RAMCO GERSHENSON PROPERTIES TRUST
Form 10-K
March 10, 2008

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10093
RAMCO-GERSHENSON PROPERTIES TRUST
(Exact Name of Registrant as Specified in its Charter)

Maryland	**13-6908486**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
31500 Northwestern Highway Farmington Hills, Michigan	**48334**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code: 248-350-9900

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

Title of Each Class	**Name of Each Exchange On Which Registered**
Common Shares of Beneficial Interest, $0.01 Par Value Per Share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined 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 is not contained herein, and will not be contained, to the best of the 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, 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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting Company 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 common equity held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter (June 30, 2007) was $663,585,493.

Number of common shares outstanding as of March 5, 2008: 18,469,456

DOCUMENT INCORPORATED BY REFERENCE

Portions of the registrant s proxy statement for the annual meeting of shareholders to be held June 11, 2008 are in incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as may, will, should, believe, expect, estimate, anticipate, continue, predict or similar terms. Although forward-looking statements made in this document are based on our good-faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; our cost of capital, which depends in part on our asset quality and our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a REIT; and other factors discussed elsewhere in this document and our other filings with the Securities and Exchange Commission (the SEC). Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

PART I

Item 1. *Business*

General

Ramco-Gershenson Properties Trust is a fully integrated, self-administered, publicly-traded Maryland real estate investment trust (REIT) organized on October 2, 1997. The terms Company, we, our or us refer to Ramco-Gersh Properties Trust, the Operating Partnership (defined below) and/or its subsidiaries, as the context may require. Our principal office is located at 31500 Northwestern Highway, Suite 300, Farmington Hills, Michigan 48334. Our predecessor, RPS Realty Trust, a Massachusetts business trust, was formed on June 21, 1988 to be a diversified growth-oriented REIT. In May 1996, RPS Realty Trust acquired the Ramco-Gershenson interests through a reverse merger, including substantially all of the shopping centers and retail properties as well as the management company and business operations of Ramco-Gershenson, Inc. and certain of its affiliates. The resulting trust changed its name to Ramco-Gershenson Properties Trust and Ramco-Gershenson, Inc. s officers assumed management responsibility. The trust also changed its operations from a mortgage REIT to an equity REIT and contributed certain mortgage loans and real estate properties to Atlantic Realty Trust, an independent, newly formed liquidating REIT. In 1997, with approval from our shareholders, we changed our state of organization by terminating the Massachusetts trust and merging into a newly formed Maryland REIT.

We conduct substantially all of our business, and hold substantially all of our interests in our properties, through our operating partnership, Ramco-Gershenson Properties, L.P. (the Operating Partnership). The Operating Partnership, either directly or indirectly through partnerships or limited liability companies, holds fee title to all owned properties. We have the exclusive power to manage and conduct the business of the Operating Partnership. As of December 31, 2007, we owned approximately 86.3% of the interests in the Operating Partnership.

We are a REIT under the Internal Revenue Code of 1986, as amended (the Code), and are therefore required to satisfy various provisions under the Code and related Treasury regulations. We are generally required to distribute annually at least 90% of our REIT taxable income (as defined in the Code), excluding any net capital gain, to our shareholders. Additionally, at the end of each fiscal quarter, at least 75% of the value of our total assets must consist of real estate assets (including interests in mortgages on real property and interests in other REITs) as well as cash, cash equivalents and government securities. We are also subject to limits on the amount of certain types of securities we can hold.

Furthermore, at least 75% of our gross income for the tax year must be derived from certain sources, which include "rents from real property" and interest on loans secured by mortgages on real property. An additional 20% of our gross income must be derived from these same sources or from dividends and interest from any source, gains from the sale or other disposition of stock or securities or any combination of the foregoing.

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Certain of our operations, including property management and asset management, are conducted through taxable REIT subsidiaries (each, a TRS). A TRS is a C corporation that has not elected REIT status and, as such, is subject to federal corporate income tax. We use the TRS format to facilitate our ability to provide certain services and conduct certain activities that are not generally considered as qualifying REIT activities.

Operations of the Company

We are a publicly-traded REIT which owns, develops, acquires, manages and leases community shopping centers (including power centers and single-tenant retail properties) and one regional mall, in the Midwestern, Southeastern and Mid-Atlantic regions of the United States. At December 31, 2007, we owned interests in 89 shopping centers, comprised of 65 community centers, 21 power centers, two single tenant retail properties, and one enclosed regional mall, totaling approximately 20.0 million square feet of gross leaseable area (GLA). We and our joint ventures partners own approximately 16.0 million square feet of such GLA, with the remaining portion owned by various anchor stores.

Shopping centers can generally be organized in five categories: convenience, neighborhood, community, regional and super regional centers. Shopping centers are distinguished by various characteristics, including center size, the number and type of anchor tenants and the types of products sold. Community shopping centers provide convenience goods and personal services offered by neighborhood centers, but with a wider range of soft and hard line goods. The community shopping center may include a grocery store, discount department store, super drug store, and several specialty stores. Average GLA of a community shopping center ranges between 100,000 and 500,000 square feet. A power center is a community shopping center that has over 500,000 square feet of GLA and includes several discount anchors of 20,000 or more square feet. These anchors typically emphasize hard goods such as consumer electronics, sporting goods, office supplies, home furnishings and home improvement goods.

Strategy

We are predominantly a community shopping center company with a focus on acquiring, developing and managing centers primarily anchored by grocery stores and nationally recognized discount department stores. We believe that centers with a grocery and/or discount component attract consumers seeking value-priced products. Since these products are required to satisfy everyday needs, customers usually visit the centers on a weekly basis. Our anchor tenants include TJ Maxx/Marshalls, Home Depot, Wal-Mart, OfficeMax, Linens n Things, Kmart, Jo-Ann, Kohl s, Lowe s Home Improvement and Target. Approximately 54% of our community shopping centers have grocery anchors, including Publix, Kroger, Winn-Dixie, Save-A-Lot and Meijer.

Our shopping centers are primarily located in major metropolitan areas in the Midwestern and Southeastern regions of the United States, although we also own and operate three centers in the Mid-Atlantic region. By focusing our energies on these markets, we have developed a thorough understanding of the unique characteristics of these trade areas. In both of our primary regions, we have concentrated a number of centers in reasonable proximity to each other in order to achieve market penetration as well as efficiencies in management, oversight and purchasing.

Our business objective and operating strategy is to increase funds from operations and cash available for distribution per share through internal and external growth. We strive to satisfy such objectives through an aggressive approach to asset management and strategic developments and acquisitions.

In our existing centers, we focus on rental and leasing strategies and the selective redevelopment of such properties. We strive to increase rental income over time through contractual rent increases and leasing and re-leasing of available space at higher rental levels, while balancing the needs for an attractive and diverse tenant mix. See Item 2, Properties for additional information on rental revenue and lease expirations. In addition, we assess each of our centers periodically to identify renovation and expansion opportunities and proactively engage in value-enhancing activities based on tenant demands and market conditions. We also recognize the importance of customer satisfaction and spend a significant amount of resources to ensure that our centers have sufficient amenities, appealing layouts and proper maintenance.

Further, we utilize the selective development and acquisition of new shopping centers, either directly or through one or more joint venture entities. We intend to seek development opportunities in underserved, attractive

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and/or expanding markets. We also seek to acquire strategically located, quality shopping centers that (i) have leases at rental rates below market rates, (ii) have potential for rental and/or occupancy increases or (iii) offer cash flow growth or capital appreciation potential. We acquire certain properties with the intent of redeveloping such centers soon after the acquisition is completed, which can increase the risks of cost overruns and project delays since we are less familiar with such centers than our existing centers which are redeveloped.

From time to time, we will sell mature properties or non-core assets which have less potential for growth or are not viable for redevelopment. We intend to redeploy the proceeds from such sales to fund development, redevelopment and acquisition activities, to repay debt and to repurchase outstanding shares.

We believe all of the foregoing strategies have been instrumental in improving our property values and funds from operations in recent years.

Developments

At December 31, 2007, we were in various stages of development on five development projects. The developments are:

The Town Center at Aquia in Stafford, Virginia involves the complete value-added redevelopment of an existing 200,000 square foot shopping center owned by us. When complete, the mixed-use asset will encompass over 725,000 square feet of retail, office and entertainment components. The construction of the first retail/office building on the site was completed during the fourth quarter of 2007 and Northrop Grumman took possession of the majority of the 100,000 square foot building. The total project cost is estimated at $189 million, of which $42.2 million had been spent as of December 31, 2007. We intend to seek a joint venture partner to invest in this property prior to its anticipated stabilization in the first half of 2011.

Northpointe Town Center in Jackson, Michigan is being developed as a 550,000 square foot combination power center and town center and will include retail, entertainment and office components. The new development will complement two of our other properties in the market. The total project cost is estimated at $74 million.

Shoppes of Lakeland II in Lakeland, Florida is being developed as a 300,000 square foot center. The project is located in central Florida in close proximity to a number of our existing centers. The estimated project cost is $54 million. We intend to seek a joint venture partner to invest in this property prior to its stabilization anticipated in 2011.

Hartland Towne Square in Hartland, Michigan is being developed through our joint venture Ramco Highland Disposition LLC. Hartland Towne Square will be developed as a 500,000 square foot power center featuring two major anchors, a department/grocery superstore and a home improvement superstore. Meijer discount department superstore chain has committed to build a 192,000 square foot superstore at the shopping center and we are currently in negotiations with a major home improvement operator as a second anchor for the project. The development is expected to also include at least three mid-box national retailers as well as a number of outlots. The total project cost is estimated at $51 million.

Rossford Pointe is a ten acre development adjacent to our Crossroads Center located in Rossford, Ohio. The estimated project cost is $8 million for this 68,000 square foot mid-box project.

We estimate the total project costs for the five development projects to be $376.1 million. As of December 31, 2007, we have spent $65 million on such developments. We intend to wholly own the Northpointe Town Center and Rossford Pointe and therefore anticipate that $82.5 million of the total project costs will be on our balance sheet upon completion of such projects. We anticipate that we will incur $55.7 million of debt to fund these projects. We own

20% of the joint venture that is developing Hartland Towne Square, and our share of the estimated $50.6 million of project costs is $10.1 million. We anticipate that the joint venture will incur $38.0 million to fund the project. We anticipate spending an additional $243.0 million for developing The Town Center at Aquia and the Shoppes of Lakeland II which we expect to be developed through joint ventures, and therefore be accounted as off-balance sheet assets, although we do not have joint venture partners to date and no assurance can be given that we will have joint venture partners on such projects. As part of our development plans for The Town Center at Aquia and the

Shoppes of Lakeland II, we anticipate the joint ventures will incur $182.3 million of debt and our partners will contribute $48.6 million of equity.

In summary, we estimate an additional $311 million will be incurred to complete the five developments, of which $276 million is anticipated be from new debt; new joint venture partner s equity will contribute $59 million. Further, we anticipate the new joint venture partners will reimburse us $24 million in development cost we have incurred in connection with these projects.

Asset Management

During 2007, the improvement of core shopping centers remained a vital part of our business plan. We continued to identify opportunities within our portfolio to add value. In 2007, we commenced the following redevelopment projects:

Joint Ventures

Troy Marketplace in Troy, Michigan. A joint venture in which we have a 30% ownership interest purchased vacant shopping center space adjacent to a shopping center currently owned by such joint venture. The joint venture plans on re-tenanting the space with LA Fitness and additional mid-box uses previously occupied by Home Expo and constructing a new outlot building.

Paulding Pavilion in Hiram, Georgia is part of a joint venture in which we have a 20% ownership interest. Our redevelopment plans for this center include the re-tenanting and expanding space formerly occupied by Publix with Sports Authority and Staples and the construction of a 4,000 square foot outlot.

Old Orchard in West Bloomfield, Michigan is owned by a joint venture in which we have a 30% ownership interest. Our redevelopment plans for this center include re-tenanting and expanding space formerly occupied by Farmer Jack with a gourmet grocer, addition of an outlot and façade and structural improvements.

Collins Pointe Plaza in Cartersville, Georgia is part of a joint venture in which we have a 20% ownership interest. Our redevelopment plans include re-tenanting and expanding space formerly occupied by a Winn-Dixie store and constructing additional outlot and small shop retail space.

Wholly-Owned

West Allis Towne Centre in West Allis, Wisconsin. Our redevelopment plans include building additional retail space, adding two outlots and upgrading the facade.

Oakbrook Square in Flint, Michigan. Hobby Lobby executed a lease for 55,000 square feet of space. We also intend to replace vacancy and to build-out additional space.

At December 31, 2007, we have five additional value-added redevelopment projects in process, including two projects owned by joint ventures.

We estimate the total project costs of the 11 redevelopment projects in process to be $52.7 million. For the five redevelopment projects at our wholly owned, consolidated properties, we estimate project costs of $19.1 million of which $0.7 million has been spent as of December 31, 2007. For the six redevelopment projects at properties held by joint ventures, we estimate off-balance sheet project costs of $33.6 million (our share is estimated to be $8.6 million) of which $9.0 million has been spent as of December 31, 2007 (our share is $2.3 million).

While we anticipate redevelopments will be accretive upon completion, a majority of the projects will require taking some retail space off-line to accommodate the new/expanded tenancies. These measures will result in the loss of minimum rents and recoveries from tenants for those spaces removed from our pool of leasable space. Based on the sheer number of value-added redevelopments that will be in process in 2008, the revenue loss will create a short-term negative impact on net operating income and FFO. The majority of the projects are expected to stabilize by the end of 2009.

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Dispositions

In March 2007, we sold our ownership interests in Chester Springs and in July 2007, we sold our ownership interests in Paulding Pavilion to joint ventures in which we have a 20% ownership interest. In June 2007, we also sold Kissimmee West Shopping Center and Shoppes of Lakeland to a joint venture which we have a 7% ownership interest. In connection with the sale of these four centers to the joint ventures, we recognized a gain of $30.1 million. In late December 2007, we sold our Mission Bay shopping center on the installment method of accounting to a joint venture in which we have a 30% ownership interest. We did not realize a gain in 2007 for the sale of Mission Bay, but will realize a gain on the sale of approximately $11.7 million in 2008.

We are currently negotiating the sale of a limited number of stabilized, core portfolio assets with an approximate value of $260 million to a new joint venture. Proceeds from this transaction will be used to fund our business plan for 2008 and 2009, as well as pay down debt.

Acquisitions

In 2007, we acquired approximately $218.4 million in real estate assets from third parties for our various joint ventures. In addition, we sold five of our shopping centers to these partnerships generating approximately $74.7 million in proceeds, which was used to reduce debt and fund our co-investment obligations.

After an in-depth analysis of our business plan going forward, we intend to de-emphasize our acquisition program as a significant driver of growth. Acquisitions are planned to be more opportunistic in nature and the volume of these purchases will be substantially less than in 2007.

Joint Ventures

In addition to the properties we sold to our joint ventures noted in Dispositions, our joint ventures acquired additional properties in 2007.

Joint ventures in which we have a 30% ownership interest acquired the following properties:

January -	Cocoa Commons
March -	Cypress Point
August -	Old Orchard Center

Joint ventures in which we have a 20% ownership interest acquired the following properties:

February -	Peachtree Hill
October -	The Shops on Lane Avenue and Upper Arlington 450 LLC
July -	Paulding Pavilion
December -	Olentangy Plaza and Market Plaza

In July 2007, a joint venture in which we have a 7% ownership interest acquired Nora Plaza.

Wholly-Owned

In April 2007, we acquired the remaining 80% interest in Ramco Jacksonville LLC, an entity that was formed to develop a shopping center in Jacksonville, Florida.

Formation of New Unconsolidated Joint Ventures

In June 2007, we formed Ramco Highland Disposition LLC, a joint venture with Hartland Realty Partners LLC to develop Hartland Towne Square. We own 20% of the joint venture and our joint venture partner owns 80%.

In June 2007, we also formed Ramco HHF KL LLC, a joint venture with a discretionary fund managed by Heitman LLC to acquire Kissimmee West Shopping Center and Shoppes of Lakeland. We own 7% of the joint venture and our joint venture partner owns 93%.

In July 2007, we formed Ramco HHF NP LLC, a joint venture with a discretionary fund managed by Heitman LLC to specifically acquire Nora Plaza located in Indianapolis, Indiana. We own 7% of the joint venture and our joint venture partner owns 93%.

In September 2007, we formed Ramco Jacksonville North Industrial LLC, a joint venture formed to develop land adjunct to our River City Marketplace shopping center. We own 5% of the joint venture and our joint venture partner owns 95%. As of December 31, 2007, the joint venture has $0.7 million of variable rate debt.

Competition

See page 9 of Item 1A. Risk Factors for a description of competitive conditions in our business.

Environmental Matters

See pages 13-14 of Item 1A. Risk Factors for a description of environmental risks for our business.

Employment

As of December 31, 2007, we had 123 full time corporate employees and 24 full time on-site shopping center maintenance personnel. None of our employees is represented by a collective bargaining unit. We believe that our relations with our employees are good.

Available Information

All reports we electronically file with, or furnish to, the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports, are available on our website at www.rgpt.com, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC. Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Board of Trustees committee charters also are available at the same location on our website.

Shareholders may request free copies of these documents from:

Ramco-Gershenson Properties Trust
Attention: Investor Relations
31500 Northwestern Highway
Suite 300
Farmington Hills, MI 48334

Item 1A. ***Risk Factors***

You should carefully consider each of the risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K, as well as any amendments or updates reflected in subsequent filings with the SEC. We believe these risks and uncertainties, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results and could materially and adversely affect our business operations, results of operations and financial condition. Further, additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our results and business operations.

Business Risks

Adverse market conditions and tenant bankruptcies could adversely affect our revenues.

The economic performance and value of our real estate assets are subject to all the risks associated with owning and operating real estate, including risks related to adverse changes in national, regional and local economic and market conditions. Our current properties are located in 13 states in the Midwestern, Southeastern and Mid-Atlantic regions of the United States. The economic condition of each of our markets may be dependent on one or more industries. An economic downturn in one of these industries may result in a business downturn for existing tenants, and as a result, these tenants may fail to make rental payments, decline to extend leases upon expiration, delay lease commencements or declare bankruptcy. In addition, we may have difficulty finding new tenants during economic downturns.

Any tenant bankruptcies, leasing delays or failure to make rental payments when due could result in the termination of the tenant s lease and could cause material losses to us and adversely impact our operating results, unless we are able to re-let the vacant space or negotiate lease cancellation income. If our properties do not generate sufficient income to meet our operating expenses, including future debt service, our business and results of operations would be adversely affected.

The retail industry has experienced some financial difficulties during the past few years and certain local, regional and national retailers have filed for protection under bankruptcy laws. Any bankruptcy filings by or relating to one of our tenants or a lease guarantor is likely to delay our efforts to collect pre-bankruptcy debts and could ultimately preclude full collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. It is possible that we may recover substantially less than the full value of any unsecured claims we hold, if at all, which may adversely affect our operating results and financial condition.

If any of our anchor tenants becomes insolvent, suffers a downturn in business or decides not to renew its lease, it may adversely impact our business at such center. In addition, a lease termination by an anchor tenant or a failure of an anchor tenant to occupy the premises could result in lease terminations or reductions in rent by some of our non-anchor tenants in the same shopping center pursuant to the terms of their leases. In that event, we may be unable to re-let the vacated space.

Similarly, the leases of some anchor tenants may permit them to transfer their leases to other retailers. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease, which would reduce the income generated by that retail center. In addition, a transfer of a lease to a new anchor tenant could also give other tenants the right to make reduced rental payments or to terminate their leases with us.

Concentration of our credit risk could reduce our operating results.

Several of our tenants represent a significant portion of our leasing revenues. As of December 31, 2007, we received 3.6% of our annualized base rent from TJ Maxx/Marshalls and 2.9% of our annualized base rent from Publix. Three other tenants each represented at least 2.0% of our total annualized base rent. The concentration in our leasing revenue from a small number of tenants creates the risk that, should these tenants experience financial difficulties, our operating results could be adversely affected.

REIT distribution requirements limit our available cash.

As a REIT, we are subject to annual distribution requirements which limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for our distributed earnings not to be subject to corporate income tax. We intend to make distributions to our shareholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement.

Our inability to successfully identify or complete suitable acquisitions and new developments would adversely affect our results of operations.

Integral to our business strategy is our ability to continue to acquire and develop new properties. We may not be successful in identifying suitable real estate properties that meet our acquisition criteria and are compatible with our growth strategy or in consummating acquisitions or investments on satisfactory terms. We may not be successful in identifying suitable areas for new development, negotiating for the acquisition of the land, obtaining required permits and authorizations, or completing developments within our budgets and on a timely basis or leasing any newly-developed space. If we fail to identify or complete suitable acquisitions or developments on a timely basis and within our budget, our financial condition and results of operations could be adversely affected and our growth could slow.

Our redevelopment projects may not yield anticipated returns, which would adversely affect our operating results.

A key component of our business strategy is exploring redevelopment opportunities at existing properties within our portfolio and in connection with property acquisitions. To the extent that we engage in these redevelopment activities, they will be subject to the risks normally associated with these projects, including, among others, cost overruns and timing delays as a result of the lack of availability of materials and labor, weather conditions and other factors outside of our control. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these redevelopment projects and adversely impact our operating results.

We face competition for the acquisition and development of real estate properties, which may impede our ability to grow our operations or may increase the cost of these activities.

We compete with many other entities for the acquisition of retail shopping centers and land that is appropriate for new developments, including other REITs, private institutional investors and other owner-operators of shopping centers. These competitors may increase the price we pay to acquire properties or may succeed in acquiring those properties themselves. In addition, the sellers of properties we wish to acquire may find our competitors to be more attractive buyers because they may have greater resources, may be willing to pay more, or may have a more compatible operating philosophy. In particular, larger REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital. In addition, the number of entities and the amount of funds competing for suitable properties may increase. This would increase demand for these properties and therefore increase the prices paid for them. If we pay higher prices for properties or are unable to acquire suitable properties at reasonable prices, our ability to grow may be adversely affected.

Competition may affect our ability to renew leases or re-let space on favorable terms and may require us to make unplanned capital improvements.

We face competition from similar retail centers within the trade areas in which our centers operate to renew leases or re-let space as leases expire. Some of these competing properties may be newer and better located or have a better tenant mix than our properties, which would increase competition for customer traffic and creditworthy tenants. We may not be able to renew leases or obtain replacement tenants as leases expire, and the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favorable to us than current lease terms. Increased competition for tenants may also require us to make capital improvements to properties which we would not have otherwise planned to make. In addition, we and our tenants face competition from alternate forms of retailing, including home shopping networks, mail order catalogues and on-line based shopping services, which may limit the number of retail tenants that desire to seek space in shopping center properties generally and may decrease revenues of existing tenants. If we are unable to re-let substantial amounts of vacant space promptly, if the rental rates upon a renewal or new lease are significantly lower than expected, or if reserves for costs of re-letting prove inadequate, then our earnings and cash flows will decrease.

We may be restricted from re-letting space based on existing exclusivity lease provisions with some of our tenants.

In a number of cases, our leases contain provisions giving the tenant the exclusive right to sell clearly identified types of merchandise or provide specific types of services within the particular retail center or limit the ability of other tenants to sell that merchandise or provide those services. When re-letting space after a vacancy, these provisions may limit the number and types of prospective tenants suitable for the vacant space. If we are unable to re-let space on satisfactory terms, our operating results would be adversely impacted.

We hold investments in joint ventures in which we do not control all decisions, and we may have conflicts of interest with our joint venture partners.

As of December 31, 2007, 31 of our shopping centers were partially owned by non-affiliated partners through joint venture arrangements, none of which we have a controlling interest in. We do not control all decisions in our joint ventures and may be required to take actions that are in the interest of the joint venture partners but not our best interests. Accordingly, we may not be able to favorably resolve any issues which arise, or we may have to provide financial or other inducements to our joint venture partners to obtain such resolution.

Various restrictive provisions and rights govern sales or transfers of interests in our joint ventures. These may work to our disadvantage because, among other things, we may be required to make decisions as to the purchase or sale of interests in our joint ventures at a time that is disadvantageous to us.

Bankruptcy of our joint venture partners could adversely affect us.

We could be adversely affected by the bankruptcy of one of our joint venture partners. The profitability of shopping centers held in a joint venture could also be adversely affected by the bankruptcy of one of the joint venture partners if, because of certain provisions of the bankruptcy laws, we were unable to make important decisions in a timely fashion or became subject to additional liabilities.

Rising operating expenses could adversely affect our operating results.

Our properties are subject to increases in real estate and other tax rates, utility costs, insurance costs, repairs and maintenance and administrative expenses. Our current properties and any properties we acquire in the future may be subject to rising operating expenses, some or all of which may be out of our control. If any property is not fully occupied or if revenues are not sufficient to cover operating expenses, then we could be required to expend funds for that property s operating expenses. In addition, while most of our leases require that tenants pay all or a portion of the applicable real estate taxes, insurance and operating and maintenance costs, renewals of leases or future leases may not be negotiated on these terms, in which event we will have to pay those costs. If we are unable to lease properties on a basis requiring the tenants to pay all or some of these costs, or if tenants fail to pay such costs, it could adversely affect our operating results.

The illiquidity of our real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties, which could adversely impact our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price and other terms we seek, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to complete the sale of a property. We may be required to expend funds to correct defects or to make improvements before a property can be sold, and we cannot assure you that we will have funds available to correct those defects or to make those improvements. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could significantly adversely affect our financial condition and operating results.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose invested capital and anticipated profits.

Catastrophic losses, such as losses resulting from wars, acts of terrorism, earthquakes, floods, hurricanes, tornadoes or other natural disasters, pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. Although we currently maintain all risk replacement cost insurance for our buildings, rents and personal property, commercial general liability insurance and pollution and environmental liability insurance, our insurance coverage may be inadequate if any of the events described above occurred to, or caused the destruction of, one or more of our properties. Under that scenario, we could lose both our invested capital and anticipated profits from that property.

Capitalization Risks

We have substantial debt obligations, including variable rate debt, which may impede our operating performance and put us at a competitive disadvantage.

Required repayments of debt and related interest can adversely affect our operating performance. As of December 31, 2007, we had \$690.8 million of outstanding indebtedness, of which \$187.5 million bore interest at a variable rate, and we had the ability to borrow an additional \$38.8 million under our existing Unsecured Revolving Credit Facility (taking into account the impact of our interest rate swap agreements) and to increase the availability under our Unsecured Revolving Credit Facility by up to \$100 million under terms of the Credit Facility. Increases in interest rates on our existing indebtedness would increase our interest expense, which could adversely affect our cash flow and our ability to pay dividends. For example, if market rates of interest on our variable rate debt outstanding as of December 31, 2007 increased by 1.0%, the increase in interest expense on our existing variable rate debt would decrease future earnings and cash flows by approximately \$1.1 million annually.

The amount of our debt may adversely affect our business and operating results by:

- requiring us to use a substantial portion of our funds from operations to pay interest, which reduces the amount available for dividends and working capital;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us more vulnerable to economic and industry downturns and reducing our flexibility to respond to changing business and economic conditions;
- limiting our ability to borrow more money for operations, working capital or to finance acquisitions in the future; and
- limiting our ability to refinance or repay debt obligations when they become due.

Subject to compliance with the financial covenants in our borrowing agreements, our management and Board of Trustees have discretion to increase the amount of our outstanding debt at any time. We could become more highly leveraged, resulting in an increase in debt service costs that could adversely affect our cash flow and the amount available for distribution to our shareholders. If we increase our debt, we may also increase the risk of default on our debt.

Because we must annually distribute a substantial portion of our income to maintain our REIT status, we will continue to need additional debt and/or equity capital to grow.

In general, we must annually distribute at least 90% of our REIT taxable income, excluding net capital gain, to our shareholders to maintain our REIT status. As a result, those earnings will not be available to fund acquisition, development or redevelopment activities. We have historically funded acquisition, development and redevelopment activities by:

- retaining cash flow that we are not required to distribute to maintain our REIT status;

borrowing from financial institutions;

selling assets that we do not believe present the potential for significant future growth or that are no longer compatible with our business plan;

selling common shares and preferred shares; and

entering into joint venture transactions with third parties.

We expect to continue to fund our acquisition, development and redevelopment activities in this way. Our failure to obtain funds from these sources could limit our ability to grow, which could have a material adverse effect on the value of our securities.

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Our financial covenants may restrict our operating or acquisition activities, which may adversely impact our financial condition and operating results.

The financial covenants contained in our mortgages and debt agreements reduce our flexibility in conducting our operations and create a risk of default on our debt if we cannot continue to satisfy them. The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. In addition, if we breach covenants in our debt agreements, the lender can declare a default and require us to repay the debt immediately and, if the debt is secured, can ultimately take possession of the property securing the loan.

In particular, our outstanding Credit Facility and our Secured Term Loan contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including limitations on the ratio of total liabilities to assets and minimum fixed charge coverage and tangible net worth ratios. Our ability to borrow under our Credit Facility is subject to compliance with these financial and other covenants. We rely in part on borrowings under our Credit Facility to finance acquisition, development and redevelopment activities and for working capital. If we are unable to borrow under our Credit Facility or to refinance existing indebtedness, our financial condition and results of operations would likely be adversely impacted.

Mortgage debt obligations expose us to increased risk of loss of property, which could adversely affect our financial condition.

Incurring mortgage debt increases our risk of loss because defaults on indebtedness secured by properties may result in foreclosure actions by lenders and ultimately our loss of the related property. We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan. For federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure but would not receive any cash proceeds.

Tax Risks

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for our shareholders.

We believe that we currently operate in a manner so as to qualify as a REIT for federal income tax purposes. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, investment, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries or other issuers constitute a violation of the REIT requirements. Moreover, future economic, market, legal, tax or other considerations may cause us to fail to qualify as a REIT.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to shareholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of, and trading prices for, our common shares. Unless entitled to relief under certain Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

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We have been the subject of IRS examinations for prior years. With respect to the IRS examination of our taxable years ended December 31, 1991 through December 31, 1995, we entered into a closing agreement with the IRS on December 4, 2003. Pursuant to the terms of the closing agreement, we agreed, among other things, to pay deficiency dividends, and we consented to the assessment and collection of tax deficiencies and to the assessment and collection of interest on such tax deficiencies and deficiency dividends. All amounts assessed by the IRS to date have been paid. We have advised the relevant taxing authorities for the state and local jurisdictions where we conducted business during the taxable years ended December 31, 1991 through December 31, 1995 of the terms of the closing agreement. We believe that our exposure to state and local tax, penalties, interest and other miscellaneous expenses will not exceed $1.4 million as of December 31, 2007. It is our belief that any liability for state and local tax, penalties, interest and other miscellaneous expenses that may exist with respect to the taxable years ended December 31, 1991 through December 31, 1995 will be covered under a Tax Agreement that we entered into with Atlantic Realty Trust (Atlantic) and/or Kimco SI 1339, Inc. (formerly known as SI 1339, Inc.), its successor in interest. However, no assurance can be given that Atlantic or Kimco SI, 1339, Inc. will reimburse us for future amounts paid in connection with our taxable years ended December 31, 1991 through December 31, 1995. See Note 21 of the Notes to the Consolidated Financial Statements in Item 8.

Even if we qualify as a REIT, we may be subject to various federal income and excise taxes, as well as state and local taxes.

Even if we qualify as a REIT, we may be subject to federal income and excise taxes in various situations, such as if we fail to distribute all of our REIT taxable income. We also will be required to pay a 100% tax on non-arm s length transactions between us and a TRS (described below) and on any net income from sales of property that the IRS successfully asserts was property held for sale to customers in the ordinary course. Additionally, we may be subject to state or local taxation in various state or local jurisdictions, including those in which we transact business. The state and local tax laws may not conform to the federal income tax treatment. Any taxes imposed on us would reduce our operating cash flow and net income.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the United States Treasury Department. Changes to tax laws, which may have retroactive application, could adversely affect our shareholders or us. We cannot predict how changes in tax laws might affect our shareholders or us.

We are subject to various environmental laws and regulations which govern our operations and which may result in potential liability.

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment (Environmental Laws), a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances disposed, stored, released, generated, manufactured or discharged from, on, at, onto, under or in such property. Environme