WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
August 07, 2009

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2009

OR

¨ 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 1-9876

Weingarten Realty Investors
(Exact name of registrant as specified in its charter)

TEXAS	74-1464203
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2600 Citadel Plaza Drive P.O. Box 924133 Houston, Texas	77292-4133
(Address of principal executive offices)	(Zip Code)

(713) 866-6000
(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ¨ NO ¨

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).YES ¨ NO x

As of July 31, 2009, there were 119,788,255 common shares of beneficial interest of Weingarten Realty Investors, $.03 par value, outstanding.

1

TABLE OF CONTENTS

PART I.		Financial Information:	Page Number
	Item 1.	Financial Statements (unaudited):	
		Condensed Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2009 and 2008	3
		Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	4
		Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008	5
		Condensed Consolidated Statements of Equity for the Six Months Ended June 30, 2009 and 2008	6
		Notes to Condensed Consolidated Financial Statements	7
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	32
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
	Item 4.	Controls and Procedures	47
PART II.		Other Information:	
	Item 1.	Legal Proceedings	48
	Item 1A.	Risk Factors	48
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	50
	Item 3.	Defaults Upon Senior Securities	50
	Item 4.	Submission of Matters to a Vote of Shareholders	50
	Item 5.	Other Information	51
	Item 6.	Exhibits	51
Signatures			52

Exhibit Index 53

PART I-FINANCIAL INFORMATION

ITEM 1. Financial Statements

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Rentals, net	$143,569	$148,891	$287,987	$296,865
Other	3,371	3,393	7,434	6,103
Total	146,940	152,284	295,421	302,968
Expenses:				
Depreciation and amortization	38,408	38,971	77,045	81,269
Operating	27,569	26,209	51,458	52,247
Ad valorem taxes, net	18,808	17,372	37,158	35,044
General and administrative	7,020	7,104	13,020	13,958
Total	91,805	89,656	178,681	182,518
Operating Income	55,135	62,628	116,740	120,450
Interest Expense, net	(39,496)	(40,552)	(79,053)	(78,090)
Interest and Other Income, net	3,645	1,699	4,909	2,748
Gain on Redemption of Convertible Senior Unsecured Notes	8,858		8,858	
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	3,884	5,139	7,546	10,386
Gain on Merchant Development Sales	4,006	6,303	18,128	6,822
Benefit (Provision) for Income Taxes	2,257	(1,543)	(2,707)	(2,290)
Income from Continuing Operations	38,289	33,674	74,421	60,026
Operating (Loss) Income from Discontinued Operations	(237)	1,749	208	4,177
Gain on Sale of Property from Discontinued Operations	6,248	41,093	6,987	49,463
Income from Discontinued Operations	6,011	42,842	7,195	53,640
Gain on Sale of Property	4,886	132	11,380	144
Net Income	49,186	76,648	92,996	113,810
Less: Net Income Attributable to Noncontrolling Interests	(1,079)	(2,627)	(2,874)	(4,453)
Net Income Adjusted for Noncontrolling Interests	48,107	74,021	90,122	109,357
Dividends on Preferred Shares	(8,869)	(8,110)	(17,738)	(16,728)
Redemption Costs of Preferred Shares		(990)		(990)
Net Income Available to Common Shareholders	$39,238	$64,921	$72,384	$91,639

Earnings Per Common Share - Basic:

Income from continuing operations attributable to common shareholders	$0.30	$0.27	$0.66	$0.45
Income from discontinued operations	0.05	0.51	0.07	0.64
Net income available to common shareholders	$0.35	$0.78	$0.73	$1.09
Earnings Per Common Share - Diluted:				
Income from continuing operations attributable to common shareholders	$0.30	$0.27	$0.65	$0.45
Income from discontinued operations	0.05	0.49	0.07	0.63
Net income available to common shareholders	$0.35	$0.76	$0.72	$1.08
Comprehensive Income:				
Net Income	$49,186	$76,648	$92,996	$113,810
Other Comprehensive Income (Loss):				
Loss on derivatives				(7,204)
Amortization of loss on derivatives	623	645	1,242	864
Total	623	645	1,242	(6,340)
Comprehensive Income	49,809	77,293	94,238	107,470
Comprehensive Income Attributable to Noncontrolling Interests	(1,079)	(2,627)	(2,874)	(4,453)
Comprehensive Income Adjusted for Noncontrolling Interests	$48,730	$74,666	$91,364	$103,017

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2009	December 31, 2008
ASSETS		
Property	$4,906,527	$4,915,472
Accumulated Depreciation	(853,023)	(812,323)
Property Held for Sale, net	3,469	
Property, net	4,056,973	4,103,149
Investment in Real Estate Joint Ventures and Partnerships, net	367,717	357,634
Total	4,424,690	4,460,783
Notes Receivable from Real Estate Joint Ventures and Partnerships	262,896	232,544
Unamortized Debt and Lease Costs, net	113,697	119,464
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $10,063 in 2009 and $12,412 in 2008)	80,636	103,873
Cash and Cash Equivalents	94,370	58,946
Restricted Deposits and Mortgage Escrows	14,899	33,252
Other, net	92,475	105,350
Total	$5,083,663	$5,114,212
LIABILITIES AND EQUITY		
Debt, net	$2,659,147	$3,148,636
Accounts Payable and Accrued Expenses	213,915	179,432
Other, net	92,340	90,461
Total	2,965,402	3,418,529
Commitments and Contingencies		41,000
Equity:		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000		
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding in 2009 and 2008; liquidation preference $75,000	3	3
6.95% Series E cumulative redeemable preferred shares of beneficial interest; 29 shares issued and outstanding in 2009 and 2008; liquidation preference $72,500	1	1
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued and outstanding in 2009 and 2008; liquidation preference $350,000	4	4
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 150,000; shares issued and outstanding: 119,740 in 2009 and 87,102 in 2008	3,604	2,625

Accumulated Additional Paid-In Capital	1,962,133	1,514,940
Net Income Less Than Accumulated Dividends	(40,684)	(37,245)
Accumulated Other Comprehensive Loss	(28,434)	(29,676)
Shareholders' Equity	1,896,627	1,450,652
Noncontrolling Interests	221,634	204,031
Total Equity	2,118,261	1,654,683
Total	$5,083,663	$5,114,212

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net Income	$92,996	$113,810
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,512	83,520
Amortization of deferred financing costs and debt discounts	7,074	6,516
Impairment loss	731	
Equity in earnings of real estate joint ventures and partnerships, net	(7,546)	(10,386)
Gain on merchant development sales	(18,128)	(6,822)
Gain on sale of property	(18,367)	(49,607)
Gain on redemption of convertible senior unsecured notes	(8,858)	
Distributions of income from real estate joint ventures and partnerships	1,802	1,204
Changes in accrued rent and accounts receivable, net	17,630	6,091
Changes in other assets, net	(245)	(17,854)
Changes in accounts payable and accrued expenses	(15,907)	(29,039)
Other, net	5,343	1,522
Net cash provided by operating activities	134,037	98,955
Cash Flows from Investing Activities:		
Investment in property	(62,901)	(161,100)
Proceeds from sale and disposition of property, net	105,331	174,986
Change in restricted deposits and mortgage escrows	18,353	5,001
Notes receivable from real estate joint ventures and partnerships and other receivables:		
Advances	(32,396)	(77,391)
Collections	4,444	5,963
Real estate joint ventures and partnerships:		
Investments	(1,987)	(2,522)
Distributions of capital	7,647	11,529
Net cash provided by (used in) investing activities	38,491	(43,534)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Debt	137,750	205,030
Common shares of beneficial interest, net	439,097	1,681
Preferred shares of beneficial interest, net		118,146
Repurchase of preferred shares of beneficial interest, net		(117,171)
Principal payments of debt	(618,142)	(179,108)
Common and preferred dividends paid	(92,249)	(107,075)

Debt issuance costs paid	(3,332)	(934)
Other, net	(228)	(1,340)
Net cash used in financing activities	(137,104)	(80,771)
Net increase (decrease) in cash and cash equivalents	35,424	(25,350)
Cash and cash equivalents at January 1	58,946	65,777
Cash and cash equivalents at June 30	$94,370	$40,427

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands, except per share amounts)

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Treasury Shares of Beneficial Interest	Accumulated Additional Paid-In Capital	Net Income in Excess of Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2008	$ 8	$ 2,565	$ (41)	$ 1,485,496	$ 31,639	$ (15,475)	$ 96,885	$ 1,601,077
Net income					109,357		4,453	113,810
Issuance of Series F preferred shares	2			115,851	2,196			118,049
Redemption of Series G preferred shares	(1)			(116,129)	(990)			(117,120)
Shares issued in exchange for noncontrolling interests				322			(322)	-
Shares issued under benefit plans		7		6,091				6,098
Dividends declared – common shares (1)					(88,151)			(88,151)
Dividends declared – preferred shares (2)					(18,924)			(18,924)
Sale of properties with noncontrolling interests							65,359	65,359
Treasury shares cancelled (3)		(41)	41					-
Distributions to noncontrolling interests							(6,195)	(6,195)
Contributions from noncontrolling interests							634	634
Other comprehensive						(6,340)		(6,340)

loss								
Other, net							(2,325)	(2,325)
Balance, June 30, 2008	$ 9	$ 2,531	$ -	$ 1,491,631	$ 35,127	$ (21,815)	$ 158,489	$ 1,665,972

(1) Common dividends per share were $1.05 for the six months ended June 30, 2008.
(2) Series D, E, F and G preferred dividends per share were $25.31, $86.88, $77.49 and $63.93, respectively, for the six months ended June 30, 2008.
(3) A total of 1.4 million common shares of beneficial interest were purchased in 2007 and subsequently retired on January 11, 2008.

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Accumulated Additional Paid-In Capital	Net Income Less Than Accumulated Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2009	$ 8	$ 2,625	$ 1,514,940	$ (37,245)	$ (29,676)	$ 204,031	$ 1,654,683
Net income				90,122		2,874	92,996
Shares issued in exchange for noncontrolling interests		5	4,741			(4,746)	-
Issuance of common shares		966	438,089				439,055
Shares issued under benefit plans		8	3,133				3,141
Dividends declared – common shares (1)				(75,823)			(75,823)
Dividends declared – preferred shares (2)				(16,426)			(16,426)
Sale of properties with noncontrolling interests						23,521	23,521
Distributions to noncontrolling interests						(8,421)	(8,421)
Contributions from noncontrolling interests						4,414	4,414
Purchase and cancellation of convertible senior unsecured notes			(71)				(71)
Other comprehensive income					1,242		1,242

Other, net			1,301	(1,312)		(39)	(50)
Balance, June 30, 2009	$ 8	$ 3,604	$ 1,962,133	$ (40,684)	$ (28,434)	$ 221,634	$ 2,118,261

(1) Common dividends per share were $.775 for the six months ended June 30, 2009.
(2) Series D, E and F preferred dividends per share were $25.31, $86.88 and $81.25, respectively, for the six months ended June 30, 2009.

See Notes to Condensed Consolidated Financial Statements.

WEINGARTEN REALTY INVESTORS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Interim Financial Statements

Business
Weingarten Realty Investors is a real estate investment trust ("REIT") organized under the Texas Real Estate Investment Trust Act. We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping and industrial centers we own or lease. We also manage centers for joint ventures in which we are partners or for other outside owners for which we charge fees.

We operate a portfolio of properties that include neighborhood and community shopping centers and industrial properties of approximately 71.4 million square feet. We have a diversified tenant base with our largest tenant comprising only 2.5% of total rental revenues during 2009.

We currently operate, and intend to operate in the future, as a REIT.

Basis of Presentation
Our condensed consolidated financial statements include the accounts of our subsidiaries and certain partially owned real estate joint ventures or partnerships which meet the guidelines for consolidation. All intercompany balances and transactions have been eliminated.

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2008 are derived from our audited financial statements at that date. In our opinion, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and certain information included in our annual financial statements and notes has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2008.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Such statements require management to make estimates and assumptions that affect the reported amounts on our condensed consolidated financial statements. Actual results could differ from these estimates.

Restricted Deposits and Mortgage Escrows
Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves, and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions. At June 30, 2009 and December 31, 2008, we had $3.1 million and $22.5 million of restricted cash, respectively, and $11.8 million and $10.8 million held in escrow related to our mortgages for each period, respectively.

7

Per Share Data

Earnings per common share – basic is computed using net income available to common shareholders and the weighted average shares outstanding. Earnings per common share – diluted include the effect of potentially dilutive securities. Income from continuing operations attributable to common shareholders includes gain on sale of property in accordance with SEC guidelines. Earnings per common share – basic and diluted components for the periods indicated are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Numerator:				
Net income available to common shareholders – basic	$39,238	$64,921	$72,384	$91,639
Income attributable to operating partnership units	489	1,147		2,299
Net income available to common shareholders – diluted	$39,727	$66,068	$72,384	$93,938
Denominator:				
Weighted average shares outstanding – basic	111,840	83,742	99,478	83,710
Effect of dilutive securities:				
Share options and awards	486	663	455	577
Operating partnership units	2,102	2,361		2,381
Weighted average shares outstanding – diluted	114,428	86,766	99,933	86,668

Options to purchase common shares of beneficial interest (“common shares”) of 3.2 million and 2.1 million for the three and six months ended June 30, 2009 and 2008, respectively, were not included in the calculation of net income per common share – diluted as the exercise prices were greater than the average market price for the period. For the six months ended June 30, 2009, 2.1 million of operating partnership units was not included in the calculation of net income per common share – diluted because these units had an anti-dilutive effect.

Cash Flow Information

We issued common shares valued at $4.7 million and $.3 million for the six months ended June 30, 2009 and 2008, respectively, in exchange for interests in real estate joint ventures and partnerships, which had been formed to acquire properties. We also accrued $29.1 million and $21.7 million as of June 30, 2009 and 2008, respectively, associated with the construction of property. Cash payments for interest on debt, net of amounts capitalized, of $79.1 million and $77.6 million were made during the six months ended June 30, 2009 and 2008, respectively. A cash payment of $3.1 million and $4.5 million for income taxes was made during the six months ended June 30, 2009 and 2008.

In connection with the sale of improved properties, we received notes receivable totaling $.2 million and $3.6 million during the six months ended June 30, 2009 and 2008, respectively. During the six months ended June 30, 2009, we recorded a $10.7 million liability as an increase to our investment in real estate joint ventures and partnerships. During the six months ended June 30, 2008, we assumed $.6 million and $8.5 million, respectively, of noncontrolling interests and net assets and liabilities in association with property acquisitions and investments in unconsolidated real estate joint ventures.

Accumulated Other Comprehensive Loss

As of June 30, 2009, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was $15.6 million and $12.8 million, respectively. As of December 31, 2008, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was $16.9 million and $12.8 million, respectively.

Reclassifications

The reclassification of prior years' operating results for the three and six months ending June 30, 2008 for certain properties to discontinued operations was made to conform to the current year presentation. For the six months ended June 30, 2008, we also reclassified in our Condensed Consolidated Statement of Cash Flows amortization of deferred financing costs from changes in other assets, net to amortization of deferred financing costs and debt discount in order to be consistent with current industry standards. These reclassifications had no impact on previously reported net income, earnings per share, the condensed consolidated balance sheet or cash flows from operating activities.

Retrospective Application of Accounting Principles

The retrospective application of adopting new accounting principles on prior years' condensed consolidated financial statements was made to conform to the current year presentation. The impact of these changes is described in Note 2.

Subsequent Events

We have evaluated subsequent events through August 7, 2009, which is the date these condensed consolidated financial statements were issued.

Note 2. Newly Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which deferred the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" relating to nonfinancial assets and liabilities, and delayed implementation by us until January 1, 2009. Adoption of FSP 157-2 has not materially affected our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141R"), "Business Combinations." SFAS 141R expands the original guidance's definition of a business. It broadens the fair value measurement and recognition to all assets acquired, liabilities assumed and interests transferred as a result of business combinations. SFAS 141R requires expanded disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for us for business combinations made on or after January 1, 2009. Due to current economic conditions, we do not plan any significant acquisitions in the upcoming year, thereby upon adoption, there was no material effect. However, SFAS 141R could have a material effect on our accounting for the future acquisition of properties.

In December 2007, the FASB issued SFAS No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS 160 requires that, in most cases, a noncontrolling interest in a consolidated entity be reported as equity and any losses in excess of a consolidated entity's equity interest be recorded to the noncontrolling interest. The statement requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 was effective for us on January 1, 2009, and many provisions required retrospective application. The adoption of SFAS 160 has resulted in an increase to equity in the Condensed Consolidated Balance Sheet as of December 31, 2008 of $204.0 million for the reclassification of minority interest to equity for noncontrolling interest in consolidated entities. Also, net income in the Condensed Consolidated Statement of Income and Comprehensive Income for the six months ended June 30, 2008 has increased by $4.5 million for the reclassification of income allocated to minority interests; however, net income available to common shareholders, earnings per common share – basic and diluted were not affected by this reclassification. Additional disclosures due to the implementation of SFAS 160 are included in Note 19.

In March 2008, the FASB issued SFAS No. 161 ("SFAS 161"), "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities. SFAS 161 is effective for us on January 1, 2009. Implementation of SFAS 161 has

resulted in additional disclosures included in Note 4.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 ("FSP APB 14-1"), "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB 14-1 requires that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component in a manner that will reflect our effective nonconvertible borrowing rate. The resulting debt discount will be amortized using the effective interest method over the period the debt is expected to be outstanding as additional interest expense. FSP APB 14-1 was effective for us on January 1, 2009 and requires retroactive application. Upon the adoption of FSP APB 14-1, the Condensed Consolidated Balance Sheet as of December 31, 2008 was adjusted to reflect a reduction in debt of approximately $22.9 million for the unamortized debt discount, accumulated additional paid-in capital increased by approximately $39.5 million and net income less than accumulated dividends increased by approximately $17.1 million. The Condensed Consolidated Statement of Income and Comprehensive Income for the six months ended June 30, 2008 was adjusted for incremental interest expense of $4.1 million, which reduced both earnings per common share – basic and diluted by approximately $0.05.

In November 2008, the FASB's Emerging Issues Task Force ("EITF") issued Issue 08-6 ("EITF 08-6"), "Equity Method Investment Accounting Considerations." EITF 08-6 requires an investment accounted for under the equity method to be evaluated and recorded in accordance with SFAS 141R business combinations definition and modeling. EITF 08-6 is effective for us for equity method investments made on or after January 1, 2009. Due to current economic conditions, we do not plan to enter into any significant equity method investments in the upcoming year, thereby upon adoption, there was no material effect. However, EITF 08-6 could have a material effect on our accounting for future equity method investments.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1 ("FSP 107-1"), "Interim Disclosures about Fair Value of Financial Instruments." FSP 107-1 amends FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments" to require annual disclosures to be made also during interim reporting periods. Implementation of FSP 107-1 has resulted in certain additional disclosures included in Note 16.

In May 2009, the FASB issued SFAS No. 165 ("SFAS 165"), "Subsequent Events," which establishes general standards of accounting and disclosure for events that occur subsequent to the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires us to disclose the date through which we have evaluated our subsequent events and the basis for that date. Implementation of SFAS 165 has resulted in an additional disclosure included in Note 1.

In June 2009, the FASB issued SFAS No. 167 ("SFAS 167"), "Amendments to FASB Interpretation No. 46(R)." SFAS 167 was intended to improve an organization's variable interest entity reporting. SFAS 167 will require an analysis to determine whether an entity has a controlling financial interest in a variable interest entity. The analysis will be used to identify the primary beneficiary of a variable interest entity. The holder of the variable interest will be defined as the primary beneficiary if it has both the power to influence the entity's significant economic activities and the obligation to absorb significant losses or receive significant benefits. This statement is effective for us on January 1, 2010. We are currently evaluating the impact that the adoption of SFAS 167 will have on our consolidated financial statements.

Note 3. Variable Interest Entities

Management determines whether an entity is a variable interest entity ("VIE") and, if so, determines which party is the primary beneficiary by analyzing which party absorbs a majority of the expected losses or a majority of the expected residual returns of the VIE, or both. Significant judgments and assumptions inherent in this analysis include the design of the entity structure, the nature of the entity's operations, future cash flow projections, the entity's financing and capital structure, and contractual relationships and terms. We consolidate a VIE when we have determined that

we are the primary beneficiary. Assets held by VIEs which are currently consolidated approximate $294.5 million and $241.9 million at June 30, 2009 and December 31, 2008, respectively. Entities for which we are the primary beneficiary and we consolidate are described below.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate fair value of approximately $227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. The activities of this venture principally consist of owning and operating these shopping centers. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds of approximately $216.1 million. Financing totaling $154.3 million was placed on the properties and guaranteed solely by us for tax planning purposes. This venture is deemed to be a VIE and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately $154.3 million at June 30, 2009.

We also contributed eight neighborhood/community shopping centers with an aggregate fair value of approximately $205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture in November 2008. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. The activities of this venture principally consist of owning and operating these shopping centers. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately $121.8 million. Financing totaling $100.0 million was placed on the properties and guaranteed solely by us for tax planning purposes.

During the first quarter of 2009, we contributed the final four properties to the joint venture with Hines REIT Retail Holdings, LLC with an aggregate fair value of approximately $66.8 million, and aggregating approximately 0.4 million square feet. These four shopping centers are located one each in Florida and North Carolina and two in Georgia, and we received net proceeds of approximately $20.6 million. These contributions included loan assumptions on each of the properties, which transferred secured debt totaling approximately $34.6 million to the joint venture and guaranteed solely by us. This venture is deemed to be a VIE and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately $114.0 million at June 30, 2009.

Restrictions on the use of these assets are significant because they are secured as collateral for their debt, and we would be required to obtain our partners' approval in accordance with the partnership agreements on any major transactions. The impact of these transactions on our consolidated financial statements has been limited to changes in noncontrolling interests and reductions in debt from our partners' contributions.

In addition, we have an unconsolidated joint venture with an interest in an entity which is deemed to be a VIE as described. In July 2008, a 47.75%-owned unconsolidated real estate joint venture acquired an 83.34% interest in a joint venture owning a 919,000 square foot new development to be constructed in Aurora, Colorado. The unconsolidated joint venture guaranteed the debt obtained by the acquired joint venture. The unconsolidated joint venture's maximum exposure to loss is limited to the guaranty of the debt, which was approximately $39.8 million at June 30, 2009.

Note 4. Derivatives and Hedging

In order to manage our interest rate risk, we occasionally hedge the future cash flows of our debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate swaps with major financial institutions. We recognize all derivatives as either assets or liabilities at fair value and have designated our current interest rate swaps as fair value hedges of fixed rate borrowings. At June 30, 2009 and December 31, 2008, we had two interest rate swap contracts designated as fair value hedges with an aggregate notional amount of $50.0 million that convert fixed interest payments at rates of 4.2% to variable interest payments of .6% and 2.0% at June 30, 2009 and December 31, 2008, respectively. We have determined that they are highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in variable interest rates.

Changes in the fair value of interest rate swap contracts designated as fair value hedges, as well as changes in the fair value of the related debt being hedged, are recorded in earnings each reporting period. For the three and six months ended June 30, 2009 and 2008, these changes in fair value offset.

A summary of the offsetting loss or gain on the interest rate swaps is as follows (in thousands):

Income Statement Classification	Gain (Loss) on Swaps	Gain (Loss) on Borrowings
Three Months Ended June 30, 2009:		
Interest expense, net	$(1,280)	$ 1,280
Six Months Ended June 30, 2009:		
Interest expense, net	$(1,820)	$ 1,820

The derivative instruments at June 30, 2009 and December 31, 2008 were reported at their fair values in other assets, net of accrued interest, of $2.6 million and $4.6 million, respectively. We had no derivative instruments reported in other liabilities at June 30, 2009 and December 31, 2008, respectively.

As of June 30, 2009 and December 31, 2008, the balance in accumulated other comprehensive loss relating to settled cash flow interest rate contracts was $15.6 million and $16.9 million, respectively. Amounts amortized to interest expense, net were $.6 million each during the three months ended June 30, 2009 and 2008, and $1.2 million and $.9 million during the six months ended June 30, 2009 and 2008, respectively. Within the next 12 months, approximately $2.5 million of the balance in accumulated other comprehensive loss is expected to be amortized to interest expense.

For the three and six months ended June 30, 2009, the interest rate swaps decreased interest expense, net and increased net income by $.5 million and $.8 million, respectively. The decrease in our average interest rate of our debt was .07% and .05% for the three and six months ended June 30, 2009, respectively. For the three and six months ended June 30, 2008, the interest rate swaps decreased interest expense, net and increased net income by $.2 million and $.4 million, respectively, and decreased the average interest rate of our debt by .02% for both periods. We could be exposed to losses in the event of nonperformance by the counter-parties; however, management believes the likelihood of such nonperformance is unlikely.

A summary of our derivatives is as follows (in thousands):

Derivatives Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative

Three Months Ended June 30, 2009:								
Cash Flow Interest Rate Contracts	Interest expense, net	$	(623	)				
Fair Value Interest Rate Contracts					Interest expense, net	$	(1,280	)
Six Months Ended June 30, 2009:								
Cash Flow Interest Rate Contracts	Interest expense, net	$	(1,242	)				
Fair Value Interest Rate Contracts					Interest expense, net	$	(1,820	)

12

Note 5. Debt

Our debt consists of the following (in thousands):

	June 30, 2009	December 31, 2008
Debt payable to 2030 at 4.5% to 8.8%	$2,626,222	$2,732,574
Unsecured notes payable under revolving credit agreements		383,000
Obligations under capital leases	29,725	29,725
Industrial revenue bonds payable to 2015 at 0.5% to 2.4%	3,200	3,337
Total	$2,659,147	$3,148,636

The grouping of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

	June 30, 2009	December 31, 2008
As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	$2,590,726	$2,699,609
Variable-rate debt	68,421	449,027
Total	$2,659,147	$3,148,636
As to collateralization:		
Unsecured debt	$1,541,316	$2,116,491
Secured debt	1,117,831	1,032,145
Total	$2,659,147	$3,148,636

We have a $575 million unsecured revolving credit facility held by a syndicate of banks that expires in February 2010 and provides a one-year extension option available at our request. Borrowing rates under this facility float at a margin over LIBOR, plus a facility fee. The borrowing margin and facility fee, which are currently 60.0 and 15.0 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit ratings. This facility retains a competitive bid feature that allows us to request bids for amounts up to $287.5 million from each of the syndicate banks, potentially allowing us to obtain pricing below what we would pay using the pricing grid.

At June 30, 2009, no amounts were outstanding under the revolving credit facility. At December 31, 2008, the balance outstanding under the revolving credit facility was $383.0 million at a variable interest rate of 1.6%. We also have an agreement for a $30 million unsecured and uncommitted overnight facility with a bank that we use for cash management purposes, of which no amounts were outstanding at June 30, 2009 or December 31, 2008. Letters of credit totaling $10.0 million and $10.1 million were outstanding under the revolving credit facility at June 30, 2009 and December 31, 2008, respectively. The available balance under our revolving credit agreement was $565.0 million and $181.9 million at June 30, 2009 and December 31, 2008, respectively. During the six months ended June 30,

2009, the maximum balance and weighted average balance outstanding under both facilities combined were $423.0 million and $226.0 million, respectively, at a weighted average interest rate of 1.0%. During 2008, the maximum balance and weighted average balance outstanding under both facilities combined were $503.0 million and $362.0 million, respectively, at a weighted average interest rate of 3.4%. At June 30, 2009, we had $52.3 million invested in overnight cash instruments.

In May 2009, we entered into a $103 million secured loan from a major life insurance company. The loan is for approximately 8.5 years at a fixed interest rate of 7.49% and is collateralized by four properties. The net proceeds received were invested in short-term investments and subsequently used to settle the June tender offer.

At June 30, 2009 and December 31, 2008, we have $454.9 million and $537.2 million face value of 3.95% convertible senior unsecured notes outstanding due 2026, respectively. These bonds are recorded at a discount of $15.9 million and $22.9 million as of June 30, 2009 and December 31, 2008, respectively, resulting in an effective rate of 5.75%. Interest is payable semi-annually in arrears on February 1 and August 1 of each year. The debentures are convertible under certain circumstances for our common shares at an initial conversion rate of 20.3770 common shares per $1,000 of principal amount of debentures (an initial conversion price of $49.075). In addition, the conversion rate may be adjusted if certain change in control transactions or other specified events occur on or prior to August 4, 2011. Upon the conversion of debentures, we will deliver cash for the principal return, as defined, and cash or common shares, at our option, for the excess of the conversion value, as defined, over the principal return. The debentures are redeemable for cash at our option beginning in 2011 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures for cash equal to the principal of the debentures plus accrued and unpaid interest in 2011, 2016 and 2021 and in the event of a change in control. As of June 30, 2009, we repurchased and retired an additional $82.3 million face value of these notes for $70.4 million, including accrued interest. We realized an $8.9 million gain on the extinguishment of this debt.

In June 2009, we made a cash tender offer for up to $427.9 million face value on a series of unsecured notes and our convertible senior unsecured notes. We completed the first tier of the offering in June for a total face value of $102.9 million, of which $20.6 million of unsecured fixed rate medium term notes with a weighted average interest rate of 7.54% and a weighted average maturity of 1.6 years and $82.3 million of 7% senior unsecured notes due 2011 were purchased at par by us.

Subsequent to quarter end, we completed the tender offer for an additional $319.7 million face value of our 3.95% convertible senior unsecured notes due 2026, purchased for approximately for $311.1 million, including interest and expenses. This transaction will result in a gain of approximately $16.6 million, and the face value of our 3.95% convertible senior unsecured notes of $135.2 million remain outstanding. We also entered into a $70.8 million secured loan from a major life insurance company. The loan is for seven years at a fixed interest rate of 7.4% and is collateralized by five properties. The net proceeds received were used to reduce amounts outstanding under our $575 million revolving credit facility.

In November 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued $100.0 million of fixed-rate secured long-term debt with a five year term at a rate of 6.0% that we guaranteed. The net proceeds received from the issuance of this debt were used to reduce amounts outstanding under our $575 million revolving credit facility.

In March 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued $154.3 million of fixed-rate secured long-term debt with an average life of 7.3 years at an average rate of 5.4% that we guaranteed. We received all of the proceeds from the issuance of this debt and such proceeds were used to reduce amounts outstanding under our $575 million revolving credit facility.

In January 2008, we elected to repay at par a fixed-rate 8.33% mortgage totaling $121.8 million that was collateralized by 19 supermarket-anchored shopping centers in California.

Various leases and properties, and current and future rentals from those lease and properties, collateralize certain debt. At June 30, 2009 and December 31, 2008, the carrying value of such property aggregated $1.8 billion for both periods.

Scheduled principal payments on our debt (excluding $21.0 million of certain capital leases, $2.6 million fair value of interest rate swaps, ($15.9) million discount on convertible bonds, and $19.5 million of non-cash debt-related items) are due during the following years (in thousands):

2009 remaining	$61,376
2010	114,119
2011	217,893
2012	336,686
2013	415,578
2014	385,337
2015	252,169
2016	149,338
2017	118,042
2018	54,007
Thereafter	527,358
Total	$2,631,903

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We believe we were in compliance with all restrictive covenants as of June 30, 2009.

Note 6. Preferred Shares

In June and July of 2008, we redeemed $120 million and $80 million of depositary shares, respectively, retiring all of the Series G Cumulative Redeemable Preferred Shares. Each depositary share represented one-hundredth of a Series G Cumulative Redeemable Preferred Share. These depositary shares were redeemed, at our option, at a redemption price of $25 multiplied by a graded rate per depositary share based on the date of redemption plus any accrued and unpaid dividends thereon. Upon the June 2008 redemption of shares, the related original issuance costs of $1.0 million were reported as a deduction in arriving at net income available to common shareholders. The Series G Preferred Shares paid a variable-rate quarterly dividend through July 2008 calculated on the period’s three-month LIBOR rate plus a percentage determined by the number of days outstanding. At June 30, 2008, the variable-rate dividend was 3.8%.

We issued $150 million and $200 million of depositary shares on June 6, 2008 and January 30, 2007, respectively. Each depositary share represents one-hundredth of a Series F Cumulative Redeemable Preferred Share. The depositary shares are redeemable, in whole or in part, on or after January 30, 2012 at our option, at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our other property or securities. The Series F Preferred Shares pay a 6.5% annual dividend and have a liquidation value of $2,500 per share. Series F Preferred Shares issued in June 2008 were issued at a discount, resulting in an effective rate of 8.25%. Net proceeds of $117.8 million and $194.0 million from the issuance in June 2008 and January 2007, respectively, were used to repay amounts outstanding under our revolving credit facilities and for general business purposes. Subsequent to the 2008 issuance, our revolving credit facilities were used to finance the partial redemption of the Series G Cumulative Redeemable Preferred Shares as described above.

In July 2004, we issued $72.5 million of depositary shares with each share representing one-hundredth of a Series E Cumulative Redeemable Preferred Share. The depositary shares are redeemable at our option on or after July 8, 2009, in whole or in part, for cash at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our other property or securities. The

Series E preferred shares pay a 6.95% annual dividend and have a liquidation value of $2,500 per share.

In April 2003, $75 million of depositary shares were issued with each share representing one-thirtieth of a Series D Cumulative Redeemable Preferred Share. The depositary shares are currently redeemable at our option, in whole or in part, for cash at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our property or securities. The Series D preferred shares pay a 6.75% annual dividend and have a liquidation value of $750 per share.

Subsequent to June 30, 2009, the Series E preferred shares became redeemable at our option. At this time we do not anticipate redeeming either the Series E or Series D preferred shares.

Note 7. Common Shares of Beneficial Interest

In July 2007, our Board of Trust Managers authorized a common share repurchase program as part of our ongoing investment strategy. Under the terms of the program, we could purchase up to a maximum value of $300 million of our common shares during the following two years. As of June 30, 2009, the remaining value of common shares available to be repurchased under the common share repurchase plan was $196.7 million, and no repurchases were made during the period. This program expired in July 2009, and no additional shares were repurchased.

In October 2008, we sold 3.0 million common shares at $34.20 per share. Net proceeds from this offering were $98.1 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

On March 12, 2009, we entered into an ATM Equity Offering Sales Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, which is a continuous equity program relating to our common shares with an aggregate sales price of up to $125.0 million. No shares were issued under this program. Upon the completion of our equity offering in April 2009, we terminated this agreement and program.

In April 2009, we issued 32.2 million common shares at $14.25 per share. Net proceeds from this offering were $439.1 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

In April 2009, our Board of Trust Managers authorized a reduction of our quarterly dividend rate per share of $.525 to $.25 commencing with the second quarter 2009 distribution.

Note 8. Property

Our property consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Land	$947,894	$964,982
Land held for development	119,167	118,078
Land under development	93,798	101,587
Buildings and improvements	3,537,068	3,488,385
Construction in-progress	208,600	242,440
Total	$4,906,527	$4,915,472

16

The following carrying charges were capitalized (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Interest	$2,822	$4,962	$6,019	$10,140
Ad valorem taxes	515	831	988	1,405
Total	$3,337	$5,793	$7,007	$11,545

During the six months ended June 30, 2009, we invested $29.1 million in new development projects, and we sold four shopping centers and four buildings at three operating properties. Sales proceeds from these dispositions totaled $62.7 million and generated gains of $18.4 million. Impairment charges of $.7 million were recorded and reported in discontinued operations during the six months ended June 30, 2009 and none in 2008.

Subsequent to June 30, 2009, we sold an industrial property located in Texas with sales proceeds of approximately $3.6 million. This property is classified as held for sale as of June 30, 2009.

Note 9. Discontinued Operations

During the first six months of 2009, we sold four shopping centers, three of which were located in Texas and one in North Carolina. We classified a property in Texas as held for sale as of June 30, 2009 with a net book value of $3.5 million. During 2008, one industrial center located in Texas and nine shopping centers, five of which were located in Texas, one in California and three in Louisiana, were sold. The operating results of these properties, as well as any gains on the respective disposition, have been reclassified and reported as discontinued operations in the Condensed Consolidated Statements of Income and Comprehensive Income. Revenues recorded in operating income from discontinued operations for the three months ended June 30, 2009 and 2008, totaled $1.0 million and $4.2 million, respectively, and $2.3 million and $9.3 million for the six months ended June 30, 2009 and 2008, respectively. Included in the Condensed Consolidated Balance Sheet at December 31, 2008 were $33.5 million of property and $13.3 million of accumulated depreciation related to the properties sold during the six months ended June 30, 2009.

The discontinued operations reported in 2009 and 2008 had no debt that was required to be repaid upon their disposition.

We elected not to allocate other consolidated interest to discontinued operations because the interest savings to be realized from the proceeds of the sale of these operations were not material.

Note 10. Notes Receivable from Real Estate Joint Ventures and Partnerships

We have ownership interests in a number of real estate joint ventures and partnerships. Notes receivable from these entities bear interest ranging from 2.1% to 8.0% at June 30, 2009 and 2.8% to 10.0% at December 31, 2008. These notes are due at various dates through 2012 and are generally secured by real estate assets. We believe these notes are fully collectible and no allowance has been recorded. Interest income recognized on these notes was $1.2 million and $.8 million for the three months ended June 30, 2009 and 2008, respectively, and $2.0 million and $1.7 million for the six months ended June 30, 2009 and 2008, respectively.

Note 11. Related Parties

Through our management activities and transactions with our real estate joint venture and partnerships, we had accounts receivable of $1.9 million and $2.0 million outstanding as of June 30, 2009 and December 31, 2008, respectively. We also had accounts payable and accrued expenses of $9.7 million and $10.2 million outstanding as of June 30, 2009 and December 31, 2008, respectively. For the three months ended June 30, 2009 and 2008, we recorded joint venture fee income of $1.3 million and $1.6 million, respectively. For the six months ended June 30, 2009 and 2008, we recorded joint venture fee income of $2.9 million and $3.0 million, respectively.

Note 12. Investment in Real Estate Joint Ventures and Partnerships

We own interests in real estate joint ventures or limited partnerships and have tenancy-in-common interests in which we exercise significant influence, but do not have financial and operating control. We account for these investments using the equity method, and our interests range from 7.8% to 75%. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	June 30, 2009	December 31, 2008
Combined Condensed Balance Sheets		
Property	$1,964,852	$1,951,771
Accumulated depreciation	(148,278)	(129,227)
Property, net	1,816,574	1,822,544
Other assets, net	238,216	256,688
Total	$2,054,790	$2,079,232
Debt, net (primarily mortgage payables)	$439,462	$472,486
Amounts payable to Weingarten Realty Investors	278,189	248,969
Other liabilities, net	146,955	149,265
Total	864,606	870,720
Accumulated equity	1,190,184	1,208,512