AGREE REALTY CORP
Form 10-K/A
December 07, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
(Amendment No. 1)
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2006
Commission File Number 1-12928
AGREE REALTY CORPORATION
(Exact name of Registrant as specified in its charter)

Maryland	**38-3148187**
(State or other jurisdiction of Incorporation or organization)	***(I.R.S. Employer identification No.)***
31850 Northwestern Highway Farmington Hills, Michigan 48334	**(248) 737-4190** ***(Registrant s telephone number, Including area code)***

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.0001 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the act.

YES o NO þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 OR 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

The aggregate market value of the Registrant s shares of common stock held by non-affiliates was approximately $261,801,558 as of June 30, 2006, based on the closing price of $33.97 on the NYSE on that date.
At February 28, 2007, there were 7,750,496 shares of Common Stock, $.0001 par value per share, outstanding.
DOCUMENTS INCORPORATED BY REFERENCE: The information required by Part III, Items 10-13 is to be incorporated by reference from the definitive proxy statement for our May 2007 Annual Meeting of Stockholders and which is to be filed with the Commission not later than 120 days after December 31, 2006.

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EXPLANATORY NOTE

This Amendment No. 1 amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the Form 10-K) solely for the purpose of filing the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith as Exhibits 31.1 and 31.2, in conformity with Item 601 (B)(31)(i) of Regulation S-K. We have also filed Exhibits 23.1, 23.2, 32.1 and 32.2 because we are filing a full amendment to the Form 10-K. Further, we have conformed the exhibit list in Item 15 to reflect the foregoing filings.

Except as set forth above, we have not amended or updated the disclosures presented in the 10-K filed on March 14, 2007 and this report speaks only as of the original filing date. Therefore, you should refer to our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports filed with or furnished to the Securities and Exchange Commission for information on the Company since March 14, 2007.

Part I

FORWARD LOOKING STATEMENTS

We have made statements in this Form 10-K that are forward-looking in that they do not discuss historical facts but instead note future expectations, projections, intentions or other items relating to the future.

Forward-looking statements, which are generally prefaced by the words anticipate, estimate, should, expect, believe, intend, and similar terms, are subject to known and unknown risks, uncertainties and other facts that may cause our actual results or performance to differ materially from those contemplated by the forward-looking statements. Many of those factors are noted in conjunction with the forward-looking statements in the text. Other important factors that could cause our actual results to differ include:

- Our inability to effect the development or acquisition of properties on favorable terms.

- The effect of economic conditions. If an economic downturn occurs, any corresponding decrease in disposable income could result in consumers being less willing to purchase goods from our tenants which could adversely affect our financial condition and results of operations. Our financial condition and results of operations could also be adversely affected if our tenants are otherwise unable to make lease payments or fail to renew their leases.

- Our inability to obtain long-term financing at interest rates that will allow us to offer attractive rental rates to our tenants in order to continue the development or acquisition of retail properties leased to national tenants on a long-term basis.

- Actions of our competitors. We seek to remain competitive in the development of real estate assets in the markets that we currently serve. With regard to our acquisition of properties, we compete with insurance companies, credit companies, pension funds, private individuals, investment companies and other REITs, many of which have greater resources than we do.

- Failure to qualify as a REIT. Although we believe that we were organized and have been operating in conformity with the requirements for qualification as a REIT under the Internal Revenue Code, we cannot assure you that we will continue to qualify as a REIT.

- Changes in government regulations, tax rates and similar matters, For example, changes in real estate and zoning laws, environmental uncertainties and natural disasters could adversely affect our financial condition and results of operations.

Other risk uncertainties and factors that could cause actual results to differ materially from those projected are discussed in the Risk Factors section of this Form 10-K.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in or incorporated by reference into this Form 10-K might not occur.

References herein to the Company include Agree Realty Corporation, together with its wholly-owned subsidiaries and its majority owned operating partnership, Agree Limited Partnership (Operating Partnership), unless the context otherwise requires.

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Item 1. BUSINESS

General

Agree Realty Corporation is a fully-integrated, self-administered and self-managed real estate investment trust (REIT) focused primarily on the development, acquisition and management of retail properties net leased to national tenants. We were formed in December 1993 to continue and expand the business founded in 1971 by our current President and Chairman, Richard Agree. We specialize in developing retail properties for national tenants who have executed long-term net leases prior to the commencement of construction. As of December 31, 2006, approximately 89% of our annualized base rent was derived from national tenants. All of our freestanding property tenants and the majority of our community shopping center tenants have triple-net leases, which require the tenant to be responsible for property operating expenses including property taxes, insurance and maintenance. We believe this strategy provides a generally consistent source of income and cash for distributions.

At December 31, 2006, our portfolio consisted of 60 properties, located in 15 states containing an aggregate of approximately 3.4 million square feet of gross leasable area (GLA). As of December 31, 2006, our portfolio included 48 freestanding net leased properties and 12 community shopping centers that were 99.7% leased with a weighted average lease term of approximately 11.5 years. As of December 31, 2006, approximately 67% of our annualized base rent was derived from our top three tenants: Borders Group, Inc. (Borders) 32%, Walgreen Co. (Walgreen) 22% and Kmart Corporation (Kmart) 13%.

We expect to continue to grow our asset base primarily through the development of retail properties that are pre-leased on a long-term basis to national tenants. We believe this development strategy provides attractive returns on investment, without the risks associated with speculative development. Since our initial public offering in 1994, we have developed 47 of our 60 properties, including 35 of our 48 freestanding properties and all 12 of our community shopping centers. As of December 31, 2006, the properties that we developed accounted for 82.3% of our annualized base rent. We focus on development because we believe, based on our historical returns we have been able to achieve, it generally provides us a higher return on investment than the acquisition of similarly located properties. We expect to continue to expand our tenant relationships and diversify our tenant base to include other quality national tenants.

Growth Strategy

Our growth strategy is to continue to develop retail properties pre-leased on a long-term basis to national tenants. We believe that this strategy produces superior risk adjusted returns. Our development process commences with the identification of a land parcel we believe is situated in an attractive retail location. The location must be in a concentrated retail corridor and have high traffic counts, good visibility and demographics compatible with the needs of a particular retail tenant. After assessing the feasibility of development, we propose to the tenants that we execute long-term net leases for the finished development on that site.

Upon the execution of the leases, we purchase the land and pursue all the necessary approvals to begin development. We direct all aspects of the development, including construction, design, leasing and management. Property management and the majority of the leasing activities are handled directly by our personnel. We believe that this approach enhances our ability to maximize the long-term value of our properties.

Financing Strategy

The majority of our indebtedness is fixed rate, non-recourse and long-term in nature. Whenever feasible, we enter into long-term financing for our properties to match the underlying long-term leases. As of December 31, 2006, the average weighted maturity of our long-term debt was 13.4 years. We intend to limit our floating rate debt to borrowings under our credit facilities, which are primarily used to finance new development and acquisitions. Once development of a project is completed, we typically refinance this floating rate debt with long-term, fixed rate, non-recourse debt. As of December 31, 2006, our total debt was approximately $68.8 million, consisting of approximately $48.3 million of fixed rate debt at an average interest rate of 6.64% and approximately $20.5 million of floating rate debt, consisting primarily of the credit facilities, at an aggregate weighted average interest rate of

6.35%. We intend to maintain a ratio of total indebtedness (including construction and acquisition financing) to market capitalization of 65% or less.

We may from time to time re-evaluate our borrowing policies in light of the then current economic conditions, relative costs of debt and equity capital, market value of properties, growth and acquisition opportunities and other factors. There is no contractual limit or any limit in our organizational documents on our ratio of total indebtedness to total market capitalization, and accordingly, we may modify our borrowing policy and may increase or decrease our ratio of debt to market capitalization without stockholder approval.

Property Management

We maintain a proactive leasing and capital improvement program that, combined with the quality and locations of our properties, has made our properties attractive to tenants. We intend to continue to hold our properties for long-term investment and, accordingly, place a strong emphasis on quality construction and an on-going program of regular maintenance. Our properties are designed and built to require minimal capital improvements other than renovations or expansions paid for by tenants. At our 12 community shopping centers properties, we sub-contract on-site functions such as maintenance, landscaping, snow removal and sweeping and the cost of these functions is generally reimbursed by our tenants. Personnel from our corporate headquarters conduct regular inspections of each property and maintain regular contact with major tenants.

We have a management information system designed to provide management with the operating data necessary to make informed business decisions on a timely basis. This computer system provides us immediate access to store availability, lease data, tenants sales history, cash flow budgets and forecasts, and enables us to maximize cash flow from operations and closely monitor corporate expenses.

Agree Limited Partnership

Our assets are held by, and all of our operations are conducted through, Agree Limited Partnership (Operating Partnership), of which we are the sole general partner and held a 92.00% interest as of December 31, 2006. Under the partnership agreement of the Operating Partnership, we, as the sole general partner, have exclusive responsibility and discretion in the management and control of the Operating Partnership.

Headquarters

Our headquarters are located at 31850 Northwestern Highway, Farmington Hills, MI 48334 and our telephone number is (248) 737-4190. Our web site address is www.agreerealty.com. Agree Realty Corporation s SEC filings can be accessed through this site.

Major Tenants

As of December 31, 2006, approximately 67% of our gross leasable area was leased to Borders, Walgreen, and Kmart and approximately 67% of our total annualized base rents was attributable to these tenants. At December 31, 2006, Borders occupied approximately 29% of our gross leasable area and accounted for approximately 32% of the annualized base rent. At December 31, 2006, Walgreen occupied approximately 8% of our gross leasable area and accounted for approximately 22% of the annualized base rent. At December 31, 2006, Kmart occupied approximately 30% of our gross leasable area and accounted for approximately 13% of the annualized base rent. No other tenant accounted for more than 10% of gross leasable area or annualized base rent in 2006. The loss of any of these anchor tenants or the inability of any of them to pay rent would have an adverse effect on our business.

Tax Status

We have operated and intend to operate in a manner to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code. In order to maintain qualification as a REIT, we must, among other things, distribute at least 90% of our real estate investment trust income and meet certain other asset and income tests. Additionally, our charter limits ownership of the Company, directly or constructively, by any single person to 9.8% of the total

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number of outstanding shares, subject to certain exceptions. As a REIT, we are not subject to federal income tax with respect to that portion of its income that meets certain criteria and is distributed annually to the stockholders.

Competition

We face competition in seeking properties for acquisition and tenants who will lease space in these properties from insurance companies, credit companies, pension funds, private individuals, investment companies and other REITs, many of which have greater financial and other resources than us. There can be no assurance that we will be able to successfully compete with such entities in our development, acquisition and leasing activities in the future.

Potential Environmental Risks

Investments in real property create a potential for environmental liability on the part of the owner or operator of such real property. If hazardous substances are discovered on or emanating from a property, the owner or operator of the property may be held strictly liable for all costs and liabilities relating to such hazardous substances. We have obtained a Phase I environmental study (which involves inspection without soil sampling or ground water analysis) conducted on each Property by independent environmental consultants. Furthermore, we have adopted a policy of conducting a Phase I environmental study on each property we acquire and if necessary conducting additional investigation as warranted.

We conducted Phase I environmental study on the one (1) property we acquired in 2006. The results of this Phase I study indicated that no further action was required. In addition, we have no knowledge of any hazardous substances existing on any of our properties in violation of any applicable laws; however, no assurance can be given that such substances are not located on any of the properties. We carry no insurance coverage for the types of environmental risks described above.

We believe that we are in compliance, in all material respects, with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. Furthermore, we have not been notified by any governmental authority of any noncompliance, liability or other claim in connection with any of the properties.

Employees

As of February 28, 2007, we employed eight persons. Employee responsibilities include accounting, construction, leasing, property coordination and administrative functions for the properties. Our employees are not covered by a collective bargaining agreement, and we consider our employee relations to be satisfactory.

Financial Information About Industry Segments

We are in the business of development, acquisition and management of freestanding net leased properties and community shopping centers. We consider our activities to consist of a single industry segment. See the Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

General

We rely significantly on three major tenants. As of December 31, 2006, we derived approximately 67% of our annualized base rent from three major tenants, Borders, Walgreen and Kmart. In the event of a default by any of these tenants under their leases, we may experience delays in enforcing our rights as lessor and may incur substantial costs in protecting our investment. The bankruptcy or insolvency of any of the major tenants would likely have a material adverse effect on the properties affected and the income produced by those properties and correspondingly our ability to make distributions.

In the event that certain tenants cease to occupy a property, although under most circumstances such a tenant would remain liable for its lease payments, such an action may result in certain other tenants having the right to terminate their leases at the affected property, which could adversely affect the future income from that property. As of December 31, 2006, 12 of our properties had tenants with those provisions in their leases.

We could be adversely affected by a tenant s bankruptcy. If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenant s leases. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that might be substantially less than the remaining rent we are owed under the leases. In addition, any claim we have for unpaid past rent would likely not be paid in full.

Risks involved in single tenant leases. We focus our development activities on net leased real estate or interests therein. Because our properties are generally leased to single tenants, the financial failure of or other default by a tenant resulting in the termination of a lease is likely to cause a significant reduction in our operating cash flow and might decrease the value of the property leased to such tenant.

Risks associated with borrowing, including loss of properties in the event of a foreclosure. At December 31, 2006, our ratio of indebtedness to market capitalization was approximately 23.8%. The use of leverage presents an additional element of risk in the event that (1) the cash flow from lease payments on our properties is insufficient to meet debt obligations, (2) we are unable to refinance our debt obligations as necessary or on as favorable terms or (3) there is an increase in interest rates. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the property could be foreclosed upon with a consequent loss of income and asset value to us. Under the cross-default provisions contained in mortgages encumbering some of our properties, our default under a mortgage with a lender would result in our default under mortgages held by the same lender on other properties resulting in multiple foreclosures.

Risks associated with our development and acquisition activities. We intend to continue development of new properties and to consider possible acquisitions of existing properties. New project development is subject to a number of risks, including risks of construction delays or cost overruns that may increase project costs, risks that the properties will not achieve anticipated occupancy levels or sustain anticipated rent levels, and new project commencement risks such as receipt of zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion. In addition, we anticipate that our new development will be financed under lines of credit or other forms of construction financing that will result in a risk that permanent financing on newly developed projects might not be available or would be available only on disadvantageous terms. In addition, the fact that we must distribute 90% of our taxable income in order to maintain our qualification as a REIT will limit our ability to rely upon income from operations or cash flow from operations to finance new development or acquisitions. As a result, if permanent debt or equity financing was not available on acceptable terms to refinance new development or acquisitions undertaken without permanent financing, further development activities or acquisitions might be curtailed or cash available for distribution might be adversely affected. Acquisitions entail risks that investments will fail to perform in accordance with expectations and that judgments with respect to the costs of improvements to bring an acquired property up to standards established for the market position intended for that property will prove inaccurate, as well as general investment risks associated with any new real estate investment.

Our portfolio has limited geographic diversification. Our properties are located primarily in the Midwestern United States and Florida. The concentration of our properties in a limited number of geographic regions creates the risk that, should these regions experience an economic downturn, our operations may be adversely affected. Thirty-four of our properties are located in Michigan. Should Michigan experience an economic downturn, our operations and our rentals from our Michigan properties could be adversely affected.

Dependence on key personnel. We are dependent on the efforts of our executive officers. The loss of one or more of our executive officers would likely have a material adverse effect on our future development or acquisition operations, which could adversely affect the market price of our common stock. We do not presently have key-man life insurance for any of our employees.

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We are not limited by our organization documents as to the amount of debt we may incur. We intend to maintain a ratio of total indebtedness (including construction or acquisition financing) to market capitalization of 65% or less. Nevertheless, we may operate with debt levels which are in excess of 65% of market capitalization for extended periods of time. Our organization documents contain no limitation on the amount or percentage of indebtedness which we may incur. Therefore, our board of directors, without a vote of the stockholders, could alter the general policy on borrowings at any time. If our debt capitalization policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our operating cash flow and our ability to make expected distributions to stockholders, and could result in an increased risk of default on our obligations.

We can change our investment and financing policies without stockholder approval. Our investment and financing policies, and our policies with respect to certain other activities, including our growth, debt capitalization, distributions, REIT status and investment and operating policies, are determined by our board of directors. Although we have no present intention to do so, these policies may be amended or revised from time to time at the discretion of our board of directors without a vote of our stockholders.

Competition. We face competition in seeking properties for acquisition and tenants who will lease space in these properties from insurance companies, credit companies, pension funds, private individuals, investment companies and other REITs, many of which have greater financial and other resources than we do. There can be no assurance that the Company will be able to successfully compete with such entities in its development, acquisition and leasing activities in the future.

Risks Associated With Investment In Real Estate

There are risks associated with owning and leasing real estate. Although our lease terms obligate the tenants to bear substantially all of the costs of operating our properties, investing in real estate involves a number of risks, including:

The risk that tenants will not perform under their leases, reducing our income from the leases or requiring us to assume the cost of performing obligations (such as taxes, insurance and maintenance) that are the tenant s responsibility under the lease.

The risk that changes in economic conditions or real estate markets may adversely affect the value of our properties.

The risk that local conditions (such as oversupply of similar properties) could adversely affect the value of our properties.

The risk that we may not always be able to lease properties at favorable rental rates.

The risk that we may not always be able to sell a property when we desire to do so at a favorable price.

The risk of changes in tax, zoning or other laws could make properties less attractive or less profitable.

If a tenant fails to perform on its lease covenants, that would not excuse us from meeting any mortgage debt obligation secured by the property and could require us to fund reserves in favor of our mortgage lenders, thereby reducing funds available for payment of dividends on our shares of common stock. We cannot be assured that tenants will elect to renew their leases when the terms expire. If a tenant does not renew its lease or if a tenant defaults on its lease obligations, there is no assurance we could obtain a substitute tenant on acceptable terms. If we cannot obtain another tenant with comparable structural needs, we may be required to modify the property for a different use, which may involve a significant capital expenditure and a delay in re-leasing the property.

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Uncertainties relating to lease renewals and re-letting of space. We are subject to the risks that, upon expiration of leases for space located in our properties, the premises may not be re-let or the terms of re-letting (including the cost of concessions to tenants) may be less favorable than current lease terms. If we are unable to re-let promptly all or a substantial portion of our retailers or if the rental rates upon such re-letting were significantly lower than expected rates, our net income and ability to make expected distributions to stockholders would be adversely affected. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases.

Some potential losses are not covered by insurance. Our leases require the tenants to carry comprehensive liability, casualty, workers compensation, extended coverage and rental loss insurance on our properties. However, there are some types of losses, such as terrorist acts or catastrophic acts of nature, for which we or our tenants cannot obtain insurance at an acceptable cost. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property. We believe the required coverage is of the type, and amount, customarily obtained by an owner of similar properties. We believe all of our properties are adequately insured. We would, however, remain obligated to repay any mortgage indebtedness or other obligations related to the property.

Potential liability for environmental contamination could result in substantial costs. Under federal, state and local environmental laws, we may be required to investigate and clean up any release of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or actual responsibility, simply because of our current or past ownership of the real estate. If unidentified environmental problems arise, we may have to make substantial payments, which could adversely affect our cash flow and our ability to make distributions to our stockholders. This potential liability results from the fact that:

- As owner we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination.

- The law may impose clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination.

- Even if more than one person is responsible for the contamination, each person who shares legal liability under environmental laws may be held responsible for all of the clean-up costs.

- Governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous substances or petroleum products or the failure to properly remediate contamination may adversely affect our ability to borrow against, sell or lease an affected property. In addition, some environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

Our leases require our tenants to operate the properties in compliance with environmental laws and to indemnify us against environmental liability arising from the operation of the properties. However, we could be subject to strict liability under environmental laws because we own the properties. There is also a risk that tenants may not satisfy their environmental compliance and indemnification obligations under the leases. Any of these events could substantially increase our cost of operations, require us to fund environmental indemnities in favor of our secured lenders and reduce our ability to service our secured debt and pay dividends to stockholders and any debt security interest payments. Environmental problems at any properties could also put us in default under loans secured by those properties, as well as loans secured by unaffected properties.

Real estate investments are relatively illiquid. We may desire to sell a property in the future because of changes in market conditions or poor tenant performance or to avail ourselves of other opportunities. We may also be required to sell a property in the future to meet secured debt obligations or to avoid a secured debt loan default.

Real estate projects cannot always be sold quickly, and we cannot assure you that we could always obtain a favorable price. We may be required to invest in the restoration or modification of a property before we can sell it.

Tax Risks

We will be subject to increased taxation if we fail to qualify as a REIT for federal income tax purposes. A REIT generally is not taxed at the corporate level on income it distributes to its stockholders, as long as it distributes annually at least 90% of its taxable income to its stockholders. We have not requested and do not plan to request, a ruling from the Internal Revenue Service that we qualify as a REIT.

If we fail to qualify as a REIT, we will face tax consequences that will substantially reduce the funds available for payment of dividends:

- We would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates.

- We could be subject to the federal alternative minimum tax and possibly increased state and local taxes.

- Unless we are entitled to relief under statutory provisions, we could not elect to be treated as a REIT for four taxable years following the year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will no longer be required to pay dividends (other than any mandatory dividends on any preferred shares we may offer). As a result of these factors, our failure to qualify as a REIT could adversely effect the market price for our common stock.

Excessive non-real estate asset values may jeopardize our REIT status. In order to qualify as a REIT, at least 75% of the value of our assets must consist of investments in real estate, investments in other REITs, cash and cash equivalents, and government securities. Therefore, the value of any property that is not considered a real estate asset for federal income tax purposes must represent in the aggregate less than 25% of our total assets. In addition, under federal income tax law, we may not own securities in any one company (other than a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary) which represent in excess of 10% of the voting securities or 10% of the value of all securities of any one company, or which have, in the aggregate, a value in excess of 5% of our total assets, and we may not own securities of one or more taxable REIT subsidiaries which have, in the aggregate, a value in excess of 20% of our total assets. We may invest in securities of another REIT, and our investment may represent in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT. If the other REIT were to lose its REIT status during a taxable year in which our investment represented in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT as of the close of a calendar quarter, we will lose our REIT status.

The 25%, 20%, 10% and 5% tests are determined at the end of each calendar quarter. If we fail to meet any such test at the end of any calendar quarter, we will cease to qualify as a REIT.

We may have to borrow funds or sell assets to meet our distribution requirements. Subject to some adjustments that are unique to REITs, a REIT generally must distribute 90% of its taxable income. For the purpose of determining taxable income, we may be required to accrue interest, rent and other items treated as earned for tax purposes but that we have not yet received. In addition, we may be required not to accrue as expenses for tax purposes some items which actually have been paid, including, for example, payments of principal on our debt, or some of our deductions might be disallowed by the Internal Revenue Service. As a result, we could have taxable income in excess of cash available for distribution. If this occurs, we may have to borrow funds or liquidate some of our assets in order to meet the distribution requirement applicable to a REIT.

We may be subject to other tax liabilities. Even if we qualify as a REIT, we may be subject to some federal, state and local taxes on our income and property that could reduce operating cash flow.

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Changes in tax laws may prevent us from qualifying as a REIT. As we have previously described, we intend to qualify as a REIT for federal income tax purposes. However, this intended qualification is based on the tax laws that are currently in effect. We are unable to predict any future changes in the tax laws that would adversely affect our status as a REIT. If there is a change in the tax laws that prevents us from qualifying as a REIT or that requires REITs generally to pay corporate level income taxes, we may not be able to make the same level of distributions to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist of 48 freestanding net leased properties and 12 community shopping centers, that as of December 31, 2006 were 99.7% leased, with a weighted average lease term of 11.5 years. Approximately 89% of our annualized base rent was attributable to national retailers. Among these retailers are Borders, Walgreen and Kmart which, at December 31, 2006, collectively represented approximately 67% of our annualized base rent. A majority of our properties were built for or are leased to national tenants who require a high quality location with strong retail characteristics. We developed 35 of our 48 freestanding properties and all 12 of our community shopping centers. Five of our freestanding properties were acquired as part of our relationship with Borders. Properties we have developed (including our community shopping centers) account for approximately 82.3% of our annualized base rent as of December 31, 2006. Our 48 freestanding properties are comprised of 47 retail locations and Borders corporate headquarters.

A substantial portion of our income consists of rent received under net leases. Most of the leases provide for the payment of fixed base rentals monthly in advance and for the payment by tenants of a pro rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping center as well as payment to us of a percentage of the tenant s sales. We received percentage rents of $53,550 $68,071 and $55,955 and for the fiscal years 2006, 2005 and 2004, respectively, and these amounts represented 0.2%, 0.2% and 0.2%, respectively, of our total revenue for these periods. Included in those amounts were percentage rents from Kmart of $13,605, $25,240 and $-0- for fiscal years 2006, 2005 and 2004, respectively. Leases with Borders do not contain percentage rent provisions. Leases with Walgreen do contain percentage rent provisions; however, no percentage rent was received from Walgreen during these periods. Some of our leases require us to make roof and structural repairs, as needed.

Development and Acquisition Summary

During 2006:

We acquired one (1) freestanding net leased property that added 11,060 square feet of gross leasable area to our operating portfolio and cost approximately $2.3 million. The property is located in Summit Township, Michigan and is leased to Rite Aid.

We completed the development of a Walgreen drug store at our community shopping center located in Frankfort, Kentucky. The Walgreen store replaced a vacant Winn Dixie grocery store. The Walgreen store cost approximately $2.6 million.

We exercised our option to purchase the fee interest in a parcel of land located in Lawrence, Kansas for $980,000. The land was previously leased by us from a private investor.

We commenced the development of a Walgreen drug store located in Livonia, Michigan. Budgeted cost for this development is approximately $4.4 million and is expected to be completed during the second quarter of 2007.

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Major Tenants

The following table sets forth certain information with respect to our major tenants:

	Number of Leases	Annualized Base Rent as of December 31, 2006	Percent of Total Annualized Base Rent as of December 31, 2006
Borders	18	$ 9,861,727	32%
Walgreen	18	6,648,599	22
Kmart	12	3,847,911	13
Total	48	$ 20,358,237	67%

Borders Group, Inc., (Borders), trades on the New York Stock Exchange under the symbol BGP . Borders, is a leading global retailer of books, music, movies and gift and stationary items. Headquartered in Ann Arbor, Michigan, Borders operates 487 Borders domestic superstores, as well as 61 international Borders stores, approximately 652 Waldenbooks locations and 30 United Kingdom based Books etc. stores. Borders employs more than 34,000 people worldwide. We derive approximately 32% of our annualized base rent as of December 31, 2006 from Borders. Borders has reported that its annual revenues for its 2005 fiscal year ended January 28, 2006 were approximately $4,030,700,000; its annual net income for 2005 was approximately $101,000,000 and its total stockholders equity at fiscal year end 2005 was approximately of $927,800,000.

Walgreen is a leader of the U.S. chain drugstore industry and trades on the New York Stock Exchange under the symbol WAG . It operates over 5,461 stores in 47 states and Puerto Rico and has total assets of approximately $17.1 billion as of August 31, 2006. As of January 29, 2007, Walgreen s long-term debt had a Standard and Poor s rating of A+ and a Moody s rating of Aa3. We derive approximately 22% of our annualized base rent as of December 31, 2006 from Walgreen. For its fiscal year ended August 31, 2006, Walgreen reported that its annual net sales were $47,409,000,000 and its annual net income was $1,750,600,000 and that it had shareholders equity of $10,115,800,000.

Kmart is a mass merchandising company that offers customers quality products through a portfolio of exclusive brands and labels. As of January 28, 2006, Kmart operated a total of 1,416 stores across 49 states, Guam, Puerto Rico and the U.S. Virgin Islands. Kmart is a wholly-owned subsidiary of Sears Holdings Corporation (Sears). Sears is a broadline retailer with approximately 2,300 full-line and 1,100 specialty retail stores in the United States operating through Kmart and Sears and 380 full-line and specialty stores in Canada operating through Sears Canada, Inc. (Sears Canada), a 70%-owned subsidiary. We derive approximately 12% of our annualized base rent as of December 31, 2006 from Kmart. As of October 28, 2006, Sears had total assets of $30,469,000,000, total liabilities of $18,845,000,000 and shareholders equity of $11,624,000,000. All of our Kmart properties are in the traditional Kmart format and these Kmart properties average 85,000 square feet per property.

The financial information set forth above with respect to Borders, Walgreen and Kmart was derived from the annual reports on Form 10-K filed by Borders and Walgreen with the SEC with respect to their 2005 fiscal years and the quarterly report on form 10-Q filed by Sears Holdings Corporation with the SEC with respect to the third quarter of 2006. Additional information regarding Borders, Walgreen or Kmart may be found in their respective public filings. These filings can be accessed at www.sec.gov

Location of Properties in the Portfolio

State	Number of Properties	Total Gross Leasable Area (Sq. feet)	Percent of GLA Leased on December 31, 2006
Florida	4	258,793	100
Indiana	1	15,844	100
Illinois	1	20,000	100
Kansas	2	45,000	100
Kentucky	1	116,212	100
Maryland	2	53,000	100
Michigan	34	2,035,304	99
Nebraska	2	55,000	100
New Jersey	1	10,118	100
New York	2	27,626	100
Ohio	1	21,000	100
Oklahoma	4	99,282	100
Pennsylvania	1	37,004	100
Wisconsin	3	523,036	99
Total/Average	60	3,355,234	99%

Lease Expirations

The following table shows lease expirations for the next 10 years for our community shopping centers and wholly-owned freestanding properties, assuming that none of the tenants exercise renewal options.

		December 31, 2006			
		Gross Leasable Area		Annualized Base Rent	
Expiration Year	Number of Leases Expiring	Square Footage	Percent Of Total	Amount	Percent Of Total
2007	5	24,300	.7%	$ 178,399	.6%
2008	27	313,925	9.4%	1,396,808	4.6%
2009	20	193,326	5.8%	973,978	3.2%
2010	20	328,035	9.8%	2,031,328	6.7%
2011	25	231,524	6.9%	1,644,262	5.4%
2012	10	58,260	1.7%	513,016	1.7%
2013	1	51,868	1.6%	492,746	1.6%
2014	3	172,958	5.2%	824,206	2.7%
2015	11	730,525	21.8%	5,075,265	16.7%
2016	5	80,945	2.4%	1,664,513	5.5%
Thereafter	41	1,158,948	34.7%	15,628,821	51.3%

Total	168	3,344,614	100.0%	$ 30,423,342	100.0%

We have made preliminary contact with the five (5) tenants whose leases expire in 2007. Of those tenants, three (3) tenants, at their option, have the right to extend their lease term and two (2) tenants have leases expiring in 2007. We expect all five (5) tenants to extend their leases or enter into lease extensions.

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Annualized Base Rent of our Properties

The following is a breakdown of base rents in place at December 31, 2006 for each type of retail tenant:

Type of Tenant	Annualized Base Rent	Percent of Annualized Base Rent
National(1)	$ 27,125,947	89%
Regional(2)	2,146,579	7
Local	1,150,816	4
Total	$ 30,423,342	100%

(1) Includes the following national tenants: Borders, Walgreen, Kmart, Wal-Mart, Eckerd Drugs, Fashion Bug, Rite Aid, JC Penney, Avco Financial, GNC Group, Radio Shack, Sam Goody, Super Value, Maurices, Payless Shoes, Blockbuster Video, Family Dollar, H&R Block, Sally Beauty, Jo Ann Fabrics, Staples, Best Buy, Dollar Tree, TGI Friday s, Circuit City and Pier 1 Imports.

Freestanding Properties

Forty-eight (48) of our properties are freestanding properties which at December 31, 2006 were leased to Borders (18), Circuit City Stores (1), Rite Aid (5), Eckerd Drugs (2), Fajita Factory (1), Citizens Bank (1), Kmart (2), Walgreen (17) and Wal-Mart (1). Our freestanding properties provided $20,085,734, or approximately 66.0%, of our annualized base rent as of December 31, 2006, at an average base rent per square foot of $13.00. These properties contain, in the aggregate, 1,492,578 square feet of gross leasable area or approximately 44.5% of our total gross leasable area. Our freestanding properties tend to have high traffic counts, are generally located in densely populated areas and are leased to a single tenant on a long term basis. Thirty-five (35) of our 48 freestanding properties were developed by us. Five (5) of our 48 freestanding properties, although not developed by us, were acquired as part of our relationship with Borders. As of December 31, 2006, our freestanding properties have a weighted average lease term of 14.1 years.

Our freestanding properties range in size from 4,426 to 458,729 square feet of gross leasable area and are located in the following states: California (1), Florida (3), Indiana (1), Kansas (2), Maryland (2), Michigan (28), Nebraska (2), New Jersey (1), New York (2), Ohio (1), Oklahoma (4) and Pennsylvania (1).

Freestanding Properties

Tenant/Location	**Year Completed/ Expanded**	**Total GLA**	**Lease Expiration(2) (Option expiration)**
Borders,(1) Aventura, FL	1996	30,000	Jan 31, 2016 (2036)
Borders, Columbus, OH	1996	21,000	Jan 23, 2016 (2036)
Borders, Monroeville, PA	1996	37,004	Nov 8, 2016 (2036)
Borders, Norman, OK	1996	24,641	Sep 20, 2016 (2036)
Borders, Omaha, NE	1995	30,000	Nov 3, 2015 (2035)
Borders, Santa Barbara, CA	1995	38,015	Nov 17, 2015 (2035)
Borders, Wichita, KS	1995	25,000	Nov 10, 2015 (2035)
Borders, Lawrence, KS	1997	20,000	Oct 16, 2022 (2042)
Borders, Tulsa, OK	1998	25,000	Sep 30, 2018 (2038)
Borders, Oklahoma City, OK	2002	24,641	Nov 17, 2017 (2037)

Tenant/Location	Year Completed/ Expanded	Total GLA	Lease Expiration(2) (Option expiration)
Borders, Omaha, NE	2002	25,000	Nov 17, 2017 (2037)
Borders, Indianapolis, IN	2002	15,844	Nov 17, 2017 (2037)
Borders, Columbia, MD	1999	28,000	Oct 16, 2022 (2042)
Borders, Germantown, MD	2000	25,000	Oct 16, 2022 (2042)
Borders Headquarters, Ann Arbor, MI	1996/1998	458,729	Jan 29, 2023 (2043)
Borders, Tulsa, OK	1996	25,000	Sep 30, 2018 (2038)
Borders, Boynton Beach, FL	1996	25,000	July 20, 2024 (2044)
Borders, Ann Arbor, MI	1996	110,000	July 20, 2024 (2044)
Circuit City, Boynton Beach, FL	1996	32,459	Dec 15, 2016 (2036)
Citizens Bank, Flint, MI	2003	4,426	Apr 15, 2023
Eckerd Drugs, Webster, NY	2004	13,813	Feb 24, 2024 (2044)
Eckerd Drugs, Albion, NY	2004	13,813	Oct 12, 2024 (2044)
Fajita Factory, Lansing, MI	2004	Note (3)	Aug 31,2014 (2032)
Kmart, Grayling, MI	1984	52,320	Sep 30, 2009 (2059)
Kmart, Oscoda, MI	1984/1990	90,470	Sep 30, 2009 (2059)
Rite Aid, Canton Twp, MI	2003	11,180	Oct 31, 2019 (2049)
Rite Aid, Roseville, MI	2005	11,060	June 30, 2025 (2050)
Rite Aid, Mt Pleasant, MI	2005	11,095	Nov 30, 2025 (2065)
Rite Aid, N Cape May, NJ	2005	10,118	Nov 30, 2025 (2065)
Rite Aid, Summit Twp, MI	2006	11,060	Oct 31, 2019 (2039)
Sam s Club, Roseville, MI	2002	Note (4)	Aug 4, 2022 (2082)
Walgreen, Waterford, MI	1997	13,905	Feb 28, 2018 (2058)
Walgreen, Chesterfield, MI	1998	13,686	

			July 31, 2018 (2058)
Walgreen, Pontiac, MI	1998	13,905	Oct 31, 2018 (2058)
Walgreen, Grand Blanc, MI	1998	13,905	Feb 28, 2019 (2059)
Walgreen, Rochester, MI	1998	13,905	June 30, 2019 (2059)
Walgreen, Ypsilanti, MI	1999	15,120	Dec 31, 2019 (2059)
Walgreen,(1) Petoskey, MI	2000	13,905	Apr 30, 2020 (2060)
Walgreen, Flint, MI	2000	14,490	Dec 31, 2020 (2060)
Walgreen, Flint, MI	2001	15,120	Feb 28, 2021 (2061)
Walgreen, N Baltimore, MI	2001	14,490	Aug 31, 2021 (2061)
Walgreen, Flint, MI	2002	14,490	Apr 30, 2027 (2077)
Walgreen, Big Rapids, MI	2003	13,560	Apr 30, 2028 (2078)
Walgreen, Flint, MI	2004	14,560	Feb 28, 2029 (2079)
Walgreen, Flint, MI	2004	13,650	Oct 31, 2029 (2079)
Walgreen, Midland, MI	2005	14,820	July 31, 2030 (2080)
Walgreen, Grand Rapids, MI	2005	14,820	Aug 30, 2030 (2080)
Walgreen, Delta Township,, MI	2005	14,559	Nov 30, 2030 (2080)
Total		1,492,578	

(1) These properties are subject to long-term ground leases where a third party owns the underlying land and has leased the land to us to construct or operate freestanding properties. We pay rent for the use of the land and we are generally responsible for all costs and expenses associated with the building and improvements. At the end of the lease terms, as extended (Aventura, FL 2036, and Petoskey, MI 2049), the land together with all improvements revert to the land owner. We have an option to purchase the Petoskey property after August 7, 2019.

(2) At the expiration of tenant s initial lease term, each tenant has an option, subject to certain requirements, to

extend its lease for an additional period of time.

(3) This 2.03 acre property is leased from us by Fajita Factory, LLC pursuant to a ground lease.

(4) This 12.68 acre property is leased from us by Wal-Mart pursuant to a ground lease.

Community Shopping Centers

Twelve (12) of our properties are community shopping centers ranging in size from 20,000 to 241,458 square feet of gross leaseable area. The community shopping centers are located in five states as follows: Florida (1), Illinois (1), Kentucky (1), Michigan (6) and Wisconsin (3). Our community shopping centers tend to be located in high traffic, market dominant centers in which customers of our tenants purchase day-to-day necessities. Our community shopping centers are anchored by national tenants.

The location, general character and primary occupancy information with respect to the community shopping centers as of December 31, 2006 are set forth below:

Property Location	Year Completed/ Expanded	Gross Leasable Area Sq. Ft.	Annualized Base Rent (2)	Average Base Rent per Sq. Ft.(3)	Percent Occupied at December 31, 2006	Percent Leased at December 31, 2006 (4)	Anchor Tenants (Lease expiration/Option period expiration) (5)
Capital Plaza,(1) Frankfort, KY	1978/2006	116,212	$ 561,917	$ 4.84	100%	100%	Kmart(2008/2053) Walgreen (2031/2052) Fashion Bug (2008/2025)
Charlevoix Commons Charlevoix, MI	1991	137,375	683,162	4.97	74%	100%	Kmart (2015/2065) Roundy s (2011-2031)
Chippewa Commons Chippewa Falls, WI	1991	168,311	961,783	5.71	100%	100%	Kmart (2014/2064) Roundy s (2011/2031) Fashion Bug (2011/2021)
Ironwood Commons Ironwood, MI	1991	185,535	956,910	5.16	100%	100%	Kmart (2015/2065) Super Value (2011/2036)

							Fashion Bug (2007/2022)
Marshall Plaza Marshall, MI	1990	119,279	687,484	5.76	100%	100%	Kmart (2015/2065)
Mt. Pleasant Shopping Center Mt. Pleasant, MI	1973/1997	241,458	1,085,782	4.63	97%	97%	Kmart (2008/2048) J.C. Penney Co. (2005/2020) Staples, Inc. (2010/2025) Fashion Bug (2006/2026)

Property Location	Year Completed/ Expanded	Gross Leasable Area Sq. Ft.	Annualized Base Rent (2)	Average Base Rent per Sq. Ft.(3)	Percent Occupied at December 31, 2006	Percent Leased at December 31, 2006 (4)	Anchor Tenants (Lease expiration/Option period expiration) (5)
North Lakeland Plaza Lakeland, FL	1987	171,334	1,285,585	7.50	100%	100%	Best Buy (2013/2028) Beall s (2015/2025)
Petoskey Town Center Petoskey, MI	1990	174,870	1,093,873	6.26	100%	100%	Kmart (2015/2065) Roundy s (2010/2030) Fashion Bug (2007/2022)
Plymouth Commons Plymouth, WI	1990	162,031	889,934	5.65	97%	97%	Kmart (2015/2065) Roundy s (2010/2030) Fashion Bug (2008/2021)
Rapids Associates Big Rapids, MI	1990	173,557	955,457	5.51	74%	100%	Kmart (2015/2065) Roundy s (2010/2030) Fashion Bug (2006/2021)
Shawano Plaza Shawano, WI	1990	192,694	1,030,388	5.35	100%	100%	Kmart (2014/2064) Roundy s (2010/2030) J.C. Penney Co. (2005/2025) Fashion Bug (2006/2021)
West Frankfort Plaza West Frankfort, IL	1982	20,000	145,333	7.27	100%	100%	Fashion Bug (2007)
Total/Average		1,862,656	$ 10,337,608	$ 5.53	95%	99%	

(1) All community shopping centers except Capital Plaza (which is subject to a long-term

ground lease expiring in 2053 from a third party) are wholly-owned by us.

(2) Total annualized base rents of the Company as of December 31, 2006.

(3) Calculated as total annualized base rents, divided by gross leaseable area actually leased as of December 31, 2006.

(4) Roundy s leases but does not currently occupy, the 35,896 square feet it leases at Charlevoix Commons at a rate of $5.97 per square foot and the 44,478 square feet it leases at Rapids Associates at a rate of $6.00 per square foot. The Charlevoix lease expires in 2011 and the Rapids Associates lease expires in 2010 (assuming they are not extended by Roundy s).

(5) The option to extend the lease beyond its

initial term is
only at the
option of the
tenant.

ITEM 3. LEGAL PROCEEDINGS

We are not presently involved in any litigation nor, to our knowledge, is any other litigation threatened against us, except for routine litigation arising in the ordinary course of business which is expected to be covered by our liability insurance.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of 2006.

Part II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the New York Stock Exchange under the symbol ADC . The following table sets forth the high and low sales prices of our common stock, as reported on the New York Stock Exchange Composite Tape, and the dividends declared per share of Common Stock by us for each calendar quarter in the last two fiscal years. Dividends were paid in the periods immediately subsequent to the periods in which such dividends were declared.

Market Information

	High	Low	Dividends Per Common Share
Quarter Ended			
March 31, 2006	$32.10	$29.69	$ 0.49
June 30, 2006	$35.07	$29.88	$ 0.49
September 30, 2006	$34.05	$31.24	$ 0.49
December 31, 2006	$36.26	$32.10	$ 0.49
March 31, 2005	$31.31	$26.63	$ 0.49
June 30, 2005	$30.37	$26.54	$ 0.49
September 30, 2005	$31.00	$27.72	$ 0.49
December 31, 2005	$29.67	$26.16	$ 0.49

At December 31, 2006, there were 7,750,496 shares of our common stock issued and outstanding which were held by approximately 200 stockholders of record. The stockholders of record do not reflect persons or entities who held their shares in nominee or street name.

We intend to continue to declare quarterly dividends to our stockholders. However, our distributions are determined by our board of directors and will depend on a number of factors, including the amount of our funds from operations, the financial and other condition of our properties, our capital requirements, our annual distribution requirements under the provisions of the Internal Revenue Code applicable to REITs and such other factors as our board of directors deems relevant.

During the year ended December 31, 2006, we did not sell any unregistered securities, except the grant, under our 2005 Equity Incentive Plan (the Plan), of 43,650 shares of restricted stock to certain of our employees. The transfer restrictions on such shares lapse in equal annual installments over a five-year period from the date of the grant, but the holder thereof is entitled to receive dividends on all such shares from the date of the grant.

Certain information relating to equity compensation plans is set forth in Item 12.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial information on a historical basis and should be read in conjunction with Management Discussion and Analysis of Financial Condition and Results of Operations and all of the financial statements and notes thereto included elsewhere in this Form 10-K. Certain amounts have been reclassified to conform to the current presentation of discontinued operations. The balance sheet for the periods ending December 31, 2002 through 2006 and operating data for each of the periods presented were derived from our audited financial statements.

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Selected Financial Data
(in thousands, except per share, number of properties, and percentage leased information)

	Year Ended Dec 31, 2006	Year Ended Dec 31, 2005	Year Ended Dec 31, 2004	Year Ended Dec 31, 2003	Year Ended Dec 31, 2002
Operating Data					
Total Revenue	$ 32,908	$ 31,579	$ 28,940	$ 26,224	$ 23,061
Expenses					
Property expense (1)	4,219	4,545	4,220	4,161	3,806
General and administrative	4,019	4,191	2,849	2,275	2,012
Interest	4,625	4,159	4,507	5,684	6,196
Early extinguishment of debt				961	
Depreciation and amortization	4,851	4,637	4,249	3,836	3,466
Total Expenses	17,714	17,532	15,825	16,917	15,480
Other Income (2)		6	217	438	674
Income before Minority Interest and Discontinued Operations	15,194	14,053	13,332	9,745	8,255
Minority Interest	1,220	1,145	1,257	1,103	1,085
Income before Discontinued Operations	13,974	12,908	12,075	8,642	7,170
Gain on Sale of Asset From Discontinued Operations		2,654	523	740	
Income From Discontinued Operations		486	525	1,090	1,602
Net Income	$ 13,974	$ 16,048	$ 13,123	$ 10,472	$ 8,772
Number of Properties	60	59	54	50	48
Number of Square Feet	3,355	3,363	3,463	3,495	3,699

Percentage Leased		99%		99%		99%		97%		99%
Per Share Data Dilutive										
Income before discontinued operations	$	1.83	$	1.72	$	1.87	$	1.64	$	1.61
Discontinued operations				.42		.16		.35		.36
Net income	$	1.83	$	2.14	$	2.03	$	1.99	$	1.97
Weighted average of common shares outstanding Dilutive		7,651		7,491		6,475		5,276		4,447
Cash dividends	$	1.96	$	1.96	$	1.95	$	1.94	$	1.84
Balance Sheet Data										
Real Estate (before accumulated depreciation)	$	268,248	$	258,332	$	252,427	$	220,334	$	210,986