight shopping centers located in Texas to the joint venture. Based on our operational expertise in the retail real estate space, we believe that we are well positioned to continue to strategically pursue additional joint ventures with high quality capital partners. Additionally, from time to time, we may form partnerships with regional developers that allow us to maximize returns on completed developments and access strategic local markets.

Maintain Our Development Activity at Sustainable Levels

We entered into joint venture arrangements with certain developers prior to the recession. Since our inception, we have invested $180.3 million of equity into nine development joint ventures. As of September 30, 2010, we had approximately 2.0 million square feet of GLA of retail space under development, including space developed for shadow anchors, through five consolidated development joint ventures and one unconsolidated development joint venture, of which 1.4 million square feet had already been constructed. Approximately 80.3% of the GLA of these retail development properties that has been constructed was leased as of September 30, 2010, representing $5.1 million of annualized base rent. As of September 30, 2010, we did not have any active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. We expect to stabilize these properties between 2013 and 2014, which will provide further opportunities for growth. We currently do not have plans for any new developments. It remains our philosophy to only develop what we intend to own on a long term basis and we intend to resume development when such opportunities become attractive.

Table of Contents

Our Properties

The following table sets forth summary information regarding our operating portfolio as of September 30, 2010. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Type/Region	Number of Properties	GLA	Percent of Total GLA(1)	Percent Leased(2) (3)	ABR(3) (4)	Percent of ABR(1)	ABR Per Leased Sq. Ft.(3) (5)
Consolidated:							
Retail:							
Northeast	70	8,353	22.8%	92.4%	$ 110,972	25.0%	$ 14.37
Texas(6)	53	8,358	22.8%	86.6%	108,979	24.7%	15.06
West	51	7,447	20.2%	73.5%	80,336	18.2%	14.68
Southeast	60	7,068	19.3%	92.2%	79,548	18.1%	12.20
Midwest	38	5,488	14.9%	88.2%	61,763	14.0%	12.76
Total Retail(7)	272	36,714	100.0%	86.6%	$ 441,598	100.0%	$ 13.89
Total Retail including leases signed but not commenced(8)	272	36,714		87.8%	$ 446,896		$ 13.87
Office	13	3,717		86.5%	$ 38,827		$ 12.07
Industrial	6	3,390		100.0%	12,966		3.82
Total Other	19	7,107		93.0%	$ 51,793		$ 7.84
Total Consolidated Operating Portfolio	291	43,821		87.6%	$ 493,391		$ 12.85
Total Unconsolidated Operating Portfolio(9)	14	1,866		92.8%	$ 27,826		$ 16.07

(1) Percentages are only provided for our retail operating portfolio.
(2) Except as otherwise noted, based on leases commenced as of September 30, 2010, and calculated as leased GLA divided by total GLA.
(3) Excludes temporary, seasonal leases for approximately 763,000 square feet of GLA representing $2.7 million of annualized base rent.
(4) Excludes $5.1 million of annualized base rent from our consolidated development properties. Rental abatements for leases commenced as of September 30, 2010, which are excluded, were $1.3 million for our retail operating portfolio for the 12 months ending September 30, 2011. Annualized base rent does not reflect scheduled lease expirations for the 12 months ending September 30, 2011. The portion of the annualized base rent of our consolidated operating portfolio attributable to leases scheduled to expire during the 12 months ending September 30, 2011, including month-to-month leases, is approximately $29.0 million.
(5) Represents annualized base rent divided by leased GLA.
(6) Includes five properties with approximately 794,000 square feet of GLA that we subsequently contributed to our joint venture with RioCan, in which we own a 20% interest. As of September 30, 2010, these properties were 95.6% leased and represented $9.7 million of annualized base rent.
(7) Includes (i) 55 properties with 6.5 million square feet of GLA representing $84.3 million of annualized base rent held in one joint venture in which we have a 77% interest and (ii) a portion of one property with 0.3 million square feet of GLA representing $6.6 million of annualized base rent held in one joint venture in which we have a 95% interest.
(8) Includes leases signed but not commenced as of September 30, 2010 for approximately 441,000 square feet of GLA representing $5.3 million of annualized base rent as of lease commencement.
(9) Includes ten properties with 1.7 million square feet of GLA representing $26.0 million of annualized base rent held in two separate joint ventures in which we have a 20% interest and four properties with 0.2 million square feet of GLA representing $1.8 million of annualized base rent held in one joint venture in which we have a 96.3% interest.

Table of Contents

Industry Overview

Since bottoming in December 2009, the economy has evidenced consistent growth. Economic growth, measured by gross domestic product, or GDP, was steady through the first three quarters of 2010, driven by improvement in consumer spending as well as an increase in private investment. Looking forward, Rosen Consulting Group, or Rosen, believes that the pace of the economic recovery that began in 2010 will accelerate in 2011. Accordingly, Rosen expects GDP growth to improve, accelerating from an estimated annual growth rate of 2.2% in 2010 to 2.8% and 3.0% in 2011 and 2012, respectively.

Recent growth in employment and consumer confidence also suggests that the U.S. economy is progressing. Since December 2009, the economy has added more than 1.3 million jobs in the private sector. In addition, consumers at year-end 2010 were much more positive regarding future economic conditions than about their current situations, as evidenced by the consumer confidence index measured by The Conference Board. The expectations component of this index has dramatically increased from its recent low of 27.3 in February 2009 to 71.9 in December 2010. Further, real per capita disposable income growth, a key metric for the retail industry, increased 1.93% year-over-year in the third quarter, after a more modest 0.44% increase in 2009. Rosen expects this upward trend to continue, projecting real per capita disposable income growth to average 2.7% annually between 2011 and 2014, compared with an estimated 1.1% average annual increase between 2007 and 2010.

As employment and income growth accelerate, Rosen expects consumer confidence to increase accordingly, driving stronger retail sales growth. Retail sales continued to recover in 2010, increasing at an average annual rate of 6.6% each month. Although sales growth is unlikely to return to peak rates, Rosen believes that annual retail sales growth (including online sales made by brick and mortar retailers) will average 2.8% during the next four years, bringing total fourth-quarter sales to more than $1 trillion in 2014, an increase of nearly $70 billion from the fourth quarter of 2010. Rosen believes that the recession caused a lasting shift in consumer behavior, providing a boost to value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing. Therefore, Rosen expects sales at these grocers and retailers to remain strong going forward.

Even as the economy recovered, retail construction activity, as measured by the value of construction put-in-place, remained very low through the first three quarters of 2010 because of the high vacancy rate and a lack of available construction financing. In the third quarter of 2010, the value of put-in-place construction totaled a seasonally adjusted annual rate of $18.2 billion, compared with fourth-quarter averages of $43.7 billion between 2002 and 2008. Rosen forecasts the value of inflation-adjusted, put-in-place construction to fall from $18.0 billion in 2010 to $16.5 billion in 2011, approximately 65% less than the recent peak of $46.8 billion in 2007.

As job growth and higher confidence levels boost consumer demand, Rosen expects retail market conditions to improve beginning in 2011. Rosen forecasts the national retail vacancy rate to fall slowly from 8.8% in 2011 to 8.0% in 2014. As demand rebounds, tenant competition for existing space is expected to increase because of the limited amount of new space becoming available.

Summary Risk Factors

An investment in shares of our Class A Common Stock involves various risks. You should consider carefully the risks discussed below and under the heading Risk Factors beginning on page 16 of this prospectus before purchasing our Class A Common Stock. If any of these risks occur, our business, prospects, financial condition, liquidity, results of operations and ability to make distributions to our shareholders could be materially and adversely affected. In that case, the trading price of our Class A Common Stock could decline and you could lose some or all of your investment.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our economic performance and the value of our properties can be affected by many of these factors, including, among others, the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties, or lease defaults by our tenants;

- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficits, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

- local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;

- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes, and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;

- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all; and

- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds.

We may be unable to complete acquisitions and even if acquisitions are completed, we may fail to successfully operate acquired properties.

We may be unable to sell a property at the time we desire and on favorable terms or at all, which could inhibit our ability to utilize our capital to make strategic acquisitions and could adversely affect our results of operations, financial condition and ability to make distributions to our shareholders.

We have experienced aggregate net losses attributable to Company shareholders of approximately $888.5 million between January 1, 2008 and September 30, 2010, and we may experience future losses.

Our development and construction activities have inherent risks, which could adversely impact our results of operations and cash flow.

We had approximately $3.9 billion of consolidated indebtedness outstanding as of September 30, 2010, which could adversely affect our financial health and operating flexibility.

We have a high concentration of properties in the Dallas-Fort Worth-Arlington area, and adverse economic and other developments in that area could have a material adverse effect on us.

Our financial condition and ability to make distributions to our shareholders could be adversely affected by financial and other covenants and other provisions under the credit agreement governing our senior secured revolving line of credit and secured term loan or other debt agreements.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our shareholders.

Certain provisions of Maryland law could inhibit changes in control of us, which could lower the value of our Class A Common Stock.

Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our shareholders and materially and adversely affect our financial condition and results of operations.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

Because we have a large number of shareholders and our shares have not been listed on a national securities exchange prior to this offering, there may be significant pent-up demand to sell our shares. Significant sales of our Class A Common Stock, or the perception that significant sales of such shares could occur, may cause the price of our Class A Common Stock to decline significantly.

Recapitalization

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each then outstanding share of our common stock will receive:

one share of our Class B-1 Common Stock; plus

one share of our Class B-2 Common Stock; plus

one share of our Class B-3 Common Stock.

In connection with this stock dividend, we intend to redesignate our then outstanding common stock as Class A Common Stock. Prior to the declaration of the stock dividend, we intend to effectuate a to one reverse stock split of our common stock.

Subject to the provisions of our charter, shares of our Class B-1, B-2 and B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively. In addition, if they have not otherwise converted, all shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock on the date that is months following the Listing.

Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock at specified times. The aggregate number of shares of our common stock outstanding (including all shares of our Class A and Class B Common Stock) immediately following the Recapitalization will be approximately million, all of which (except for certain shares described in Shares Available for Future Sale) will be freely tradable upon the completion of this offering except as otherwise provided in the restrictions on ownership and transfer of stock set forth in our charter. Of this amount, approximately million shares of our Class A Common Stock will be outstanding and approximately million shares of our Class B Common Stock, representing 75% of our total outstanding common stock, will be outstanding.

Distribution Policy

The Internal Revenue Code of 1986, as amended, or the Code, generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and imposes tax on any taxable income retained by a REIT, including capital gains. To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors.

Table of Contents

Our senior secured revolving line of credit and secured term loan limit our distributions to the greater of 95% of FFO or the amount necessary for us to maintain our qualification as a REIT. To the extent these limits prevent us from distributing 100% of our REIT taxable income, we will be subject to income tax, and potentially excise tax, on the retained amounts. If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets or reduce such distributions. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

Our REIT Status

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. Subject to the discussion below under Risk Factors Risks Relating to our REIT Status regarding the closing agreement that we have requested from the Internal Revenue Service, or IRS, we believe that we have been organized , owned and operated in conformity with the requirements for qualification and taxation as a REIT under the Code beginning with our taxable year ended December 31, 2003, and that our intended manner of ownership and operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. To maintain our qualification as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our REIT taxable income to our shareholders, determined without regard to the deduction for dividends paid and excluding net capital gains. As a REIT, we generally are not subject to U.S. federal income tax on the taxable income we currently distribute to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property, and the taxable income of our taxable REIT subsidiaries, or TRSs, will be subject to taxation at regular corporate rates.

Restrictions on Ownership of Our Common Stock

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter generally prohibits, with certain exceptions, any shareholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% by value of the outstanding shares of our capital stock. Our board of directors may, in its sole discretion, waive (prospectively or retroactively) the 9.8% ownership limits with respect to a particular shareholder if it receives certain representations and undertakings required by our charter and is presented with evidence satisfactory to it that such ownership will not then or in the future cause us to fail to qualify as a REIT. See Description of Capital Stock Restrictions on Ownership and Transfer.

Background and Corporate Information

We are a Maryland corporation formed in March 2003, and we have been publicly held and subject to SEC reporting obligations since the completion of our first public offering in 2003. We were initially sponsored by The Inland Group, Inc. and its affiliates, but we have not been affiliated with The Inland Group, Inc. since the internalization of our management in November 2007. Our principal executive office is located at 2901 Butterfield Road, Oak Brook, Illinois 60523, and our telephone number is (630) 218-8000. We maintain an internet website at www.inland-western.com that contains information concerning us. The information included or referenced to on, or otherwise accessible through, our website is not intended to form a part of or be incorporated by reference into this prospectus.

Table of Contents

The Offering

Class A Common Stock offered by us	shares (plus up to shares that we may issue if the underwriters exercise their overallotment option in full)
Common stock to be outstanding after this offering:	
Class A Common Stock	shares[1]
Class B-1 Common Stock	shares[2]
Class B-2 Common Stock	shares[2]
Class B-3 Common Stock	shares[2]
Conversion rights	Subject to the provisions of our charter, shares of our Class B-1, B-2 and B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively.
Dividend rights	Our Class A Common Stock and our Class B Common Stock will share equally in any distributions authorized by our board of directors and declared by us.
Voting rights	Each share of our Class A Common Stock and each share of our Class B Common Stock will entitle its holder to one vote per share.
Use of proceeds	We intend to use approximately $210.0 million of net proceeds received from this offering to repay amounts outstanding under our senior secured revolving line of credit and the remaining net proceeds for general corporate and working capital purposes.
Proposed NYSE symbol	We intend to apply to have our Class A Common Stock listed on the NYSE under the symbol IWST.

(1) Excludes shares of Class A Common Stock issuable upon exercise of the underwriters overallotment option, shares of Class A Common Stock available for future issuance under our incentive award plans and shares of Class A Common Stock underlying options granted under our incentive award plans.
(2) Excludes shares of Class B-1, B-2, and B-3 Common Stock available for future issuance under our incentive award plans and shares of Class B-1, B-2 and B-3 Common Stock underlying options granted under our incentive awards plans.

Table of Contents

Summary Consolidated Financial and Operating Data

The summary consolidated financial data set forth below as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2009 and for the year ended December 31, 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited consolidated financial statements as of December 31, 2008 and for the years ended December 31, 2008 and 2007 have been audited by KPMG LLP, an independent registered public accounting firm. The selected consolidated financial and operating data set forth below as of December 31, 2007 has been derived from our audited consolidated financial statements not included in this prospectus. The summary consolidated financial data set forth below as of September 30, 2010 and for the nine months ended September 30, 2010 and 2009 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. Certain amounts presented for the periods ended December 31, 2009, 2008 and 2007 have been reclassified to conform to our presentation of discontinued operations in our unaudited consolidated financial statements as of and for the nine months ended September 30, 2010.

Because the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are dollars in thousands except for share and per share information. The share and per share information set forth below gives effect to the Recapitalization.

12

Table of Contents

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands except for per share data)				
Statements of Operations Data:					
Rental income	$ 387,206	$ 391,873	$ 522,805	$ 561,067	$ 544,356
Tenant recovery income	91,055	94,054	121,953	130,581	140,531
Other property income	11,274	15,547	19,491	19,743	14,523
Insurance captive income	2,253	1,671	2,261	1,938	1,890
Total revenues	$ 491,788	$ 503,145	$ 666,510	$ 713,329	$ 701,300
Property operating expenses	$ 80,663	$ 92,256	$ 123,202	$ 141,368	$ 132,143
Real estate taxes	69,498	71,090	94,074	87,584	84,831
Depreciation and amortization	185,845	187,565	250,001	252,260	243,180
Provision for impairment of investment properties	18,836	44,000	53,900	77,000	13,560
Loss on lease terminations	8,869	11,556	13,735	66,721	11,788
Insurance captive expenses	3,034	2,648	3,655	2,874	1,598
General and administrative expenses	13,412	14,146	21,191	19,997	16,535
Advisor asset management fee					23,750
Total expenses	$ 380,157	$ 423,261	$ 559,758	$ 647,804	$ 527,385
Operating income	$ 111,631	$ 79,884	$ 106,752	$ 65,525	$ 173,915
Dividend income	3,034	9,476	10,132	24,010	23,729
Interest income	548	1,318	1,483	4,329	13,671
Gain on contribution of investment properties					11,749
Gain on partial sale of investment properties	1,464				
Gain on extinguishment of debt					2,486
Equity in income (loss) of unconsolidated joint ventures	1,609	(5,262)	(11,299)	(4,939)	96
Interest expense	(199,932)	(170,752)	(236,409)	(212,439)	(204,391)
Co-venture obligation expense	(5,375)		(597)		
Recognized gain (loss) on marketable securities, net	536	17,798	18,039	(160,888)	(19,967)
Impairment of goodwill				(377,916)	
Impairment of investment in unconsolidated entity				(5,524)	
Impairment of notes receivable		(17,322)	(17,322)		
Gain (loss) on interest rate locks		3,989	3,989	(16,778)	
Other (expense) income	(5,518)	(3,884)	(9,611)	(1,062)	237
(Loss) income from continuing operations	$ (92,003)	$ (84,755)	$ (134,843)	$ (685,682)	$ 1,525
Income from discontinued operations	227	14,067	19,434	2,469	41,509
Net (loss) income	$ (91,776)	$ (70,688)	$ (115,409)	$ (683,213)	$ 43,034
Net (income) loss attributable to noncontrolling interests	(656)	3,202	3,074	(514)	(1,365)
Income (loss) attributable to Company shareholders	$ (92,432)	$ (67,486)	$ (112,335)	$ (683,727)	$ 41,669
(Loss) earnings per common share basic and diluted:					
Continuing operations	$ (0.19)	$ (0.18)	$ (0.27)	$ (1.43)	$
Discontinued operations		0.04	0.04	0.01	0.09
Net (loss) earnings per common share attributable to Company shareholders	$ (0.19)	$ (0.14)	$ (0.23)	$ (1.42)	$ 0.09
Comprehensive (loss) income	$ (82,999)	$ (51,034)	$ (96,158)	$ (643,557)	$ (5,963)
Comprehensive (income) loss attributable to noncontrolling interests	(656)	3,202	3,074	(514)	(1,365)
Comprehensive (loss) income attributable to Company shareholders	$ (83,655)	$ (47,832)	$ (93,084)	$ (644,071)	$ (7,328)

Table of Contents

	September 30, 2010 As Adjusted(1)	September 30, 2010 Actual	December 31, 2009	December 31, 2008	December 31, 2007
		(in thousands except for share and per share data)			
Selected Balance Sheet Data:					
Net investment properties less accumulated depreciation		$ 5,769,531	$ 6,103,782	$ 6,631,506	$ 6,727,154
Total assets		$ 6,651,874	$ 6,928,365	$ 7,606,664	$ 8,305,831
Mortgages and notes payable		$ 3,765,692	$ 4,003,985	$ 4,402,602	$ 4,271,160
Total liabilities		$ 4,332,868	$ 4,482,119	$ 5,011,276	$ 4,685,539
Common stock and additional paid-in-capital		$ 4,374,365	$ 4,350,966	$ 4,313,640	$ 4,387,188
Total shareholders equity		$ 2,313,566	$ 2,441,550	$ 2,572,348	$ 3,598,765
Ratio Data:					
Total net debt to Adjusted EBITDA(2)(5)		9.2x	9.2x		
Combined net debt to combined Adjusted EBITDA(2)(5)		9.1x	8.9x		

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands except for number of properties, share and per share data)				
Other Data:					
Number of consolidated operating properties	291	301	299	305	302
Total GLA (in thousands)	43,821	44,900	44,496	45,957	44,845
Distributions declared per common share	$ 0.14	$ 0.12	$ 0.16	$ 0.64	$ 0.64
Funds from operations(3)	$ 94,157	$ 122,696	$ 141,844	$ (349,401)	$ 287,601
Total net operating income(4)	$ 332,776	$ 336,207	$ 444,302	$ 481,511	$ 470,017
Combined net operating income(4)	$ 336,489	$ 338,527	$ 448,088	$ 484,631	
Adjusted EBITDA(5)	$ 320,061	$ 342,769	$ 435,022		
Combined Adjusted EBITDA(5)	$ 324,330	$ 352,255	$ 452,709		
Cash flows provided by (used in):					
Operating activities	$ 153,672	$ 203,963	$ 249,837	$ 309,351	$ 318,641
Investing activities	$ 19,845	$ 161,200	$ 193,706	$ (178,555)	$ (511,676)
Financing activities	$ (183,405)	$ (300,604)	$ (438,806)	$ (126,989)	$ 82,644

(1) Presents historical information as of September 30, 2010 as adjusted to give effect to (i) the amendment and restatement of our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585.0 million and our borrowing and use of the full $150.0 million secured term loan and additional amounts drawn through February 11, 2011 under the revolving line of credit thereunder and (ii) this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds.

(2) Total net debt to Adjusted EBITDA represents (i) our total debt less cash and cash equivalents divided by (ii) Adjusted EBITDA for the prior 12 months. Combined net debt to combined Adjusted EBITDA represents (i) the sum of (A) our total debt less cash and cash equivalents plus (B) our pro rata share of our unconsolidated joint ventures total debt less our pro rata share of joint ventures cash and cash equivalents divided by (ii) combined Adjusted EBITDA for the prior 12 months. These ratios are not presented as of December 31, 2008 or 2007. For a reconciliation of total net debt to Adjusted EBITDA and combined net debt to combined Adjusted EBITDA and a statement disclosing the reasons why our management believes that presentation of these ratios provides useful information to investors and, to the extent material, any additional purposes for which our management uses these ratios, see Selected Consolidated Financial Operating Data.

(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(4) Total net operating income, or NOI, represents operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense). Combined net operating income, or combined NOI, represents NOI plus our pro rata share of NOI from our unconsolidated joint ventures. Combined net operating income is not presented as of December 31, 2007. For a reconciliation of total net operating income, or NOI, and a statement disclosing the reasons why our management believes that presentation of NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses NOI, which is also applicable to combined NOI, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations. For a reconciliation of combined NOI, see Selected Consolidated Financial Operating Data.

(5) Adjusted EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. Combined Adjusted EBITDA represents Adjusted EBITDA plus our pro rata share of the EBITDA adjustments from our unconsolidated joint ventures. Adjusted EBITDA and combined Adjusted EBITDA are not presented as of December 31, 2008 or 2007. For a reconciliation of Adjusted EBITDA and combined Adjusted EBITDA and a statement disclosing the reasons why our management believes that presentation of Adjusted EBITDA and combined Adjusted EBITDA provides useful information to investors and, to the extent material, any additional purposes for which our management uses Adjusted EBITDA and combined Adjusted EBITDA, see Selected Consolidated Financial Operating Data.

Table of Contents

RISK FACTORS

An investment in our Class A Common Stock involves a high degree of risk. Before making an investment decision, you should carefully consider the following risk factors, which address the material risks concerning our business and an investment in our Class A Common Stock, together with the other information contained in this prospectus. If any of the risks discussed in this prospectus occur, our business, prospects, financial condition, results of operations and our ability to make distributions to our shareholders could be materially and adversely affected. In that case, the trading price of our Class A Common Stock could decline significantly and you could lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements.

RISKS RELATING TO OUR BUSINESS AND OUR PROPERTIES

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our economic performance and the value of our retail properties.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our economic performance and the value of our properties can be affected by many of these factors, including the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties, or lease defaults by our tenants;

- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficits, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

- local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;

- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes, and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;

- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;

- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;

- the convenience and quality of competing retail properties and other retailing options such as the Internet;

perceptions by retailers or shoppers of the safety, convenience and attractiveness of the retail property;

inability to collect rent from tenants;

our ability to secure adequate insurance;

our ability to provide adequate management services and to maintain our properties;

- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990, or the ADA; and

- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases, and, consequently, our properties, including those held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders may be adversely affected.

Continued economic weakness from the severe economic recession that the U.S. economy recently experienced may materially and adversely affect our financial condition and results of operations.

The U.S. economy is still experiencing weakness from the severe recession that it recently experienced, which resulted in increased unemployment, the bankruptcy or weakened financial condition of a number of large retailers, decreased consumer spending, a decline in residential and commercial property values and reduced demand and rental rates for retail space. Although the U.S. economy has emerged from the recent recession, high levels of unemployment have persisted, and rental rates and valuations for retail space have not fully recovered to pre-recession levels and may not for a number of years. If the economic recovery slows or stalls, we may continue to experience downward pressure on the rental rates we are able to charge as leases signed prior to the recession expire, and tenants may declare bankruptcy, announce store closings or fail to meet their lease obligations, any of which could adversely affect our cash flow, financial condition and results of operations.

Substantial international, national and local government spending and increasing deficits may adversely impact our business, financial condition and results of operations.

The values of, and the cash flows from, the properties we own are affected by developments in global, national and local economies. As a result of the recent severe recession and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

We face significant competition in the leasing market, which may decrease or prevent increases in the occupancy and rental rates of our properties.

We have acquired and intend to continue to acquire properties located in developed areas. Consequently, we compete with numerous developers, owners and operators of retail properties, many of which own properties similar to, and in the same market areas as, our properties. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to attract new tenants and retain existing tenants when their leases expire. Also, if our competitors develop additional retail properties in locations near our properties, there may be increased competition for customer traffic and

Table of Contents

creditworthy tenants, which may result in fewer tenants or decreased cash flow from tenants, or both, and may require us to make capital improvements to properties that we would not have otherwise made. As a result, our financial condition and our ability to make distributions to our shareholders may be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect our financial condition, results of operations and cash flow.

To the extent adverse economic conditions continue in the real estate market and demand for retail space remains low, we may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect our results of operations and cash flow. Additionally, if we need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect to our financial condition, results of operations and cash flow.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience a lease roll-down from time to time, which may adversely affect our financial condition, results of operations and cash flow.

Our operating results depend upon our ability to maintain and increase rental rates at our properties while also maintaining or increasing occupancy. As a result of various factors, including competitive pricing pressure in our markets, the recent severe recession and the desirability of our properties compared to other properties in our markets, the rental rates that we charge tenants have generally declined and our ability to maintain our current rental rates or increase those rates in the future may be limited. Further, because current rental rates have declined as compared to expiring leases in our portfolio, the rental rates for expiring leases may be higher than starting rental rates for new leases and we may be required to offer greater rental concessions than we have historically. The degree of discrepancy between our previous asking rents and the actual rents we are able to obtain upon the expiration of our leases may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain sufficient rental rates across our portfolio, our results of operations and cash flow and our ability to satisfy our debt obligations and make distributions to our shareholders will be adversely affected.

We have experienced aggregate net losses attributable to Company shareholders of approximately $888.5 million between January 1, 2008 and September 30, 2010, and we may experience future losses.

We had net losses attributable to Company shareholders of approximately $92.4 million, $112.3 million and $683.7 million for the nine months ended September 30, 2010 and for the years ended December 31, 2009 and 2008, respectively. If we continue to incur net losses in the future or such losses increase, our financial condition, results of operations, cash flow and our ability to service our indebtedness and make distributions to our shareholders would be materially and adversely affected, any of which could adversely affect the market price of our Class A Common Stock.

We have a high concentration of properties in the Dallas-Fort Worth-Arlington area, and adverse economic and other developments in that area could have a material adverse effect on us.

As of September 30, 2010, approximately 11.4% of the GLA and approximately 14.7% of the annualized base rent from our retail operating portfolio were represented by properties located in the Dallas-Fort Worth-Arlington area. As a result, we are particularly susceptible to adverse economic and other developments in this area, including increased unemployment, industry slowdowns, business layoffs or downsizing, decreased consumer confidence, relocations of businesses, changes in demographics, increases in real estate and other taxes, increased regulation, and natural disasters, any of which could have a material adverse effect on us.

Table of Contents

Our inability to collect rents from tenants may negatively impact our financial condition and our ability to make distributions to our shareholders.

Substantially all of our income is derived from rentals of real property. Therefore, our financial condition, results of operations and cash flow materially depend on the financial stability of our tenants, any of which may experience a change in their business at any time, and our ability to continue to lease space in our properties on economically favorable terms. If the sales of stores operating in our centers decline sufficiently, tenants might be unable to pay their existing minimum rents or expense recovery charges, since these rents and charges would represent a higher percentage of their sales, and new tenants might be less willing to pay minimum rents as high as they would otherwise pay. Further, tenants may delay lease commencements, decline to extend or renew a lease upon its expiration or on favorable terms, or exercise early termination rights (to the extent available). If a number of our tenants are unable to make their rental payments to us and otherwise meet their lease obligations, our ability to meet debt and other financial obligations and to make distributions to our shareholders may be adversely affected.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, which could adversely affect our financial condition and results of operations.

We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow, cash available for distributions and per share trading price of our Class A Common Stock could be adversely affected.

If any of our anchor tenants experience a downturn in their business or terminate their leases, our financial condition and results of operations could be adversely affected.

Our financial condition and results of operations could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant, particularly an anchor tenant with multiple store locations. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases permit termination or rent reduction in those circumstances or whose own operations may suffer as a result of the anchor store closing. For example, in 2008 and 2009, three of our anchor tenants, Mervyns, Linens n Things and Circuit City, declared bankruptcy, resulting in approximately 3.2 million square feet of vacant retail space and a decrease in rental income of approximately $34 million. Additional bankruptcies or insolvencies of, or store closings by, our anchor tenants could significantly increase vacancies and reduce our rental income. If we are unable to re-let such space on similar terms and in a timely manner, our financial condition, results of operations and ability to make distributions to our shareholders could be materially and adversely affected.

Many of the leases at our retail properties contain co-tenancy or go-dark provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our financial condition and results of operations and/or the value of the applicable property.

Many of the leases at our retail properties contain co-tenancy provisions that condition a tenant s obligation to remain open, the amount of rent payable by the tenant or the tenant s obligation to continue occupancy on certain conditions, including: (i) the presence of a certain anchor tenant or tenants; (ii) the continued operation of an anchor tenant s store; and (iii) minimum occupancy levels at the applicable property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have

Table of Contents

the right to cease operations at the applicable property, terminate its lease early or have its rent reduced. In periods of prolonged economic decline such as the recent recession, there is a higher than normal risk that co-tenancy provisions will be triggered due to the higher risk of tenants closing stores or terminating leases during these periods. For example, the effects of recent tenant bankruptcies triggered some co-tenancy clauses in certain other tenant leases, which provided certain of these tenants with immediate reductions in their annual rents and permitted them to terminate their leases if an appropriate replacement was not found within the allotted time period. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain go-dark provisions that allow the tenant to cease operations at the applicable property while continuing to pay rent. This could result in decreased customer traffic at the applicable property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or in tenants rights to terminate their leases early or to have their rent reduced, our financial condition and results of operations and the value of the applicable property could be adversely affected.

We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect our cash flow and the amount of cash available for distribution to our shareholders.

Our leases generally do not contain provisions designed to ensure the creditworthiness of the tenant, and a number of companies in the retail industry, including some of our tenants, have declared bankruptcy or voluntarily closed certain of their stores in recent years. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. Any or all of the tenant s or a guarantor of a tenant s lease obligations could be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the bankruptcy laws of the United States. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permitting us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid only in the event funds were available, and then only in the same percentage as that realized on other unsecured claims, and our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. Therefore, if a lease is rejected, it is unlikely we would receive any payments from the tenant, or we would receive substantially less than the full value of any unsecured claims we hold, which would result in a reduction in our rental income, cash flow and in the amount of cash available for distribution to our shareholders.

Our expenses may remain constant or increase, even if income from our properties decreases, causing our financial condition and results of operations to be adversely affected.

Costs associated with our business, such as mortgage payments, real estate and personal taxes, insurance, utilities and corporate expenses, are relatively inflexible and generally do not decrease, and may increase, when a property is not fully occupied, rental rates decrease, a tenant fails to pay rent or other circumstances cause our revenues to decrease. If we are unable to decrease our operating costs when our revenue declines, our financial condition, results of operations and ability to make distributions to our shareholders may be adversely affected. In addition, inflationary price increases could result in increased operating costs for us and our tenants and, to the extent we are unable to pass along those price increases or are unable to recover operating expenses from tenants, our operating expenses may increase, which could adversely affect our financial condition, results of operations and ability to make distributions to our shareholders.

Real estate related taxes may increase and if these increases are not passed on to tenants, our net income will be reduced.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay state and local taxes on our properties. The real property taxes may increase as property values or assessment rates change or as our properties are assessed or reassessed by taxing authorities. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some leases may permit us to pass through such tax increases to our tenants, there is no assurance that renewal leases or future leases will be negotiated on the same basis. If our property taxes increase and we are unable to pass those increases through to our tenants, our net income and cash available for distribution to our shareholders could be adversely affected.

We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties.

We continue to evaluate the market of available properties and may acquire properties when we believe strategic opportunities exist. Our ability to acquire properties on favorable terms and successfully operate or develop them are subject to the following risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with substantial capital, including from publicly traded REITs and institutional investment funds;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- we may incur significant costs and divert management attention in connection with evaluation and negotiation of potential acquisitions, including ones that we are subsequently unable to complete;
- we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;
- even if we are able to finance the acquisition, our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisition of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and ability to satisfy our principal and interest obligations and to make distributions to our shareholders could be adversely affected.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our shareholders.

In order to maintain our qualification as a REIT, we are generally required under the Code to annually distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction

Table of Contents

and excluding any net capital gain. In addition, as a REIT, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the financing on favorable terms, in the time period we desire, or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing shareholders. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s view of the quality of our assets;
- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our Class A Common Stock.

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

We may be unable to sell a property at the time we desire and on favorable terms or at all, which could inhibit our ability to utilize our capital to make strategic acquisitions and could adversely affect our results of operations, financial condition and ability to make distributions to our shareholders.

Real estate investments generally cannot be sold quickly. Our ability to dispose of properties on advantageous terms depends on factors beyond on our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. In addition, the Code generally imposes a 100% tax on gain recognized by REITs upon the disposition of assets if the assets are held primarily for sale in the ordinary course of business, rather than for investment, which may cause us to forego or defer sales of properties that otherwise would be attractive from a pre-tax perspective. As a result of such tax laws and the uncertainty of market conditions, our ability to promptly make changes to our portfolio as necessary to respond to economic and other conditions may be limited, and we cannot provide any assurance that we will be able to sell such properties at a profit, or at all. Accordingly, our ability to access capital through dispositions may be limited which could limit our ability to acquire properties strategically and pay down indebtedness and would limit our ability to make distributions to our shareholders.

In addition, certain of our leases contain provisions giving the tenant a right to purchase the property, which can take the form of a fixed price purchase option, a fair market value purchase option, a put option, a right of first refusal or a right of first offer. When acquiring a property in the future, we may also agree to restrictions that prohibit the sale of that property for period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions may restrict our ability to sell a property at opportune times or on favorable terms.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our shareholders that we will have funds available to correct such defects or to make such improvements and, therefore, we may be unable to sell the asset or may have to sell it at a reduced cost.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We have made and may continue to make investments in joint ventures or other partnership arrangements between us and our joint venture partners. As of September 30, 2010, we held 55 operating properties (as well as a portion of one other property) with 6.8 million square feet of GLA in two consolidated joint ventures and 14 operating properties with 1.9 million square feet of GLA in three unconsolidated joint ventures. Investments in joint ventures or other partnership arrangements involve risks not present were a third party not involved, including the following:

- we do not have exclusive control over the development, financing, leasing, management and other aspects of the property or joint venture, which may prevent us from taking actions that are in our best interest but opposed by our partners;

- prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interest in the joint venture, which would restrict our ability to dispose of our interest in the joint venture;

- our two unconsolidated operating joint venture agreements have, and future joint venture agreements may contain, buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner s interest or selling its interest to that partner;

- our partners might become bankrupt or fail to fund their share of required capital contributions necessary to refinance debt or to fund tenant improvements or development or renovation projects for the joint venture properties, which may force us to contribute more capital than we anticipated to cover the joint venture s liabilities;

- our partners may have competing interests in our markets that could create conflict of interest issues;

- our partners may have economic or business interests or goals that are inconsistent with our interests or goals and may take actions contrary to our instructions, requests, policies or objectives;

- two of our joint venture agreements have, and future joint venture agreements may contain, provisions limiting our ability to solicit or otherwise attempt to persuade any tenant to relocate to another property not owned by the joint venture;

- our partners may take actions that could jeopardize our REIT status or require us to pay tax;

- actions by partners might subject real properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture or other adverse consequences that may reduce our returns;

- disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business and could result in subjecting properties owned by the partnership or joint venture to additional risk; and

- we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

If any of the foregoing were to occur, our financial condition, results of operations and cash available for distribution to our shareholders could be adversely affected.

Our development and construction activities have inherent risks, which could adversely impact our results of operations and cash flow.

Our construction and development activities include risks that are different and, in most cases, greater than the risks associated with our acquisition of fully developed and operating properties. We may provide a completion of construction and principal guaranty to the construction lender. As a result of such a guaranty, we may subject a property to liabilities in excess of those contemplated and thus reduce our return to investors.

Table of Contents

In addition to the risks associated with real estate investments in general as described elsewhere, the risks associated with our development activities include:

- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy, including national, regional and local economic downturns, and shifts in demographics;
- expenditure of money and time on projects that may never be completed;
- occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;
- inability to achieve projected occupancy and/or rental rates per square foot within the projected time frame, if at all;
- failure or inability to obtain construction or permanent financing on favorable terms or at all;
- higher than estimated construction or operating costs, including labor and material costs;
- inability to complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Additionally, the time frame required for development and lease-up of these properties means that we may not realize a significant cash return for several years. If any of the above events occur, the development of the properties may hinder our growth and have an adverse effect on our results of operations and cash flow. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management.

Bankruptcy of our developers could impose delays and costs on us with respect to the development retail properties and may adversely affect our financial condition and results of operations.

The bankruptcy of one of the developers in any of our development joint ventures could materially and adversely affect the relevant property or properties. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of the developer may require us to honor a completion guarantee and therefore might result in our ultimate liability for a greater portion of those obligations than we would otherwise bear.

A number of properties in our portfolio are subject to ground leases; if we are found to be in breach of a ground lease or are unable to renew a ground lease, we could be materially and adversely affected.

We have 17 properties in our portfolio that are either completely or partially on land subject to ground leases. Accordingly, we only own a long-term leasehold or similar interest in those properties. If we are found to be in breach of a ground lease, we could lose the right to use the property. In addition, unless we can purchase a fee interest in the underlying land and improvements or extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases. Assuming that we exercise all available options to extend the terms of our ground leases, all of our ground leases will expire between 2018 and 2105. However, in certain cases, our ability to exercise such options is subject to the condition that we are not in default under the terms of the ground lease at the time that we exercise such options, and we can provide no assurances that we will be able to exercise our options at such time. Furthermore, we can provide no assurances that we will be able to renew our ground lease upon expiration. If we were to lose the right to use a property due to a breach or non-renewal of the ground lease, we would be unable to derive income from such property and would be required to purchase an interest in another property to attempt to replace that income, which could materially and adversely affect us.

Table of Contents

Uninsured losses or losses in excess of insurance coverage could materially and adversely affect our financial condition and results of operations.

Each tenant is responsible for insuring its goods and premises and, in some circumstances, may be required to reimburse us for a share of the cost of acquiring comprehensive insurance for the property, including casualty, liability, fire and extended coverage customarily obtained for similar properties in amounts which we determine are sufficient to cover reasonably foreseeable losses. Tenants on a net lease typically are required to pay all insurance costs associated with their space. However, material losses may occur in excess of insurance proceeds with respect to any property and we may not have sufficient resources to fund such losses. In addition, we may be subject to certain types of losses, generally of a catastrophic nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. If we experience a loss that is uninsured or that exceeds policy limits, we could lose all or a significant portion of the capital we have invested in the damaged property, as well as the anticipated future revenue of the property, which could materially and adversely affect our financial condition and results of operations. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future, as the costs associated with property and casualty renewals may be higher than anticipated.

In addition, insurance risks associated with potential terrorism acts could sharply increase the premium we pay for coverage against property and casualty claims. Further, mortgage lenders, in some cases, have begun to insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage loans. It is uncertain whether such insurance policies will be available, or available at reasonable costs, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure our shareholders that we will have adequate coverage for such losses and, to the extent we must pay unexpectedly large amounts for insurance, our financial condition, results of operations and ability to make distributions to our shareholders could be materially and adversely affected.

Some of our properties are subject to potential natural or other disasters, which could cause significant damage to our properties and adversely affect our financial condition and results of operations.

A number of our properties are located in areas which are susceptible to, and could be significantly affected by, natural disasters that could cause significant damage to our properties. For example, many of our properties are located in coastal regions, and would therefore be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. In addition, a number of our properties are located in California and other regions that are especially susceptible to earthquakes. If we experience a loss, due to such natural disasters or other relevant factors, that is uninsured or which exceeds our policy limits, we could incur significant costs and lose the capital invested in the damaged properties, as well as the anticipated future revenue from those properties, which could adversely affect our financial condition and results of operations. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We may incur liability with respect to contaminated property or incur costs to comply with environmental laws, which may negatively impact our financial condition and results of operations.

Under various federal, state or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation, remediation, natural resource damages or third party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. In addition, the presence of contamination or the failure to remediate contamination at our properties may adversely affect our ability to sell, redevelop, or lease such property or to borrow using the property as collateral. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks. Noncompliance with these environmental, health and safety laws could subject us or our tenants to liability. These environmental liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have a material adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental, health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our shareholders or that such costs or liabilities will not have a material adverse effect on our financial condition and results of operations.

Our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or cost for remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs.

Table of Contents

We may incur significant costs complying with the ADA and similar laws, which could adversely affect our financial condition, results of operations, cash flow and trading price of our Class A Common Stock.

Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of the properties in our portfolio is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our debt obligations and to make distributions to our shareholders could be adversely affected.

We may experience a decline in the fair value of our assets and be forced to recognize impairment charges, which could materially and adversely impact our financial condition, liquidity and results of operations and the price of our Class A Common Stock.

A decline in the fair value of our assets may require us to recognize an impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. In the years ended December 31, 2009 and 2008, we recognized impairment losses of approximately $17.3 million and approximately $383.4 million, respectively. We may be required to recognize additional asset impairment charges in the future, which could materially and adversely affect our financial condition, liquidity, results of operations and the per share trading price of our Class A Common Stock.

Our investment in marketable securities has negatively impacted our results of operations and may do so in the future.

Currently, our investment in marketable securities consists of preferred and common stock that are classified as available-for-sale and recorded at fair value. We have recognized other-than-temporary impairments related to our investment in these securities primarily as a result of the severity of the decline in market value and the length of time over which these securities experienced such declines. For example, other-than-temporary impairments were $24.8 million, $160.3 million and $20.0 million for the years ended December 31, 2009, 2008 and 2007, respectively. As of September 30, 2010, our investment in marketable securities totaled $33.3 million, which included $19.9 million of accumulated unrealized gain. If our stock positions decline in value, we could take additional other-than-temporary impairments, which could materially and adversely affect our results of operations. In addition, we purchase a portion of our securities through a margin account. If the value of those securities declines and we face a margin call, we may be required to sell those securities at unfavorable times and record a loss or to post additional cash as collateral, which could adversely affect our financial condition, results and operations and our ability to satisfy our debt obligations and make distributions to our shareholders.

Further, we may continue to invest in marketable securities in the future. Investments in marketable securities are subject to specific risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer, which may result in significant losses to us. Marketable securities are generally unsecured and may also be subordinated to other obligations of the issuer. As a result, investments in marketable securities are subject to risks of: (i) limited liquidity in the secondary trading market; (ii) substantial market price volatility resulting from changes in prevailing interest rates; (iii) subordination to the

Table of Contents

prior claims of banks and other senior lenders to the issuer; (iv) the possibility that earnings of the issuer may be insufficient to meet its debt service and distribution obligations; and (v) the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding marketable securities and the ability of the issuer to make distribution payments.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our senior management team to manage our day-to-day operations and strategic business direction. We do not, however, have employment agreements with the members of our senior management team. Therefore, we cannot guarantee their continued service. Moreover, among other things, it would constitute an event of default under the credit agreement governing our senior secured revolving line of credit and secured term loan if certain members of management (or a reasonably satisfactory replacement) ceased to continue to be active on a daily basis in our management. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

RISKS RELATED TO OUR DEBT FINANCING

We had approximately $3.9 billion of consolidated indebtedness outstanding as of September 30, 2010, which could adversely affect our financial health and operating flexibility.

We have a substantial amount of indebtedness. As of September 30, 2010, we had approximately $3.9 billion of aggregate consolidated indebtedness outstanding, substantially all of which was secured by one or more of our properties or our equity interests in our joint ventures. As a result of this substantial indebtedness, we are required to use a material portion of our cash flow to service principal and interest on our debt, which will limit the cash flow available to pursue desirable business opportunities, pay operating expenses and make distributions to our shareholders.

Our substantial indebtedness could have important consequences to us and the trading price of our Class A Common Stock, including:

- limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of our growth strategy or other purposes;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- increasing our vulnerability to general adverse economic and industry conditions, including increases in interest rates;
- limiting our ability to capitalize on business opportunities, including the acquisition of additional properties, and to react to competitive pressures and adverse changes in government regulation;
- limiting our ability or increasing the costs to refinance indebtedness;
- limiting our ability to enter into marketing and hedging transactions by reducing the number of counterparties with whom we can enter into such transactions as well as the volume of those transactions;
- we may be forced to dispose of one or more properties, possibly on disadvantageous terms;

we may be forced to sell additional equity securities at prices that may be dilutive to existing shareholders;

we may default on our obligations or violate restrictive covenants, in which case the lenders or mortgagees may accelerate our debt obligations, foreclose on the properties that secure their loans and/or take control of our properties that secure their loans and collect rents and other property income;

- in the event of a default under any of our recourse indebtedness or in certain circumstances under our mortgage indebtedness, we would be liable for any deficiency between the value of the property securing such loan and the principal and accrued interest on the loan; and

- our default under certain of our indebtedness could trigger cross-default provisions, which would result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders could be materially and adversely affected.

Our financial condition and ability to make distributions to our shareholders could be adversely affected by financial and other covenants and other provisions under the credit agreement governing our senior secured revolving line of credit and secured term loan or other debt agreements.

On February 4, 2011, we amended and restated our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585.0 million, consisting of a $435.0 million revolving line of credit and a $150.0 million term loan with a number of financial institutions. The credit agreement governing this senior secured revolving line of credit and secured term loan requires compliance with certain financial and operating covenants, including, among other things, leverage ratios, certain coverage ratios and net worth covenants, a covenant regarding minimum occupancy, limitations on our ability to incur unhedged variable rate debt or recourse indebtedness, limitations on our investments in unimproved land, unconsolidated joint ventures, construction in progress and mortgage notes receivable. The credit agreement also requires us to obtain consent prior to selling assets above a certain value or increasing our total assets by more than a certain amount as a result of a merger. In addition, our senior secured revolving line of credit and secured term loan limit our distributions to the greater of 95% of FFO or the amount necessary for us to maintain our qualification as a REIT. The senior secured revolving line of credit and secured term loan also contain customary events of default, including but not limited to, non-payment of principal, interest fees or other amounts, breaches of covenants, defaults on any recourse indebtedness of Inland Western Retail Real Estate Trust, Inc. in excess of $20.0 million or any non-recourse indebtedness in excess of $100.0 million in the aggregate subject to certain carveouts, failure of certain members of management (or a reasonably satisfactory replacement) to continue to be active on a daily basis in our management and bankruptcy or other insolvency events. These provisions could limit our ability to make distributions to our shareholders, obtain additional funds needed to address cash shortfalls or pursue growth opportunities or transactions that would provide substantial returns to our shareholders. In addition, a breach of these covenants or other event of default would allow the lenders to accelerate payment of advances under the credit agreement. If payment is accelerated, our assets may not be sufficient to repay such debt in full and, as a result, such an event may have a material adverse effect on our financial condition.

In addition, and in connection with the debt refinancing transaction of IW JV, we entered into a lockbox and cash management agreement pursuant to which substantially all the income generated by the IW JV properties will be deposited directly into a lockbox account established by the lender. In the event of a default or the debt service coverage ratio falling below a set amount, the cash management agreement provides that excess cash flow will be swept into a cash management account, for the benefit of the lender, to be held as additional security after the payment of interest and approved property operating expenses. Cash will not be distributed to us from these accounts until the earlier of a cash sweep event cure, or the repayment of the mortgage loan, senior mezzanine note and junior mezzanine note. As of September 30, 2010, we were in compliance with the terms of the cash management agreement, however, if an event of default were to occur, we may be forced to borrow funds in order to make distributions to our shareholders and maintain our qualification as a REIT.

Given the restrictions in our debt covenants on these and other activities, we may be significantly limited in our operating and financial flexibility and may be limited in our ability to respond to changes in our business or competitive activities in the future.

Table of Contents

We incur mortgage indebtedness and other borrowings, which reduce the funds available for distributions required to maintain our status as a REIT and to avoid income and excise tax.

We historically have incurred mortgage indebtedness and other borrowings in order to finance acquisitions or ongoing operations and we intend to continue to do so in the future. Our debt service and repayment requirements will not be reduced regardless of our actual cash flows. In addition, in order to maintain our qualification as a REIT, we must distribute to our shareholders at least 90% of our annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and we are generally subject to corporate tax on any retained income. As a result, if our future cash flow is not sufficient to meet our debt service and repayment requirements and the REIT distribution requirements, we may be required to use cash reserves, incur additional debt, sell equity securities or liquidate assets in order to meet those requirements. However, we cannot assure you that capital will be available from such sources on favorable terms or at all, which may negatively impact our financial condition, results of operations and ability to make distributions to our shareholders.

***Substantially all of the mortgage indebtedness we incur is secured, which increases our risk of loss since defaults may result in foreclosure. In addition, mortgages sometimes include cross-collateralization or cross-default provisions that increase the risk that more than one property may be affected by a default*.**

As of September 30, 2010, we had a total of $3.7 billion of indebtedness secured by 282 of our 291 operating properties. Because substantially all of our properties are mortgaged to secure payments of indebtedness, we are subject to the risk of property loss since defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing the loan for which we are in default.

For example, as of February 11, 2011, we were in default on $85.7 million of mortgage loans secured by a total of eight properties with 787,391 square feet of GLA representing $5.7 million of annualized base rent as of September 30, 2010. For $31.4 million of these mortgage loans, we expect to either extend the existing mortgage loan or repay the mortgage loans with borrowings under our senior secured revolving line of credit in March 2011. We can provide no assurance that we will be able to restructure our current obligations under the mortgage loans that were in default or that our negotiations with the lenders will result in favorable outcomes to us. Failure to restructure our mortgage obligations could result in default and foreclosure actions and loss of the underlying properties. In the event that we default on other mortgages in the future, either as result of ceasing to make debt service payments or the failure to meet applicable covenants, we may have additional properties that are subject to potential foreclosure. In addition, as a result of cross-collateralization or cross-default provisions contained in certain of our mortgage loans, a default under one mortgage loan could result in a default on other indebtedness and cause us to lose other better performing properties, which could materially and adversely affect our financial condition and results of operations.

Further, for tax purposes, a foreclosure of any nonrecourse mortgage on any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on the foreclosure without accompanying cash proceeds, a circumstance which could hinder our ability to meet the REIT distribution requirements imposed by the Code. As a result, we may be required to identify and utilize other sources of cash for distributions to our shareholders of that income.

Dislocations in the credit markets, including the continuing effects of the severe dislocation experienced in 2008 and 2009, may adversely affect our ability to obtain debt financing at favorable rates or at all.

Dislocations in the credit markets, generally or relating to the real estate industry specifically, may adversely affect our ability to obtain debt financing at favorable rates or at all. The credit markets experienced a severe dislocation during 2008 and 2009, which, for certain periods of time, resulted in the near unavailability of

Table of Contents

debt financing for even the most creditworthy borrowers. Although the credit markets have recovered from this severe dislocation, there are a number of continuing effects, including a weakening of many traditional sources of debt financing, a reduction in the overall amount of debt financing available, lower loan to value ratios, a tightening of lender underwriting standards and terms and higher interest rate spreads. As a result, we may not be able to refinance our existing debt when it comes due or to obtain new debt financing for acquisitions or development projects, or we may be forced to accept less favorable terms, including increased collateral to secure our indebtedness, higher interest rates and/or more restrictive covenants. If we are not successful in refinancing our debt when it becomes due, we may default under our loan obligations, enter into foreclosure proceedings, or be forced to dispose of properties on disadvantageous terms, any of which might adversely affect our ability to service other debt and to meet our other obligations. In addition, if a dislocation similar to that which occurred in 2008 and 2009 occurs in the future, the values of our properties may decline further, which could limit our ability to obtain future debt financing, refinance existing debt or utilize existing debt commitments and thus materially and adversely affect on our financial condition, particularly if it occurs at a time when we have significant debt maturities coming due.

Future increases in interest rates may adversely affect any future refinancing of our debt, may require us to sell properties and could adversely affect our ability to make distributions to our shareholders.

If we incur debt in the future and do not have sufficient funds to repay such debt at maturity, it may be necessary to refinance the debt through additional debt or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancings, our net income could be reduced and any increases in interest expense could adversely affect our cash flows. Consequently, our cash available for distribution to our shareholders would be reduced and we may be prevented from borrowing more money. Any such future increases in interest rates would result in higher interest rates on new debt and our existing variable rate debt and may adversely impact our financial condition.

Further, if we are unable to refinance our debt on acceptable terms, we may be forced to dispose of properties on disadvantageous terms, potentially resulting in losses. We may place mortgages on properties that we acquire to secure a revolving line of credit or other debt. To the extent we cannot meet future debt service obligations, we will risk losing some or all of our properties that may be pledged to secure our obligations. Also, covenants applicable to any future debt could impair our planned investment strategy, and, if violated, result in default.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

Our board of directors may change significant corporate policies without shareholder approval.

Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our shareholders. As a result, the ability of our shareholders to control our policies and practices is extremely limited. We could make investments and engage in business activities that are different from, and possibly riskier than, the investments and businesses described in this prospectus. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the NYSE. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flows, per share trading price of our Class A Common Stock and ability to satisfy our debt service obligations and to make distributions to our shareholders.

We could increase the number of authorized shares of stock and issue stock without shareholder approval.

Subject to applicable legal and regulatory requirements, our charter authorizes our board of directors, without shareholder approval, to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to authorize us to issue authorized but unissued shares of our

Table of Contents

common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. In addition, our board of directors could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our shareholders may believe is in their best interests.

Provisions of our charter may limit the ability of a third party to acquire control of our company.

Our charter provides that no person may beneficially own more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding common stock or 9.8% in value of the aggregate outstanding shares of our capital stock. These ownership limitations may prevent an acquisition of control of our company by a third party without our board of directors approval, even if our shareholders believe the change in control is in their best interests.

Certain provisions of Maryland law could inhibit changes in control of us, which could lower the value of our Class A Common Stock.

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

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate of an interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter may impose special shareholder voting requirements unless certain minimum price conditions are satisfied; and

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

Prior to the completion of this offering, we intend to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, following our opt out, in the future, only upon the approval of our shareholders, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, only upon the approval of our shareholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL.

Title 3, Subtitle 8 of the MGCL permits our board of directors, without shareholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price.

Table of Contents

In addition, the provisions of our charter on removal of directors and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our shareholders may believe to be in their best interests. Likewise, if our company s board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded by our board of directors and our shareholders, these provisions of the MGCL could have similar anti-takeover effects. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Business Combinations and Certain Provisions of Maryland Law and of Our Charter and Bylaws Control Share Acquisitions and Certain Provisions of Maryland Law and of Our Charter and Bylaws Certain Elective Provisions of Maryland Law .

Our rights and the rights of our shareholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions that you do not believe are in your best interests.

Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us and our shareholders. Upon completion of this offering, as permitted by the MGCL, our charter will limit the liability of our directors and officers to us and our shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter will authorize us to obligate us, and our bylaws will require us, to indemnify our directors for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our charter and bylaws will also authorize us to obligate us, and indemnification agreements that we have entered into with certain of our officers will require us, to indemnify these officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our shareholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited. In addition, we will be obligated to advance the defense costs incurred by our directors and our officers with indemnification agreements, and may, in the discretion of our board of directors, advance the defense costs incurred by our employees and other agents, in connection with legal proceedings.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our shareholders to effect changes to our management.

Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of a majority of the votes entitled to be cast in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our shareholders.

RISKS RELATING TO OUR REIT STATUS

Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our shareholders and materially and adversely affect our financial condition and results of operations.

Subject to the discussion below regarding the closing agreement that we have requested from the IRS, we believe that we have been organized, owned and operated in conformity with the requirements for qualification and taxation as a REIT under the Code beginning with our taxable year ended December 31, 2003, and that our intended manner of ownership and operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. However, we cannot assure you that we have qualified or will qualify as such. Shareholders should be aware that qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our shareholders because:

- we would not be allowed a deduction for dividends paid to shareholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to the U.S. federal alternative minimum tax;
- we could be subject to increased state and local taxes; and
- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions and it could result in default under certain of our indebtedness. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our stock. See Material U.S. Federal Income Tax Considerations for a discussion of material U.S. federal income tax consequences relating to us and our Class A Common Stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on net income from certain prohibited transactions, tax on income from certain activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Also, our subsidiaries that are taxable REIT subsidiaries, or TRSs, will be subject to regular corporate U.S. federal, state and local taxes. To the extent that we conduct operations outside of the United States, our operations would subject us to applicable foreign taxes as well. Any of these taxes would decrease our earnings and our cash available for distributions to shareholders.

Failure to make required distributions would subject us to U.S. federal corporate income tax.

In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains, each year to our shareholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders for a calendar year is less than a minimum amount specified under the Code. Moreover, our senior secured revolving line of credit and secured term loan may limit our distributions to the minimum amount required to maintain REIT status. Specifically, they limit our distributions to the greater of 95% of FFO or the amount necessary for us to maintain our qualification as a REIT. To the extent these limits prevent us from distributing 100% of our REIT taxable income, we will be subject to income tax, and potentially excise tax, on the retained amounts.

We may be required to borrow funds to satisfy our REIT distribution requirements.

In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not

Table of Contents

favorable for these borrowings or sales. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, or the effect of non-deductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or to sell equity securities in order to fund distributions required to maintain our qualification as a REIT. Also, although the IRS has issued Revenue Procedure 2010-12 treating certain issuances of taxable stock dividends by REITs as distributions for purposes of the REIT requirements for taxable years ending on or before December 31, 2011, no assurance can be given that the IRS will extend this treatment or that we will otherwise be able to pay taxable stock dividends to meet our REIT distribution requirements.

We may in the future choose to pay dividends in the form of our stock instead of cash, in which case shareholders may be required to pay income taxes in excess of the cash dividends they receive.

We may, in the future, distribute taxable dividends that are payable in cash and stock at the election of each shareholder or distribute other forms of taxable stock dividends. Taxable shareholders receiving such dividends or other forms of taxable stock dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a shareholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, in the case of certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including with respect to all or a portion of such dividend that is payable in stock. In addition, if a significant number of our shareholders decide to sell their shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

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

Certain dividends payable to individuals, trusts and estates that are U.S. shareholders, as defined in Material U.S. Federal Income Tax Considerations below, are currently subject to U.S. federal income tax at a maximum rate of 15% and are scheduled to be taxed at ordinary income rates for taxable years beginning after December 31, 2012. Dividends payable by REITs, however, are generally not eligible for the current reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our Class A Common Stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make and refrain from engaging in certain activities as discussed under Material U.S. Federal Income Tax Considerations below. Thus, compliance with the REIT requirements may hinder our performance.

In addition, if we fail to comply with certain asset ownership tests described under Material U.S. Federal Income Tax Considerations, below, at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our stock.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict if or when any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

You may be restricted from acquiring or transferring certain amounts of our stock.

In order to maintain our REIT qualification, among other requirements, no more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the Code to include certain kinds of entities, during the last half of any taxable year, other than the first year for which we made a REIT election. To assist us in qualifying as a REIT, our charter contains an aggregate stock ownership limit of 9.8% and a common stock ownership limit of 9.8%. Generally, any shares of our stock owned by affiliated owners will be added together for purposes of the aggregate stock ownership limit, and any shares of common stock owned by affiliated owners will be added together for purposes of the common stock ownership limit.

If anyone attempts to transfer or own shares of stock in a way that would violate the aggregate stock ownership limit or the common stock ownership limit, unless such ownership limits have been waived by our board of directors, or in a way that would prevent us from continuing to qualify as a REIT, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the aggregate stock ownership limit or the common stock ownership limit. If this transfer to a trust fails to prevent such a violation or our disqualification as a REIT, then the initial intended transfer or ownership will be null and void from the outset. Anyone who acquires or owns shares of stock in violation of the aggregate stock ownership limit or the common stock ownership limit, unless such ownership limit or limits have been waived by our board of directors, or in violation of the other restrictions on transfer or ownership in our charter bears the risk of a financial loss when the shares of stock are redeemed or sold if the market price of our stock falls between the date of purchase and the date of redemption or sale.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge our liabilities. Generally, income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on income or gains resulting from hedges entered into by it or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any of our TRSs will generally not provide any tax benefit, except for being carried forward for use against future taxable income in the TRSs.

The ability of our board of directors to revoke our REIT qualification without shareholder approval may cause adverse consequences to our shareholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and will be subject to U.S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our shareholders.

We have requested a closing agreement with the IRS with respect to the administration of our dividend reinvestment plan prior to May 2006 and we may incur an expense even if the IRS grants our request.

In order to satisfy the REIT distribution requirements, the dividends we pay must not be preferential within the meaning of the Code. A dividend determined to be preferential will not qualify for the dividends paid deduction. To avoid paying preferential dividends, we must treat every shareholder of a class of stock with respect to which we make a distribution the same as every other shareholder of that class, and we must not treat any class of stock other than according to its dividend rights as a class.

We have maintained a dividend reinvestment plan, or DRP, since we began making distributions. Certain aspects of the operation of our DRP prior to May 2006 may have violated the prohibition against preferential dividends, and to address those issues we have requested a closing agreement from the IRS. From November 2003 through April 2006, we calculated distributions to our shareholders using a daily record and declaration date. The distributions so calculated for a given month were paid on the tenth day of the following month. However, for purposes of determining the amount of distributions to be paid in the following month, shares issued under the DRP prior to May 2006 were treated as issued on the first day of the month, rather than the tenth day of the month when cash dividends were paid. The administration of our DRP in such manner could be viewed as giving rise to preferential dividends, and thus the IRS could determine that our dividends paid from November 2003 through April 2006 did not qualify for the dividends paid deduction. If none of the dividends that we paid prior to May 2006 qualified for the dividends paid deduction, we would not have qualified as a REIT beginning in the tax year 2004, and we could be prohibited from reelecting REIT status until 2009. On January 20, 2011, we submitted a request to the IRS for a closing agreement whereby the IRS would agree that our dividends paid deduction for taxable years 2004 through 2006, the years for which we had positive taxable income, was sufficient for us to qualify for taxation as a REIT and would eliminate our REIT taxable income for such years, notwithstanding the administration of our DRP in the manner described above. If the IRS does not enter into a closing agreement, we could incur a tax related liability, representing a payment of corporate taxes due for past periods including interest and penalties for the open statutory tax years we would not have qualified as a REIT.

While there can be no assurance that the IRS will enter into a closing agreement with us, based upon the IRS entering into closing agreements with other REITs, we expect to obtain a closing agreement with the IRS for an estimated cost plus interest of approximately $62,000. We estimate that the range of loss that is reasonably possible is from approximately $62,000 if we obtain the closing agreement to approximately $155 million if we do not obtain the closing agreement. We believe that it is probable that we will enter into a closing agreement with the IRS and as a result we have recorded an expense of $62,000 during the year ended December 31, 2010.

The anticipated opinion of our tax counsel regarding our status as a REIT will only be issued if we obtain the closing agreement that we have requested and does not guarantee our qualification as a REIT.

Subject to receipt of the closing agreement that we have requested from the IRS, our tax counsel, Goodwin Procter LLP, is expected to render an opinion to us to the effect that, commencing with our taxable year ended December 31, 2003, we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and our current and proposed ownership and method of operations will allow us to satisfy the requirements for qualification and taxation as a REIT under the Code for subsequent taxable years. The opinion of Goodwin Procter LLP would be based upon our representations as to our past and contemplated future ownership, investments, distributions and operations, among other things. In addition, the opinion of Goodwin Procter LLP would be based on various assumptions, including an assumption to the effect that the discrepancies addressed in the closing agreement did not prevent our distributions from qualifying for the dividends paid deduction, notwithstanding the administration of our DRP, as described above. See Material U.S. Federal Income Tax Considerations Taxation of Our Company. The validity of the opinion of Goodwin Procter LLP and our qualification as a REIT will also depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Goodwin Procter LLP. Accordingly, no assurances can be given that we have satisfied or will satisfy the REIT requirements in any taxable year. Also, the opinion of Goodwin Procter LLP would represent counsel s legal judgment based on the law in effect as of the date of the initial closing of this offering (or, with respect to past years, the law in effect for such years), would not be binding on the IRS or any court and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the U.S. federal income tax laws, any of which could be applied retroactively. Goodwin Procter LLP will have no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law.

Your investment has various tax risks.

Although the provisions of the Code generally relevant to an investment in shares of our Class A Common Stock are described in Material U.S. Federal Income Tax Considerations, we urge you to consult your tax advisor concerning the U.S. federal, state, local and foreign tax consequences to you with regard to an investment in shares of our Class A Common Stock.

RISKS RELATED TO THIS OFFERING

There is currently no public market for our Class A Common Stock, and we cannot assure you that a public market will develop.

Prior to this offering, there has been no public market for our shares of Class A Common Stock, and we cannot assure you that an active trading market will develop or be sustained. In the absence of a public trading market, a shareholder may be unable to liquidate an investment in our Class A Common Stock. The initial public offering price for our Class A Common Stock will be determined by agreement among us and the underwriters, and we cannot assure you that our Class A Common Stock will not trade below the initial public offering price following the completion of this offering. Whether a public market for our Class A Common Stock will develop will depend on a number of factors including the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions. If a robust public market for our Class A Common Stock does not develop, you may have difficulty selling shares of our Class A Common Stock, which could adversely affect the price that you receive for such shares.

The market price and trading volume of our Class A Common Stock may be volatile.

The U.S. stock markets, including the NYSE, on which we intend to apply to have our Class A Common Stock listed under the symbol IWST, have experienced significant price and volume fluctuations. As a result, the market price of shares of our Class A Common Stock is likely to be similarly volatile, and investors in shares of our Class A Common Stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. We cannot assure you that the market price of our Class A Common Stock will not fluctuate or decline significantly in the future.

In addition to the risks listed in this Risk Factors section, a number of factors could negatively affect our share price or result in fluctuations in the price or trading volume of our Class A Common Stock, including:

- the annual yield from distributions on our Class A Common Stock as compared to yields on other financial instruments;
- equity issuances by us, or future sales of substantial amounts of our Class A Common Stock by our existing or future shareholders, or the perception that such issuances or future sales may occur;
- conversions of our Class B Common Stock into shares of our Class A Common Stock or sales of our Class B Common Stock;
- changes in market valuations of companies in the retail or real estate industries;

- increases in market interest rates or a decrease in our distributions to shareholders that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- fluctuations in stock market prices and volumes;
- additions or departures of key management personnel;
- our operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- publication of research reports about us or our industry by securities analysts;
- failure to qualify as a REIT;
- adverse market reaction to any indebtedness we incur in the future;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- changes in our earnings;
- failure to satisfy the listing requirements of the NYSE;
- failure to comply with the requirements of the Sarbanes-Oxley Act;
- actions by institutional shareholders;

changes in accounting principles; and

general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have a material adverse effect on our cash flows, our ability to execute our business strategy and our ability to make distributions to our shareholders.

Because we have a large number of shareholders and our shares have not been listed on a national securities exchange prior to this offering, there may be significant pent-up demand to sell our shares. Significant sales of our Class A Common Stock, or the perception that significant sales of such shares could occur, may cause the price of our Class A Common Stock to decline significantly.

As of , 2011, we had approximately million shares of common stock issued and outstanding after giving effect to the Recapitalization, consisting of approximately million shares of our Class A Common Stock and million shares of our Class B Common Stock. Prior to this offering, our common stock was not listed on any national securities exchange and the ability of shareholders to liquidate their investments was limited. Additionally, our share repurchase program, which, in any event, only allowed us to repurchase up to 5% of the weighted average number of shares of our common stock outstanding during the prior calendar year in any 12-month period, has been suspended as of November 19, 2008. As a result, there may be significant pent-up demand to sell shares of our common stock. A large volume of sales of shares of our Class A Common Stock (whether they are Class A shares that are issued in the offering, Class A shares that are held by our existing shareholders upon the closing of the offering, or Class A shares created by the automatic conversion of our Class B shares over time) could decrease the prevailing market price of our Class A Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales of our Class A shares are not effected, the mere perception of the possibility of these sales could depress the market price of our Class A Common Stock and have a negative effect on our ability to raise capital in the future.

Although our Class B Common Stock will not be listed on a national securities exchange following the closing of this offering, sales of such shares or the perception that such sales could occur could have a material adverse effect on the trading price of our Class A Common Stock.

After giving effect to this offering and the Recapitalization, approximately million shares (or million shares if the underwriters exercise their overallotment option in full) of our common stock will be issued and outstanding, of which approximately million, or % (% if the underwriters exercise their overallotment option in full), will be shares of our Class B Common Stock, which is divided equally among our Class B-1, Class B-2 and Class B-3 Common Stock. Although our Class B Common Stock will not be listed on a national securities exchange, it is not subject to transfer restrictions (other than the restrictions on ownership and transfer of stock set forth in our charter), therefore, such stock will be freely tradable. As a result, it is possible that a market may develop for shares of our Class B Common Stock, and sales of such shares, or the perception that such sales could occur, could have a material adverse effect on the trading price of our Class A Common Stock.

Additionally, all of our Class B Common Stock will be converted into Class A Common Stock over time. As a result, holders of shares of Class B Common Stock seeking to immediately liquidate their investment in our common stock could engage in immediate short sales of our Class A Common Stock prior to the date on which the Class B Common Stock converts into Class A Common Stock and use the shares of Class A Common Stock that they receive upon conversion of their Class B Common Stock to cover these short sales in the future. Such short sales could depress the market price of our Class A Common Stock and limit the effectiveness of the Recapitalization as a strategy for limiting the number of shares of our common stock held by our shareholder prior to this offering that may be sold shortly after this offering.

Future conversions of our Class B Common Stock could adversely affect the market price of our Class A Common Stock.

After giving effect to the Recapitalization, we will have million shares of each of our Class B-1, Class B-2 and Class B-3 Common Stock outstanding immediately following this offering. Although our Class B Common Stock will not be listed on a national securities exchange, our Class B-1 Common Stock, Class B-2 Common Stock and Class B-3 Common Stock will convert automatically into Class A Common Stock months, months and months, respectively, following the initial listing of our Class A Common Stock on the NYSE. We cannot predict the effect that the conversion of shares of our Class B Common Stock into our Class A Common Stock will have on the market price of our Class A Common Stock, but these ongoing conversions may place constant downward pressure on the price of our Class A Common Stock, particularly at the time of each conversion.

Future offerings of debt securities, which would be senior to our common stock, or equity securities, which would dilute our existing shareholders and may be senior to our common stock, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by offering debt or equity securities, including medium term notes, senior or subordinated notes and classes of preferred or common stock. Debt securities or shares of preferred stock will generally be entitled to receive interest payments or distributions, both current and in connection with any liquidation or sale, prior to the holders of our common stock. We are not required to offer any such additional debt or equity securities to existing common shareholders on a preemptive basis. Therefore, offerings of common stock or other equity securities may dilute the holdings of our existing shareholders. Future offerings of debt or equity securities, or the perception that such offerings may occur, may reduce the market price of our common stock and/or the distributions that we pay with respect to our common stock. Because we may generally issue any such debt or equity securities in the future without obtaining the consent of our shareholders, you will bear the risk of our future offerings reducing the market price of our common stock and diluting your proportionate ownership.

Table of Contents

Our distributions to shareholders may change, which could adversely affect the market price of our Class A Common Stock.

All distributions will be at the sole discretion of our board of directors and will depend upon our actual and projected financial condition, results of operations, cash flows, liquidity and FFO, maintenance of our REIT qualification and such other matters as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future or may need to fund such distributions from external sources, as to which no assurances can be given. In addition, we may choose to retain operating cash flow for investment purposes, working capital reserves or other purposes, and these retained funds, although increasing the value of our underlying assets, may not correspondingly increase the market price of our Class A Common Stock. Our failure to meet the market s expectations with regard to future cash distributions likely would adversely affect the market price of our Class A Common Stock.

Increases in market interest rates may result in a decrease in the value of our Class A Common Stock.

One of the factors that may influence the price of our Class A Common Stock will be the dividend distribution rate on the Class A Common Stock (as a percentage of the price of our Class A Common Stock) relative to market interest rates. If market interest rates rise, prospective purchasers of shares of our Class A Common Stock may expect a higher distribution rate. Higher interest rates would not, however, result in more funds being available for distribution and, in fact, would likely increase our borrowing costs and might decrease our funds available for distribution. We therefore may not be able, or we may not choose, to provide a higher distribution rate. As a result, prospective purchasers may decide to purchase other securities rather than our Class A Common Stock, which would reduce the demand for, and result in a decline in the market price of, our Class A Common Stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). In particular, statements pertaining to our capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, all our statements regarding anticipated growth in our portfolio from operations, acquisitions and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates, contemplates, aims, continues, would or anticipates words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategies, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the factors included in this prospectus, including those set forth under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Our Business and Properties;
- general economic, business and financial conditions, and changes in our industry and changes in the real estate markets in particular;
- adverse economic and other developments in the Dallas-Fort Worth-Arlington area, where we have a high concentration of properties;
- use of proceeds of this offering;
- general volatility of the capital and credit markets and the market price of our common stock;
- changes in our business strategy;
- defaults on, early terminations of or non-renewal of leases by tenants;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- increased interest rates and operating costs;
- declining real estate valuations and impairment charges;
- availability, terms and deployment of capital;

our failure to obtain necessary outside financing;

our expected leverage;

decreased rental rates or increased vacancy rates;

our failure to generate sufficient cash flows to service our outstanding indebtedness;

difficulties in identifying properties to acquire and completing acquisitions;

risks of real estate acquisitions, dispositions and redevelopment, including the cost of construction delays and cost overruns;

our failure to successfully operate acquired properties and operations;

Table of Contents

- our projected operating results;
- our ability to manage our growth effectively;
- our failure to successfully redevelop properties;
- estimates relating to our ability to make distributions to our shareholders in the future;
- impact of changes in governmental regulations, tax law and rates and similar matters;
- our failure to qualify as a REIT;
- future terrorist attacks in the U.S.;
- environmental uncertainties and risks related to natural disasters;
- lack or insufficient amounts of insurance;
- financial market fluctuations;
- availability of and our ability to attract and retain qualified personnel;
- retention of our senior management team;
- our understanding of our competition;
- changes in real estate and zoning laws and increases in real property tax rates; and
- our ability to comply with the laws, rules and regulations applicable to companies and, in particular, public companies.

For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled "Risk Factors." You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (or to third parties making the forward-looking statements). We undertake no obligation to publicly release any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus, except as required by applicable law.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering, after deducting the underwriting discount and estimated expenses of the offering payable by us, will be approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full), assuming a public offering price of $ per share, which is the midpoint of the range set forth on the cover of this prospectus.

We intend to use approximately $210.0 million of the net proceeds received from this offering to repay amounts outstanding under our senior secured revolving line of credit and the remaining net proceeds for general corporate and working capital purposes. Our senior secured revolving line of credit matures on February 3, 2013, subject to a one-year extension option that we may exercise in certain circumstances, and bears interest at a variable rate equal to LIBOR plus a margin of between 2.75% and 4.00% per annum based on our leverage ratio. The current interest rate under the senior secured revolving line of credit and secured term loan is 4.31%. We used the amounts that we borrowed under our senior secured revolving line of credit to repay other indebtedness and for general corporate purposes. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Senior Secured Revolving Line of Credit and Secured Term Loan for a further discussion of the terms of our senior secured revolving line of credit.

Affiliates of Citigroup Global Markets Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and KeyBanc Capital Markets Inc. are lenders under our senior secured revolving line of credit, and will receive their pro rata portion of the $210.0 million of the net proceeds from this offering used to repay amounts outstanding under our senior secured revolving line of credit. Accordingly, more than 5% of the net proceeds of this offering are intended to be used to repay amounts owed to affiliates of these underwriters.

Table of Contents

RECAPITALIZATION

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each outstanding share of our Class A Common Stock will receive:

- one share of our Class B-1 Common Stock; plus
- one share of our Class B-2 Common Stock; plus
- one share of our Class B-3 Common Stock.

As part of the Recapitalization, prior to the declaration of the stock dividend, we intend to effectuate a to one reverse stock split of our common stock. Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock on the following schedule:

- months following the Listing, in the case of our Class B-1 Common Stock;
- months following the Listing, in the case of our Class B-2 Common Stock; and
- months following the Listing, in the case of our Class B-3 Common Stock.

In addition, if they have not otherwise converted, all shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock on the date that is months following the Listing.

The Recapitalization also will have the effect of reducing the total number of outstanding shares of our common stock. As of January 27, 2011, without giving effect to the Recapitalization, we had approximately 478.9 million shares of common stock outstanding. As of , 2011, after giving effect to the Recapitalization, we would have had an aggregate of approximately shares of our Class A and Class B Common Stock outstanding, divided equally among Class A, Class B-1, Class B-2 and Class B-3. The Recapitalization will be effected on a pro rata basis with respect to all of our shareholders. Accordingly, it will not affect any shareholder s proportionate ownership of our outstanding shares.

We will not complete this offering unless we complete the Recapitalization.

Table of Contents

DISTRIBUTION POLICY

We intend to continue to qualify as a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, and imposes tax on any taxable income retained by a REIT, including capital gains.

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for debt repayments, existing or future share repurchases, and selective acquisitions of new properties, (iv) the timing of significant re-leasing activities and the establishment of additional cash reserves for anticipated tenant improvements and general property capital improvements, (v) our ability to continue to access additional sources of capital, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements, including, without limitation, in our senior secured revolving line of credit and secured term loan, which limit our distributions to the greater of 95% of FFO or the amount necessary for us to maintain our qualification as a REIT.

If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets or reduce such distributions. Our distribution policy enables us to review the alternative funding sources available to us from time to time. Our actual results of operations will be affected by a number of factors, including the revenues we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors beginning on page 16.

The table below sets forth the quarterly dividend distributions per common share for the years ended December 31, 2010, 2009 and 2008.

	2010	2009	2008(1)
First Quarter	$ 0.04375	$ 0.0488	$ 0.1605
Second Quarter	0.04625	0.05	0.1605
Third Quarter	0.05	0.025	0.1605
Fourth Quarter	0.05625	0.0325	0.1605
Total	$ 0.19625	$ 0.1563	$ 0.6420

(1) During 2008, distributions were made on a monthly basis.

The following table compares cash flows provided by operating activities to distributions declared for the nine months ended September 30, 2010 and the years ended December 31, 2009 and 2008:

	Nine Months Ended September 30, 2010	Years Ended December 31, 2009	2008
Cash flows provided by operating activities	$ 153,672	$ 249,837	$ 309,351
Distributions declared	67,728	75,040	308,798
Excess	$ 85,944	$ 174,797	$ 553

For each of these periods, our cash flows provided by operating activities exceeded the amount of our distributions declared.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2010 (i) on a historical basis, (ii) on an as adjusted basis to reflect the amendment and restatement of our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585.0 million and our borrowing and use of the full $150.0 million secured term loan and additional amounts drawn through February 11, 2011 under the revolving line of credit thereunder and (iii) on an as further adjusted basis to also reflect this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds. All information in the following table has been adjusted to reflect the Recapitalization, which will be effected prior to the completion of this offering.

You should read this table together with Use of Proceeds, Selected Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto included elsewhere in this prospectus.

	As of September 30, 2010		
	Historical	As Adjusted	As Further Adjusted
	(in thousands, except per share data)		
Mortgages and notes payable	$ 3,765,692		
Line of credit	148,242		
Shareholders equity:			
Preferred stock, $0.001 par value, 10,000 shares authorized, none outstanding, historical, as adjusted and as further adjusted			
Common stock, $0.001 par value per share, 640,000 shares authorized,484,976 shares issued and outstanding, historical, and as adjusted and no shares issued and outstanding, as further adjusted	485		
Class A Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted and shares issued and outstanding, as further adjusted			
Class B-1 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted shares issued and outstanding, as further adjusted			
Class B-2 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted shares issued and outstanding, as further adjusted			
Class B-3 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted, and as adjusted shares issued and outstanding, as further adjusted			
Additional paid-in capital	4,373,880		
Accumulated distributions in excess of net loss	(2,080,876)		
Accumulated other comprehensive income	20,077		
Total shareholders equity	2,313,566		
Noncontrolling interests	4,913		
Total equity	2,318,479		
Total Capitalization	$ 6,232,413		

Table of Contents

DILUTION

If you invest in our Class A Common Stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share you will pay in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

Our pro forma net tangible book value as of September 30, 2010 was approximately $2.2 billion, or $ per share. Pro forma net tangible book value per share represents the amount of our total tangible assets minus total liabilities, divided by the total number of shares of common stock outstanding as of , after giving effect to the Recapitalization.

After giving effect to the sale of the shares of our Class A Common Stock we are offering at the public offering price of $ per share, and after deducting the underwriting discount and our estimated offering expenses, our pro forma as adjusted net tangible book value as of would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share and an immediate dilution of $ per share to new investors. The following table illustrates this calculation on a per share basis:

Public offering price per share of Class A Common Stock		$
Pro forma net tangible book value per share of common stock as of September 30, 2010	$	
Increase per share attributable to this offering		
Pro forma as adjusted net tangible book value per share of common stock after this offering		
Pro forma dilution per share to new investors		$

If the underwriters exercise their overallotment option in full, pro forma as adjusted net tangible book value will increase to $ per share, representing an increase to existing holders of $ per share, and an immediate dilution of $ per share to new investors.

The tables and calculations above are based on shares of our common stock outstanding as of September 30, 2010, on an actual basis, and excludes:

- shares of our common stock issuable upon the exercise of outstanding stock options as of , at a weighted average exercise price per share of $; and
- shares of our common stock reserved for future issuance under our incentive award plans as of .

Table of Contents

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial and operating data set forth below as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2009 and for the year ended December 31, 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited consolidated financial statements as of December 31, 2008 and for the years ended December 31, 2008 and 2007 have been audited by KPMG LLP, an independent registered public accounting firm. The selected consolidated financial and operating data set forth below as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 have been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial and operating data set forth below as of September 30, 2010 and for the nine months ended September 30, 2010 and 2009 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. Certain amounts presented for the periods ended December 31, 2009, 2008, 2007, 2006 and 2005 have been reclassified to conform to our presentation of discontinued operations in our unaudited consolidated financial statements as of and for the nine months ended September 30, 2010. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

Because the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are dollars in thousands except for share and per share information. The share and per share information set forth below gives effect to the Recapitalization.

Table of Contents

	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
			(in thousands except for per share data)				
Statements of Operations Data:							
Rental income	$ 387,206	$ 391,873	$ 522,805	$ 561,067	$ 544,356	$ 522,865	$ 378,219
Tenant recovery income	91,055	94,054	121,953	130,581	140,531	118,104	90,673
Other property income	11,274	15,547	19,491	19,743	14,523	10,741	6,990
Insurance captive income	2,253	1,671	2,261	1,938	1,890	177	
Total revenues	$ 491,788	$ 503,145	$ 666,510	$ 713,329	$ 701,300	$ 651,887	$ 475,882
Property operating expenses	$ 80,663	$ 92,256	$ 123,202	$ 141,368	$ 132,143	$ 111,679	$ 79,440
Real estate taxes	69,498	71,090	94,074	87,584	84,831	77,390	52,933
Depreciation and amortization	185,845	187,565	250,001	252,260	243,180	231,193	168,045
Provision for impairment of investment properties	18,836	44,000	53,900	77,000	13,560		
Loss on lease terminations	8,869	11,556	13,735	66,721	11,788	4,570	2,934
Insurance captive expenses	3,034	2,648	3,655	2,874	1,598	344	
General and administrative expenses	13,412	14,146	21,191	19,997	16,535	14,859	10,736
Advisor asset management fee					23,750	39,500	20,925
Total expenses	$ 380,157	$ 423,261	$ 559,758	$ 647,804	$ 527,385	$ 479,535	$ 335,013
Operating income	$ 111,631	$ 79,884	$ 106,752	$ 65,525	$ 173,915	$ 172,352	$ 140,869
Dividend income	3,034	9,476	10,132	24,010	23,729	37,501	7,561
Interest income	548	1,318	1,483	4,329	13,671	23,127	20,441
Gain on contribution of investment properties					11,749		
Gain on partial sale of investment properties	1,464						
Gain on extinguishment of debt					2,486		
Equity in income (loss) of unconsolidated joint ventures	1,609	(5,262)	(11,299)	(4,939)	96	(3,727)	(2,440)
Interest expense	(199,932)	(170,752)	(236,409)	(212,439)	(204,391)	(203,499)	(127,084)
Co-venture obligation expense	(5,375)		(597)				
Recognized gain (loss) on marketable securities, net	536	17,798	18,039	(160,888)	(19,967)	416	1
Impairment of goodwill				(377,916)			
Impairment of investment in unconsolidated entity				(5,524)			
Impairment of notes receivable		(17,322)	(17,322)				
Gain (loss) on interest rate locks		3,989	3,989	(16,778)			
Other (expense) income	(5,518)	(3,884)	(9,611)	(1,062)	237	(171)	236
(Loss) income from continuing operations	$ (92,003)	$ (84,755)	$ (134,843)	$ (685,682)	$ 1,525	$ 25,999	$ 39,584
Income from discontinued operations	227	14,067	19,434	2,469	41,509	3,969	4,316
Net (loss) income	$ (91,776)	$ (70,688)	$ (115,409)	$ (683,213)	$ 43,034	$ 29,968	$ 43,900
Net (income) loss attributable to noncontrolling interests	(656)	3,202	3,074	(514)	(1,365)	1,975	1,349
Income (loss) attributable to Company shareholders	$ (92,432)	$ (67,486)	$ (112,335)	$ (683,727)	$ 41,669	$ 31,943	$ 45,249
(Loss) earnings per common share basic and diluted:							
Continuing operations	$ (0.19)	$ (0.18)	$ (0.27)	$ (1.43)	$	$ 0.06	$ 0.12

Discontinued operations		0.04	0.04	0.01	0.09	0.01	0.01
Net (loss) earnings per common share attributable to Company shareholders	$ (0.19)	$ (0.14)	$ (0.23)	$ (1.42)	$ 0.09	$ 0.07	$ 0.13
Comprehensive (loss) income	$ (82,999)	$ (51,034)	$ (96,158)	$ (643,557)	$ (5,963)	$ 29,968	$ 43,900
Comprehensive (income) loss attributable to noncontrolling interests	(656)	3,202	3,074	(514)	(1,365)	1,975	1,349
Comprehensive (loss) income attributable to Company shareholders	$ (83,655)	$ (47,832)	$ (93,084)	$ (644,071)	$ (7,328)	$ 31,943	$ 45,249

50

Table of Contents

	September 30, 2010		December 31,				
			2009	2008	2007	2006	2005
	As Adjusted(1)	Actual					
	(in thousands except for share and per share data)						
Selected Balance Sheet Data:							
Net investment properties less accumulated depreciation		$ 5,769,531	$ 6,103,782	$ 6,631,506	$ 6,727,154	$ 6,873,144	$ 6,465,311
Total assets		$ 6,651,874	$ 6,928,365	$ 7,606,664	$ 8,305,831	$ 8,328,274	$ 8,085,933
Mortgages and notes payable		$ 3,765,692	$ 4,003,985	$ 4,402,602	$ 4,271,160	$ 4,313,223	$ 3,941,011
Total liabilities		$ 4,332,868	$ 4,482,119	$ 5,011,276	$ 4,685,539	$ 4,684,935	$ 4,304,290
Common stock and additional paid-in-capital		$ 4,374,365	$ 4,350,966	$ 4,313,640	$ 4,387,188	$ 3,997,044	$ 3,892,059
Total shareholders equity		$ 2,313,566	$ 2,441,550	$ 2,572,348	$ 3,598,765	$ 3,508,564	$ 3,657,679
Ratio Data:							
Total net debt to Adjusted EBITDA(2)(5)		9.2x	9.2x				
Combined net debt to combined Adjusted EBITDA(2)(5)		9.1x	8.9x				

	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(in thousands except for number of properties, share and per share data)						
Other Data:							
Number of consolidated operating properties	291	301	299	305	302	306	288
Total GLA (in thousands)	43,821	44,900	44,496	45,957	44,845	45,132	41,037
Distributions declared per common share	$ 0.14	$ 0.12	$ 0.16	$ 0.64	$ 0.64	$ 0.64	$ 0.64
Funds from operations(3)	$ 94,157	$ 122,696	$ 141,844	$ (349,401)	$ 287,601	$ 286,398	$ 231,259
Total net operating income(4)	$ 332,776	$ 336,207	$ 444,302	$ 481,511	$ 470,017	$ 441,987	$ 323,414
Combined net operating income(4)	$ 336,489	$ 338,527	$ 448,088	$ 484,631			
Adjusted EBITDA(5)	$ 320,061	$ 342,769	$ 435,022				
Combined Adjusted EBITDA(5)	$ 324,330	$ 352,255	$ 452,709				
Cash flows provided by (used in):							
Operating activities	$ 153,672	$ 203,963	$ 249,837	$ 309,351	$ 318,641	$ 296,578	$ 201,857
Investing activities	$ 19,845	$ 161,200	$ 193,706	$ (178,555)	$ (511,676)	$ (536,257)	$ (3,980,249)
Financing activities	$ (183,405)	$ (300,604)	$ (438,806)	$ (126,989)	$ 82,644	$ 168,583	$ 3,836,015

(1) Presents historical information as of September 30, 2010 as adjusted to give effect to (i) the amendment and restatement of our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585.0 million and our borrowing and use of the full $150.0 million secured term loan and additional amounts drawn through February 11, 2011 under the revolving line of credit thereunder and (ii) this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds.

(2) Total net debt to Adjusted EBITDA represents (i) our total debt less cash and cash equivalents divided by (ii) Adjusted EBITDA for all the prior 12 months. Combined net debt to combined Adjusted EBITDA represents (i) the sum of (A) our total debt less cash and cash equivalents plus (B) our pro rata share of our unconsolidated joint ventures total debt less our pro rata share of joint ventures cash and cash equivalents divided by (ii) combined Adjusted EBITDA for the prior 12 months. These ratios are not presented as of December 31, 2008, 2007, 2006 or 2005. Our management believes that the ratios total net debt to Adjusted EBITDA and combined net debt to combined Adjusted EBITDA are useful because they provide investors with information regarding total debt net of cash and cash equivalents, which could be used to repay debt, compared to our performance as measured using Adjusted EBITDA and combined Adjusted EBITDA, which are described in footnote 5 below. The following table shows the reconciliation for total net debt and combined net debt:

Table of Contents

Reconciliation of Debt to Total Net Debt and Combined Net Debt

	As of September 30, 2010		As of December 31, 2009
	As Adjusted	Actual	
		(in thousands)	
Total debt	$	$ 3,913,934	$ 4,110,985
Less: cash and cash equivalents		(116,016)	(125,904)
Net debt		$ 3,797,918	$ 3,985,081
Adjusted EBITDA		412,314	435,022
Net debt to Adjusted EBITDA		9.2x	9.2x
Net debt		$ 3,797,918	$ 3,985,081
Add: pro rata share of our unconsolidated joint ventures total debt		64,718	62,998
Less: pro rata share of our unconsolidated joint ventures cash and cash equivalents		(3,545)	(4,116)
Combined net debt	$	$ 3,859,091	$ 4,043,963
Combined Adjusted EBITDA		424,784	452,709
Combined net debt to combined Adjusted EBITDA		9.1x	8.9x

(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(4) Total net operating income, or NOI, represents operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense). Combined net operating income, or combined NOI, represents NOI plus our pro rata share of NOI from our unconsolidated joint ventures. Combined NOI is not presented for the years ended December 31, 2007, 2006 or 2005. For a reconciliation of total net operating income, or NOI, and a statement disclosing the reasons why our management believes that presentation of NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses NOI, which is also applicable to combined NOI, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations. The following table shows the reconciliation between net income and combined NOI:

Reconciliation of Net Income (Loss) to Combined NOI

	Nine Months Ended September 30,		Year Ended December 31,	
	2010	2009	2009	2008
	(in thousands)			
Total net loss from unconsolidated joint ventures	$ (1,195)	$ (7,266)	$ (14,393)	$ (9,108)
Adjustments:				
Straight-line rental income	$ (778)	$ (383)	$ (638)	$ (527)
Amortization of acquired above and below market lease intangibles	(14)	(165)	(166)	(208)
Interest income	(1,814)	(1,818)	(2,430)	(2,675)
Straight-line ground rent expense		45	50	40
Straight-line bad debt expense	(7)			
Management fee	920	999	1,305	1,302
Depreciation and amortization	9,304	9,399	12,501	12,633

Provisions for impairment		3,687	9,411	3,639
Loss on lease terminations	758	562	934	3,400
General and administrative expenses	374	312	411	237
Interest expense	8,865	9,975	13,431	12,279
(Gain) loss on sale of investment properties	(431)	19	701	
Other expense	16	25	15	
Total NOI from unconsolidated joint ventures	$ 15,998	$ 15,391	$ 21,132	$ 21,012
Pro rata share of NOI from unconsolidated joint ventures	$ 3,713	$ 2,320	$ 3,786	$ 3,120
Total NOI	$ 332,776	$ 336,207	$ 444,302	$ 481,511
Combined NOI	$ 336,489	$ 338,527	$ 448,088	$ 484,631

52

Table of Contents

(5) Adjusted EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing performance. Combined Adjusted EBITDA represents Adjusted EBITDA plus our pro rata share of the EBITDA adjustments from our unconsolidated joint ventures. The further adjustments that we make to Adjusted EBITDA and combined Adjusted EBITDA are itemized in the reconciliation below. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA and combined Adjusted EBITDA are not presented for the years ended December 31, 2008, 2007, 2006 or 2005. Our management believes that Adjusted EBITDA and combined Adjusted EBITDA are useful because they allow investors and management to evaluate and compare our performance from period to period in a meaningful and consistent manner in addition to standard financial measurements under GAAP. Adjusted EBITDA and combined Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to net income, as an indicator of operating performance or any measure of performance derived in accordance with GAAP. Our calculation of Adjusted EBITDA and combined Adjusted EBITDA may be different from the calculation used by other companies and, accordingly, comparability may be limited. The following table shows the reconciliation between net income and Adjusted EBITDA and combined Adjusted EBITDA:

Reconciliation of Net Income (Loss) to Adjusted EBITDA and Combined Adjusted EBITDA

	Twelve Months Ended September 30,	Nine Months Ended September 30,		Year Ended December 31,
	2010	2010	2009	2009
	(in thousands)			
Net loss	$ (136,497)	$ (91,776)	$ (70,688)	$ (115,409)
Interest expense	$ 265,589	$ 199,932	$ 170,752	$ 236,409
Interest expense (discontinued operations)	2,335	1,224	6,973	8,084
Depreciation and amortization	248,281	185,845	187,565	250,001
Depreciation and amortization (discontinued operations)	1,112	367	7,846	8,591
Gain on partial sale of investment properties	(1,464)	(1,464)		
Gain on sale of investment properties (discontinued operations)	(6,870)	(2,057)	(21,570)	(26,383)
Loss on lease terminations	11,048	8,869	11,556	13,735
Provision for impairment of investment properties	28,736	18,836	44,000	53,900
Provisions for impairment of investment properties (discontinued operations)	821	821	10,800	10,800
Impairment of notes receivable			17,322	17,322
Recognized gain on marketable securities, net	(777)	(536)	(17,798)	(18,039)
Gain on interest rate locks			(3,989)	(3,989)
Adjusted EBITDA	$ 412,314	$ 320,061	$ 342,769	$ 435,022
Pro rata share of adjustments from unconsolidated joint ventures:				
Interest expense	$ 3,114	$ 2,000	$ 3,180	$ 4,294
Depreciation and amortization	3,321	2,473	2,524	3,372
Loss (gain) on sale of investment properties	242	(415)	18	675
Provision for impairment of investment properties	5,512		3,550	9,062
Amortization of basis (not pro rated)	281	211	214	284
Combined Adjusted EBITDA	$ 424,784	$ 324,330	$ 352,255	$ 452,709

53

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus. Our results of operations and financial condition, as reflected in the accompanying financial statements and related notes, are subject to management s evaluation and interpretation of business conditions, changing capital market conditions and other factors that could affect the ongoing viability of our tenants. You should read the following discussion with Forward-Looking Statements, Our Business and Properties and the financial statements and related notes included elsewhere in this prospectus. Throughout this Management s Discussion and Analysis of Financial Condition and Result of Operations section, dollars are presented in thousands, except per share and per square foot amounts.

Overview

We are one of the largest owners and operators of shopping centers in the United States. As of September 30, 2010, our retail operating portfolio consisted of 272 properties with 36.7 million square feet of GLA. Our retail operating portfolio is geographically diversified across 37 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties are recently constructed, with a weighted average age, based on annualized base rent, of only approximately 9.4 years, since the initial construction or most recent major renovation. As of September 30, 2010, our retail operating portfolio was 87.8% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of September 30, 2010, we also held interests in 19 other operating properties, including 13 office properties and six industrial properties, 14 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development.

Leasing and Occupancy

We are encouraged by the solid leasing activity we have achieved during 2009 and the first nine months of 2010. Through the efforts of our leasing team during 2009 and the first nine months of 2010, we have renewed over 68% of our expiring leases based on GLA at aggregate base rental rates that reflected minimal decreases from the base rental rates of the expiring leases and have signed 328 new leases for 2.7 million square feet of GLA, representing 7.3% of the total GLA in our retail operating portfolio. Overall, rental rates have generally been less than the previous rental rates; however, the rental rate spread continues to stabilize.

Over the last 24 months, we have demonstrated our leasing capabilities through our success in addressing vacant space in our portfolio created by three large tenant bankruptcies in 2008. Due to the bankruptcy of Mervyns, our largest tenant at the time, in July 2008, Linens n Things in May 2008 and Circuit City in November 2008, approximately 3.2 million square feet of GLA became available in our retail operating portfolio. Primarily as a result of these vacancies, the percentage of our retail operating portfolio that was leased decreased from 96.8% as of December 31, 2007. In the case of each of these bankruptcy filings, we immediately began assessing which spaces were likely to be vacated as a result of the bankruptcy and evaluating the expansion needs of our existing tenants in order to be prepared to lease space in locations that we expected Mervyns, Circuit City and Linens n Things to vacate. As a result, as of January 27, 2011, we have been able to lease approximately 1.8 million square feet of this vacant space, primarily to existing tenants, including four locations to Kohl s aggregating 294,000 square feet, four locations to Burlington Coat Factory aggregating 309,000 square feet, five locations to TJX Companies aggregating 145,000 square feet, four locations to Best Buy aggregating 144,000 square feet, four locations to HH Gregg aggregating 128,000 square feet and four locations to BigLots aggregating 112,000 square feet. We also sold two former Mervyns locations aggregating approximately 154,000 square feet to institutional buyers after re-leasing the space or obtaining a letter of intent from a national retailer for an aggregate combined sale price of approximately $24,500, or an average of $158 per square foot. In addition, as of January 27, 2011, we currently have under letter of intent or are in active negotiations for 39.0% of the remaining 1.2 million square feet of this GLA. In total, we have leased, sold or are in negotiations for 2.4 million square feet, or 73.6%, of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies.

Asset Dispositions

We sold five properties, aggregating 358,000 square feet for the nine months ended September 30, 2010, generating $18,416 of net proceeds on sale and an aggregate gain on disposition of $2,057 related to carrying costs of the assets. During 2009, we sold eight properties, aggregating 1,579,000 square feet, generating $123,944 of net proceeds on sale and an aggregate gain on disposition of $26,383 related to carrying costs of the assets. During 2009 and the first nine months of 2010, our asset sales were an integral factor in our deleveraging and recapitalization efforts. We plan to pursue opportunistic dispositions of the non-retail properties and free-standing, triple net retail properties in our operating portfolio in order to continue to build our interest in well located, high quality shopping centers. We will also periodically review our portfolio and, when appropriate, we may sell properties and reallocate our capital. As we have in the past, we intend to take advantage of opportunities that may arise to dispose of assets in our portfolio directly or through joint ventures. We evaluate potential sale opportunities taking into account the long-term growth prospects of assets being sold, the use of proceeds and the impact on our balance sheet including financial covenants, in addition to the impact on operating results. The following table highlights the results of our asset dispositions during 2009 and the first nine months of 2010:

	Number of Assets Sold	Square Footage	Combined Sales Price	Total Debt Extinguished	Net Sales Proceeds
2010 Dispositions (through September 30, 2010)	5	358,000	$ 80,185	$ 60,921	$ 18,416
2009 Dispositions	8	1,579,000	338,057	208,552	123,944

During 2009 and the first nine months of 2010, we also sold securities that we held in our securities portfolio for aggregate proceeds of $125,088 and $3,900, respectively.

Operating Joint Venture Activity

On November 29, 2009, we formed IW JV 2009, LLC (IW JV), a wholly-owned subsidiary, and transferred a portfolio of 55 investment properties and the owner entities into the this entity. Subsequently, in connection with a $625,000 debt refinancing transaction, which consisted of $500,000 of mortgages payable and $125,000 of notes payable, on December 1, 2009, we raised additional capital of $50,000 from Inland Equity in exchange for a 23% noncontrolling interest in IW JV. IW JV, which is controlled by us, and therefore consolidated, will continue to be managed and operated by us. Inland Equity is owned by certain individuals, including Daniel L. Goodwin, who controls more than 5% of our common stock, and Robert D. Parks, who was the Chairman of our board of directors until October 12, 2010, and affiliates of The Inland Real Estate Group, Inc.

On May 20, 2010, we entered into definitive agreements to form a joint venture with RioCan. As part of the joint venture with RioCan, we agreed to contribute eight shopping centers located in Texas to the joint venture. Under the terms of the agreements, RioCan was to contribute cash for an 80% interest in the venture and we were to contribute a 20% interest in the properties. The joint venture was to acquire the remaining 80% interest in the contributed properties from us in exchange for cash, each of which will be accounted for as a partial sale of real estate. Each property closing was scheduled to occur individually over time based on timing of lender consent or refinance of the related mortgages payable. We will earn property management, asset management and other customary fees on the joint venture. Certain of the properties contain earn-out provisions which, if met, would result in additional sales proceeds to us. On September 30, 2010, three of the initial eight properties were acquired by the joint venture. These transactions do not qualify as discontinued operations as a result of our 20%

Table of Contents

ownership in the joint venture with RioCan. Subsequent to September 30, 2010, we closed on partial sales of five additional properties to our joint venture with RioCan, consisting of approximately 794,000 square feet, with sales prices totaling $112,781, which resulted in net losses of $1,849, net proceeds of $35,249 and the joint venture assuming $68,561 of mortgage debt.

Development Joint Venture Activity

Our development joint venture program involves partnering with regional developers. We believe that a national platform of retail development requires strength and expertise in strategic local markets. From time to time we may form partnerships with regional developers that allow us to maximize returns on completed developments and access strategic local markets.

Given the current economic conditions, we have made the decision to put any ongoing pursuit of additional development projects on hold and focus on the completion of our current development properties and improvement of our existing portfolio.

Properties Under Development

The following table provides summary information regarding our consolidated and unconsolidated properties under development as of September 30, 2010. As of September 30, 2010, we did not have any active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. If we were to pre-lease all of the estimated total GLA included in the table below, we estimate that the total remaining costs to complete the development of this space would be $55,754, which we expect to fund through construction loans and proceeds of sales of our Bellevue Mall and South Billings Center development properties. As of September 30, 2010, the annualized base rent from the portion of our development properties with respect to which construction has been completed was $5,130. Dollars and square feet of GLA are presented in thousands.

Development Properties/Location	Estimated Stabilization Date(1)	Percent Owned	Current GLA(2)(3)	Percent Leased(3)(4)	Estimated Total GLA(3)	Carrying Value(5)	Construction Loan Balance
Consolidated:							
Lake Mead Crossing/ Henderson, NV	2013	25.0%	408	77.0%	669	$ 82,308	$ 48,990
Green Valley Crossing/ Henderson, NV	2014	50.0%	147	93.5%	272	23,258	11,157
Wheatland Towne Crossing/ Dallas, TX	2014	75.0%	162	100.0%	392	14,812	5,548
Parkway Towne Crossing/ Frisco, TX	2013	75.0%	345	78.9%	377	26,220	20,696
Bellevue Mall/ Nashville, TN(6)		100.0%				26,448	
South Billings Center/ Billings, MT(6)		35.5%	215	100.0%	215	5,091	
Unconsolidated:							
Hampton Retail Colorado (two properties)/ Denver, CO(7)	2013	96.3%	93		93	6,835	4,031
Total			1,370	80.3%	2,018	$ 184,972	$ 90,422

(1) Estimated stabilization date represents the date by which we currently estimate that leases with respect to 90% of the estimated total GLA will have commenced.
(2) Represents GLA with respect to which construction had been completed as of September 30, 2010.
(3) Includes space developed for shadow anchors.
(4) Represents the percentage of current GLA with respect to which leases had commenced as of September 30, 2010.

Table of Contents

(5) Represents carrying value of each property as of September 30, 2010, which was the total investment less accumulated depreciation and impairments through September 30, 2010.
(6) South Billings Center is entitled for an estimated total GLA of 404,800 square feet and Bellevue Mall is entitled for an estimated total GLA of 1,015,000 square feet. Currently, we have no plans to continue to develop these properties. We have entered into an agreement to sell our Bellevue Mall development property for an aggregate purchase price of $27,000.
(7) The construction loan balance is only the portion related to two properties under development held by the joint venture. There is an additional $16,367 construction loan related to four operational properties held by the joint venture.

During the nine months ended September 30, 2010, we contributed $10,488 and $3,307 to our consolidated and unconsolidated development joint ventures, respectively.

Results of Operations

We believe that property net operating income, or NOI, is a useful measure of our operating performance. We define NOI as operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense). Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs.

This measure provides an operating perspective not immediately apparent from GAAP operating income or net loss. We use NOI to evaluate our performance on a property-by-property basis because NOI allows us to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by property, have on our operating results. However, NOI should only be used as an alternative measure of our financial performance. For reference and as an aid in understanding our computation of NOI, a reconciliation of NOI to net loss as computed in accordance with GAAP has been presented.

Table of Contents

Comparison of the nine months ended September 30, 2010 to September 30, 2009

For other periods, we have presented operating information for our same store portfolio separately from our other investment properties. For purposes of comparing our results for the nine-month periods ended September 30, 2010 and 2009, all of our properties are considered same store since we owned all of them since the beginning of the nine-month period ended September 30, 2009. As a result, we have chosen to present operating information in the following table on a consolidated basis without identifying all information as relating to our same store portfolio.

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Increase (Decrease)	% Change
Revenues:				
Rental income	$ 376,933	$ 384,062	$ (7,129)	(1.9)
Tenant recovery income	91,055	94,054	(2,999)	(3.2)
Other property income	11,274	15,547	(4,273)	(27.5)
Expenses:				
Property operating expenses	(76,988)	(86,366)	(9,378)	(10.9)
Real estate taxes	(69,498)	(71,090)	(1,592)	(2.2)
Total net operating income	$ 332,776	$ 336,207	(3,431)	(1.0)
Other income (expense):				
Straight-line rental income	8,750	6,025	2,725	
Amortization of acquired above and below market lease intangibles	1,523	1,786	(263)	
Insurance captive income	2,253	1,671	582	
Dividend income	3,034	9,476	(6,442)	
Interest income	548	1,318	(770)	
Gain on contribution of investment properties	1,464		1,464	
Gain on interest rate locks		3,989	(3,989)	
Equity in income (loss) of unconsolidated joint ventures	1,609	(5,262)	(6,871)	
Straight-line ground rent expense	(3,121)	(2,996)	125	
Straight-line bad debt expense	(554)	(2,894)	(2,340)	
Depreciation and amortization	(185,845)	(187,565)	(1,720)	
Provision for impairment of investment properties	(18,836)	(44,000)	(25,164)	
Loss on lease terminations	(8,869)	(11,556)	(2,687)	
Insurance captive expenses	(3,034)	(2,648)	386	
General and administrative expenses	(13,412)	(14,146)	(734)	
Interest expense	(199,932)	(170,752)	29,180	
Co-venture obligation expense	(5,375)		5,375	
Recognized gain on marketable securities, net	536	17,798	(17,262)	
Impairment of note receivable		(17,322)	(17,322)	
Other expense	(5,518)	(3,884)	(1,634)	
Loss from continuing operations	$ (92,003)	$ (84,755)	7,248	8.6
Discontinued operations:				
Operating loss	(1,830)	(7,503)	(5,673)	
Gain on sales of investment properties	2,057	21,570	(19,513)	
Income from discontinued operations	$ 227	$ 14,067	(13,840)	(98.4)
Net loss	(91,776)	(70,688)	21,088	29.8
Net (income) loss attributable to noncontrolling interests	(656)	3,202	(3,858)	(120.5)
Net loss attributable to Company shareholders	$ (92,432)	$ (67,486)	$ 24,946	37.0

Table of Contents

Net operating income decreased by $3,431, or 1.0%. Total rental income, tenant recovery and other property income decreased by $14,401, or 2.9%, and total property operating expenses (inclusive of real estate taxes) decreased by $10,970, or 7.0%, for the nine months ended September 30, 2010, as compared to September 30, 2009.

Rental income. Rental income decreased $7,129, or 1.9%, from $384,062 to $376,933. The decrease is primarily due to:

- a decrease of $3,255 in rental income due to tenant bankruptcies,
- a decrease of $1,974 in rental income due to rent reductions, and
- a decrease of $2,489, composed of $11,038 as a result of expirations or early termination of certain tenant leases, partially offset by $8,549 from new tenant leases replacing former tenants; partially offset by an increase of $298 due to earnouts completed subsequent to December 31, 2008.

Tenant recovery income. Tenant recovery income decreased $2,999, or 3.2%, from $94,054 to $91,055. The decrease is primarily due to a decrease in recoverable property operating expenses and real estate tax expenses described below, partially offset by an increase in the 2009 tenant recovery income estimates as a result of the common area maintenance reconciliation process completed during the nine months ended September 30, 2010.

Other property income. Other property income decreased $4,273, or 27.5%, primarily due to $5,000 recognized during the nine months ended September 30, 2009, related to the forfeiture of security deposits due to the bankruptcy of a major tenant.

Property operating expenses. Property operating expenses decreased $9,378, or 10.9%, from $86,366 to $76,988. The decrease is primarily due to:

- a decrease in bad debt expense of $4,021, and
- a decrease in overall non-recoverable and recoverable property operating expenses of $2,271 and $3,146, respectively, due primarily to cost reduction efforts.

Real estate taxes. Real estate taxes decreased $1,592, or 2.2%, from $71,090 to $69,498. This decrease is primarily due to:

- an increase of $2,033 in real estate tax refunds received during the nine months ended September 30, 2010, for prior year tax assessment adjustments;
- a net decrease of $156 from 2009 real estate tax expense primarily due to decreases in assessed values at certain vacant properties; and
- a decrease of $119 in prior year estimates adjusted during the nine months ended September 30, 2010, based on actual real estate taxes paid, partially offset by
- an increase in tax consulting fees of $784 as a result of successful reductions to proposed increases to assessed valuations or tax rates at certain properties.

Other income (expense). Other income (expense) changed from net expense of $420,962 to net expense of $424,779. The increase in net expense of $3,817, or 0.9%, is primarily due to a $29,180 increase in interest expense resulting from:

higher interest rates on refinanced debt resulting in an increase of $15,306 and additional loan fee amortization interest expense of $1,152;

an increase of $12,127 related to the senior and junior mezzanine notes of IW JV;

a decrease in capitalized interest of $899 due to certain phases of our developments being placed into service;

prepayment penalties and other costs associated with refinancings of $2,351, partially offset by

Table of Contents

- a decrease in interest on our line of credit of $292 due primarily to a decrease in the amount outstanding on the line of credit, and
- a decrease of $176 in margin payable interest due to decreases in the margin payable balance.

Additionally, there was:

- a $17,262 decrease in recognized gain on marketable securities primarily as a result of a significant liquidation of the marketable securities portfolio in 2009 and no other-than-temporary impairment recorded in 2010 as compared to other-than-temporary impairment of $24,831 recorded in 2009, partially offset by a $17,322 decrease in impairment of a note receivable, and
- a $25,164 decrease in provision for impairment of investment properties. Based on the results of our evaluations for impairment (see Notes 12 and 13 to the unaudited consolidated financial statements included as part of this prospectus), we recognized impairment charges of $18,836 and $44,000 for the nine months ended September 30, 2010 and 2009, respectively. Although 38 of our properties had impairment indicators at September 30, 2010, undiscounted cash flows for those properties exceeded their respective carrying values by a weighted average of 53%. Accordingly, no additional impairment provisions were warranted for these properties.

Discontinued operations. During the nine months ended September 30, 2010, we completed the sale of five properties that qualified for discontinued operations accounting treatment aggregating 358,000 square feet, for a combined sale price of $80,185. The aggregated sales resulted in the extinguishment or repayment of $60,435 of debt, forgiveness of debt of $486, net sales proceeds totaling $18,416 and total gains on sale of $2,057. Discontinued operations also includes amounts related to eight properties that were sold during 2009.

Table of Contents

Comparison of the years ended December 31, 2009 to December 31, 2008

The table below presents operating information for our same store portfolio consisting of 293 operating properties acquired or placed in service prior to January 1, 2008, along with reconciliation to net operating income. The properties in the same store portfolios as described were owned for the years ended December 31, 2009 and 2008.

	Year Ended December 31, 2009	Year Ended December 31, 2008	Increase (Decrease)	% Change
Revenues:				
Same store investment properties (293 properties):				
Rental income	$ 497,119	$ 537,373	$ (40,254)	(7.5)
Tenant recovery income	118,117	128,448	(10,331)	(8.0)
Other property income	19,203	19,506	(303)	(1.6)
Other investment properties:				
Rental income	15,335	8,831	6,504	73.6
Tenant recovery income	3,836	2,133	1,703	79.8
Other property income	288	237	51	21.5
Expenses:				
Same store investment properties (293 properties):				
Property operating expenses	(111,178)	(124,396)	(13,218)	(10.6)
Real estate taxes	(90,693)	(86,101)	4,592	5.3
Other investment properties:				
Property operating expenses	(4,344)	(3,037)	1,307	43.0
Real estate taxes	(3,381)	(1,483)	1,898	128.0
Property net operating income:				
Same store investment properties	432,568	474,830	(42,262)	(8.9)
Other investment properties	11,734	6,681	5,053	75.6
Total net operating income	$ 444,302	$ 481,511	(37,209)	(7.7)
Other income:				
Straight-line rental income	8,011	12,359	(4,348)	
Insurance captive income	2,261	1,938	323	
Amortization of acquired above and below market lease intangibles	2,340	2,504	(164)	
Dividend income	10,132	24,010	(13,878)	
Interest income	1,483	4,329	(2,846)	
Recognized gain on marketable securities, net	18,039		18,039	
Gain on interest rate locks	3,989		3,989	
Other expenses:				
Straight-line ground rent expense	(3,987)	(5,186)	(1,199)	
Straight-line bad debt expense	(3,693)	(8,749)	(5,056)	
Insurance captive expenses	(3,655)	(2,874)	781	
Depreciation and amortization	(250,001)	(252,260)	(2,259)	
Provision for impairment of investment properties	(53,900)	(77,000)	(23,100)	
Loss on lease terminations	(13,735)	(66,721)	(52,986)	
General and administrative expenses	(21,191)	(19,997)	1,194	
Equity in loss of unconsolidated joint ventures	(11,299)	(4,939)	6,360	
Interest expense	(236,409)	(212,439)	23,970	
Co-venture obligation expense	(597)		597	
Recognized loss on marketable securities, net		(160,888)	(160,888)	
Impairment of goodwill		(377,916)	(377,916)	
Impairment of investment in unconsolidated entity		(5,524)	(5,524)	
Impairment of notes receivable	(17,322)		17,322	
Loss on interest rate locks		(16,778)	(16,778)	
Other expense	(9,611)	(1,062)	8,549	

Loss from continuing operations	$ (134,843)	$ (685,682)	(550,839)	(80.3)
Discontinued operations:				
Operating (loss) income	(6,949)	2,469	(9,418)	
Gain on sales of investment properties	26,383		26.383	
Income from discontinued operations	$ 19,434	$ 2,469	16,965	687.1
Net loss	$ (115,409)	$ (683,213)	(567,804)	(83.1)
Net loss (income) attributable to noncontrolling interests	3,074	(514)	3,588	698.1
Net loss attributable to Company shareholders	$ (112,335)	$ (683,727)	$ (571,392)	(83.6)

Table of Contents

Net operating income decreased by $37,209, or 7.7%. Total rental income, tenant recovery and other property income decreased by $42,630, or 6.1%, and total property operating expenses decreased by $5,421, or 2.5%, for the year ended December 31, 2009, as compared to December 31, 2008.

Rental income. Rental income decreased $40,254 or 7.5%, on a same store basis from $537,373 to $497,119. The same store decrease is primarily due to:

- a decrease of $33,071 in rental income due to tenant bankruptcies, primarily Linens n Things, Circuit City and Mervyns;
- a decrease of $3,657, composed of $7,292 as a result of early termination of certain tenant leases, offset by $3,635 from new tenant leases replacing former tenants;
- a decrease of $4,409 due to reduced rent as a result of co-tenancy provisions in certain leases and reduced percentage rent as a result of decreased tenant sales; partially offset by
- an increase of $1,939 due to earnouts completed subsequent to December 31, 2007.

Overall, rental income decreased $33,750, or 6.2%, from $546,204 to $512,454, primarily due to the same store portfolio described above, partially offset by an increase of $6,504 in other investment properties primarily due to:

- an increase of $3,158 due to investment properties acquired subsequent to December 31, 2007, and
- an increase of $2,854 related to development properties placed into service subsequent to December 31, 2007.

Tenant recovery income. Tenant recovery income decreased $10,331, or 8.0%, on a same store basis from $128,448 to $118,117, primarily due to:

- a 14.0% decrease in common area maintenance recovery income primarily due to reduced recoverable property operating expenses described below and reduced occupancy due to tenant vacancies resulting from 2008 bankruptcies and early lease terminations, and
- a 3.0% decrease in real estate tax recovery primarily resulting from reduced occupancy as described above.

Overall, tenant recovery income decreased $8,628, or 6.6%, from $130,581 to $121,953, primarily due to the increase in the same store portfolio described above, partially offset by recovery income from investment properties purchased after December 31, 2007 and phases of developments that have been placed into service subsequent to December 31, 2007.

Other property income. Other property income decreased overall by $252, or 1.3%, due to decreases in termination fee income, parking revenue and direct recovery income.

Property operating expenses. Property operating expenses decreased $13,218, or 10.6%, on a same store basis from $124,396 to $111,178. The same store decrease is primarily due to:

- a decrease in bad debt expense of $8,026, and a decrease in certain non-recoverable and recoverable property operating expenses of $836 and $4,748, respectively.

Overall, property operating expenses decreased $11,911, or 9.3%, from $127,433 to $115,522, due to the decrease in the same store portfolio described above, partially offset by an increase in bad debt expense of $209 partially offset by an increase in certain non-recoverable and recoverable property operating expenses of $536 and $628, respectively, in other investment properties.

Table of Contents

Real estate taxes. Real estate taxes increased $4,592, or 5.3%, on a same store basis from $86,101 to $90,693. This increase is primarily due to:

- an increase of $2,370 related to investment properties where vacated tenants with triple net leases had paid real estate taxes directly to the taxing authorities during 2008;
- an increase of $1,092 in prior year estimates adjusted during 2009, based on actual real estate taxes paid;
- a net increase of $396 over 2008 real estate tax expense due to normal increases and decreases in assessed values;
- a decrease of $445 in real estate tax refunds received during 2009 for prior year tax assessment adjustments, and
- an increase in tax consulting fees of $289 as a result of successful reductions to proposed increases to assessed valuations or tax rates at certain properties.

Overall, real estate taxes increased $6,490, or 7.4%, from $87,584 to $94,074. The other investment properties representing properties acquired subsequent to December 31, 2007 and phases of developments that have been placed into service resulted in an increase in real estate taxes of $1,898.

Other income. Other income increased $1,115, or 2.5%. This increase was primarily due to:

- an increase of $18,039 in recognized gain on marketable securities due to sales of securities in 2009, and
- an increase of $3,989 in gain on interest rate locks resulting from a Treasury rate lock termination.

These increases were partially offset by:

- a decrease in dividend income of $13,878 due to sales of marketable securities, dividend reductions and suspensions;
- a decrease of $4,348 in straight-line rental income primarily due to reduced occupancy from tenant vacancies from tenant bankruptcies in 2008 and tenants with co-tenancy rent reductions in 2009 as a result of such bankruptcies, and
- a decrease in interest income of $2,846 as a result of full or partial payoffs of notes receivable subsequent to December 31, 2007, the impairment of a note receivable as of June 30, 2009 and $1,623 as a result of short-term investments receiving lower interest rates in interest bearing accounts.

Other expenses. Other expenses decreased $586,933, or 48.4%. This decrease was primarily due to:

- a $377,916 impairment of goodwill recognized in 2008;

recognized loss on marketable securities of $160,888 in 2008 as a result of a $160,327 decline in 2008 in the fair value of certain marketable securities determined to be other-than-temporary;

a decrease of $52,986 in loss on lease terminations as a result of a decrease in tenants that vacated prior to lease expiration due to tenant bankruptcies and current economic challenges facing tenants during 2009 as compared to 2008;

a $23,100 decrease in provision for impairment of investment properties due to a $53,900 asset impairment related to three single-user properties and four multi-tenant properties during 2009, compared to asset impairments of $77,000 related to six single-user properties and four multi-tenant properties during 2008, and

a $16,778 decrease in loss on interest rate locks due to impairment recorded during 2008.

Table of Contents

These decreases were partially offset by:

- an increase of $23,970 in interest expense primarily due to:
  - higher interest rates on refinanced debt resulting in an increase of $6,667 and additional interest expense of $4,068 incurred prior to the completion of certain long-term refinancings;
  - prepayment penalties and other costs associated with refinancings of $5,066;
  - decreases in capitalized interest of $6,256 due to certain phases of our developments being placed into service;
  - an increase in interest on our line of credit of $3,389 due primarily to an increase in the interest rate, and
  - an increase of $2,650 related to the fixed variable spread related to our interest rate swaps, partially offset by decreases in margin payable interest of $3,192 due to decreases in the margin payable balance.
- an increase of $17,322 related to the impairment of two notes receivable in 2009 (see Note 8 to the audited consolidated financial statements included as part of this prospectus).

Discontinued operations. Discontinued operations consist of amounts related to eight properties that were sold during 2009 and five properties that were sold during the nine months ended September 30, 2010, each of which qualifies as discontinued operations, and of which was held for sale as of December 31, 2009. We have closed on the sale of eight properties during the 12 months ended December 31, 2009, aggregating 1,579,000 square feet, for a combined sales price of $338,057. The aggregated sales resulted in the extinguishment or repayment of $208,552 of debt, net sales proceeds totaling $123,944 and total gains on sale of $26,383. The properties sold included three office buildings, three single-user retail properties and two multi-tenant properties.

On September 14, 2009, we entered into a contract to sell a 100,000 square foot medical center located in Cupertino, California. This property qualified for held for sale accounting treatment during the fourth quarter of 2009, at which time depreciation and amortization ceased since it met all of our held for sale criteria. As such, the assets and liabilities are separately classified as held for sale on the consolidated balance sheet as of December 31, 2009 and the operations for all periods presented are classified as discontinued operations on the consolidated statements of operations and other comprehensive loss.

Table of Contents

Comparison of the years ended December 31, 2008 to December 31, 2007

The table below presents operating information for our same store portfolio consisting of 283 operating properties acquired or placed in service prior to January 1, 2007, along with reconciliation to net operating income. The properties in the same store portfolios as described were owned for the years ended December 31, 2008 and 2007.

	Year Ended December 31, 2008	2007	Increase (Decrease)	% Change
Revenues:				
Same store investment properties (283 properties):				
Rental income	$ 504,817	$ 499,853	$ 4,964	1.0
Tenant recovery income	119,958	129,960	(10,002)	(7.7)
Other property income	18,549	13,987	4,562	32.6
Other investment properties:				
Rental income	41,387	26,401	14,986	56.8
Tenant recovery income	10,623	10,571	52	0.5
Other property income	1,194	536	658	122.8
Expenses:				
Same store investment properties (283 properties):				
Property operating expenses	(115,736)	(119,224)	(3,488)	(2.9)
Real estate taxes	(78,789)	(78,313)	476	0.6
Other investment properties:				
Property operating expenses	(11,697)	(7,236)	4,461	61.7
Real estate taxes	(8,795)	(6,518)	2,277	34.9
Property net operating income:				
Same store investment properties	448,799	446,263	2,536	0.6
Other investment properties	32,712	23,754	8,958	37.7
Total net operating income	$ 481,511	$ 470,017	11,494	2.4
Other income:				
Straight-line rental income	12,359	14,902	(2,543)	
Insurance captive income	1,938	1,890	48	
Amortization of acquired above and below market lease intangibles	2,504	3,200	(696)	
Dividend income	24,010	23,729	281	
Interest income	4,329	13,671	(9,342)	
Gain on contribution of investment properties		11,749	(11,749)	
Gain on extinguishment of debt		2,486	(2,486)	
Equity in income of unconsolidated joint ventures		96	(96)	
Other income		237	(237)	
Other expenses:				
Straight-line ground rent expense	(5,186)	(3,806)	1,380	
Straight-line bad debt expense	(8,749)	(1,877)	6,872	
Insurance captive expenses	(2,874)	(1,598)	1,276	
Depreciation and amortization	(252,260)	(243,180)	9,080	
Provision for impairment of investment properties	(77,000)	(13,560)	63,440	
Loss on lease terminations	(66,721)	(11,788)	54,933	
General and administrative expenses	(19,997)	(16,535)	3,462	
Advisor asset management fee		(23,750)	(23,750)	
Equity in loss of unconsolidated joint ventures	(4,939)		4,939	
Interest expense	(212,439)	(204,391)	8,048	
Recognized loss on marketable securities, net	(160,888)	(19,967)	140,921	
Impairment of goodwill	(377,916)		377,916	
Impairment of investment in unconsolidated entity	(5,524)		5,524	
Loss on interest rate locks	(16,778)		16,778	
Other expense	(1,062)		1,062	

(Loss) income from continuing operations	$ (685,682)	$ 1,525	(687,207)	(45,062.8)
Discontinued operations:				
Operating income	2,469	4,213	(1,744)	
Gain on sales of operating properties		37,296	(37,296)	
Income from discontinued operations	2,469	41,509	(39,040)	(94.1)
Net (loss) income	$ (683,213)	$ 43,034	(726,247)	(1,687.6)
Net income attributable to noncontrolling interests	(514)	(1,365)	851	62.3
Net (loss) income attributable to Company shareholders	$ (683,727)	$ 41,669	$ (725,396)	(1,740.9)

65

Net operating income increased by $11,494, or 2.4%. Total rental income, tenant recovery and other property income increased by $15,220, or 2.2%, and total property operating expenses increased by $3,726, or 1.8%, for the year ended December 31, 2008, as compared to December 31, 2007.

Rental income. Rental income increased $4,964 or 1.0%, on a same store basis from $499,853 to $504,817. The same store increase is primarily due to:

- an increase of $3,594 in rental income due to base rent increases related to existing tenants;
- an increase of $3,249 due to the build out and leasing of additional square footage;
- an increase of $826 due to earnouts during 2008;
- partially offset by a decrease of $2,816 due to tenant early lease terminations and tenant bankruptcies.

Overall, rental income increased $19,950, or 3.8%, from $526,254 to $546,204. The same store increase was $4,964, and the other properties experienced:

- an increase of $21,327 due to properties acquired subsequent to January 1, 2007, partially offset by a decrease of $7,683 due to the contribution of seven properties to an unconsolidated joint venture during 2007.

Tenant recovery income. Tenant recovery income decreased $10,002, or 7.7%, on a same store basis from $129,960 to $119,958, primarily due to:

- reduced occupancy as a result of increased tenant vacancies resulting from bankruptcies and early lease terminations resulting from the current economic challenges facing tenants, and
- a reduction in the 2007 tenant recovery income estimates as a result of the common area maintenance and real estate tax expense reconciliation processes completed during the year ended December 31, 2008.

Overall, tenant recovery income decreased $9,950, or 7.1%, from $140,531 to $130,581, primarily due to the decrease in the same store portfolio described above. In addition, increases in tenant recovery income related to properties acquired subsequent to December 31, 2006 were partially offset by the decrease resulting from the contribution of seven properties to an unconsolidated joint venture during 2007.

Other property income. Other property income increased overall by $5,220, or 35.9%. The increase is attributable primarily to:

- a $2,944 increase in lease termination fee income;
- a $618 increase in settlements received from vacated tenants; and
- a $1,134 increase in parking revenue generated by a same store property.

Property operating expenses. Property operating expenses decreased $3,488, or 2.9%, on a same store basis from $119,224 to $115,736. As a result of the merger on November 15, 2007, the property management fees for the 12 months ended December 31, 2008 were eliminated in consolidation and replaced by the actual operating expenses of the property management companies. As a result, the same store decrease in property management fees of $27,526 was partially offset by $14,806 of actual operating expenses attributable to the property management companies. In addition, there was a decrease in insurance expense of $867, primarily due to an overall reduction in insurance premiums. The net decrease was partially offset by the following items:

- an increase in bad debt expense of $5,365, and

- an increase in certain non-recoverable and recoverable property operating expenses of $3,245.

Overall, property operating expenses increased $973, or 0.8%, from $126,460 to $127,433, due to the decrease in the same store portfolio described above, offset by an increase of $4,461 in other investment properties as follows:

- an increase in bad debt expense of $1,131, and
- an increase in certain non-recoverable and recoverable property operating expenses of $3,330 related to the acquisition of properties and completions of earnouts subsequent to December 31, 2006.

Real estate taxes. Real estate taxes increased $476, or 0.6%, on a same store basis from $78,313 to $78,789. The same store increase is primarily due to:

- an increase of $694 related to properties where vacated tenants with triple net leases had previously paid real estate taxes directly to the taxing authorities and accordingly were not previously reflected in the consolidated financial statements;
- an increase in tax consulting fees of $221 as a result of successful challenges of the assessed valuations of certain properties, and
- an increase of $1,969 in 2008 real estate taxes resulting from increases in assessed valuations or increased tax rates at certain properties; partially offset by
- a decrease of $1,883 in 2007 estimates adjusted during 2008 based on actual 2007 real estate taxes paid, and
- an increase in prior year refunds of $525.

Overall, real estate taxes increased $2,753, or 3.2%, from $84,831 to $87,584. The same store increase was $476 and the other investment properties experienced an increase in real estate taxes of $4,033 due to properties acquired subsequent to December 31, 2006; partially offset by a decrease in real estate taxes of $1,946 due to the contribution of seven properties to an unconsolidated joint venture during 2007.

Other income. Other income decreased $26,820, or 37.3%. This decrease was due primarily to:

- a decrease in interest income of $9,342 primarily due to decreases of $3,790 as a result of full or partial payoffs of notes receivable subsequent to December 31, 2007 and $5,120 as a result of decreases in operating cash and short-term investments in interest bearing accounts;
- an $11,749 gain on contributed properties and a $2,486 gain on extinguishment of debt during the year ended December 31, 2007, as a result of seven properties contributed to a joint venture, and
- a decrease in straight-line rental income of $2,543 due primarily to the aging of tenant leases.

Other expenses. Other expenses increased $671,881, or 124.3%. This increase was primarily due to:

a $377,916 impairment of goodwill recognized in the year ended December 31, 2008;

an increase of $140,921 in recognized losses on marketable securities as a result of a $160,327 decline in 2008 in fair value of certain marketable securities determined to be other-than-temporary;

a $63,440 increase in provision for impairment of investment properties due to a $13,560 asset impairment related to one multi-tenant property during 2007, compared to asset impairments of $77,000 related to six single-user properties and four multi-tenant properties during 2008;

an increase of $6,872 in bad debt expense related to deferred rent receivables due to increased tenant bankruptcies and the current economic challenges facing tenants;

an $9,080 increase in depreciation and amortization consisting of $11,568 related to properties acquired or placed in service subsequent to January 1, 2007, partially offset by $3,909 of expenses related to seven properties that were contributed to a joint venture during 2007;

Table of Contents

an increase in loss on lease terminations of $54,933 due to an increase in tenants that vacated prior to lease expiration during 2008 resulting from an increase in tenant bankruptcies and current economic challenges facing tenants;

a $5,524 recognized loss from an unconsolidated joint venture as a result of the write-off of an investment in a development joint venture;

losses in 2008 of $16,778 related to the write-down of two interest rate locks to their net realizable value;

an increase in interest expense of $8,048 resulting from various factors including: an increase in interest incurred in 2008 on the line of credit due to increase in the amounts drawn, increases in the outstanding mortgage payables in 2008, interest incurred on a $50,000 note payable, outstanding since June 2007, and construction loan interest related to increases in the outstanding balances in construction loans in 2008, partially offset by an increase in capitalized interest in 2008 due to additional qualifying assets under development, and

an increase in general and administrative expenses of $3,462 due to an increase in salaries of $2,318 resulting from an increase in the number of employees and an increase in legal fees of $1,402 associated with a litigation matter.

These increases in other expenses were partially offset by a $23,750 decrease in advisor management fees paid to our former business manager/advisor prior to the previously described merger.

Discontinued operations. Discontinued operations consist of amounts related to eight properties that were sold during 2009 and five properties that were sold during the nine months ended September 30, 2010, one of which was held for sale as of December 31, 2009. Refer to discussion comparing 2009 and 2008 results for more detail on the transactions that resulted in discontinued operations.

Funds From Operations

Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts (NAREIT), an industry trade group, has promulgated a standard known as funds from operations, or FFO. We believe that FFO, which is a non-GAAP performance measure, provides an additional and useful means to assess the operating performance of REITs. As defined by NAREIT, FFO means net income or loss computed in accordance with GAAP, excluding gains (or losses) from sales of investment properties, plus depreciation and amortization on investment properties including adjustments for unconsolidated joint ventures in which the REIT holds an interest. We have adopted the NAREIT definition for computing FFO because management believes that, subject to the following limitations, FFO provides a basis for comparing our performance and operations to those of other REITs. FFO is not intended to be an alternative to Net Income as an indicator of our performance.

Table of Contents

Our FFO and cash flow from operating activities for the nine months ended September 30, 2010 and 2009 and the years ended December 31, 2009, 2008, 2007, 2006 and 2005 is as follows:

	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(in thousands except for number of properties, share and per share data)						
Net (loss) income attributable to Company shareholders	$ (92,432)	$ (67,486)	$ (112,335)	$ (683,727)	$ 41,669	$ 31,943	$ 45,249
Add:							
Depreciation and amortization[(1)]	198,806	211,987	279,361	337,070	280,688	260,042	189,631
Less:							
Gain on sales/contributions of investment properties	(3,778)	(19,574)	(21,545)		(31,313)		
Noncontrolling interests share of depreciation related to consolidated joint ventures	(8,439)	(2,231)	(3,637)	(2,744)	(3,443)	(5,587)	(3,621)
Funds from operations	$ 94,157	$ 122,696	$ 141,844	$ (349,401)	$ 287,601	$ 286,398	$ 231,259
Cash flow from operating activities	$ 153,672	$ 203,963	$ 249,837	$ 309,351	$ 318,641	$ 296,578	$ 201,857

(1) Includes our share of depreciation and amortization from unconsolidated joint ventures and depreciation and amortization from discontinued operations.

Depreciation and amortization related to investment properties for purposes of calculating FFO includes loss on lease terminations which encompasses the write-off of tenant related assets, including tenant improvements and in-place lease values, as a result of early lease terminations. Total loss on lease terminations for the nine months ended September 30, 2010 and 2009 were $8,869 and $11,556, respectively. Total loss on lease terminations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 were $13,735, $67,092, $11,788, $4,570 and $2,934, respectively.

Liquidity and Capital Resources

We anticipate that cash flow from operating activities will continue to provide adequate capital for all scheduled interest and monthly principal payments on outstanding indebtedness, current and anticipated tenant improvement or other capital obligations, the shareholder distribution required to maintain REIT status and compliance with financial covenants of our credit agreements in 2011 and beyond.

Our primary uses and sources of our consolidated cash are as follows:

USES	SOURCES
Short-Term:	
Tenant improvement allowances	Operating cash flow
Improvements made to individual properties that are not recoverable through common area maintenance charges to tenants	Available borrowings under revolving credit facilities

Distribution payments	Distribution reinvestment plan
Debt repayment requirements, including principal, interest and costs to refinance	Secured loans collateralized by individual properties
Corporate and administrative expenses	Asset sales
	Cash and cash equivalents

Table of Contents

Long-Term:

Acquisitions	Secured loans collateralized by individual properties
New development	Long-term construction project financing
Major redevelopment, renovation or expansion programs at individual properties	Joint venture financing with institutional partners
Debt repayment requirements, including both principal and interest	Marketable securities
	Asset sales

One of our main areas of focus over the last few years has been on strengthening our balance sheet and addressing debt maturities. We have pursued this goal through a combination of the refinancing or repayment of maturing debt, a reduction in our rate of distributions to shareholders, the suspension of our share repurchase program and total or partial dispositions of assets through sales or contributions to joint ventures. In addition, we focused on controlling operating expenses and deferring certain discretionary capital expenditures to preserve cash.

Liquidity

At September 30, 2010, our total debt consisted of $3,643,730 of fixed-rate debt and $270,204 of variable-rate debt, including $81,404 of variable-rate debt that was effectively swapped to a fixed rate. Our total debt consisted of $3,765,692 of mortgages and notes payable and $148,242 under our secured line of credit. The majority of our loans require monthly payments of interest only, although it has become more common for lenders to require principal and interest payments, as well as reserves for real estate taxes, insurance and certain other costs. Although the loans we obtain are generally non-recourse, occasionally, when it is deemed to be necessary, Inland Western Retail Real Estate Trust, Inc. may guarantee all or a portion of the debt on a full-recourse basis. As of September 30, 2010, $148,242 of our outstanding secured line of credit and $56,872 of the outstanding mortgages payable with maturity dates up to August 1, 2014 (see Note 14 to the unaudited consolidated financial statements included as part of this prospectus), respectively, were full recourse to us. At times, we have borrowed funds financed as part of a cross-collateralized package, with cross-default provisions, in order to enhance the financial benefits. In those circumstances, one or more of the properties may secure the debt of another of our properties. Individual decisions regarding interest rates, loan-to-value, debt yield, fixed versus variable-rate financing, term and related matters are often based on the condition of the financial markets at the time the debt is issued, which may vary from time to time.

Mortgages payable outstanding as of September 30, 2010, excluding $68,694 of liabilities associated with the investment properties held for sale, were $3,572,538 and had a weighted average interest rate of 6.08% at September 30, 2010. Of this amount, $3,468,730 had fixed rates ranging from 3.81% to 10.11% and a weighted average fixed rate of 6.12% at September 30, 2010. The remaining $103,808 of outstanding indebtedness represented variable rate loans with a weighted average interest rate of 4.47% at September 30, 2010. Properties with a net carrying value of $5,268,158 at September 30, 2010 and related tenant leases are pledged as collateral for the mortgage loans. Development properties with a net carrying value of $90,709 at September 30, 2010 and related tenant leases are pledged as collateral for the construction loans. As of September 30, 2010, scheduled maturities for our outstanding mortgage indebtedness had various due dates through March 1, 2037.

Notes payable outstanding as of September 30, 2010 were $175,000. These notes payable had fixed interest rates ranging from 4.80% to 14.0% and a weighted average fixed interest rate of 10.51% at September 30, 2010.

As of December 31, 2009, we had $1,156,384 of mortgages payable, excluding amortization and liabilities associated with assets held for sale, which had matured or were maturing in 2010. The table below presents the

remaining mortgages payable maturing in 2010 and each of the following three years to be addressed as of September 30, 2010, excluding liabilities associated with the investment properties held for sale. The 2010 column includes $125,756 of mortgages payable that had matured as of September 30, 2010 and $114,332 of mortgages payable maturing in the remainder of 2010.

During the nine months ended September 30, 2010, we obtained mortgage payable proceeds of $604,468, made mortgage payable repayments of $771,872 and received debt forgiveness of $19,561. In addition, our joint venture with RioCan assumed $29,327 of mortgages payable from us on September 30, 2010. The new mortgages payable that we entered into during the nine months ended September 30, 2010 have interest rates ranging from 2.48% to 8.00% and maturities up to ten years. The stated interest rates of the loans repaid during the nine months ended September 30, 2010 ranged from 1.65% to 6.75%. We also entered into modifications of existing loan agreements which extended the maturities of $185,659 of mortgages payable up to December 2012. As of September 30, 2010, we had reduced our overall debt and staggered future mortgage maturity dates so that no more than $580,000 will come due in any one year.

As of September 30, 2010, we had $125,756 of mortgages payable that had matured and $114,332 of mortgages payable, excluding principal amortization and liabilities associated with the investment properties held for sale, maturing in the remainder of 2010. Of the $240,088 of mortgages payable scheduled to mature in 2010 that were outstanding as of September 30, 2010, we have subsequently refinanced $90,037 and repaid $26,853 from existing cash balances. In addition, we repaid $55,179 and received debt forgiveness of $10,723 in conjunction with the closing of our senior secured revolving line of credit in February 2011. As of February 11, 2011, we had $85,702 of mortgages that had matured and not been repaid, all of which are non-recourse. For $31,360 of these mortgages, we expect to either extend the existing mortgage or repay the mortgages with borrowings under our senior secured revolving line of credit in March 2011. We are currently in active negotiations with the lenders regarding an appropriate course of action, including the potential for discounted payoff with respect to the remaining $54,342 of mortgages payable. Collectively, the mortgages that had matured but not been repaid through February 11, 2011 are secured by a total of eight properties consisting of 787,391 square feet of GLA representing $5,709 of annualized base rent as of September 30, 2010. No assurance can be provided that these negotiations will result in favorable outcomes for us. One of the lenders with respect to a mortgage payable for $29,965 has asserted that certain events have occurred that trigger recourse to us; however, we believe that we have substantive defenses with respect to those claims. Although the credit environment continues to be challenging, we believe that the credit markets have opened up considerably compared to the last few years. As such, we continue to pursue opportunities with the nation s largest banks, life insurance companies, regional and local banks, and have demonstrated reasonable success in addressing our maturing debt.

Capital Resources

Distributions and Equity Transactions

We intend to continue to qualify as a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, in order to qualify as a REIT, and the Code generally taxes a REIT on any retained income.

Table of Contents

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for debt repayments, existing or future share repurchases, and selective acquisitions of new properties, (iv) the timing of significant re-leasing activities and the establishment of additional cash reserves for anticipated tenant improvements and general property capital improvements, (v) our ability to continue to access additional sources of capital, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements, including, without limitation, in our senior secured revolving line of credit and secured term loan, which limit our distributions to the greater of 95% of FFO or the amount necessary for us to maintain our qualification as a REIT.

As part of the strengthening of our balance sheet over the past few years we have reduced the rate of our distributions to shareholders. The following table sets forth the amount of our distributions declared during the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008 and 2007 compared to cash flows provided by operating activities for each of these periods:

	Nine Months Ended September 30, 2010	Years Ended December 31, 2009	2008	2007
Cash flows provided by operating activities	$ 153,672	$ 249,837	$ 309,351	$ 318,641
Distributions declared	67,728	75,040	308,798	292,615
Excess	$ 85,944	$ 174,797	$ 553	$ 26,026

Effective November 19, 2008, the board of directors voted to suspend our share repurchase program. Upon the completion of this offering our share repurchase program will be terminated as our shares of Class A Common Stock will be listed on the NYSE.

We maintain a dividend reinvestment plan, or DRP, which allows our shareholders who have purchased shares in our offerings to automatically reinvest distributions by purchasing additional shares from us. Such purchases under our DRP are not subject to selling commissions or the marketing contribution and due diligence expense allowance. In conjunction with our estimate of the value of a share of our stock for annual statement of value purposes, the board of directors amended our DRP, effective March 1, 2010, solely to modify the purchase price. Thus, on or after March 1, 2010, additional shares of our stock purchased under our DRP have been and will continue to be purchased at a price of $6.85 per share unless and until our DRP is further amended. As of September 30, 2010, we had issued approximately 69.3 million shares pursuant to the DRP for an aggregate amount of $666,125. During the nine months ended September 30, 2010, we received $23,353 in investor proceeds through our DRP.

Capital Expenditures and Development Joint Venture Activity

We anticipate that capital demands to meet obligations related to capital improvements with respect to properties will be minimal for the foreseeable future (as many of our properties have recently been constructed or renovated) and can be met with funds from operations and working capital. Our development joint venture activity is described above under Overview Development Joint Venture Activity.

As of September 30, 2010, we had cash and cash equivalents of $116,016.

Senior Secured Revolving Line of Credit and Secured Term Loan

As of September 30, 2010, we had a credit agreement with KeyBank National Association and other financial institutions for borrowings up to $200,000, subject to a collateral pool requirement. Based on the appraised value of the collateral pool, our ability to borrow was limited to $153,051 as of September 30, 2010. The credit agreement had a maturity date of October 14, 2011. The outstanding balance on the line of credit at September 30, 2010 and December 31, 2009 was $148,242 and $107,000, respectively.

On February 4, 2011, we amended and restated our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585,000, consisting of a $435,000 revolving line of credit and a $150,000 term loan from a number of financial institutions, including affiliates of the underwriters of this offering. The senior secured revolving line of credit also contains an accordion feature that allows us to increase the availability thereunder to up to $500.0 million in certain circumstances. Upon closing, we borrowed the full amount of the term loan and, through February 11, 2011, we had a total of $210,000 outstanding under the senior secured line of credit, including $154,347 that had been outstanding under our line of credit prior to the amendment and restatement of our credit agreement and $55,653 of additional borrowings. We used the term loan and the additional borrowings under our revolving line of credit to, among other things, repay $178,591 of mortgage debt (including $10,723 of forgiveness of debt) that was secured by 16 properties and had a weighted average interest rate of 4.90% per annum and had matured or was maturing in 2011.

Availability. The aggregate availability under the revolving line of credit shall at no time exceed the lesser of (x) 65% of the appraised value of the borrowing base properties through the date of the issuance of our financial statements for the quarter ending March 31, 2012 and 60% thereafter and (y) the amount that would result in a debt service coverage ratio for the borrowing base properties of not less than 1.50x through the date of the issuance of our financial statements for the quarter ending March 31, 2012 and 1.60x thereafter, in each case, less the outstanding balance under the term loan. As of February 11, 2011, the total availability under the revolving line of credit was $212,000, of which we had borrowed $210,000.

Maturity and Interest. The revolving line of credit and the term loan mature on February 3, 2013; provided that we have a one-year extension option that we may exercise as long as there is no existing default, we are in compliance with all covenants and we pay an extension fee. The revolving line of credit and the term loan bear interest at a rate per annum equal to LIBOR plus a margin of between 2.75% and 4.00% based on our leverage ratio as calculated under the credit agreement. The current interest rate under the revolving line of credit and secured term loan is 4.31%.

Security. The revolving line of credit and term loan are secured by mortgages on the borrowing base properties and are our direct recourse obligation.

Financial Covenants. The senior secured revolving line of credit and secured term loan include the following financial covenants: (i) maximum leverage ratio not to exceed 67.5%, which ratio will be reduced to 65% beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2011 and 60% beginning on the date of the issuance of our financial statements for the quarter ending June 30, 2012, (ii) minimum fixed charge coverage ratio of not less than 1.40x, which ratio will be increased to 1.45x beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2011 and 1.50x beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2012, (iii) consolidated net worth of not less than $1,750,000 plus 75% of the net proceeds of any future equity contributions or sales of treasury stock received by us after the closing of this offering, (iv) minimum average economic occupancy rate of greater than 80% excluding pre-stabilization properties under construction, (v) unhedged variable rate debt of not more than 20% of total asset value, (vi) maximum dividend payout ratio of 95% of FFO or an amount necessary to maintain REIT status and (vii) secured recourse indebtedness and guarantee obligations of Inland Western Retail Real Estate Trust, Inc. (excluding the revolving line of credit and term loan) may not exceed $100,000.

Other Covenants and Events of Default. The revolving line of credit and term loan limit the percentage of our total asset value that may be invested in unimproved land, unconsolidated joint ventures, construction in progress and mortgage notes receivable, require that we obtain consent for any sale of assets with a value greater than 10% of our total asset value or merger resulting in an increase to our total asset value by more than 25% and contain other customary covenants. The revolving line of credit and term loan also contain customary events of default, including but not limited to, non-payment of principal, interest, fees or other amounts, breaches of covenants, defaults on any recourse indebtedness of Inland Western Retail Real Estate Trust, Inc. in excess of $20,000 or any non-recourse indebtedness in excess of $100,000 in the aggregate (subject to certain carveouts, including $30,000 of non-recourse indebtedness that is currently in default), failure of certain members of management (or a reasonably satisfactory replacement) to continue to be active on a daily basis in our management and bankruptcy or other insolvency events.

Forward Loan Commitment

On January 8, 2010, we entered into a $300,000 forward loan commitment with JP Morgan Chase, subject to customary lender due diligence, to be used to refinance 2010 debt maturities. In conjunction with this commitment, we also entered into a rate lock agreement to lock the interest rate at 6.39%. We made deposits of $8,500 related to both of these agreements. Subsequent to entering into these agreements, we made additional rate lock deposits of $4,067. The loan commitment agreement originally expired on March 31, 2010, but was extended to December 31, 2010. The rate lock agreement originally expired on February 10, 2010, but was extended to December 13, 2010. As of September 30, 2010, we had used $244,500 of the total commitment proceeds and received refunds of commitment and rate lock deposits of $9,885. The carrying value of the commitment and rate lock deposits outstanding as of September 30, 2010 was $2,682. Subsequent to September 30, 2010, we utilized the remaining $55,500 in loan commitments to refinance debt maturing in 2010 and received a full refund of the remaining commitment and rate lock deposits.

Asset Disposition and Operating Joint Venture Activity

During 2009 and the first nine months of 2010, our asset sales and contributions of assets to operating joint ventures were an integral factor in our deleveraging and recapitalization efforts. Going forward, we plan to pursue opportunistic dispositions of the non-retail properties and free-standing, triple net retail properties in our operating portfolio in order to continue to build our interest in well located, high quality shopping centers. We will also periodically review our portfolio and, when appropriate, we may sell properties and reallocate our capital. We evaluate potential sale opportunities taking into account the long-term growth prospects of assets being sold, the use of proceeds and the impact on our balance sheet including financial covenants, in addition to the impact on operating results. Our asset dispositions and operating joint venture activity during 2009 and the nine months ended September 30, 2010 is described in the Overview section above under Asset Dispositions and Operating Joint Venture Activity.

Statement of Cash Flows Comparison for the Nine Months Ended September 30, 2010 and 2009

Cash Flows from Operating Activities

Cash flows provided by operating activities were $153,672 and $203,963 for the nine months ended September 30, 2010 and 2009, respectively, which consists primarily of net income from property operations, adjusted for non-cash charges for depreciation and amortization, provision for impairment of investment properties and marketable securities and gain on extinguishment of debt. The $50,291 decrease is primarily attributable to an increase in interest paid of $23,885 which resulted, in part, from our refinancing efforts, a decrease in dividends received of $7,527, an increase in the cash portion of co-venture obligation expense of $4,542 and a decrease in NOI of $3,431.

Cash Flows from Investing Activities

Cash flows provided by investing activities were $19,845 and $161,200, respectively, for the nine months ended September 30, 2010 and 2009. During these periods, $47,416 and $25,101, respectively, were used to fund restricted escrow accounts, some of which are required under certain new mortgage debt arrangements. In addition, $23,321 and $32,661, respectively, were used for acquisition of new properties, earnouts at existing properties, capital expenditures and tenant improvements and $2,705 and $14,491, respectively, were used for existing developments projects during the nine months ended September 30, 2010 and 2009. During the nine months ended September 30, 2010 and 2009, we sold five and four properties, respectively, which resulted in sales proceeds of $78,851 and $117,316, respectively. During the nine months ended September 30, 2010, we contributed three properties to an unconsolidated joint venture, which resulted in proceeds of $13,367. In addition, during the nine months ended September 30, 2010 and 2009, we purchased marketable securities of none and $190, respectively, and sold marketable securities of $3,900 and $124,340, respectively.

Cash Flows from Financing Activities

Cash flows used in financing activities were $183,405 and $300,604, respectively, for the nine months ended September 30, 2010 and 2009. We used $165,877 and $202,645, respectively, for the nine months ended September 30, 2010 and 2009, related to the net activity from proceeds from new mortgages secured by our properties, the secured line of credit, other financings, the co-venture arrangement, principal payments, payoffs and the payment and refund of fees and deposits. During the nine months ended September 30, 2010 and 2009, we also generated/(used) $18,154 and $(56,340), respectively, through the net borrowing of margin debt. We paid $35,783 and $40,548, respectively, in distributions, net of distributions reinvested through our DRP, to our shareholders for the nine months ended September 30, 2010 and 2009.

Statement of Cash Flows Comparison for the Years Ended December 31, 2009, 2008 and 2007

Cash Flows from Operating Activities

Cash flows provided by operating activities were $249,837, $309,351 and $318,641 for the years ended December 31, 2009, 2008 and 2007, respectively, which consists primarily of net income from property operations, plus non-cash changes for depreciation and amortization and provision for impairment of investment properties, marketable securities and notes receivable.

Cash Flows from Investing Activities

Cash flows provided by (used in) investing activities were $193,706, $(178,555) and $(511,676), respectively, for the years ended December 31, 2009, 2008 and 2007. During these periods, $40,778, $132,233 and $434,913, respectively, were used for acquisition of new properties and earnouts at existing properties and $15,297, $73,137 and $96,276, respectively, were used for existing developments projects during the years ended December 31, 2009, 2008 and 2007. During the years ended December 31, 2009, 2008 and 2007, we sold eight, none and four properties, respectively, which resulted in sales proceeds of $172,007, none and $117,614, respectively. In addition, during the years ended December 31, 2009, 2008 and 2007, we purchased marketable securities of $190, $28,433 and $59,673, respectively, and sold marketable securities of $125,088, $34,789 and $31,478, respectively.

Cash Flows from Financing Activities

Cash flows (used in) provided by financing activities were $(438,806), $(126,989) and $82,644, respectively, for the years ended December 31, 2009, 2008 and 2007. We paid none, $227,156 and $140,143, respectively, for shares repurchased through the SRP for the years ended December 31, 2009, 2008 and 2007. We also (used)/generated $(333,423), $306,459 and $264,186, respectively, for the years ended December 31, 2009, 2008 and 2007, related to the net activity from proceeds from new mortgages secured by our properties, a secured line of credit, other financings, a co-venture arrangement, principal payments, payoffs and the payment and refund of fees and deposits. During the years ended December 31, 2009, 2008 and 2007, we also (used)/generated $(56,340), $(51,700) and $107,962, respectively, through the net purchase of securities on margin. We paid $47,651, $155,592 and $135,267, respectively, in distributions, net of distributions reinvested through our DRP, to our shareholders for the years ended December 31, 2009, 2008 and 2007.

Internalization

On November 15, 2007, we acquired our business manager/advisor and property managers in exchange for 37,500,000 newly issued shares of our common stock, of which 9,000,000 were subsequently returned to us in December 2010 in connection with our settlement of a lawsuit relating to this acquisition. The business manager/advisor and property managers became subsidiaries of ours. Prior to the acquisition, we paid an advisor asset management fee up to a maximum of 1% of the average invested assets, as defined, to our former business manager/advisor. The fee was payable quarterly in an amount equal to 1/4 up to a maximum of 1% of our average invested assets as of the last day of the immediately preceding quarter. Our business manager/advisor was entitled to maximum fees of $68,083 for the year ended December 31, 2007. The business manager/advisor elected not to be paid the maximum advisor asset management fee and as a result we only incurred fees to our business manager/advisor totaling $23,750 for the year ended December 31, 2007.

Prior to the acquisition, the property managers were entitled to receive property management fees totaling 4.5% of gross operating income for management and leasing services. Subsequent to the acquisition, the property managers are entitled to receive property management fees totaling 4.5% of gross operating income; however, the property management fees are eliminated in the consolidation and replaced by the actual operating expenses of the property managers. We incurred property management fees of $30,036 for the year ended December 31, 2007.

Prior to the acquisition, the business manager/advisor and the property managers were also entitled to reimbursement for general and administrative costs, primarily salaries and related employee benefits. For the year ended December 31, 2007, we incurred $6,296 of these reimbursements. None of these reimbursements remained unpaid at December 31, 2008.

Off-Balance Sheet Arrangements, Contractual Obligations, Liabilities and Contracts and Commitments

Off-Balance Sheet Arrangements

Effective April 27, 2007, we formed a strategic joint venture with a large state pension fund, or MS Inland. Under the joint venture agreement we contributed 20% of the equity and our joint venture partner is to contribute 80% of the equity. As of September 30, 2010, the joint venture had acquired seven properties (which we contributed) with a purchase price of approximately $336,000 and had assumed from us mortgages on these properties totaling approximately $188,000 at the time of assumption.

In addition, we have entered into the unconsolidated joint venture with RioCan and an unconsolidated development joint venture that are described in under Overview in the sections titled Operating Joint Venture Activity and Development Joint Venture Activity. Other than described above, we have no off-balance sheet arrangements as of September 30, 2010 that are reasonably likely to have a current or future material effect on our financial condition, results of operations and cash flows.

The table below summarizes the outstanding debt of our unconsolidated joint ventures at September 30, 2010.

Joint Venture	Ownership Interest	Aggregate Principal Amount	Weighted Average Interest Rate	Weighted Average Maturity Date
RioCan	20.0%	$ 29,309	5.9%	3.8 years
MS Inland	20.0%	$ 173,566	5.7%	3.0 years
Hampton Retail Colorado	96.3%	$ 20,398	5.4%(1)	3.9 years

(1) The weighted average interest rate increases to 6.15% on September 1, 2012 and to 6.9% on September 1, 2013.

Table of Contents

Contractual Obligations

The table below presents our obligations and commitments, excluding liabilities associated with the investment property held for sale, to make future payments under debt obligations and lease agreements as of September 30, 2010.

	Payment due by period				
	Less than 1 year(2)	1-3 years(3)	3-5 years(4)	More than 5 years(5)	Total
Long-term debt(1)					
Fixed rate	$ 350,276	$ 1,359,651	$ 826,667	$ 2,688,154	$ 5,224,748
Variable rate	21,318	264,049			285,367
Operating lease obligations(6)	1,528	12,649	13,157	559,197	586,531
Purchase obligations(4)	1,400				1,400
Total	$ 374,522	$ 1,636,349	$ 839,824	$ 3,247,351	$ 6,098,046

(1) In addition to principal payments, the amounts reflected include interest payments. Interest payments related to the variable rate debt were calculated using the corresponding interest rates as of September 30, 2010. The table excludes accelerated principal payments that may be required as a result of conditions included in certain loan agreements. In these cases, the total outstanding mortgage payable is included in the year corresponding to the loan maturity date and the interest payments are calculated accordingly. The table also excludes other financings and co-venture obligations as described in Note 1 and Note 13 of the unaudited consolidated financial statements, included as part of this prospectus, as we are unable to determine the exact timing and amount of future payments.

(2) Reflects payments under debt obligations and lease agreements as of September 30, 2010, for year ended December 31, 2010. Fixed rate debt and related interest includes a $50,000 note payable to an unconsolidated joint venture. This note has no maturity but interest is reflected at the stated rate through December 31, 2010, although we may choose not to repay in 2010. Included in the variable rate debt is $148,242 of borrowings under our credit agreement due October 14, 2011 and $18,154 of securities purchased on margin that is due upon demand. The remaining borrowings and related interest outstanding through December 31, 2010 include amortization and maturities of mortgages and notes payable. This includes eight mortgage loans that mature by December 31, 2010. The mortgages payable of $125,756 that had matured as of September 30, 2010 are also included in these amounts. Mortgage loans are intended to be refinanced or paid off in 2010 and 2011 using a combination of equity raised from expected asset sales, retained capital as a result of the suspension of the share repurchase program, and the change in the dividend policy announced with the intention of paying at least 90% of taxable income to maintain our REIT status. The construction loans will be extended, paid off at the time of sale of the property, or converted to permanent financing upon completion. Amounts related to interest for fixed rate and variable rate debt will be paid from the operations of our properties.

(3) Reflects future payments under debt obligations and lease agreements as of September 30, 2010, for years ending December 31, 2011 and 2012.

(4) Reflects future payments under debt obligations and lease agreements as of September 30, 2010, for years ending December 31, 2013 and 2014.

(5) Reflects future payments under debt obligations and lease agreements as of September 30, 2010, for years ending after December 31, 2014.

(6) We lease land under non-cancelable leases at certain of the properties expiring in various years from 2018 to 2105. The property attached to the land will revert back to the lessor at the end of the lease. We lease office space under non-cancelable leases expiring in various years from 2010 to 2013.

(7) Purchase obligations include earnouts on previously acquired properties.

Table of Contents

Contracts and Commitments

We have acquired several properties which have earnout components, meaning that we did not pay for portions of these properties that were not rent producing at the time of acquisition. We are obligated, under these agreements, to pay for those portions, as additional purchase price, when a tenant moves into its space and begins to pay rent. The earnout payments are based on a predetermined formula. Each earnout agreement has a time limit regarding the obligation to pay any additional monies. The time limits generally range from one to three years. If, at the end of the time period allowed, certain space has not been leased and occupied, generally, we will own that space without any further payment obligation. As of September 30, 2010, based on pro-forma leasing rates, we may pay as much as $1,400 in the future as retail space covered by earnout agreements is occupied and becomes rent producing. During the nine months ended September 30, 2010, we paid $501 for one earnout at one existing property.

We have previously entered into one construction loan agreement, one secured installment note and one other installment note agreement, one of which was impaired as of December 31, 2009 and written off on March 31, 2010. In conjunction with the two remaining note agreements, we have committed to fund up to a total of $8,680. The combined receivable balance at September 30, 2010 and December 31, 2009 was $8,310 and $8,330, respectively, net of allowances of $300 and $17,209, respectively. We are not required to fund any additional amounts on these loans as all of the agreements are non-revolving and all fundings have occurred. In May 2010, we entered into an agreement related to the secured installment note that extended the maturity date from May 31, 2010 to February 29, 2012.

As of September 30, 2010, we had two letters of credit outstanding for the benefit of an insurance association captive, which is wholly-owned by us and three related parties, Inland Real Estate Corporation, Inland American Real Estate Trust, Inc. and Inland Diversified Real Estate Trust, Inc. These letters of credit serve as collateral for payment of potential claims within the limits of self-insurance and will remain outstanding until all claims are closed. There was also one letter of credit outstanding as security for utilities and completion of one development project. The balance of the outstanding letters of credit at September 30, 2010 was $4,400.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to useful lives of assets; capitalization of development and leasing costs; provision for impairment, including estimates of holding periods, capitalization rates, and discount rates (where applicable); provision for income taxes; recoverable amounts of receivables; deferred taxes and initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Critical Accounting Policies and Estimates

The following disclosure pertains to accounting policies and estimates we believe are most critical to the portrayal of our financial condition and results of operations which require our most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. This discussion addresses our judgment pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

Table of Contents

Acquisition of Investment Property

We allocate the purchase price of each acquired investment property between the estimated fair values of land, building and improvements, acquired above market and below market lease intangibles, in-place lease value, any assumed financing that is determined to be above or below market, and the value of customer relationships, if any, and goodwill, if determined to meet the definition of a business under the guidance. The allocation of the purchase price is an area that requires judgment and significant estimates. Beginning in 2009, transaction costs associated with any acquisitions are expensed as incurred. In some circumstances, we engage independent real estate appraisal firms to provide market information and evaluations that help support our purchase price allocations; however, we are ultimately responsible for the purchase price allocations. We determine whether any financing assumed is above or below market based upon comparison to similar financing terms at the time of acquisition for similar investment properties. We allocate a portion of the purchase price to the estimated, acquired in-place lease value based on estimated lease execution costs for similar leases, as well as, lost rental payments during an assumed lease-up period when calculating as-if-vacant fair values. We consider various factors including geographic location and size of the leased space. We also evaluate each significant acquired lease based upon current market rates at the acquisition date and consider various factors, including geographical location, size and location of the leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market. If an acquired lease is determined to be above or below market, we allocate a portion of the purchase price to such above or below market leases based upon the present value of the difference between the contractual lease rate and the estimated market rate. For below market leases with fixed rate renewals, renewal periods are included in the calculation of below market lease values. The determination of the discount rate used in the present value calculation is based upon a risk adjusted rate. This discount rate is a significant factor in determining the market valuation which requires our evaluation of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

Impairment of Long-Lived Assets

Our investment properties, including developments in progress, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment indicators are assessed separately for each property and include, but are not limited to, the property s low occupancy rate, difficulty in leasing space and financially troubled tenants. Impairment indicators for developments in progress are assessed by project and include, but are not limited to, significant changes in project completion dates, development costs and market factors.

If an indicator of potential impairment exists, the asset would be tested for recoverability by comparing its carrying value to the estimated future undiscounted operating cash flows, which is based upon many factors which require us to make difficult, complex or subjective judgments. Such assumptions include, but are not limited to, projecting vacancy rates, rental rates, operating expenses, lease terms, tenant financial strength, economic factors, demographics, property location, capital expenditures, holding period, capitalization rates and sales value. An investment property is considered to be impaired when the estimated future undiscounted operating cash flows are less than its carrying value.

Our investments in unconsolidated joint ventures are reviewed for potential impairment, in addition to impairment evaluations of the individual assets underlying these investments, whenever events or changes in circumstances warrant such an evaluation. To determine whether impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until the carrying value is fully recovered.

To the extent an impairment has occurred, the excess of the carrying value of the asset over its estimated fair value is recorded as a provision for impairment.

Cost Capitalization, Depreciation and Amortization Policies

Our policy is to review all expenses paid and capitalize any items which are deemed to be an upgrade or a tenant improvement. These costs are included in the investment properties classification as an addition to buildings and improvements.

79

Table of Contents

Depreciation expense is computed using the straight-line method. Buildings and improvements are depreciated based upon estimated useful lives of 30 years for buildings and associated improvements and 15 years for site improvements and most other capital improvements. Acquired in-place lease value, customer relationship value, other leasing costs and tenant improvements are amortized on a straight-line basis over the life of the related lease as a component of depreciation and amortization expense. The portion of the purchase price allocated to acquired above market lease intangibles and acquired below market lease intangibles are amortized on a straight-line basis over the life of the related lease as an adjustment to net rental income and over the respective renewal period for below market leases with fixed renewal rates.

Loss on Lease Terminations

In situations in which a lease or leases associated with a significant tenant have been or are expected to be terminated early, we evaluate the remaining useful lives of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above and below market lease intangibles, in-place lease intangibles, and leasing commissions). Based upon consideration of the facts and circumstances of the termination, we may write-off or accelerate the depreciation and amortization associated with the applicable asset group. If we conclude that a write-off of the asset group is appropriate, such charges are reported in the consolidated statements of operations and other comprehensive loss as Loss on lease terminations.

Investment Properties Held For Sale

In determining whether to classify an investment property as held for sale, we consider whether: (i) management has committed to a plan to sell the investment property; (ii) the investment property is available for immediate sale in its present condition; (iii) we have initiated a program to locate a buyer; (iv) we believe that the sale of the investment property is probable; (v) we have received a significant non-refundable deposit for the purchase of the investment property; (vi) we are actively marketing the investment property for sale at a price that is reasonable in relation to its current value, and (vii) actions required for us to complete the plan indicate that it is unlikely that any significant changes will be made.

If all of the above criteria are met, we classify the investment property as held for sale. When these criteria are met, we suspend depreciation (including depreciation for tenant improvements and building improvements) and amortization of acquired in-place lease value and customer relationship values. The assets and liabilities associated with those investment properties that are held for sale are classified separately on the consolidated balance sheets for the most recent reporting period. Additionally, the operations for the periods presented are classified on the consolidated statements of operations and other comprehensive loss as discontinued operations for all periods presented.

Partially-Owned Entities

If we determine that we are an owner in a variable interest entity (VIE) and that our variable interest will absorb a majority of the entity s expected losses, receive a majority of the entity s expected residual returns, or both, then we will consolidate the entity. For partially-owned entities determined not to be a VIE, we analyze rights held by each partner to determine which would be the consolidating party. We generally consolidate entities (in the absence of other factors when determining control) when we have over a 50% ownership interest in the entity. However, we also evaluate who controls the entity even in circumstances in which we have greater than a 50% ownership interest. If we do not control the entity due to the lack of decision-making abilities, we will not consolidate the entity.

Marketable Securities

Investments in marketable securities are classified as available for sale and accordingly are carried at fair value, with unrealized gains and losses reported as a separate component of shareholders equity. Declines in the

Table of Contents

value of these investments in marketable securities that management determines are other-than-temporary are recorded as recognized gain (loss) on marketable securities on the consolidated statement of operations and other comprehensive loss.

To determine whether an impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary, amongst other things. Evidence considered in this assessment includes the nature of the investment, the reasons for the impairment (i.e. credit or market related), the severity and duration of the impairment, changes in value subsequent to the end of the reporting period and forecasted performance of the investee. All available information is considered in making this determination with no one factor being determinative.

Allowance for Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from revenue recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates.

Notes receivable are evaluated for impairment. The allowance for uncollectable notes receivable is our best estimate of the amount of credit losses in our existing notes. The allowance is determined upon a review of the applicable facts and circumstances. A note is impaired if it is probable that we will not collect all principal and interest contractually due. The impairment is measured based on the present value of expected future cash flows discounted at a current market rate or on the fair value of the collateral when foreclosure is probable. We do not accrue interest when a note is considered impaired. When ultimate collectability of the principal balance of the impaired note is in doubt, all cash receipts on the impaired note are applied to reduce the principal amount of the note until the principal has been recovered and is recognized as interest income thereafter. These amounts are included in the allowance for doubtful accounts in the consolidated balance sheets.

Derivative and Hedging Activities

We adopted accounting guidance as of January 1, 2009, which amends and expands the disclosure requirements related to derivative instruments and hedging activities with the intent to provide users of financial statements with an enhanced understanding of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and the related hedged items affect an entity s financial position, financial performance and cash flows. The guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

All derivatives are recorded on the consolidated balance sheets at their fair values within Other assets, or Other liabilities. On the date that we enter into a derivative, we may designate the derivative as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be highly effective are recorded in other comprehensive loss, until earnings are affected by the variability of cash flows of the hedged transactions. Any hedge ineffectiveness or changes in the fair value for any derivative not designated as a hedge is reported in net loss. We do not use derivatives for trading or speculative purposes.

Revenue Recognition

We commence revenue recognition on our leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased

Table of Contents

asset. Generally, this occurs on the lease commencement date. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. If we are the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete. If we conclude we are not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset is the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives which reduce revenue recognized over the term of the lease. In these circumstances, we begin revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct their own improvements. We consider a number of different factors to evaluate whether we or the lessee are the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease;
- who constructs or directs the construction of the improvements, and
- whether the tenant or landlord is obligated to fund cost overruns.

The determination of who owns the tenant improvements, for accounting purposes, is subject to significant judgment. In making that determination, we consider all of the above factors. No one factor, however, necessarily establishes its determination.

Rental income is recognized on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease is recorded as deferred rent receivable and is included as a component of Accounts and notes receivable in the consolidated balance sheets.

Reimbursements from tenants for recoverable real estate taxes and operating expenses are accrued as revenue in the period the applicable expenditures are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period.

We record lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and collectability is reasonably assured. Upon early lease termination, we provide for losses related to recognized tenant specific intangibles and other assets or adjust the remaining useful life of the assets if determined to be appropriate.

Our policy for percentage rental income is to defer recognition of contingent rental income (i.e. purchase/excess rent) until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved.

In conjunction with certain acquisitions, we receive payments under master lease agreements pertaining to certain non-revenue producing spaces either at the time of, or subsequent to, the purchase of these properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and generally cover a period from three months to three years. These funds may be released to either us or the seller when certain leasing conditions are met.

Profits from sales of real estate are not recognized under the full accrual method unless a sale is consummated; the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay

82

for the property; our receivable, if applicable, is not subject to future subordination; we have transferred to the buyer the usual risks and rewards of ownership, and we do not have substantial continuing involvement with the property.

Impact of Recently Issued Accounting Pronouncements

In January 2010, the FASB issued guidance which provides additional requirements and clarifies existing disclosures about fair value measurements. The guidance requires entities to provide fair value measurement disclosures for each class of assets and liabilities, opposed to the old guidance which required disclosures by major category of assets and liabilities. The term major category was often interpreted to be a line item on the statement of financial position, whereas the term class represents a subset of assets or liabilities within a line item in the statement of financial position, thus expanding on the level of disaggregation. The guidance also requires an entity to disclose the amounts of significant transfers between Levels 1 and 2, and all significant transfers into and out of Level 3, of the fair value hierarchy. Furthermore, entities are required to disclose the reasons for those transfers, and the entity s policy for determining when transfers between levels are recognized. A description of the valuation techniques and inputs used to determine the fair value of each class of assets or liabilities for Levels 2 and 3 must also be disclosed, including any valuation technique changes and the reason for those changes. This update further amends the reconciliation of the beginning and ending balances of Level 3 recurring fair value measurements, requiring a separate disclosure of total gains and losses recognized in other comprehensive income and disclosing separately purchases, sales, issuances, and settlements, as opposed to net as previously required. The guidance is effective for periods ending after December 15, 2009. The adoption of the guidance did not have a material impact on the consolidated financial statements.

In January 2010, the FASB issued guidance clarifying the accounting for distributions to shareholders with components of stock and cash. Prior to this amendment, it was unclear as to whether the stock portion of a distribution should be accounted for as a new share issuance that is reflected in earnings per share prospectively or as a stock dividend by retroactively restating shares outstanding and earnings per share for all periods presented. The amendment clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or shares with potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance and is reflected in EPS prospectively and is not a stock dividend. The guidance is effective for periods ending after December 15, 2009. The adoption of the guidance did not have a material impact on the consolidated financial statements.

In January 2010, the FASB issued guidance related to decreases in the ownership of a subsidiary. The guidance clarified that any transaction that involves in-substance real estate should be considered under guidance for sales of real estate and is retroactively effective for periods beginning on or after December 15, 2008. Under this guidance, the transfer of 23% interest in IW JV to Inland Equity for $50,000 was accounted for as a financing transaction and is reflected in Co-venture obligation on the consolidated balance sheets.

Subsequent Events

During the period from October 1, 2010 through February 11, 2011, we:

- closed on partial sales of five additional properties to our joint venture with RioCan, consisting of approximately 794,000 square feet, with sales prices totaling $112,781, which resulted in net losses of $1,849, net proceeds of $35,249 and in the joint venture assuming $68,561 of mortgage debt;

- closed on sales of two single-user properties consisting of approximately 154,000 square feet, with sales prices totaling $24,450, which resulted in net gains of $1,906, net proceeds of $2,729 and the repayment of $14,600 of mortgage debt;

- in exchange for debt forgiveness of $31,270, we transferred one of our single-user office properties through a deed in lieu of foreclosure transaction to the property s lender, resulting in a gain on debt extinguishment of $19,841;

- sold 328,000 shares of two different securities for net proceeds of $4,729 (resulting in estimated realized net gains of $3,481), which were used to pay down margin debt;

- paid down $8,895 on the secured line of credit using proceeds from one property acquired by our joint venture with RioCan. On December 17, 2010, we subsequently borrowed an additional $15,000 bringing the total outstanding to $154,347;

- repaid the $50,000 note payable to MS Inland, which was subsequently distributed from MS Inland to us;

- pursuant to the terms of the settlement of the litigation matter, nine million shares of common stock were transferred back to us from shares of common stock issued to the owners of certain entities that were acquired by us in our internalization transaction. In addition, we paid fees and expenses of counsel for class plaintiffs in the amount of $10,000 and were reimbursed by our insurance carrier for $1,994 of that amount;

- extended the rate lock agreement from October 31, 2010 to December 13, 2010 and the loan commitment agreement from October 29, 2010 to December 31, 2010. Subsequent to September 30, 2010, we utilized the remaining $55,500 in loan commitments to refinance debt maturing in 2010 and received a full refund of the remaining commitment and rate lock deposits,

- obtained mortgage and note payable proceeds of $143,673, made mortgage and note payable repayments of $425,963 and received forgiveness of debt of $41,993. The new mortgages and notes payable have interest rates ranging from 2.51% to 11% and maturities from three to five years. The stated interest rates of the loans repaid ranged from 4.58% to 8.00%; and

- amended and restated our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585,000, consisting of a $435,000 revolving line of credit and a $150,000 term loan from a number of financial institutions. We used additional borrowings under the revolving line of credit and term loan to repay $178,591 of mortgage debt (including $10,723 of forgiveness of debt) with a weighted average interest rate of 4.90% per annum that had matured or was maturing in 2011. See Senior Secured Revolving Line of Credit and Secured Term Loan.

Inflation

For our multi-tenant shopping centers, inflation is likely to increase rental income from leases to new tenants and lease renewals, subject to market conditions. Our rental income and operating expenses for those properties owned, or expected to be owned and operated under net leases, are not likely to be directly affected by future inflation, since rents are or will be fixed under those leases and property expenses are the responsibility of the tenants. The capital appreciation of single-user net lease properties is likely to be influenced by interest rate fluctuations. To the extent that inflation determines interest rates, future inflation may have an effect on the capital appreciation of single-user net lease properties. As of September 30, 2010, we owned 111 single-user properties, of which 98 are net lease properties.

Quantitative and Qualitative Disclosures About Market Risk

We may be exposed to interest rate changes primarily as a result of long-term debt used to maintain liquidity and fund capital expenditures and expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates or variable rates with the lowest margins available and in some cases, with the ability to convert variable rates to fixed rates.

On January 8, 2010, we entered into a $300,000 forward loan commitment with JP Morgan Chase, subject to customary lender due diligence, to be used to refinance 2010 debt maturities. In conjunction with this commitment, we also entered into a rate lock agreement to lock the interest rate at 6.39%. We made deposits of $8,500 related to both of these agreements. Subsequent to entering into these agreements, we made additional

84

rate lock deposits of $4,067. The loan commitment agreement originally expired on March 31, 2010, but was extended to December 31, 2010. The rate lock agreement originally expired on February 10, 2010, but was extended to December 13, 2010. As of September 30, 2010, we had used $244,500 of the total commitment proceeds and received refunds of commitment and rate lock deposits of $9,885. The carrying value of the commitment and rate lock deposits outstanding as of September 30, 2010 was $2,682. Subsequent to September 30, 2010, we utilized the remaining $55,500 in loan commitments to refinance debt maturing in 2010 and received a full refund of the remaining commitment and rate lock deposits.

With regard to variable-rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We may use additional derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, we generally are not exposed to the credit risk of the counterparty. It is our policy to enter into these transactions with the same party providing the financing, with the right of offset. Alternatively, we will minimize the credit risk in derivative instruments by entering into transactions with high quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The carrying amount of our mortgages payable, notes payable, line of credit and co-venture obligation is approximately $8,098 lower than its fair value as of September 30, 2010.

Our interest rate risk is monitored using a variety of techniques. The table below presents, as of September 30, 2010, the mortgages payable, notes payable, margin payable and line of credit maturities and weighted average interest rates by year to evaluate the expected cash flows and sensitivity to interest rate changes.

	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value
Maturing debt[1]:								
Fixed rate debt:								
Mortgages payable[2]	$ 243,846	$ 559,663	$ 420,146	$ 313,544	$ 213,232	$ 1,702,790	$ 3,453,221	$ 3,463,422
Notes payable	50,000					125,000	175,000	184,378
Total fixed rate debt	$ 293,846	$ 559,663	$ 420,146	$ 313,544	$ 213,232	$ 1,827,790	$ 3,628,221	$ 3,647,800
Variable rate debt:								
Mortgages payable	30	15,822	87,956				103,808	103,808
Line of credit		148,242					148,242	148,242
Margin payable	18,154						18,154	18,154
Total variable rate debt	$ 18,184	$ 164,064	$ 87,956	$	$	$	$ 270,204	$ 270,204
Total maturing debt	$ 312,030	$ 723,727	$ 508,102	$ 313,544	$ 213,232	$ 1,827,790	$ 3,898,425	$ 3,918,004
Weighted average interest rate on debt:								
Fixed rate debt	7.07%	5.01%	5.45%	5.13%	7.24%	6.93%		
Variable rate debt	0.62%	5.43%	3.99%					
Total	6.69%	5.10%	5.19%	5.13%	7.24%	6.93%		

(1) The debt maturity table does not include liabilities associated with the investment properties held for sale or any premiums or discounts of which $18,138 and $(2,629), net of accumulated amortization, respectively, is outstanding as of September 30, 2010.
(2) Includes $81,404 of variable rate debt that was effectively swapped to a fixed rate.

The maturity table excludes other financings and co-venture obligations (see Note 1 to the unaudited consolidated financial statements included as part of this prospectus). The maturity table also excludes accelerated principal payments that may be required as a result of covenants or conditions included in certain loan agreements. In these cases, the total outstanding mortgage payable is included in the year corresponding to the loan maturity date. The maturity table includes $125,756 of mortgages payable that had matured as of September 30, 2010 in the 2010 column.

We had $270,204 of variable-rate debt with a weighted average interest rate of 4.64% at September 30, 2010. An increase in the variable interest rate on this debt constitutes a market risk. If interest rates increase by 1%, based on debt outstanding as of September 30, 2010, interest expense would increase by approximately $2,702 on an annualized basis.

The table incorporates only those interest rate exposures that existed as of September 30, 2010. It does not consider those interest rate exposures or positions that could arise after that date. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the interest rate exposures that arise during the period, our hedging strategies at that time and future changes in the level of interest rates.

Equity Price Risk

We are exposed to equity price risk as a result of our investments in marketable securities. Equity price risk changes as the volatility of equity prices changes or the values of corresponding equity indices change.

Other-than-temporary impairments were none and $24,831 for the nine months ended September 30, 2010 and 2009, respectively and were $24,831, $160,327 and $20,021 for the years ended December 31, 2009, 2008 and 2007, respectively. These impairments resulted from declines in the fair value of our REIT stock investments that we considered to be other-than-temporary. At this point in time, certain of our investments continue to generate dividend income while other investments of ours have ceased generating dividend income or are doing so at reduced rates. As the equity market recovers, we have been able to sell some marketable securities at prices in excess of our current book values. However, if our stock positions do not continue to recover in 2011, we could take additional other-than-temporary impairments, which could be material to our operations.

As of September 30, 2010, our investment in marketable securities totaled $33.3 million, which included $19.9 million of accumulated unrealized gain. In the event that the value of our marketable securities declined by 50%, our investment would be reduced to $16.6 million and, if we then sold all of our marketable securities at this value, we would recognize a gain on marketable securities of $3.3 million. For the nine months ended September 30, 2010, our cash flows from operating activities included $3.0 million that we received as distributions on our marketable securities. We could lose some or all of these cash flows if these distributions were reduced or eliminated in the future. Because all of our marketable securities are equity securities, the issuers of these securities could determine to reduce or eliminate these distributions at any time in their discretion.

Table of Contents

INDUSTRY OVERVIEW

Unless otherwise indicated, all information contained in this Industry Overview section is derived from a market study prepared for us by Rosen as of February 11, 2011 and the projections and beliefs of Rosen stated herein are as of that date.

As employment and income growth accelerate, Rosen expects consumer confidence to increase accordingly, driving stronger retail sales growth of 2.3% and 3.8% in 2011 and 2012, respectively. Rosen believes that the recession caused a lasting shift in consumer behavior, providing a boost to value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing. Therefore, Rosen expects sales at these grocers and retailers to remain strong going forward.

Economic Outlook

Since bottoming in December 2009, the economy has added more than 1.3 million jobs in the private sector. According to a January 2011 survey by the National Association for Business Economics, 42% of companies planned to increase their workforce during the first half of 2011, an increase from the January 2010 survey, when 29% of firms planned to increase their workforce during the first half of 2010. Also, the percentage of companies that planned to decrease their number of workers during the first half of the year declined to 7% as of the January 2011 survey, from 23% as of the January 2010 survey. The survey results reflect businesses higher confidence in the economic recovery. Rosen expects the rate of job creation to accelerate to 1.3% in 2011 and 2012, followed by 0.9% and 1.5% growth in 2013 and 2014, respectively. In total, Rosen expects 6.65 million new jobs to be created between 2011 and 2014, bringing employment back to mid-2008 levels. The unemployment rate is forecasted to decline from 9.6% in 2010 to 7.0% in 2014.

Economic growth, measured by gross domestic product, or GDP, was steady through the first three quarters of 2010, driven by improvement in consumer spending as well as an increase in private investment. Adjusted for inflation and seasonal factors, GDP for the third quarter of 2010 increased by 0.63% over the second quarter and by 3.25% compared to the same quarter in the prior year. The increased contribution from the private sector in driving economic growth was a positive sign regarding the progress of the recovery. Looking forward, Rosen believes that the pace of the economic recovery that began in 2010 will accelerate in 2011. Rosen expects GDP growth to improve, accelerating from an estimated annual growth rate of 2.2% in 2010 to 2.8% and 3.0% in 2011 and 2012, respectively. The forecast calls for GDP growth to decelerate to 1.5% in 2013, as inflationary pressures and higher interest rates result in a national economic slowdown. Thereafter, Rosen expects GDP growth to increase to 2.0% in 2014.

Table of Contents

Consumer and Retail Sales Outlook

Consumer confidence levels have increased from recessionary lows, although uncertainty regarding the sustainability of the economic recovery prevented the indices from improving more significantly in 2010. Consumers at year-end 2010 were much more positive regarding future economic conditions than about their current situations, as evidenced by the consumer confidence index measured by The Conference Board. The index is divided into two components: (i) the present situation component, which measures consumers assessment of the present situation, and (ii) the expectations component, which measures consumer sentiment regarding the next six months. Both components have risen from their recessionary lows, but the expectations component has increased more dramatically, standing at 71.9 in December 2010, compared to its recent low of 27.3 in February 2009. Both components should increase as the pace of job creation accelerates in 2011, resulting in higher consumer spending. Rosen expects the consumer confidence index, which represents the sum of two-fifths of the present situation component and three-fifths of the expectations component, to rebound to 80.0 in 2011 and 90.0 in 2012. Rosen believes that the index will decline to 80.0 in 2013 as the economy slows, before rising to 95.0 in 2014, on par with 2004 levels.

Following five consecutive year-over-year decreases, aggregate personal income increased at an annual rate of 0.66% in the second quarter of 2010, accelerating to 2.10% growth in the third quarter. Real per capita disposable income growth, a key metric for the retail industry, was 1.93% year-over-year in the third quarter, after a more modest 0.44% increase in 2009. These positive income trends are expected to result in increased consumer spending, particularly as consumer confidence increases. Rosen expects stronger income growth to increase consumers spending capacity, driving retail sales growth. The forecast calls for real per capita disposable income growth to average 2.7% annually between 2011 and 2014, compared with an estimated 1.1% average annual increase between 2007 and 2010. With credit standards tighter and home equity lines of credit no longer a viable option for many households, stronger income growth will be a key factor in supporting retail sales growth going forward.

Table of Contents

Retail sales continued to recover in 2010, increasing at an average annual rate of 6.6% each month. According to the U.S. Census Bureau s Monthly Retail Trade Survey, total retail sales excluding motor vehicles and parts dealers neared a seasonally adjusted total of $312.8 billion in December 2010, surpassing the previous peak total of $312.7 billion in July 2008. According to the ICSC Chain Store Sales Trends report, holiday sales at stores open at least one year increased by 3.8%, the fastest rate since 2006. As consumer demand strengthens, Rosen expects a corresponding increase in sales compared with recent years. Although sales growth is unlikely to return to peak rates, Rosen believes that annual retail sales growth (including online sales made by brick and mortar retailers) will average 2.8% during the next four years, bringing total fourth-quarter sales to more than $1 trillion in 2014, an increase of nearly $70 billion from the fourth quarter of 2010. Rosen expects sales at value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing, which maintained positive sales growth or posted only small declines during the recession, to continue to post strong sales growth going forward.

Table of Contents

Retail Real Estate Market

As consumer demand rebounded in 2010, the outlook for the retail market improved. Following a substantial number of retailer bankruptcies and closures during the recession, store closing announcements slowed sharply in 2009 and 2010 as consumer demand started to stabilize. According to the International Council of Shopping Centers (ICSC), store closing announcements by major retailers slowed in 2009, to 4,811 announced closures, after more than 6,900 closures were announced in 2008. Although nearly as many store closings were announced during the first half of 2010 as during all of 2009, the pace slowed sharply during the third quarter, when just 350 closings were announced. Because of the strong holiday shopping season, typically the make-or-break period for troubled retailers, as well as effective cost-cutting and inventory management, few retailers have announced closures or bankruptcies as of early 2011. Rosen believes that the bulk of closures have already occurred. According to a recent survey by the National Retail Federation, 41% of retailers intend to expand domestically this year, compared with 25% one year ago.

Table of Contents

Construction Activity and Outlook

Retail construction activity, as measured by the value of construction put-in-place, remained very low through the first three quarters of 2010 because of the high vacancy rate and a lack of available construction financing. In the third quarter of 2010, the value of put-in-place construction totaled a seasonally adjusted annual rate of $18.2 billion, compared with fourth-quarter averages of $43.7 billion between 2002 and 2008. As demand rebounds, tenant competition for existing space will increase because of the small amount of new space becoming available. Rosen forecasts the value of inflation-adjusted, put-in-place construction to fall from $18.0 billion in 2010 to $16.5 billion in 2011, approximately 65% less than the recent peak of $46.8 billion in 2007. Thereafter, construction activity should increase to $19.5 billion, $23.0 billion and $30.0 billion in 2012, 2013 and 2014, respectively, still significantly less than in recent years. The limited amount of new space should help the market tighten, supporting stronger rent growth as tenants compete for a diminishing amount of existing space.

Rent and Vacancy Rate Trends and Outlook

Market fundamentals weakened since 2006 because of the many store closings, bankruptcies and liquidations, coupled with a large amount of new space completed during that period. The retail vacancy rate increased to 8.7% in 2009, up from a cyclical low of 6.9% in 2006, and rents either increased at a slower pace or declined for neighborhood and community centers, power centers and regional malls. Neighborhood and community centers were the healthiest throughout the downturn because of the relative stability of typical tenants at these types of centers, including drug stores and grocery stores. Demand remained stronger for the non-discretionary goods typically sold at these centers, enabling landlords to continue to increase rents throughout the downturn and recovery period, including 0.6% annual growth in the third quarter of 2010. Power centers were the most adversely affected due to closures by large national tenants including Circuit City and Linens n Things. While rents dropped 0.7% year-over-year in the third quarter of 2010, leasing activity for this type of space began to increase. Strong national tenants that typically occupy big-box space are leasing well-located buildings in power centers and should continue to drive absorption of this property type.

As job growth and higher confidence levels boost consumer demand, Rosen expects retail market conditions to improve beginning in 2011. Rosen forecasts the national retail vacancy rate to fall slowly from 8.8% in 2011 to 8.0% in 2014. As vacant space is absorbed, landlords should be able to increase rents at an accelerating pace. Rosen expects rent growth of 1.7% for neighborhood and community centers and 1.5% for power centers in 2011, accelerating for both property types to more than 2.0% by 2012, and to the 3% range by 2014, on par with annual growth rates at the peak of the most recent cycle in 2006 and 2007.

Table of Contents

OUR BUSINESS AND PROPERTIES

Overview

We are one of the largest owners and operators of shopping centers in the United States. As of September 30, 2010, our retail operating portfolio consisted of 272 properties with 36.7 million square feet of GLA. Our retail operating portfolio is geographically diversified across 37 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties are recently constructed, with a weighted average age, based on annualized base rent, of only approximately 9.4 years since the initial construction or most recent major renovation. As of September 30, 2010, our retail operating portfolio was 87.8% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of September 30, 2010, we also held interests in 19 other operating properties, including 13 office properties and six industrial properties, 14 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development.

Our shopping centers are primarily anchored or shadow anchored by strong national and regional grocers, discount retailers and other retailers that provide basic household goods or clothing, including Target, TJX Companies, PetSmart, Best Buy, Bed Bath and Beyond, Home Depot, Kohl s, Wal-Mart, Publix and Lowe s. As of September 30, 2010, over 90% of our shopping centers, based on GLA, were anchored or shadow anchored by a grocer, discount department store, a wholesale club or retailers that sell basic household goods or clothing. Overall, we have a broad and highly diversified retail tenant base that includes over 1,600 tenants with no one tenant representing more than 3.1% of the total annualized base rent generated from our retail operating properties, or our retail annualized base rent.

We are a client-focused organization, maintaining very active relationships with our key tenants. We have 20 property management offices strategically located across the country and over 180 employees primarily dedicated to our leasing, asset management and property management activities. Our senior management team applies a hands-on approach to leasing our portfolio and is supported by over 80 property managers and senior leasing agents who have an average of 15 years of experience in the industry. We believe that the size and scale of our property management and leasing organization, the breadth of our tenant relationships and the scale of our retail portfolio provides us with a competitive advantage in dealing with national and large regional grocers and retailers. Through the efforts of our leasing team during 2009 and the first nine months of 2010, we have renewed over 68% of our expiring leases based on GLA at aggregate base rental rates that reflected minimal decreases from the base rental rates of the expiring leases and have signed 328 new leases for 2.7 million square feet of GLA, representing 7.3% of the total GLA in our retail operating portfolio.

Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of shopping centers through the following competitive strengths:

Large, Diversified, High Quality Retail Portfolio

We own a national portfolio of high quality retail properties that is well diversified both geographically and by property type. We have retail operating properties in 37 states with no one metropolitan statistical area, or MSA, accounting for more than 5.2% of our retail annualized base rent, other than the Dallas-Fort Worth-Arlington area, which accounts for 14.7% of our retail annualized base rent. Our retail operating portfolio is also well diversified by type, including 67 power centers with 16.7 million square feet of GLA, 62 community centers with 9.4 million square feet of GLA, 44 neighborhood centers with 3.3 million square feet of GLA and seven lifestyle shopping centers with 3.3 million square feet of GLA, as well as 92 single-user retail properties with 4.0 million square feet of GLA. We believe the size and scale of our retail portfolio gives us an advantage in working with national and large

Table of Contents

regional grocers and retailers, as we offer many potential locations to choose from within a selected area and can address multiple needs for space in different geographic areas for tenants with multiple locations. The scale of our portfolio and our tenant relationships have resulted in 32 of our tenants each leasing space at more than 15 locations in our retail operating portfolio, representing a total of 10.1 million square feet of GLA. The following charts show the diversity of our retail operating portfolio by region and by type of property based on GLA:

Our shopping centers are well located within strong retail districts in densely populated areas. They have high quality anchors and shadow anchors that consistently drive traffic to our centers and make them more attractive to other potential tenants. Consistent with our entire retail operating portfolio, our shopping centers are also generally recently constructed, which makes them more appealing to shoppers and potential tenants and reduces redevelopment and renovation costs.

As of September 30, 2010, 68.5% of our shopping centers, based on annualized base rent, were located in the 50 largest MSAs. Using data from The Nielsen Company, we conducted our own analysis to find that these shopping centers are positioned in highly attractive markets with favorable demographics, including a weighted average population of 90,338, expected population growth of 8.0% per year and household income of approximately $87,107 within a three-mile radius. We believe that growing populations and relatively high household incomes in our markets will increase demand for goods and services sold by our tenants. In addition, as of September 30, 2010, these shopping centers were 87.3% leased with average annualized base rent of $14.79 per leased square foot.

We believe our shopping centers located in markets outside of the 50 largest MSAs are among the most attractive shopping centers in each of the markets in which they are located based on location, age and overall quality. As of September 30, 2010, approximately 89.1% of these shopping centers, based on annualized base rent, are anchored or shadow anchored by either Best Buy (15 locations), Target (11 locations), Home Depot (ten locations), Kohl s (eight locations), Wal-Mart (seven locations), Lowe s (five locations), or a national or regional grocer, such as Publix (six locations), Stop & Shop (three locations), Kroger (three locations) and Giant Foods (two locations). As of September 30, 2010, these shopping centers were 91.1% leased with average annualized base rent of $12.23 per leased square foot.

Diversified Base of Value-Oriented Retail Tenants

Our retail portfolio has a broad and highly diversified tenant base that primarily consists of grocers, drug stores, discount retailers and other retailers that provide basic household goods or services. As of September 30, 2010, our total retail tenant base included more than 1,600 tenants with over 3,300 leases at our retail properties, and our largest shopping center tenants include Best Buy, TJX Companies, Stop & Shop, Bed Bath & Beyond, Home Depot, PetSmart, Ross Dress for Less, Kohl s, Wal-Mart and Publix. As of September 30, 2010, no single retail tenant represented more than 3.1% of our retail annualized base rent, and our top 20 retail tenants, with 408 locations across our portfolio, represented an aggregate of 35.5% of our retail annualized base rent. Additionally, the financial strength of our tenants enhances the quality of our retail portfolio, as seven of our top ten retail tenants have investment grade credit ratings. We believe that maintaining a diversified tenant base with a value-oriented focus limits the impact of economic cycles and our exposure to any single tenant.

Table of Contents

The following table sets forth information regarding the 20 largest tenants in our retail operating portfolio, based on annualized base rent, as of September 30, 2010. Dollars (other than per square foot information) and square feet of GLA are presented in thousands.

Tenant	Credit Ratings[(1)]	Number of Stores	Total GLA	Percent of Leased GLA[(2)]	ABR	Percent of ABR[(3)]	ABR Per Leased Sq. Ft.[(4)]	Type of Business
Best Buy	BBB-/Baa2	26	1,022	3.2%	$ 13,879	3.1%	$ 13.58	Electronics
Rite Aid Store	B-/Caa2	34	421	1.3%	10,320	2.3%	24.51	Drug Store
The TJX Companies, Inc.[(5)]	A/A3	37	1,120	3.5%	10,092	2.3%	9.01	Discount Clothing
Stop & Shop	BBB/Baa3	10	479	1.5%	9,967	2.3%	20.81	Grocery
Ross Dress for Less	BBB/-	32	955	3.0%	9,156	2.1%	9.59	Discount Clothing
Bed Bath & Beyond, Inc.[(6)]	BBB/-	26	710	2.2%	9,109	2.1%	12.83	Home Goods
Home Depot	BBB+/Baa1	9	1,097	3.5%	9,102	2.1%	8.30	Home Improvement
PetSmart[(7)]	BB/-	32	684	2.2%	9,068	2.1%	13.26	Pet Supplies
The Sports Authority		17	724	2.3%	8,423	1.9%	11.63	Sporting Goods
Kohl s	BBB+/Baa1	15	1,178	3.7%	7,955	1.8%	6.75	Discount Department Store
Wal-Mart Stores, Inc.[(8)]	AA/Aa2	7	1,250	3.9%	7,718	1.7%	6.17	Discount Department Store
Publix		16	635	2.0%	6,723	1.5%	10.59	Grocery
Edwards		2	219	0.7%	6,558	1.5%	29.95	Theatre
The Kroger Co.[(9)]	BBB/Baa2	16	678	2.1%	6,114	1.4%	9.02	Grocery
Office Depot	B/B2	22	457	1.4%	6,102	1.4%	13.35	Office Supplies
Pier 1 Imports		36	370	1.2%	5,866	1.3%	15.85	Home Goods
Michaels	B-/B3	23	530	1.7%	5,637	1.3%	10.64	Arts & Crafts
Dick s Sporting Goods		9	465	1.5%	5,436	1.2%	11.69	Sporting Goods
CVS	BBB+/Baa2	15	185	0.6%	4,756	1.1%	25.71	Drug Store
Gap Inc.[(10)]	BB+/-	24	383	1.2%	4,639	1.1%	12.11	Clothing
Total		**408**	**13,562**	**42.7%**	**$ 156,620**	**35.5%**	**$ 11.55**	

(1) The credit ratings are for the operating companies and not necessarily the entities with which we have entered into lease agreements.
(2) Represents GLA as a percentage of leased GLA, excluding temporary leases, in our retail operating portfolio.
(3) Represents the percentage of our retail annualized base rent as of September 30, 2010.
(4) Represents annualized base rent divided by leased GLA.
(5) Includes TJ Maxx (17 locations), Marshalls (16 locations), HomeGoods (three locations) and A.J. Wright (one location).
(6) Includes Bed Bath & Beyond (25 locations) and the Christmas Tree Shops (one location).
(7) We also lease a one million square foot distribution center to PetSmart with annualized base rent of $3.4 million.
(8) Includes Wal-Mart (six locations) and Sam s Club (one location).
(9) Includes Kroger (11 locations), Tom Thumb (two locations), Food 4 Less (one location), King Soopers Grocery Store (one location) and King Soopers Fuel Site (one location).
(10) Includes Old Navy (17 locations), The Gap (four locations) and Banana Republic (three locations).

We generally have long-term leases with our tenants. As of September 30, 2010, the weighted average lease term of our existing retail leases, based on annualized base rent, was 6.2 years, with leases constituting less than 27% of our retail annualized base rent expiring before 2014. We believe the limited near-term expirations of our existing retail leases will allow us to more aggressively pursue leasing of space that is currently vacant and provide for more stable cash flows from operations.

Demonstrated Leasing and Property Management Platform

We believe that our national leasing platform overseen by our focused executive team dedicated to leasing provides us with a distinct competitive advantage. Our executive team applies a hands-on approach and capitalizes upon a network of relationships to aggressively lease-up vacant space, maintain high tenant retention rates and creatively address the needs of our retail properties. In addition, our leasing department and asset managers maintain an active dialogue with local, regional and national retailers, as well as the retail brokerage community. We believe our national footprint provides greater access to national and large regional grocers and retailers than our smaller competitors.

Over the last 24 months, we have demonstrated our leasing capabilities through our success in addressing vacant space in our portfolio created by three large tenant bankruptcies in 2008. Due to the bankruptcy of Mervyns, our largest tenant at the time, in July 2008, Linens n Things in May 2008 and Circuit City in November 2008, approximately 3.2 million square feet of GLA became available in our retail operating portfolio. Primarily as a result of these vacancies, the percentage of our retail operating portfolio that was leased decreased from 96.8% as of December 31, 2007. In the case of each of these bankruptcy filings, we immediately began assessing which spaces were likely to be vacated as a result of the bankruptcy evaluating the expansion needs of our existing tenants in order to be prepared to lease space in locations that we expected Mervyns, Circuit City and Linens n Things to vacate. As a result, as of January 27, 2011, we have been able to lease approximately 1.8 million square feet of this vacant space, primarily to existing tenants, including four locations to Kohl s aggregating 294,000 square feet, four locations to Burlington Coat Factory aggregating 309,000 square feet, five locations to TJX Companies aggregating 145,000 square feet, four locations to Best Buy aggregating 144,000 square feet, four locations to HH Gregg aggregating 128,000 square feet and four locations to BigLots aggregating 112,000 square feet. We also sold two former Mervyns locations aggregating approximately 154,000 square feet to institutional buyers after re-leasing the space or obtaining a letter of intent from a national retailer for an aggregate combined sale price of approximately $24.5 million, or an average of $158 per square foot. In addition, as of January 27, 2011, we currently have under letter of intent or are in active negotiations for 39.0% of the remaining 1.2 million square feet of this GLA. In total, we have leased, sold or are in negotiations for 2.4 million square feet, or 73.6%, of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies.

As a large, national owner of retail properties, we believe that we offer national and large regional grocers and retailers a greater level of service and credibility with respect to property management than our smaller competitors. We believe that tenants value our commitment to consistently maintain the high standards of our retail properties through our in-house handling of property management and day-to-day operational functions, which has translated into tenant retention rates in excess of 68%, based on expiring GLA, during 2009 and the first nine months of 2010. In this very challenging leasing environment, we renewed over 640 leases for a total of 2.6 million square feet of GLA at aggregate base rental rates that reflected minimal decreases from the base rental rates of the expiring leases.

Capital Structure Positioned for Growth

Upon completion of this offering, our aggregate indebtedness will consist primarily of fixed rate debt, which will have staggered maturities and a weighted average maturity of approximately years based on balances as of September 30, 2010, as adjusted for our recently amended and restated credit agreement and the completion of this offering and the application of proceeds from both. We will have less than $ million of debt maturing in any one year and a weighted average interest rate of % per annum. We also will have a conservative leverage structure, with a ratio of total net debt as of September 30, 2010, as adjusted, to Adjusted EBITDA for the 12 months ended September 30, 2010 of .

The majority of our indebtedness is property specific, non-recourse, mortgage debt. The recent amendment and restatement of our credit agreement for our existing line of credit provides for a senior secured credit facility in the aggregate amount of $585.0 million, consisting of a $435.0 million revolving line of credit and a $150.0 million term loan from a number of financial institutions, including affiliates of certain of the underwriters of this offering. Upon completion of this offering, our senior secured revolving line of credit will be undrawn and have approximately two years remaining until the initial maturity, with a one-year extension option subject to certain conditions. As a result, we will be able to utilize this line of credit to fund tenant improvements, acquisitions, development activities, general corporate matters and working capital. Overall, we believe our capital structure will provide us with significant financial flexibility to fund future growth.

Experienced Management Team with a Proven Track Record

Our senior management team has on average over 23 years of real estate industry experience through several real estate, credit and retail cycles. They have worked together for the past five years and have proven themselves by successfully managing our large, geographically diverse portfolio through the severe economic recession that began in December 2007. During 2009 and 2010, without accessing the public equity markets, we refinanced or repaid $2.2 billion of indebtedness, nearly 50% of our total indebtedness at the beginning of 2009, in severely constrained credit markets and in the process reduced our total indebtedness by over $675 million. Our senior management team also has significant transactional experience, having acquired, disposed of, contributed to joint ventures and developed billions of dollars of real estate throughout their careers. We believe that our senior management team s property management, leasing and operating expertise, combined with their acquisition and financing experience, provide us with a distinct competitive advantage.

Business and Growth Strategies

Our primary objective is to provide attractive risk-adjusted returns for our shareholders by increasing our cash flow from operations and realizing long-term growth strategies. The strategies we intend to execute to achieve this objective include:

Maximize Cash Flow Through Internal Growth

We believe that we will be able to generate cash flow growth through the leasing of vacant space in our retail operating portfolio. As of September 30, 2010, our retail operating portfolio was 87.8% leased including leases signed but not commenced, and had 4.5 million square feet of available space, including a significant amount of space that was previously occupied by big box anchor and junior anchor tenants and is located at properties that do not have one of our top 20 tenants. As of September 30, 2010, we had approximately 441,000 square feet of GLA of signed leases that had not commenced, representing a total of approximately $5.3 million of annualized base rent that will increase our future cash flows. We believe the leasing of this vacant space provides a significant growth opportunity for our shareholders.

A major component of our leasing strategy is to pursue leasing opportunities with our existing tenants. We cultivate our existing tenant relationships through regular portfolio reviews, store concept updates, streamlining site selection and meeting critical retailer shopping event needs. For example, we meet with senior executives at each of our top 25 tenants on an annual or more frequent basis in order to perform portfolio reviews. During these reviews, we are able to actively review the growth plans of these tenants, which enables us to more strategically manage the leasing and repositioning of our retail portfolio as a whole. We utilize these reviews and our relationships with our existing tenants to generate leasing opportunities as these tenants seek to expand or relocate. For example, several of our national retail tenants have announced expansion plans (net of store closings) over the next few years, as outlined in the table below.

Tenant	Rank(1)	Number of Locations(2)	Announced U.S. Expansion Plans
Best Buy	1	26	50-55 new stores in fiscal 2011(3)
The TJX Companies	3	37	70 new stores in fiscal 2011
Ross Dress for Less	5	32	60-70 new stores in 2011
Bed Bath & Beyond, Inc.	6	26	40 new stores in 2011
Home Depot	7	9	10 new stores in 2011
PetSmart	8	32	3-4% square foot growth in 2011
Kohl s	10	15	40 new stores in 2011
Wal-Mart Stores, Inc.	11	7	162 new stores in 2011
			192-217 new stores in 2012
Dick s Sporting Goods	18	9	34 new stores in 2011

(1) Rank in our retail portfolio based on retail annualized base rent as of September 30, 2010.
(2) Represents number of stores in our retail portfolio.
(3) Best Buy announced that a majority of these new stores are expected to be domestic.

In addition, the leases we sign are often structured with contractual rent increases. As of September 30, 2010, 42.5% of the leases in our retail operating portfolio, based on annualized base rent, contained contractual rent increases. The average annualized fixed percentage increase in contractual base rent for these leases, based on the difference between the base rent as of September 30, 2010 and the base rent at the time of expiration, was 3.2%.

Asset Preservation and Appreciation through Creative Transactions

We actively manage our portfolio focusing primarily on leasing opportunities, while also taking into account redevelopment, expansion and remerchandising opportunities. In pursuing these opportunities, we focus on increasing operating income and cash flows, active risk mitigation and tenant retention. Additional value enhancing strategies include cost reductions, long-term capital planning and asset sustainability initiatives. Examples of past projects where we executed these strategies include:

Azalea Square: Azalea Square is a 272,000 square foot power center located in Summerville, South Carolina. The major tenants in this shopping center include Dick s Sporting Goods, Ross Dress for Less, Best Buy, PetSmart and TJ Maxx. In addition, Target and Kohl s are shadow anchors at the center. At September 30, 2008, the shopping center had an occupancy rate of 100% with Linens n Things leasing 25,400 square feet for $10.75 per square foot. In December 2008, the Linens n Things lease was terminated in connection with its bankruptcy. In response, in June 2009, we divided the former Linens n Things space and leased 10,350 square feet to Ulta Cosmetics for ten years at a starting rent of $17.00 per square foot and 12,400 square feet to Party City for ten years at a starting rent of $10.40 per square foot, which resulted in an 11.7% increase in annualized base rent for the space. Following the re-leasing of the Linens n Things space, the center is again fully occupied.

Tollgate Marketplace: Tollgate Marketplace is a 393,000 square foot power center located in Bel Air, Maryland. The major tenants in this shopping center include Staples, JoAnn Fabrics, Michaels, Toys R Us and TJ Maxx. At December 31, 2008, the shopping center had an occupancy rate of 99.6% with Circuit City leasing 33,800 square feet and Giant Foods leasing 40,400 square feet. In March 2009, Circuit City s lease was terminated due to its bankruptcy, at which time Circuit City was paying rent of $12.70 per square foot. In addition, in March 2010, Giant Foods lease expired and was not renewed. Giant Foods was paying rent of $4.36 per square foot at the time its lease expired. In December 2009, we leased the former Circuit City space to HH Gregg, which was a new relationship at the time, for a term of ten years with starting rent of $10.50 per square foot. Since the signing of this lease, we have completed three additional leases with HH Gregg, all in spaces formerly occupied by Circuit City or Linens n Things. In addition, in early 2009, as a result of our local presence, we became aware that a Wal-Mart Supercenter would be moving into the market, and therefore began marketing the center to our non-grocery retail partners. As a result of this marketing effort, in December 2010, Ashley Furniture, an existing tenant that was leasing space at three of our other properties, signed a ten-year lease for the former Giant Foods space that will commence during the third quarter of 2011 with a starting rent of $9.00 per square foot. Once this new lease commences, the center will again be 99.6% occupied and the annualized base rent from the space vacated by Circuit City and Giant Foods will have increased by 17.3%.

Recycle Capital Through Disposition of Non-Core Assets

We plan to pursue opportunistic dispositions of the non-retail properties and free-standing, triple net retail properties in our operating portfolio in order redeploy capital to continue to build our interest in well located, high quality shopping centers. In addition to our retail operating portfolio, as of September 30, 2010, we held interests in 19 other operating properties, including 13 office properties and six industrial properties, which had a total of 7.1 million square feet of GLA and represent 10.5% of our total operating portfolio based on annualized base rent. We believe that the disposition of these non-retail properties, along with select triple net retail properties, will serve as a source of capital for the growth of our retail portfolio.

Table of Contents

As we have in the past, we intend to take advantage of opportunities that may arise to sell assets in our portfolio. From the end of 2007 through September 30, 2010, we sold 17 properties for an aggregate sales price of $689.0 million, including $420.4 million of debt that was assumed or repaid. During this time, we reduced the GLA of our non-retail properties and single-user retail properties by 23.9%. We plan to continue to pursue strategic dispositions to continue to focus our portfolio on well located, high quality shopping centers. An example of a past disposition where we executed on this strategy is as follows:

American Express. We acquired eight office buildings occupied by American Express in a sale/leaseback transaction in December 2004 at a 6.5% capitalization rate, with the intention of adding another investment grade tenant to the portfolio. As our overall strategy and portfolio began to take shape, we decided to opportunistically market the assets for sale in June 2007 in order to replace these non-core office buildings with multi-tenant retail properties. Ultimately, in 2007, we sold four of these buildings for an aggregate sales price of $270.8 million, including the assumption of $150.5 million of debt, which equated to a 6.1% capitalization rate or a $19.6 million gain on sale.

Pursue Acquisitions of High Quality Retail Properties

We intend to pursue disciplined and targeted acquisitions of retail properties that meet our retail property and market selection criteria and will further our strategy of focusing on well located, high quality shopping centers. Utilizing our senior management team s expertise, we intend to opportunistically acquire retail properties based on identified market and property characteristics, including: property classification, anchor tenant type, lease terms, geographic markets and demographics. We believe that the high level of diversification of our tenant base limits our exposure to any single tenant and allows us to take advantage of growth opportunities through the expansion of our existing relationships without significantly increasing our exposure to any single tenant. We believe that over the next several years the continued impact of the recent disruption in the real estate market will create opportunities to acquire retail properties that meet our investment criteria from owners facing operational and financial stress. Based on our operational expertise and capital resources, we believe that we are well positioned to take advantage of opportunities to acquire retail properties. We plan to pursue acquisitions directly and through joint ventures. We have proven our ability to acquire retail properties creatively, for example:

Southlake Town Square, Southlake, Texas: We acquired this 841,000 square foot shopping center in the northwest suburbs of Dallas in phases over a four year period, in off market transactions. We consider this shopping center to be one of the premier lifestyle centers in the United States. This shopping center features restaurants, offices, a first run movie theater, a Southlake Hilton Hotel, townhomes, city/county town hall and library, post office and a wide variety of first class retailers such as Brooks Brothers, Banana Republic and Williams Sonoma.

We acquired the initial three phases, totaling 472,000 square feet of GLA, in 2004, for an initial investment of approximately $143 million. As part of the transaction, and to ensure we maintained control of this premier expanding asset, we approached the developer as a lender and agreed to fund up to $93 million of construction loans to be used to construct the fourth phase consisting of an additional 311,000 square feet of retail space. The loans were secured and provided us, as lender, with approval rights over construction and leasing, among other things, as well as immediate cash flow. This phase was completed in early 2007, and was purchased by us for approximately $89 million in May 2007, including $80 million that we had previously funded under the construction loan. We purchased two final phases, comprised of approximately 35,000 square feet of retail space and 23,000 square feet of office space, in 2008 for $22 million, which resulted in a total investment in the property of $254 million. Net operating income for the property for 2009 was in excess of $17.6 million, representing a 7.0% annual return on our total purchase price for the property.

The property has strong demographics and is well located between Dallas and Fort Worth. The retail portion of the center is over 88% leased as of September 30, 2010, with several leases in negotiation.

Pursue Strategic Joint Ventures to Leverage Management Platform

We intend to leverage our leasing and property management platform through the strategic formation, capitalization and management of joint ventures. In the past, we have partnered with strong institutional capital providers to supplement our capital base in a manner accretive to our shareholders. Based on our operational expertise in the retail real estate space, we believe that we are well positioned to continue to strategically pursue additional joint ventures with high quality capital partners. Additionally, from time to time we may form partnerships with regional developers that allow us to maximize returns on completed developments and access strategic local markets.

In April 2007, we formed a strategic joint venture with a large state pension fund that currently owns seven retail properties, which we contributed to the venture. Additionally, in September 2010, we formed a joint venture with a wholly-owned affiliate of RioCan Real Estate Investment Trust, Canada s largest REIT, or RioCan, and agreed to contribute eight shopping centers located in Texas to the joint venture, of which three had been contributed as of September 30, 2010. Subsequent to September 30, 2010, we contributed the remaining five properties to this joint venture. In total, we have contributed a total of 15 retail properties valued at $496.6 million to these joint ventures. In connection with these contributions, these joint ventures have assumed a total of $285.7 million of debt and we have received cash proceeds of $168.8 million and retained a 20% interest in each joint venture. The use of joint ventures allows us to recycle capital and leverage our own equity capital when pursuing acquisitions, while also generating property management, asset management and other fees from the joint venture. We believe that our existing relationships and our proven ability to manage retail real estate for our joint ventures will facilitate our ability to utilize joint ventures with institutional investors in the future.

Maintain Our Development Activity at Sustainable Levels

We entered into joint venture arrangements with certain developers prior to the recession. Since our inception, we have invested $180.3 million of equity into nine development joint ventures. As of September 30, 2010, we had approximately 2.0 million square feet of GLA of retail space under development, including space developed for shadow anchors, through five consolidated development joint ventures and one unconsolidated development joint venture, of which 1.4 million square feet had already been constructed. Approximately 80.3% of the GLA of these retail development properties that has been constructed was leased as of September 30, 2010, representing $5.1 million of annualized base rent. As of September 30, 2010, we did not have any active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. We expect to stabilize these properties between 2013 and 2014, which will provide further opportunities for growth. We currently do not have plans for any new developments. It remains our philosophy to only develop what we intend to own on a long term basis and we intend to resume development when such opportunities become attractive. An example of one of our completed developments is as follows:

Midtown Center: In January 2005, we purchased this urban, in-fill community center, which is anchored by Wal-Mart, Marshalls, Office Depot and Pick n Save, for $53.0 million with the intent of fully building out the existing entitlements through our retail tenant relationships. At closing, the surrounding land acquired with the asset was fully zoned and could accommodate the additional development of up to 110,000 square feet of commercial space. Before beginning the expansion at the center, we approached the City of Milwaukee to explore partnership opportunities in our redevelopment plans and we were awarded a $600,000 low interest loan, as the expansion would add jobs to the surrounding community. The expansion was completed in two phases starting with a ground breaking in May 2006. The first phase was completed in late fall of 2006, consisting of 25,000 square feet, and was 94% pre-leased to Anna s Linens and Barefoot Shoes to minimize development risk. The second phase broke ground in the spring of 2007, was completed in early 2008 and features a blend of regional and national tenants including Fashion Bug, Casual Male, Simply Fashion and Office Depot s first location in the City of Milwaukee. To date, the total cost of the additional 86,000 square feet of constructed space is $9.3 million and the aggregate net operating income has increased from $3.4 million in 2008 to $4.2 million in 2010.

Table of Contents

Our Properties

Portfolio Summary

The following table summarizes the number, total GLA, percentage leased and annualized base rent of the operating properties included in our portfolio and the operating properties held by our unconsolidated joint ventures. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Type/Region/State	**Number of Properties**	**GLA**	**Percent of Total GLA[1]**	**Percentage Leased[2] [3]**	**ABR[3] [4] [5]**	**Percent of ABR[1]**	**ABR Per Leased Sq. Ft.[3] [6]**
Consolidated:							
Retail:							
Northeast:							
Connecticut	5	449	1.2%	92.7%	$ 7,551	1.7%	$ 18.16
Massachusetts	5	1,183	3.2%	94.8%	12,726	2.9%	11.34
Maryland	8	2,300	6.3%	87.0%	31,948	7.2%	15.96
Maine	2	423	1.2%	96.6%	4,146	0.9%	10.15
New Jersey	3	373	1.0%	96.4%	3,932	0.9%	10.94
New York	31	1,508	4.2%	98.5%	23,550	5.3%	15.85
Pennsylvania	12	1,362	3.7%	95.5%	16,476	3.7%	12.66
Rhode Island	3	269	0.7%	86.6%	3,364	0.8%	14.44
Vermont	1	486	1.3%	81.0%	7,279	1.6%	18.48
Subtotal	70	8,353	22.8%	92.4%	$ 110,972	25.0%	$ 14.37
Texas[7]	53	8,358	22.8%	86.6%	$ 108,979	24.7%	$ 15.06
West:							
Arizona	6	981	2.7%	73.4%	$ 11,082	2.5%	$ 15.40
California	33	3,123	8.5%	58.9%	27,930	6.3%	15.19
Colorado	2	479	1.3%	88.4%	4,974	1.2%	11.76
Montana	1	162	0.4%	99.2%	1,825	0.4%	11.37
New Mexico	1	222	0.6%	92.5%	3,096	0.7%	15.05
Nevada	2	384	1.0%	91.0%	6,234	1.4%	17.84
Utah	2	720	2.0%	93.9%	11,739	2.7%	17.37
Washington	4	1,376	3.7%	79.8%	13,456	3.0%	12.25
Subtotal	51	7,447	20.2%	73.5%	$ 80,336	18.2%	$ 14.68
Southeast:							
Alabama	6	370	1.0%	78.8%	$ 4,135	0.9%	$ 14.11
Florida	14	1,579	4.3%	88.6%	20,298	4.6%	14.52
Georgia	14	1,929	5.3%	93.9%	19,484	4.5%	10.75
Kentucky	1	88	0.2%	100.0%	728	0.2%	8.23
North Carolina	4	733	2.0%	97.1%	6,928	1.6%	9.74
South Carolina	12	1,271	3.5%	93.9%	13,671	3.1%	11.45
Tennessee	7	712	1.9%	90.6%	7,144	1.6%	11.07
Virginia	2	386	1.1%	97.6%	7,160	1.6%	18.99
Subtotal	60	7,068	19.3%	92.2%	$ 79,548	18.1%	$ 12.20

Table of Contents

Property Type/Region/State	Number of Properties	GLA	Percent of Total GLA(1)	Percentage Leased(2) (3)	ABR(3) (4) (5)	Percent of ABR(1)	ABR Per Leased Sq. Ft.(3) (6)
Midwest:							
Arkansas	1	182	0.5%	100.0%	$ 903	0.2%	$ 4.93
Iowa	1	134	0.4%	95.9%	1,645	0.4%	12.78
Illinois	6	1,000	2.7%	86.3%	14,939	3.5%	17.31
Indiana	4	654	1.8%	87.1%	5,349	1.2%	9.39
Kansas	1	236	0.6%	95.8%	1,927	0.4%	8.51
Louisiana	3	311	0.8%	93.5%	3,323	0.8%	11.41
Michigan	2	467	1.3%	96.3%	7,659	1.7%	17.04
Missouri	5	811	2.2%	83.3%	7,698	1.7%	11.40
Ohio	7	1,106	3.0%	81.2%	11,156	2.5%	12.42
Oklahoma	6	164	0.4%	100.0%	2,357	0.5%	14.40
Wisconsin	2	423	1.2%	92.8%	4,807	1.1%	12.26
Subtotal	38	5,488	14.9%	88.2%	$ 61,763	14.0%	$ 12.76
Total Retail(8) (9)	272	36,714	100.0%	86.6%	$ 441,598	100.0%	$ 13.89
Total Retail including leases signed but not commenced(10)	272	36,714		87.8%	$ 446,896		$ 13.87
Office	13	3,717		86.5%	$ 38,827		$ 12.07
Industrial	6	3,390		100.0%	12,966		3.82
Total Other	19	7,107		93.0%	$ 51,793		$ 7.84
Total Consolidated Operating Portfolio	291	43,821		87.6%	$ 493,391		$ 12.85
Total Unconsolidated Operating Properties(11)	14	1,866		92.8%	$ 27,826		$ 16.07

(1) Percentages are only provided for our retail operating portfolio.
(2) Except as otherwise noted, based on leases commenced as of September 30, 2010, and calculated as leased GLA divided by total GLA.
(3) Excludes temporary, seasonal leases for approximately 763,000 square feet of GLA representing $2.7 million of annualized base rent.
(4) Excludes $5.1 million of annualized base rent from our consolidated development properties Rental abatements for leases commenced as of September 30, 2010, which are excluded, were $1.3 million for our retail operating portfolio for the 12 months ending September 30, 2011. Annualized base rent does not reflect scheduled lease expirations for the 12 months ending September 30, 2011. The portion of the annualized base rent of our total operating portfolio attributable to leases scheduled to expire during the 12 months ending September 30, 2011, including month-to-month leases, is approximately $29.0 million.
(5) As of September 30, 2010, we had 17 properties that we did not have title to but held, either partially or completely, pursuant to ground leases, which expire from 2018 to 2105. For three of the 17 properties we have an option to purchase the property subject to the ground lease by providing written notice before a specified date or, for one ground lease, any time during the term of the lease. As of September 30, 2010, the annualized base rent due from us under these ground leases was $6.1 million.
(6) Represents annualized base rent divided by leased GLA.
(7) Includes five properties with approximately 794,000 square feet of GLA that we subsequently contributed to our joint venture with RioCan. As of September 30, 2010, these properties were 95.6% leased and represented $9.7 million of annualized base rent.

Table of Contents

(8) Occasionally our leases contain provisions giving the tenant rights to purchase the property, which can take the form of a fixed price purchase option, a fair market value option or a put option, which requires us to either put the property to the tenant or accept a significant reduction in rent. The following chart summarizes such rights as of September 30, 2010 (GLA and annualized base rent in thousands):

	Number of Leases	GLA	ABR(3)
Fixed Price Purchase Options	2	236	$ 3,013
Fair Market Value Options	1	7	$ 88
Put Option	2	258	$ 1,519

In addition, certain of our leases contain provisions granting the tenant a right of first offer or right of first refusal in the event that we want to dispose of the property.

(9) Includes 55 properties with 6.5 million square feet of GLA representing $84.3 million of annualized base rent held in one joint venture in which we have a 77% interest and includes a portion of one property with 0.3 million square feet of GLA representing $6.6 million of annualized base rent held in one joint venture in which we have a 95% interest.

(10) Includes leases signed but not commenced as of September 30, 2010 for approximately 441,000 square feet of GLA representing $5.3 million of annualized base rent as of lease commencement.

(11) Includes ten properties with 1.7 million square feet of GLA representing $26.0 million of annualized base rent held in two separate joint ventures in which we have a 20% interest and four properties with 0.2 million square feet of GLA representing $1.8 million of annualized base rent held in one joint venture in which we have a 96.3% interest.

Table of Contents

Top 25 Properties

The following table provides summary information as of September 30, 2010 regarding the 25 largest properties, based on our annualized base rent as of September 30, 2010, in our retail operating portfolio. Except as noted below, all properties described below are wholly-owned by us. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Name/Location	Year Built/ Renovated(1)	Metropolitan Statistical Area	GLA	Percent Leased(2) (3)	ABR(3)	ABR per Leased Sq. Ft.(4)	Anchors (Shadow Anchors)
Southlake Town Square/ Southlake, TX(5)	2004	Dallas-Fort Worth-Arlington	841	87.1%	$ 19,617	$ 26.80	The Cheesecake Factory, Barnes & Noble, Harkins Theatres, Apple Store, Brooks Brothers, Container Store
Gateway/ Salt Lake City, UT	2003	Salt Lake City	625	96.1%	10,772	17.92	Barnes & Noble, Urban Outfitters, Abercrombie, Dick s Sporting Goods, Gateway Theatres
Southpark Meadows II/ Austin, TX	2006	Austin-Round Rock	654	97.2%	8,672	13.64	Beall s, Bed Bath & Beyond, Best Buy, JC Penney, Marshalls, Ross Dress for Less, Sports Authority, (Super Target, Ashley Home)
Boulevard at The Capital Ctr/ Largo, MD	2004	Washington-Arlington-Alexandria	486	85.0%	8,507	20.61	Borders, DSW, HH Gregg, Magic Johnson Theaters, Sports Authority
The Shops at Legacy/ Plano, TX	2004	Dallas-Fort Worth-Arlington	391	85.5%	8,447	25.27	Bob s Steak & Chop House, Jasper s Restaurant, Sambuka 360, Urban Outfitters, Angelika Film Center
Reisterstown Road Plaza/ Baltimore, MD	2004	Baltimore-Towson	797	82.4%	8,019	12.22	Burlington Coat Factory, Giant Foods, Home Depot, Marshalls
Maple Tree Place/ Williston, VT	2005	N/A	486	81.0%	7,279	18.48	Best Buy, Christmas Tree Shops, Dick s Sporting Goods, Majestic Cinema, Shaw s Supermarkets, Staples
Eastwood Towne Center/ Lansing, MI	2002	N/A	332	96.6%	6,286	19.60	Dick s Sporting Goods, DSW, Pottery Barn, J. Crew, P.F. Chang s, (Wal-Mart, Sam s Club)
Lincoln Plaza/ Worcester, MA	2004	N/A	536	99.7%	5,511	10.31	Target, Lowe s, Dick s Sporting Goods, Stop & Shop, Barnes & Noble
Tollgate Marketplace/ Bel Air, MD	1994	Baltimore-Towson	393	89.3%	5,227	14.91	Barnes & Noble, HH Gregg, JoAnn Fabrics, Michaels, Staples, TJ Maxx, Toys R Us
Central Texas Marketplace/ Waco, TX	2004	N/A	526	90.7%	5,184	10.87	Bed Bath & Beyond, Belks, Kohl s, Marshalls, Ross Dress for Less, Sports Authority
Jefferson Commons/ Newport News, VA	2005	Virginia Beach-Norfolk-Newport	306	99.0%	5,132	16.92	Trader Joe s, Ross Dress for Less, TJ Maxx, Ulta, Petco, (Kohl s)
Brickyard/ Chicago, IL	2004	Chicago-Naperville-Joliet	262	95.0%	5,033	20.25	Jewel-Osco, Marshalls, Pier 1, (Lowe s, Target)
Riverpark Shopping Center/	2004	Houston- Sugar Land- Baytown	311	96.6%	5,029	16.72	

Sugar Land, TX	HEB Grocery, Gander Mountain, L.A. Fitness, Walgreens

Table of Contents

Property Name/Location	Year Built/ Renovated(1)	Metropolitan Statistical Area	GLA	Percent Leased(2) (3)	ABR(3)	ABR per Leased Sq. Ft.(4)	Anchors (Shadow Anchors)
Henry Town Center/ McDonough, GA	2002	Atlanta-Sandy Springs-Marietta	444	98.9%	4,704	10.70	Belks, Bed Bath & Beyond, Marshalls, Michaels, Ross Dress for Less, Staples, (Super Target, Home Depot)
Lakewood Towne Center/ Lakewood, WA	2003	Seattle-Tacoma-Bellevue	579	70.5%	4,701	11.52	Bed Bath & Beyond, Burlington Coat Factory, Michaels, Ross Dress for Less, 24 Hour Fitness, Barnes & Noble, Cineplex Odeon, (Super Target)
Gateway Plaza/ Southlake, TX	2000	Dallas-Fort Worth-Arlington	370	96.9%	4,676	13.03	Bed Bath & Beyond, Kohl s, Michael s, Old Navy, TJ Maxx, Ulta
Midtown Center/ Milwaukee, WI	1987	Milwaukee-Waukesha-West Allis	409	92.6%	4,487	11.86	Marshalls, Office Depot, Pick n Save, Wal-Mart
The Market at Polaris/ Columbus, OH	2005	Columbus	209	98.9%	4,240	20.55	Rave Theatres, Dick s Sporting Goods, Bed Bath & Beyond, PetSmart
Newnan Crossing/ Newnan, GA	2000	Atlanta-Sandy Springs-Marietta	416	97.6%	4,199	10.34	Ashley Furniture, Babies R Us, BJ s Wholesale Club, HH Gregg, Michaels, Old Navy, TJ Maxx, (Target)
Shops at 5/ Plymouth, MA	2005	Boston-Cambridge-Quincy	422	92.0%	3,942	10.16	BJ s Wholesale Club, Kohl s, PetSmart, Sports Authority, TJ Maxx
Gateway Village/ Annapolis, MD	1996	Baltimore-Towson	274	96.1%	3,778	14.36	Best Buy, Burlington Coat Factory, PetSmart, Safeway, Staples
Arvada Marketplace/ Arvada, CO	1990	Denver-Aurora-Broomfield	371	89.7%	3,670	11.03	Sam s Club, Sports Authority, Office Depot, Dollar Tree
La Plaza Del Norte/ San Antonio, TX	1999	San Antonio	320	91.8%	3,655	12.44	Beal s, Best Buy, DSW, Ross Dress for Less, Sports Authority
Wilton Square/ Saratoga Springs, NY	2000	N/A	438	99.7%	3,445	7.89	Target, Home Depot, Price Chopper Foods, Staples, Barnes & Noble

(1) Represents the year in which the property was built, based on the completion date, or, if applicable, the year in which the most recent major renovation of the property was completed.
(2) Based on leases commenced as of September 30, 2010, and calculated as leased GLA divided by total GLA.
(3) Excludes temporary, seasonal leases.
(4) Represents annualized base rent divided by leased GLA.
(5) Approximately 311,000 square feet of GLA of this property is held in one joint venture in which we have a 95% interest. GLA includes 23,000 square feet of office space.

Table of Contents

Properties Under Development

The following table provides summary information regarding our consolidated and unconsolidated properties under development as of September 30, 2010. As of September 30, 2010, we did not have any active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. If we were to pre-lease all of the estimated total GLA included in the table below, we estimate that the total remaining costs to complete the development of this space would be $55.8 million, which we expect to fund through construction loans and proceeds of sales of our Bellevue Mall and South Billings Center development properties. As of September 30, 2010, the annualized base rent from the portion of our development properties with respect to which construction has been completed was $5.1 million Dollars and square feet of GLA are presented in thousands in the table.

Development Properties/Location	Estimated Stabilization Date(1)	Percent Owned	Current GLA(2)(3)	Percent Leased(3)(4)	Estimated Total GLA(3)	Carrying Value(5)	Construction Loan Balance
Consolidated:							
Lake Mead Crossing/ Henderson, NV	2013	25.0%	408	77.0%	669	$ 82,308	$ 48,990
Green Valley Crossing/ Henderson, NV	2014	50.0%	147	93.5%	272	23,258	11,157
Wheatland Towne Crossing/ Dallas, TX	2014	75.0%	162	100.0%	392	14,812	5,548
Parkway Towne Crossing/ Frisco, TX	2013	75.0%	345	78.9%	377	26,220	20,696
Bellevue Mall/ Nashville, TN(6)		100.0%				26,448	
South Billings Center/ Billings, MT(6)		35.5%	215	100.0%	215	5,091	
Unconsolidated:							
Hampton Retail Colorado (two properties)/ Denver, CO(7)	2013	96.3%	93		93	6,835	4,031
Total			1,370	80.3%	2,018	$ 184,972	$ 90,422

(1) Estimated stabilization date represents the date by which we currently estimate that leases with respect to 90% of the estimated total GLA will have commenced.
(2) Represents GLA with respect to which construction had been completed as of September 30, 2010.
(3) Includes space developed for shadow anchors.
(4) Represents the percentage of current GLA with respect to which leases had commenced as of September 30, 2010.
(5) Represents carrying value of each property as of September 30, 2010, which was the total investment less accumulated depreciation and impairments through September 30, 2010.
(6) South Billings Center is entitled for an estimated total GLA of 404,800 square feet and Bellevue Mall is entitled for an estimated total GLA of 1,015,000 square feet. Currently, we have no plans to continue to develop these properties. We have entered into an agreement to sell our Bellevue Mall development property for an aggregate purchase price of $27.0 million.
(7) The construction loan balance is only the portion related to two properties under development held by the joint venture. There is an additional $16.4 million construction loan related to four operational properties held by the joint venture.

Table of Contents

Lease Expirations

The following table sets forth a summary, as of September 30, 2010, of lease expirations scheduled to occur during the remainder of 2010, during each of the ten calendar years from 2011 to 2020 and thereafter, assuming no exercise of renewal options or early termination rights. The following table is based on leases commenced as of September 30, 2010 for our retail operating portfolio. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Lease Expiration Year	Number of Expiring Leases	GLA	Percent of Leased GLA	Percent of Total GLA	ABR	Percent of Total ABR	ABR per Leased Sq. Ft.(1)	ABR at Exp.(2)	ABR Per Leased Sq. Ft. at Exp.(3)
2010(4)	77	290	0.9%	0.8%	$ 4,273	1.0%	$ 14.37	$ 4,244	$ 14.63
2011	399	1,972	6.2%	5.4%	31,147	7.1%	15.79	31,011	15.73
2012	498	2,212	7.0%	6.0%	37,609	8.5%	17.00	38,248	17.29
2013	547	2,862	9.0%	7.8%	45,338	10.3%	15.84	47,334	16.54
2014	581	4,025	12.7%	11.0%	60,916	13.8%	15.13	62,738	15.59
2015	397	3,266	10.3%	8.9%	45,663	10.3%	13.98	47,806	14.64
2016	193	2,025	6.4%	5.5%	29,720	6.7%	14.68	32,689	16.14
2017	107	1,554	4.9%	4.2%	19,584	4.4%	12.60	20,977	13.50
2018	86	1,058	3.3%	2.9%	16,677	3.8%	15.76	18,095	17.10
2019	92	1,915	6.0%	5.2%	25,424	5.8%	13.28	26,884	14.04
2020	86	1,919	6.0%	5.2%	23,114	5.2%	12.04	24,741	12.89
Thereafter	234	8,491	26.7%	23.1%	99,362	22.5%	11.70	109,220	12.86
Month to month	56	200	0.6%	0.6%	2,771	0.6%	13.86	2,586	12.93
Leased Total	3,353	31,789	100.0%	86.6%	$ 441,598	100.0%	$ 13.89	$ 466,573	$ 14.68
Leases signed but not commenced(5)	51	441		1.2%	5,298		$ 12.01	5,836	$ 13.23
Available(4)		4,483		12.2%					

(1) Represents annualized base rent, divided by leased GLA.
(2) Represents annualized base rent at the scheduled expiration of the lease giving effect to contractual increases in base rent.
(3) Represents annualized base rent at the scheduled expiration of the lease, giving effect to contractual increases in base rent, divided by leased GLA. Does not reflect contractual increases based on the Consumer Price Index.
(4) Excludes month-to-month leases. Also excludes temporary, seasonal leases for 763,000 square feet of GLA representing $2.7 million of annualized base rent. GLA relating to those seasonal leases is included in available GLA.
(5) Represents leases signed but not commenced as of September 30, 2010.

As of September 30, 2010, the weighted average lease term of leases at our office and industrial properties, based on annualized base rent, was 6.7 years, with no expirations prior to 2014.

Table of Contents

Lease Distribution

The following table sets forth information relating to the distribution of leases in our retail operating portfolio, based on leases commenced as of September 30, 2010. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

GLA Under Lease	Number of Leases(1)	GLA(1)	Percent of Leased GLA	ABR(1)	Percent of ABR	ABR Per Leased Sq. Ft.
Ground Lease	155	2,846	9.0%	$ 23,482	5.3%	$ 8.25
2,500 or less	1,477	2,187	6.9%	54,569	12.4%	24.95
2,501 10,000	1,054	5,094	16.0%	107,499	24.3%	21.10
10,001 25,000	349	5,762	18.1%	82,606	18.7%	14.34
25,001 40,000	154	4,649	14.6%	49,664	11.2%	10.68
40,001 100,000	143	8,388	26.4%	98,224	22.2%	11.71