NEW PLAN EXCEL REALTY TRUST INC
Form 10-K
March 06, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED EFFECTIVE OCTOBER 7, 1996]**

For the fiscal year ended December 31, 2002

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from to

Commission File Number 1-12244

NEW PLAN EXCEL REALTY TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**33-0160389**
(State of Incorporation)	(I.R.S. Employer Identification No.)
1120 Avenue of the Americas **New York, NY 10036**	**(212) 869-3000**
(Address of Principal Executive Offices)	(Registrant s Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value per share	New York Stock Exchange
Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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, and (2) has been subject to such filing requirements for the past 90 days.
YES ý **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 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. **o**

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
YES ý NO o

The aggregate market value of the Registrant s shares of common stock held by non-affiliates was approximately $1,980,241,000 as of June 28, 2002, based on the closing price of $20.83 on the NYSE on that date.

As of March 3, 2003, the number of shares of common stock of the Registrant outstanding was 96,927,402.

Documents incorporated by reference: Portions of the Proxy Statement for the 2003 Annual Meeting of Stockholders of the Registrant to be filed subsequently with the SEC are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	Page
PART I	**3**
Item 1. Business	3
Item 2. Properties	17
Item 3. Legal Proceedings	19
Item 4. Submission of Matters to a Vote of Security Holders	19
PART II	**19**
Item 5. Market for Registrant s Common Equity and Related Stockholder Matters	19
Item 6. Selected Financial Data	20
Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	42
Item 8. Financial Statements and Supplementary Data	43
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	43
PART III	**43**
Item 10. Directors and Executive Officers of the Registrant	43
Item 11. Executive Compensation	43
Item 12. Security Ownership of Certain Beneficial Owners and Management	43
Item 13. Certain Relationships and Related Transactions	44
Item 14. Controls and Procedures	44
PART IV	**45**
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K	45

PART I

Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by New Plan Excel Realty Trust, Inc. (the Registrant or the Company), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to: changes in the global political environment; national and local economic, business and real estate and other market conditions, including the ability of the general economy to recover timely from the current economic downturn; the competitive environment in which we operate; property management risks; financing risks, such as the inability to obtain debt or equity financing on favorable terms; possible future downgrades in our credit rating; the level and volatility of interest rates; financial stability of tenants, including the ability of tenants to pay rent, the decision of tenants to close stores and the effect of bankruptcy laws; the rate of revenue increases versus expense increases; the ability to maintain our status as a REIT for federal income tax purposes; governmental approvals, actions and initiatives; environmental/safety requirements and costs; risks of real estate acquisition and development, including the failure of acquisitions to close and pending developments and redevelopments to be completed on time and within budget; risks of disposition strategies, including the failure to complete sales on a timely basis and the failure to reinvest sale proceeds in a manner that generates favorable returns; risks of joint venture activities; as well as other risks identified in this Annual Report on Form 10-K and, from time to time, in the other reports we file with the SEC or in other documents that we publicly disseminate. We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. ***Business***

General

We are one of the nation s largest owners and managers of community and neighborhood shopping centers. As of December 31, 2002, we owned 394 properties in 35 states. Our properties include 349 community and neighborhood shopping centers with approximately 49 million square feet of gross leasable area and 45 other related retail assets with approximately three million square feet of gross leasable area. The occupancy rate of our properties was approximately 90% as of December 31, 2002.

We are a self-administered and self-managed equity REIT that was formed in 1972 and is now incorporated in Maryland.

Refocus on Retail Franchise

In November 2000, we announced a long-term business plan designed to leverage our expertise, critical mass and working infrastructure in the community and neighborhood shopping center sector. Our strategy is to own and manage a quality portfolio of commercial retail properties, a majority of which are community and neighborhood shopping centers that will provide increasing cash flow while protecting investor capital and providing potential for capital appreciation. We seek to implement this strategy by:

aggressively managing, and where appropriate, redeveloping and upgrading our properties, making selective acquisitions of well-located community and neighborhood shopping centers, either on an individual basis or in portfolio transactions,

effecting non-strategic asset dispositions and recycling the capital created by those transactions, and

continuing to maintain a strong and flexible financial position to facilitate growth.

By focusing our portfolio on community and neighborhood shopping centers with anchors and other tenants providing everyday necessities, we believe that our risk from changing shopping patterns due to economic cycles is minimized.

Aggressive Management

We aggressively manage our properties, with an emphasis on maintaining high occupancy rates and a strong base of nationally and regionally recognized anchor tenants. We regularly monitor the physical condition of our retail properties and the financial condition of our retail tenants. We follow a schedule of regular physical maintenance at our retail properties with a view towards tenant expansions, renovations and refurbishing to preserve and increase the value of these properties. In connection with these efforts, we have six regional offices and 14 satellite field offices throughout the country, each of which is responsible for managing the leasing, property management and maintenance of properties in its area, and we are currently improving the general appearance of certain of our properties by upgrading existing facades and roofs, updating signage, resurfacing parking lots and improving parking lot and exterior building lighting. In addition, we remain focused on enhancing our property management skills and our internal capabilities, systems and infrastructure. In this regard, at the beginning of the year, we implemented JD Edwards One World, a state-of-the-art accounting, financial and property management system.

We seek to increase the cash flow and portfolio value of our existing properties primarily through contractual rent increases during the lease term, re-letting of existing space at higher rents, expansion and redevelopment of existing properties and the minimization of overhead and operating costs. During 2002, we invested $11 million in deferred maintenance in our properties in order to maintain and improve their competitive market position, which completed our two-year, $25 million deferred maintenance program. We also completed 23 redevelopment projects in 2002, the aggregate cost of which (including costs incurred in prior years on these projects) was approximately $38 million. Our current pipeline is comprised of an additional 17 redevelopment projects, including 16 community and neighborhood shopping centers and one enclosed regional mall project, the aggregate cost of which (including costs incurred in prior years on these projects) is expected to be approximately $82 million.

Acquisition of Properties

We intend to focus on retail properties, primarily community and neighborhood shopping centers that generate stable cash flows and present the opportunity for value appreciation. We may seek to expand our portfolio by making selective, opportunistic acquisitions of individual properties and portfolios of well-located community and neighborhood shopping centers and other retail properties.

An example of the implementation of this strategic focus is our March 2002 acquisition of 92 community and neighborhood shopping centers from CenterAmerica Property Trust, L.P., a private company majority owned by Morgan Stanley Real Estate Fund II, L.P. The 92 shopping centers contain an aggregate of approximately 10.4 million square feet of gross leasable area. As part of the transaction, we also acquired a 10% managing membership interest in a joint venture with a private U.S. pension fund. The joint venture currently owns 14 grocery-anchored shopping centers located in six states. The aggregate purchase price for the acquisition was approximately $654 million, consisting of approximately $365 million in cash and the assumption of approximately $289 million of outstanding debt.

In addition, in December 2002, we also acquired a portfolio of 57 community and neighborhood shopping centers from Equity Investment Group, a private retail-focused REIT. The acquisition of one additional shopping center from Equity Investment Group was completed in January 2003. The 58 shopping centers contain an aggregate of approximately 7.9 million square feet of gross leasable area. The aggregate purchase price for the acquisition was approximately $437 million, consisting of approximately $263 million in cash, the assumption of approximately $149 million of outstanding debt and the issuance of approximately $25 million of units in a partnership that we control.

We also expanded our portfolio by opportunistically acquiring two individual properties in separate transactions during the second half of the year for an aggregate of $75 million. The two acquired properties were grocery-anchored community shopping centers located in Colorado and Ohio, within our existing regional concentrations.

Disposition of Properties

We generally hold our properties for investment and the production of rental income and not for sale to customers or other buyers in the ordinary course of our business. However, we continually analyze each asset in our portfolio and identify those properties that can be sold or exchanged for optimal sales prices or exchange values, given prevailing market conditions and the particular characteristics of each property. Through this strategy, we seek to continually update our core property portfolio by disposing of properties that have limited growth potential or are not a strategic fit within our overall portfolio and redeploying capital into newer properties or properties where our aggressive management techniques may maximize property values. We may engage from time to time in like-kind property exchanges, which allow us to dispose of properties and redeploy proceeds in a tax efficient manner.

As part of our long-term business plan announced in November 2000, we announced plans to dispose of, over time, certain shopping centers and certain non-strategic assets, including our single tenant and miscellaneous properties, our garden apartment communities and our factory outlets, in order to refocus on our retail franchise. In September 2001, we sold our entire garden apartment portfolio for approximately $380 million of gross proceeds. The proceeds were used to satisfy existing mortgage debt encumbering the apartment portfolio, pay down other outstanding debt and to fund a portion of the acquisition of the Arapahoe Crossings shopping center in October 2001. In the fourth quarter of 2002, we sold five of our six factory outlets centers for approximately $195 million of gross proceeds. The proceeds were used to fund a portion of the acquisition of the Equity Investment Group portfolio. We also continue to generate proceeds from certain of our joint venture projects and notes receivable, as well as engage in specific capital transactions within our joint ventures. In total during 2002, excluding the sale of five of our factory outlet centers, we generated proceeds of approximately $170 million.

Financing Strategy

We intend to finance future acquisitions with the most advantageous sources of capital available to us at the time, which may include the sale of common stock, preferred stock or debt securities through public offerings or private placements, the incurrence of additional indebtedness through secured or unsecured borrowings, and the reinvestment of proceeds from the disposition of properties or joint venture interests. We also may enter into joint ventures with institutions to acquire large properties or portfolios, reducing the amount of capital required by us to make such investments. Our financing strategy is to maintain a strong and flexible financial position by:

- maintaining a prudent level of leverage in order to maintain current credit ratings, maintaining a large pool of unencumbered properties, and

managing our exposure to interest rate risk from our floating rate debt.

Recent Developments

Kmart Bankruptcy

On January 22, 2002, Kmart Corporation, our second largest tenant, filed for bankruptcy protection under Chapter 11 of the federal bankruptcy laws. Since the bankruptcy filing:

leases at seven locations where Kmart is our lessee were rejected,

Kmart indicated that it intends to close six additional locations at our properties on or about March 31, 2003, and

we entered into agreements with Kmart to reduce rent at four of our store locations effective July 1, 2002 and at six of our other store locations effective April 1, 2003; however, two of the store locations where rent reductions were effective July 1, 2002 are included in the six store locations scheduled to close on or about March 31, 2003, resulting in eight store locations where we have agreed to rent reductions.

As of December 31, 2002, Kmart was our lessee at 36 locations (excluding the seven rejected lease locations described above) that contain a total of 3.3 million square feet of gross leasable area, or approximately 6.5% of our total gross leasable area as of that date. As of December 31, 2002, Kmart s scheduled annualized base rent for these 36 locations was $13.7 million, or approximately $4.09 per square foot, not taking into account the rental reductions agreed to at the six locations effective April 1, 2003, which are not material.

Issuance of Public Equity

On January 29, 2002, we completed a public offering of 6.9 million shares of our common stock at $18.52 per share. The net proceeds to us from the offering were approximately $121 million, and were used initially to pay down amounts outstanding under our then existing revolving credit facilities (which amounts were subsequently re-drawn to finance the CenterAmerica Acquisition discussed below).

CenterAmerica Portfolio Acquisition

On March 1, 2002, we acquired a portfolio of 92 community and neighborhood shopping centers from CenterAmerica Property Trust, L.P., a private company majority owned by Morgan Stanley Real Estate Fund II, L.P. (the CenterAmerica Acquisition). The 92 shopping centers contain an aggregate of approximately 10.4 million square feet of gross leasable area. As part of the transaction, we also acquired a 10% managing membership interest in a joint venture with a private U.S. pension fund. The joint venture currently owns 14 grocery-anchored shopping centers located in six states. The aggregate purchase price for the acquisition was approximately $654 million, consisting of approximately $365 million in cash and the assumption of approximately $289 million of outstanding debt. The cash component of the acquisition was financed with the proceeds of our January 2002 public equity offering and with borrowings under our then existing credit facilities and a term loan facility discussed below.

Term Loan Facility

On March 1, 2002, we entered into a $125 million senior unsecured term loan facility with Fleet National Bank (the Fleet Term Loan). Proceeds of the loan were used to finance a portion of the CenterAmerica Acquisition. The facility was scheduled to mature on February 28, 2003. On November 6, 2002, we amended the facility, increasing the loan to $155 million and extending the maturity date until December 31, 2003. We also amended the covenants to be consistent with those contained in our $350 million senior unsecured revolving credit facility discussed below. The term loan facility bears interest, at our option, at either LIBOR plus a spread based upon our credit ratings, which spread is currently 115 basis points, or at the higher of Fleet National Bank s prime rate (plus 25 basis points in specified circumstances) or 50 basis points above the federal funds rate. As of December 31, 2002, the facility was fully drawn.

Management Addition

On March 1, 2002, Scott MacDonald was appointed as our President and Chief Operating Officer. He was previously the Chief Executive Officer and President of CenterAmerica Property Trust, L.P.

New Revolving Credit Facility

On April 26, 2002, we entered into a new $350 million senior unsecured revolving credit facility (the Fleet Revolving Facility), refinancing our then existing $245 million of senior unsecured revolving credit facilities. The facility currently bears interest at LIBOR plus 105 basis points, subject to adjustment based on changes to our current credit ratings, and matures on April 25, 2005, with a one-year extension option. As of December 31, 2002, there was $75 million outstanding under the facility.

Issuance of Senior Unsecured Notes

On June 11, 2002, we issued $250 million of 5.875% senior unsecured notes. The notes are due on June 15, 2007. Net proceeds from the offering were used to repay a portion of the borrowings under the Fleet Revolving Facility.

Redemption of Series A Preferred Stock

On July 15, 2002, we redeemed all outstanding shares of our 8 ½% Series A Cumulative Convertible Preferred Stock. Each share was redeemed for 1.24384 shares of our common stock and resulted in the issuance of approximately 1.9 million shares of common stock at an equivalent price of $20.10 per share.

Superior Marketplace Acquisition

On July 31, 2002, we acquired Superior Marketplace from The Ellman Companies for approximately $14 million in cash and the satisfaction of $38 million of notes receivable and accrued interest. Superior Marketplace is an existing 148,302 square foot grocery-anchored community shopping center located in Superior, Colorado, northwest of Denver. The shopping center is in the later stages of development and is expected to total 295,602 square feet when complete. Tenants include Costco (non-owned), Michaels, Office Max, PetsMart, SuperTarget (non-owned) and T.J. Maxx.

Sale of Clearwater Mall Land Parcels and Execution of Construction Loan

On October 11, 2002, we sold individual land parcels accounting for approximately 450,000 square feet of anchor space at Clearwater Mall, located in Clearwater, Florida, to Costco, Lowe s and Target. We then contributed the remaining mall property to the joint venture currently redeveloping the property as a large open-air community shopping center, encompassing approximately 740,000 square feet of retail space. Also on October 11, 2002, the joint venture closed an approximately $36 million construction loan with Wells Fargo. We received approximately $28 million of proceeds from the land sales and loan transaction.

Midway Market Square Acquisition

On November 20, 2002, we acquired Midway Market Square for approximately $24 million, including $18 million of assumed mortgage indebtedness. Midway Market Square is a 234,760 square foot grocery-anchored community shopping center located in Elyria, Ohio. Tenants include Circuit City, Dick s Sporting Goods, Giant Eagle, Home Depot (non-owned), Sofa Express and Target (non-owned).

Partial Sale of The Centre at Preston Ridge Ownership Interest

On November 25, 2002, a U.S. partnership comprised substantially of foreign investors purchased a 70% interest in The Centre at Preston Ridge Phase 1, reducing our ownership interest to 25% from 50%. We received proceeds of approximately $28 million in connection with the sale and will continue to receive leasing commissions and property management fees.

Equity Investment Group Portfolio Acquisition

On December 12, 2002, we acquired a portfolio of 57 community and neighborhood shopping centers from Equity Investment Group, a private retail-focused REIT (the EIG Acquisition). The acquisition of one additional shopping center from Equity Investment Group was completed in January 2003. The 58 shopping centers contain an aggregate of approximately 7.9 million square feet of gross leasable area. The aggregate purchase price for the acquisition was approximately $437 million, and consisted of approximately $263 million in cash, the assumption of approximately $149 million of outstanding debt and the issuance of approximately $25 million of units in a partnership controlled by us. The cash component of the acquisition was financed through borrowings under the Fleet Revolving Facility (a portion of which was subsequently paid down with proceeds generated from the sale of four of our factory outlet centers discussed below).

Sale of Factory Outlet Centers

On October 22, 2002, we sold Factory Merchants Ft. Chiswell for approximately $1.5 million of gross proceeds. On December 19, 2002, we sold four of our remaining five factory outlet centers for approximately $193 million of gross proceeds. Total proceeds were used to fund a portion of the EIG Acquisition.

Michigan Portfolio Acquisition

On January 3, 2003, we acquired a portfolio of seven grocery-anchored neighborhood shopping centers for an aggregate purchase price of approximately $46 million in cash. The acquisition was financed through borrowings under the Fleet Revolving Facility. The seven shopping centers contain an aggregate of approximately 534,386 square feet of gross leasable area and are located in Michigan, primarily in the northern and western suburbs of Detroit and the Grand Rapids area. Four of the acquired properties are anchored by D&W Food Center and three of the shopping centers are anchored by VG s Food.

Employees

As of December 31, 2002, we employed approximately 377 individuals (including executive, administrative and field personnel).

Available Information

Our internet address is www.newplan.com. You can obtain on our website, free of charge, a copy of our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments with the SEC. Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Code of Ethics for Principal Executive Officer and Senior Financial Officers, our Corporate Governance Guidelines, and the charters for each of the committees of our Board of Directors the Audit Committee, the Corporate Governance Committee, the Executive Compensation and Stock Option Committee and the Nominating Committee.

Financial Information about Industry Segments

As a result of the sale of our garden apartment community portfolio in 2001, our principal business is the ownership and management of community and neighborhood shopping centers. We do not distinguish or group our operations on a geographical basis when measuring performance. All operations are within the United States and no tenant accounts for more than 10% of total revenue. Accordingly, we believe we have a single reportable segment for disclosure purposes in accordance with accounting principles generally accepted in the United States. See the Consolidated Financial Statements and Notes thereto included in Item 8 of this Annual Report on Form 10-K for certain information required by Item 1. See Business included in Item I above.

Risk Factors

Set forth below are the risks that we believe are material to investors who purchase or own our securities that are not otherwise described in this Annual Report on Form 10-K. We have separated the risks into three groups:

- risks related to our properties and business;
- risks related to our organization and structure; and
- tax risks.

Risks Related to Our Properties and Business

Adverse market conditions and competition may impede our ability to generate sufficient income to pay expenses and maintain properties. The economic performance and value of our properties are subject to all of the risks associated with owning and operating real estate, including:

- changes in the national, regional and local economic climate, particularly in Texas which, as a result of the CenterAmerica Acquisition, is the location of properties that represented approximately 19% of our total annualized base rental income as of December 31, 2002;

local conditions, including an oversupply of space in properties like those that we own, or a reduction in demand for properties like those that we own;

the attractiveness of our properties to tenants;

the ability of tenants to pay rent;

competition from other available properties;

changes in market rental rates;

the need to periodically pay for costs to repair, renovate and re-let space;

changes in operating costs, including costs for maintenance, insurance and real estate taxes;

the fact that the expenses of owning and operating properties are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the properties; and

changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

Downturns in the retailing industry likely will have a direct impact on our performance. Our properties consist of community and neighborhood shopping centers and other retail properties. Our performance therefore is linked to economic conditions in the market for retail space generally. The market for retail space has been or could be adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through catalogues and the Internet. To the extent that any of these conditions occur, they are likely to impact market rents for retail space.

Failure by any anchor tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, could seriously harm our performance. Our performance depends on our ability to collect rent from tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants may delay a number of lease commencements, decline to extend or renew a number of leases upon expiration, fail to make rental payments when due under a number of leases, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenant s leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant with leases in multiple locations, could seriously harm our performance. As of December 31, 2002, our largest tenants were The Kroger Co., Kmart Corporation and Wal-Mart Stores, the scheduled annualized base rents for which represented 4.4%, 3.8% and 3.7%, respectively, of our total annualized base rents.

We may be unable to collect balances due from any tenants in bankruptcy. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar all efforts by us to collect pre-bankruptcy debts from that tenant or the lease guarantor, or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is 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, and there are restrictions under bankruptcy laws that limit the amount of the claim we can make if a lease is rejected. As a result, it is likely that we will recover substantially less than the full value of any unsecured claims we hold.

On January 22, 2002, Kmart Corporation, our second largest tenant, filed for bankruptcy protection under Chapter 11 of the federal bankruptcy laws. As of December 31, 2002, Kmart was our lessee at 36 locations that contain a total of 3.3 million square feet of gross leasable area, or approximately 6.5% of our total gross leasable area at that date. In January 2003, Kmart indicated that it intends to close six of these stores and formally rejected one lease where designation rights had previously been assigned. Under federal bankruptcy laws, Kmart can reject the six leases at the locations scheduled to close on or about March 31, 2003, as well as the remaining 29 leases. We have no information at this time as to Kmart s plans for the 29 remaining leases that we have with Kmart. The delay or failure of Kmart to make payments under its leases, or the rejection by Kmart of a substantial number of leases with us under federal bankruptcy laws, would adversely impact our performance, which impact could be material. In addition, Kmart s termination of leases or closure of stores could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases, the impact of which could be material to us.

We face considerable competition in the leasing market and may be unable to renew leases or re-let space as leases expire. We compete with a number of other companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space. As of December 31, 2002, leases were scheduled to expire on a total of approximately 10.6% of the space at our properties through 2003. We may be unable to promptly renew the leases or re-let this space, or the rental rates upon renewal or re-letting may be significantly lower than expected rates.

Future acquisitions of properties may not yield the returns we expect, may result in disruptions to our business and may strain management resources. We intend to continue acquiring select community and neighborhood shopping centers. Newly acquired properties may fail to perform as expected. Our management may underestimate the costs necessary to bring acquired properties up to standards established for their intended market position.

In particular, in 2002 we acquired two large portfolios of community and neighborhood shopping centers. Large portfolio acquisitions pose risks for our ongoing operations in that:

we may not achieve expected cost savings and operating efficiencies;

management attention may be diverted to the integration of acquired properties;

the acquired properties may not perform as well as we anticipate due to various factors, including changes in macro-economic conditions and the demand for retail space; and

we may experience difficulties and incur expenses related to the assimilation and retention of employees that we have hired or intend to hire to manage and operate acquired properties.

We face significant competition for acquisitions of real properties, which may increase the costs of these acquisitions. We compete for acquisitions of, and investments in, properties and real estate companies with an indeterminate number of investors, including investors with access to significant capital such as domestic and foreign corporations and financial institutions, publicly traded and privately held REITs, private institutional investment funds, investment banking firms, life insurance companies and pension funds. This competition may increase prices for the types of properties in which we invest.

Current and future development and redevelopment of real estate properties may not yield expected returns and may strain management resources. We are actively involved in several ongoing substantial redevelopment projects, including Clearwater Mall and The Mall at 163rd Street, either directly or through joint ventures. We also may invest in development projects in the future.

Redevelopment and new development of properties are subject to a number of risks, including construction delays, cost overruns, financing risks, failure to meet expected occupancy and rent levels, delays in and the inability to obtain zoning, occupancy and other governmental permits, and changes in zoning and land use laws. Overall project costs may significantly exceed the costs that were estimated when the project was originally undertaken, which will result in reduced returns, or even losses, from such investments.

We do not have exclusive control over our joint venture investments, so we are unable to ensure that our objectives will be pursued. We have invested in some cases as a borrower, co-venturer or partner in the development or redevelopment of new properties, instead of developing projects directly. These investments involve risks not present in a wholly owned development or redevelopment project. In these investments, we do not have exclusive control over the development, financing, leasing, management and other aspects of the project. As a result, the borrower, co-venturer or partner might have interests or goals that are inconsistent with our interests or goals, take action contrary to our interests or otherwise impede our objectives. The borrower, co-venturer or partner also might become insolvent or bankrupt.

Real estate property investments are illiquid, and therefore we may not be able to dispose of properties when appropriate or on favorable terms. Real estate property investments generally cannot be disposed of quickly. In addition, the federal tax code imposes restrictions on a REIT s ability to dispose of properties that are not applicable to other types of real estate companies. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

Some potential losses are not covered by insurance, so we could lose a significant portion of our investment in a property. We carry comprehensive liability, fire, extended coverage, rental loss and acts of terrorism insurance on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, certain types of losses, including lease and other contract claims, acts of war and acts of God that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose a significant portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. If that happened, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

There can be no assurance as to future costs and the scope of coverage that may be available under insurance policies. Although we believe our properties are adequately covered by insurance, we cannot predict at this time if in the future we will be able to obtain full coverage at a reasonable cost. The costs associated with property and casualty renewals may be higher than anticipated.

We have substantial scheduled debt payments and may not be able to refinance debt at maturity. Our business is subject to risks normally associated with debt financing. Cash flow could be insufficient to pay expected dividends to stockholders and meet required payments of principal and interest. We may not be able to refinance existing debt, which in virtually all cases requires substantial principal payments at maturity, and, even if we can, the terms of a refinancing might not be as favorable as the terms of existing debt. The total principal amount of our outstanding debt was approximately $1.7 billion as of December 31, 2002. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, including new equity capital, cash flow may not be sufficient in all years to repay all maturing debt at the relevant time(s). Prevailing interest rates, our results of operations and financial condition, our senior debt ratings or other factors at the time of refinancing, including the possible reluctance of lenders to make loans, may result in higher interest rates and increased interest expense.

Our financial covenants may restrict our operating and acquisition activities. Our revolving credit and term loan facilities and the indentures under which our senior unsecured debt is issued contain certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur secured and unsecured debt, make dividend payments, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain acquisition transactions. In addition, failure to meet any of the financial covenants could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us.

Mortgage debt obligations expose us to the possibility of foreclosure. If a property is mortgaged to secure payment of debt and we are unable to meet mortgage payments, the holder of the mortgage or lender could foreclose on the property, resulting in loss of our investment. Also, certain of these mortgages contain customary negative covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage.

Our degree of leverage could limit our ability to obtain additional financing. Our organizational documents do not contain any limitation on the incurrence of debt. The degree of our leverage could have important consequences, including affecting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy generally.

We have substantial variable rate debt obligations, which may impede our operating performance and put us at a competitive disadvantage. Increases in interest rates, or the loss of the benefits of any hedging agreements that we might have, would increase our interest expense, which would adversely affect cash flow and our ability to service debt and pay dividends to stockholders. As of December 31, 2002, we had approximately $352 million of floating rate debt maturing at various times up to September 1, 2011. The rates on this debt increase when interest rates increase.

As of December 31, 2002, we were a party to two hedging agreements with respect to $160.5 million of our floating rate debt. Hedging agreements enable us to convert floating rate liabilities into fixed rate liabilities. Hedging agreements expose us to the risk that the counterparties to such agreements may not perform, which could increase our exposure to rising interest rates, even though the counterparties to hedging agreements that we enter into are major financial institutions.

We may borrow additional money with floating interest rates in the future. Increases in interest rates, or the loss of the benefits of our existing or future hedging agreements, would increase our interest expense, which would adversely affect cash flow and our ability to service our debt. Future increases in interest rates will increase our interest expense as compared to the fixed rate debt underlying our hedging agreements and could result in our making payments to unwind such agreements.

A downgrade in our credit rating could negatively impact us. The floating rates of interest applicable to much of our debt, including debt under our credit facilities, are determined based on the credit ratings of our debt provided by independent rating agencies. Thus, if these credit ratings are downgraded, our interest expense will be, and our ability to raise additional debt may be, negatively impacted.

Environmental problems that exist at some of our properties could result in significant unexpected costs. Under various federal, state and local laws, ordinances and regulations, we may be considered an owner or operator of real property or may have arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may become liable for the costs of removal or remediation of certain hazardous substances released on or in our property or disposed of by us, as well as certain other potential costs which could relate to hazardous or toxic substances (including governmental fines and injuries to persons and property). Such liability may be imposed whether or not we knew of, or were responsible for, the presence of these hazardous or toxic substances. As is common with community and neighborhood shopping centers, many of our properties had or have on-site dry cleaners and/or on-site gasoline facilities. These operations could potentially result in environmental contamination at the properties.

We are aware that soil and groundwater contamination exists at some of our properties. The primary contaminants of concern at these properties include perchloroethylene and trichloroethylene (associated with the operations of on-site dry cleaners) and petroleum hydrocarbons (associated with the operations of on-site gasoline facilities). We also are aware that asbestos-containing materials exist at some of our properties. While we do not expect the environmental conditions at our properties, considered as a whole, to have a material adverse effect on us, there can be no assurance that this will be the case. Further, no assurance can be given that any environmental studies performed have identified or will identify all material environmental conditions, that any prior owner of the properties did not create a material environmental condition not known to us or that a material environmental condition does not otherwise exist with respect to any of our properties.

Changes in market conditions could adversely affect the market price of our publicly traded securities. As with other publicly traded securities, the market price of our publicly traded securities depends on various market conditions, which may change from time to time. Among the market conditions that may affect the market price of our publicly traded securities are the following:

the extent of institutional investor interest in the company;

the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;

the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);

our financial condition and performance;

the market s perception of our growth potential and potential future cash dividends;

an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares; and

general economic and financial market conditions.

Sales of a substantial number of shares of our stock, or the perception that such sales could occur, also could adversely affect prevailing market prices for our stock. In addition to the possibility that we may sell shares of our stock in a public offering at any time, we also may issue shares of common stock upon redemption of units of partnership interest held by third parties in affiliated partnerships that we control, as well as upon exercise of stock options or restricted stock that we grant to our officers and employees. All of these shares will be available for sale in the public markets from time to time.

Risks Related to Our Organization and Structure

Provisions of the company s charter and bylaws could inhibit changes in control of the company, and could prevent stockholders from obtaining a premium price for our common stock. A number of provisions of our charter and bylaws may delay or prevent a change in control of the company or other transactions that could provide stockholders with a premium over the then-prevailing market price of our common stock or that might otherwise be in the best interests of the stockholders. These include a staggered board of directors, a stockholder rights plan and our share ownership limit described below. Also, any future series of our preferred stock may have voting provisions that could delay or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interests of the stockholders.

Our Board of Directors could adopt the limitations available under Maryland law on changes in control that could prevent transactions in the best interests of stockholders. Certain provisions of Maryland law applicable to us prohibit business combinations, including certain issuances of equity securities, with any person who beneficially owns 10% or more of the voting power of outstanding shares, or with an affiliate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the outstanding voting shares (which is referred to as a so-called interested stockholder), or with an affiliate of an interested stockholder. These prohibitions last for five years after the most recent date on which the stockholder became an interested stockholder. After the five-year period, a business combination with an interested stockholder must be approved by two super-majority stockholder votes unless, among other conditions, our common stockholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares of common stock. Our Board of Directors has opted out of these business combination provisions. As a result, the five-year prohibition and the super-majority vote requirements will not apply to a business combination involving the company. Our Board of Directors may, however, repeal this election in most cases and cause the company to become subject to these provisions in the future.

Our share ownership limit may discourage a takeover of the company and depress our stock price. To facilitate maintenance of our REIT qualification and for other strategic reasons, our charter generally prohibits any person from acquiring or holding shares of our preferred and common stock in excess of 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of each class or series of our stock. Our Board of Directors may exempt a person from this ownership limit under specified conditions. Absent an exemption or a waiver, shares of stock that are purportedly transferred in excess of the ownership limit will be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the purported transferee will not acquire any rights in such shares. This ownership limit could delay or prevent a change in control of the company and, therefore, could adversely affect the stockholders ability to realize a premium over the then-prevailing market price for our shares.

We are dependent on external sources of capital, which may not be available. To qualify as a REIT, we must, among other things, distribute to our stockholders each year at least 90% of our REIT taxable income (excluding any net capital gains). Because of these distribution requirements, we likely will not be able to fund all future capital needs, including capital for acquisitions, with income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market s perception of our growth potential and our current and potential future earnings. Moreover, additional equity offerings may result in substantial dilution of stockholders interests, and additional debt financing may substantially increase leverage.

Tax Risks

Proposed change in taxation of corporate dividends may adversely affect the value of our stock. The federal income tax laws governing REITs and other corporations or the administrative interpretations of those laws may be amended at any time. On January 7, 2003, the Bush Administration released a proposal intended to eliminate one level of the double taxation that is currently imposed on corporate income for regular C corporations by excluding corporate dividends from an individual s taxable income to the extent that corporate income tax has been paid on the earnings from which the dividends are paid. REITs currently are tax-advantaged relative to regular C corporations because they are not subject to corporate-level federal income tax on income that they distribute to shareholders, but shareholders do include REIT dividends in taxable income. The tax treatment of REITs generally would not be affected by the Bush Administration s proposal in its current form, except that a REIT that receives dividends from a C corporation that have been subject to corporate income tax could distribute or retain those amounts without a second tax being imposed on the REIT or its shareholders. However, the Bush Administration s proposal, if enacted, could cause individual investors to view stocks of regular C corporations as more attractive relative to stocks of REITs than is the case currently because part or all of the dividends on the stocks of the regular C corporations would be exempt from tax for the individual. It is not possible to predict whether in fact this change in relative perceived value will occur or whether, if it occurs, what the impact will be on the value of our stock. In any event, there can be no assurance regarding whether the Bush Administration s proposal ultimately will be enacted or the form in which it might in fact be enacted and the effects that it will have on the value of our stock.

Failure of the company to qualify as a REIT would have serious adverse consequences to stockholders. We believe that the company has qualified for taxation as a REIT for federal income tax purposes since September 28, 1998, the date of the merger of our predecessor companies, New Plan Realty Trust and Excel Realty Trust, Inc., and that our predecessor companies qualified for taxation as REITs for federal income tax purposes since their first elections to be taxed as REITs and for each taxable year where a failure to qualify would adversely affect the company. We plan to continue to operate so that the company meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. The determination that the company is a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from certain sources that are itemized in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income (excluding any net capital gains). The fact that we hold certain of our assets through partnerships and their subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize the company s REIT status. Furthermore, Congress and the Internal Revenue Service might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for the company to remain qualified as a REIT.

If the company fails to qualify as a REIT, the company would be subject to federal income tax at regular corporate rates. Also, unless the Internal Revenue Service granted the company relief under certain statutory provisions, the company would remain disqualified as a REIT for four years following the year the company first failed to qualify. If the company failed to qualify as a REIT, the company would have to pay significant income taxes and would therefore have less money available for investments, debt service and dividends to stockholders. This likely would have a significant adverse affect on the value of our securities. In addition, we would no longer be required to pay any dividends to stockholders.

Even if the company qualifies as a REIT for federal income tax purposes, we are required to pay certain federal, state and local taxes on our income and property. For example, if we have net income from prohibited transactions, that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we have undertaken a significant number of asset sales in recent years, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the Internal Revenue Service would not contend otherwise. In addition, any net taxable income earned directly by our taxable affiliates, including ERT Development Corporation, is subject to federal and state corporate income tax. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our stockholders.

Subject to certain exceptions, including the one discussed in this paragraph, a REIT is generally prohibited from owning securities in any one issuer if the value of those securities exceeds 5% of the value of the REIT s total assets or the securities owned by the REIT represent more than 10% of the issuer s outstanding voting securities or more than 10% of the value of the issuer s outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote or value test if the subsidiary elects to be a taxable REIT subsidiary, which is taxable as a corporation. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of the REIT s total assets. We currently own 100% of the outstanding securities of ERT Development Corporation, which elected, effective January 1, 2001, to be a taxable REIT subsidiary of ours. Each corporate subsidiary in which ERT Development Corporation owns 35% of the outstanding voting securities or 35% of the value of the outstanding securities will also be treated as a taxable REIT subsidiary of ours. While we believe that we have satisfied the limitations on the ownership of securities with regard to our ownership of interests in ERT Development Corporation during each of the taxable years that each such limitation applied to us, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that the Internal Revenue Service would not disagree with our determination.

Several provisions of the applicable tax law ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax if the economic arrangements between the REIT, the REIT s tenants, and a taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties.

The company could be disqualified as a REIT or have to pay taxes if its predecessor companies did not qualify as REITs. If either New Plan Realty Trust or Excel Realty Trust, Inc., whose businesses were combined in a merger transaction on September 28, 1998 to form the company, failed to qualify as a REIT throughout the duration of its existence, we might have had undistributed C corporation earnings and profits. If that were the case and either of our predecessor companies did not distribute such earnings and profits prior to the merger transaction, the company might not qualify as a REIT. We believe that each of the predecessor companies qualified as a REIT and that, in any event, neither of the predecessor companies had any undistributed C corporation earnings and profits at the time of the merger transaction. If New Plan Realty Trust failed to qualify as a REIT, it would have recognized taxable gain at the time of the merger transaction (and we would be liable for the tax on that gain). This would be the case even though the merger transaction qualified as a tax-free reorganization, unless we made a special election that was available under the law at the time of the merger. We made that election with respect to the assets acquired from New Plan Realty Trust. This election has the effect of requiring us, if New Plan Realty Trust was not

qualified as a REIT, to pay corporate income tax on any gain existing at the time of the merger transaction on assets acquired in the transaction if those assets are sold within 10 years after the transaction. Finally, if either of the predecessor companies did not qualify as a REIT, the company could have been precluded from electing REIT status for up to four years after the year in which that predecessor company failed to qualify if the company were determined to be a successor to that predecessor company.

Item 2. **Properties**

As of December 31, 2002, we owned interests in 394 properties. The following table sets forth certain information as of December 31, 2002 regarding our properties on a state-by-state basis:

State	Number of Properties	Percent Leased	GLA (1)	Percent of Scheduled ABR (2)
Alabama	7	90%	760,014	1.2%
Arizona	8	89%	973,147	2.1%
Arkansas	2	98%	237,991	0.4%
California	15	91%	2,455,132	7.2%
Colorado	5	100%	1,210,066	3.4%
Delaware	1	100%	30,000	0.0%
Florida	30	86%	4,872,133	10.5%
Georgia	34	90%	3,672,992	6.0%
Illinois	12	88%	1,512,688	3.3%
Indiana	17	81%	1,537,770	2.0%
Iowa	3	98%	547,493	0.7%
Kentucky	11	91%	1,809,123	3.0%
Louisiana	6	96%	738,341	1.0%
Maryland	2	85%	278,934	0.6%
Massachusetts	2	100%	348,917	0.6%
Michigan	13	91%	2,396,416	5.0%
Minnesota	1	98%	55,715	0.1%
Mississippi	1	100%	87,721	0.1%
Nebraska	2	100%	9,671	0.0%
Nevada	3	63%	587,388	1.0%
New Jersey	7	93%	865,405	2.0%
New Mexico	2	49%	97,600	0.1%
New York	25	86%	3,531,579	6.2%
North Carolina	14	95%	1,885,678	3.2%
Ohio	25	88%	3,876,028	6.7%
Pennsylvania	14	86%	2,147,269	4.4%
Rhode Island	1	91%	148,395	0.3%
South Carolina	7	70%	792,641	1.1%
Tennessee	16	97%	1,926,084	3.5%
Texas	86	92%	9,370,240	18.6%
Utah	3	98%	606,334	1.0%
Virginia	13	93%	1,708,807	3.3%
West Virginia	3	91%	354,938	0.6%
Wisconsin	2	87%	259,953	0.4%
Wyoming	1	91%	154,930	0.3%
	394	90%	51,847,533	100%

Region				
East	100	89%	13,901,686	25.3%
Midwest	76	88%	10,350,664	18.6%
South	182	91%	21,665,516	41.3%
West	36	90%	5,929,667	14.8%
	394	90%	51,847,533	100%

(1) GLA represents gross leasable area in square feet.

(2) ABR represents 2002 scheduled annualized base rent based on contractual minimum lease payments as of December 31, 2002.

The above does not purport to disclose all items required under GAAP.

Item 3. **Legal Proceedings**

We are party to routine litigation matters in the ordinary course of business, none of which are believed to be material. We are not aware of any material litigation threatened against us.

Item 4. **Submission of Matters to a Vote of Security Holders**

No matters were submitted to a vote of our stockholders during the fourth quarter of 2002.

PART II

Item 5. **Market for Registrant s Common Equity and Related Stockholder Matters**

Our common stock is listed on the New York Stock Exchange under the symbol NXL . As of March 3, 2003, there were approximately 9,805 registered record holders of our common stock, plus those who hold their shares in street name. The following table shows the high and low sales price, as reported by the New York Stock Exchange composite tape, and the cash dividends declared each calendar quarter during 2002 and 2001 for our common stock:

	High	Low	Cash Dividends Declared
2001:			
First quarter	$ 16.19	$ 13.125	$ 0.4125
Second quarter	17.99	15.05	0.4125
Third quarter	18.19	15.47	0.4125
Fourth quarter	19.59	16.62	0.4125
2002:			
First quarter	$ 20.49	$ 17.55	$ 0.4125
Second quarter	21.00	18.70	0.4125
Third quarter	20.77	15.51	0.4125
Fourth quarter	19.69	15.77	0.4125

We declared dividends of approximately $179.1 million for the year ended December 31, 2002.

Distributions to stockholders are usually taxable as ordinary income, although a portion of the dividend may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of our stockholders a statement detailing distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital.

We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. Under our existing credit facility and term loan, we are restricted from paying common stock dividends that would exceed 95% of our funds from operations during any four-quarter period, except as necessary to protect our REIT status.

Item 6. ***Selected Financial Data***

The financial information included in the following table has been derived from the audited consolidated financial statements for the periods indicated. This information should be read together with our audited financial statements and Management s Discussion and Analysis of the Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K.

On September 28, 1998, Excel Realty Trust, Inc. and New Plan Realty Trust (the Trust) consummated a merger. Because the Trust had a fiscal year end of July 31 prior to the merger, the financial information included in the following table for periods prior to September 28, 1998 is based on a fiscal year end of July 31. All of the financial information included in the following table for periods on or after September 28, 1998 relates to the company as a combined entity. Immediately following the merger, we adopted a fiscal year end of December 31, beginning with a short fiscal year ending December 31, 1998.

(In thousands, except per share amounts)

Statement of Income Data:	Years Ended December 31, 2002	2001	2000	1999	Five Months Ended December 31, 1998	Year Ended July 31, 1998
Rental revenues:						
Rental income	$ 310,339	$ 238,010	$ 240,478	$ 244,936	$ 81,463	$ 118,441
Percentage rents	6,649	5,183	5,384	3,811	1,290	2,729
Expense reimbursements	75,411	54,606	49,249	48,245	21,502	25,597
Total rental revenues	392,399	297,799	295,111	296,992	104,255	146,767
Expenses:						
Operating costs	67,924	48,078	45,200	45,142	15,931	23,412
Real estate and other taxes	46,835	33,216	33,959	30,728	10,554	16,346
Interest	92,953	78,534	88,071	77,545	25,619	33,752
Depreciation and amortization	66,223	51,733	49,725	48,743	16,073	19,829
Provision for doubtful accounts	8,979	5,614	4,381	4,568	1,649	2,131
Severance costs		896	4,945	8,497		
General and administrative	17,878	10,306	7,469	6,626	2,101	2,754
Total expenses	300,792	228,377	233,750	221,849	71,927	98,224
Income before real estate sales, impairment of real estate, minority interest and other income and expenses	91,607	69,422	61,361	75,143	32,328	48,543
Other income and expenses:						
Interest, dividend and other income	11,014	13,990	30,426	26,015	5,510	3,950
Equity participation in ERT		(4,313)	(17,867)	(3,169)		
Equity in income of unconsolidated ventures	5,244	985				
Foreign currency (loss) gain	(13)	(560)	(437)	674	34	
Gain (loss) on sale of real estate	371	1,610	9,200	7,956		(41)
Impairment of real estate	(88,229)	(13,107)	(3,620)			
Minority interest in income of consolidated partnership	(642)	(848)	(952)	(1,299)	(457)	
Income from continuing operations	19,352	67,179	78,111	105,320	37,415	52,452
Discontinued operations:						
	21,692	36,483	44,212	44,193	18,390	38,121

Results of discontinued operations						
Gain on sale of discontinued operations	100,668	1,500				
Impairment of real estate held for sale	(19,332)					
Income from discontinued operations	103,028	37,983	44,212	44,193	18,390	38,121
Net income before extraordinary item	122,380	105,162	122,323	149,513	55,805	90,573
Extraordinary item	(318)		758			
Net income	$ 122,062	$ 105,162	$ 123,081	$ 149,513	$ 55,805	$ 90,573
Net income available to common stock basic	$ 108,036	$ 82,523	$ 100,446	$ 126,736	$ 48,891	$ 84,723
Net income available to common stock diluted	$ 108,678	$ 83,371	$ 101,398	$ 128,035	$ 49,348	$ 84,723
Basic earnings per common share:						
Earnings per share continuing operations	$ 0.06	$ 0.51	$ 0.63	$ 0.93	$ 0.39	$ 0.79
Earnings per share discontinued operations	1.08	0.44	0.51	0.50	0.24	0.64
Extraordinary item			0.01			
Basic earnings per common share	$ 1.14	$ 0.95	$ 1.15	$ 1.43	$ 0.63	$ 1.43
Diluted earnings per common share:						
Earnings per share continuing operations	$ 0.06	$ 0.51	$ 0.63	$ 0.93	$ 0.39	$ 0.78
Earnings per share discontinued operations	1.07	0.43	0.50	0.49	0.23	0.64
Extraordinary item			0.01			
Diluted earnings per common share	$ 1.13	$ 0.94	$ 1.14	$ 1.42	$ 0.62	$ 1.42
Average shares outstanding basic	95,119	87,241	87,608	88,662	77,481	59,365
Average shares outstanding diluted	96,552	88,799	88,951	90,440	79,396	59,774
<u>Other Data:</u>						
Distributions per common share	$ 1.650	$ 1.650	$ 1.650	$ 1.625	$ 0.678	$ 1.475
<u>Balance Sheet Data as of the End of Each Period:</u>						
Net real estate	$ 3,269,476	$ 2,413,891	$ 2,233,993	$ 2,318,072	$ 2,318,001	$ 977,614
Total assets	3,515,279	2,622,866	2,894,431	2,953,141	2,896,568	1,386,831
Long term debt, net (1)	1,713,476	949,684	1,185,545	1,193,100	1,077,920	576,888
Total liabilities	1,902,996	1,107,361	1,314,912	1,316,522	1,158,321	619,998
Minority interest in consolidated partnership	39,434	22,267	23,909	25,100	40,651	
Total stockholders equity	1,572,849	1,493,238	1,555,610	1,611,519	1,662,242	766,833

(1) Long-term debt includes mortgage loans, notes payable, net (including notes payable, other) and credit facilities.

Item 7. **Management s Discussion and Analysis of Financial Condition and Results of Operations**

Critical Accounting Policies

Our consolidated financial statements include our accounts and those of all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenue Recognition

We recognize rental revenue on a straight-line basis, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as deferred rent receivable , and is included in trade receivables in our consolidated balance sheets. Certain leases provide for percentage rents based upon the level of sales achieved by the lessee. Percentage rents are recorded once the required sales level is achieved. Leases also typically provide for tenant reimbursements of common area maintenance and other operating expenses. Rental income also includes lease termination fees.

We must make estimates of the uncollectability of our accounts receivables related to base rents, expense reimbursements and other revenue or income. We specifically analyze accounts receivable and historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. These estimates have a direct impact on our net income, because a higher bad debt reserve results in less net income.

The Securities and Exchange Commission s Staff Accounting Bulletin (SAB) No. 101 *Revenue Recognition* provides guidance on the application of accounting principles generally accepted in the United States to selected revenue recognition issues. We have concluded that our revenue recognition policy is appropriate and in accordance with accounting principles generally accepted in the United States and SAB No. 101.

Real Estate

We record land, buildings and building and tenant improvements at cost and they are stated at cost less accumulated depreciation. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives; ordinary repairs and maintenance, are expensed as incurred.

22

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	35 to 40 years
Building improvements	5 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life

We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to reflect on an annual basis. These assessments have a direct impact on our net income. For example, if we were to lengthen the expected useful life of a particular building improvement, the improvement would be depreciated over a greater number of years, resulting in less depreciation expense and higher net income on an annual basis.

Long Lived Assets

On a periodic basis, we assess whether there are any indicators that the value of the real estate properties may be impaired. A property s value is impaired only if our estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property (taking into account the anticipated holding period of the asset) is less than the carrying value of the property. Such cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

When we identify assets as held for sale, we discontinue depreciating the assets and estimate the sales price, net of selling costs of such assets. If, in our opinion, the net sales price of the assets which we have identified for sale is less than the net book value of the assets, a valuation allowance is established. For investments accounted for under the equity method, a loss is recognized if the loss in value of the investment is other than temporary.

When we make subjective assessments as to whether there are impairments in the value of our real estate properties, we have a direct impact on our net income, because taking an impairment results in an immediate negative adjustment to net income.

Recently Issued Accounting Standards

In January 2003, FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, (FIN 46) an interpretation of ABR 51. FIN 46 provides guidance on identifying entities for which control is achieved through means other than through voting rights, variable interest entities (VIE), and how to determine when and which business enterprises should consolidate the VIE. In addition, FIN 46 requires both the primary beneficiary and all other enterprises with a significant variable interest in a VIE to make additional disclosures. The transitional disclosure requirements will take effect almost immediately and are required for all financial statements initially issued after January 31, 2003. The consolidation provisions of FIN 46 are effective immediately for variable interests in VIEs created after January 31, 2003. For variable interests in VIEs created before February 1, 2003, the provisions of FIN 46 are effective for the first interim period beginning after June 15, 2003. We do not expect the adoption of FIN 46 to have a material impact because our potential variable interests in VIEs are our Investments in Unconsolidated Ventures.

In December 2002, FASB issued Statement 148, *Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FAS 123* (SFAS No. 148). This statement provides alternative transition methods for a voluntary change to the fair value basis of accounting for stock-based employee compensation. However, SFAS 148 does not permit the use of the original FAS 123 prospective method of transition for changes to fair value based methods made in fiscal years beginning after December 15, 2003. In addition, SFAS No. 148

amends the disclosure requirements of FAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation, description of the transition method utilized and the effect of the method used on reported results. The transition and annual disclosure provisions of SFAS No. 148 shall be applied for fiscal years ending after December 15, 2002. The new interim disclosure provisions are effective for the first interim period beginning after December 15, 2002. Effective January 1, 2003, we will adopt the prospective method provisions of SFAS No. 148, which will apply the recognition provisions of SFAS 123 to all employee awards granted, modified or settled after January 1, 2003. The adoption is not expected to have a material impact on our financial statements.

In November 2002, FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34). FIN 45 clarifies the requirements of FASB Statement No. 5, *Accounting for Contingencies*. It requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee regardless of whether or not the guarantor receives separate identifiable consideration (i.e., a premium). We have adopted the new disclosure requirements, which are effective beginning with 2002 calendar year-end financials. FIN 45 s provisions for initial recognition and measurement are effective on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 is not expected to have a material impact on our financial statements.

In July 2002, FASB issued Statement 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146). This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)*. It addresses when to recognize a liability for a cost associated with an exit or disposal activity such as, but not limited to, termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. SFAS No. 146 does not apply to entities newly acquired in a business combination or with a disposal activity covered by FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144) or to costs associated with the retirement of long-lived assets covered by FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 146 states that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred and not at the date of an entity s commitment to a plan, as previously defined in Issue 94-3. The provisions of SFAS No. 146 shall be applied for exit and disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 is not expected to have a material impact on our financial results.

In April 2002, FASB issued Statement 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections* (SFAS No. 145). This statement rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt*. Debt extinguishments that do not meet the criteria for classification as extraordinary items in APB Opinion No. 30 (Opinion 30) should not be classified as extraordinary. The provisions of SFAS No. 145 shall be applied in fiscal years beginning after May 15, 2002. Debt extinguishments that were classified as extraordinary in prior periods presented that do not meet the criteria of Opinion 30 for classification as an extraordinary item shall be reclassified. We will adopt this statement, as required, effective January 1, 2003, and the adoption of SFAS No. 145 is not expected to have a material impact on our financial statements.

Effective January 1, 2002, we adopted SFAS No. 144. This statement addresses financial accounting and reporting for the impairment of long-lived assets and for the disposition of long-lived assets. SFAS No. 144 requires, among other things, that the primary assets and liabilities and the results of operations of real properties which have been sold during 2002, or otherwise qualify as held for sale (as defined by SFAS No. 144), be classified as discontinued operations and segregated in our Consolidated Income Statements and Balance Sheets. Properties classified as real estate held for sale generally represent properties that are under contract for sale and are expected to close within the next twelve months. SFAS No. 144 requires that the provisions of this statement be adopted prospectively. Accordingly, real estate designated as held for sale prior to January 1, 2002 will continue to be accounted for under the provisions of SFAS No. 121 and the results of operations, including impairment, gains and losses, of these properties are included in income from continuing operations. Real estate designated as held for sale subsequent to January 1, 2002 will be accounted for in accordance with the provisions of SFAS No. 144 and the results of operations of these properties are included in income from discontinued operations. We have restated prior periods for comparability, as required.

Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and the accompanying notes. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements and accompanying notes, including trends which might appear, should not be taken as indicative of future operations.

On December 19, 2002, we completed the sale of four of our factory outlet centers (the Factory Outlet Disposition) to Chelsea Property Group, Inc. The four properties included St. Augustine Outlet Center, located in St. Augustine, Florida; Factory Merchants Branson, located in Branson, Missouri; Factory Outlet Village Osage Beach, located in Osage Beach, Missouri; and Jackson Outlet Village, located in Jackson, New Jersey. Accordingly, the assets and operating results of the four factory outlet centers were reclassified and reported as discontinued operations and are not reflected in the following discussion.

On December 12, 2002, we completed the EIG Acquisition. Accordingly, our results of operations for the year ended December 31, 2002 include the results of operations of the properties acquired in the EIG Acquisition from and after December 12, 2002.

On March 1, 2002, we completed the CenterAmerica Acquisition. As part of the acquisition, we also acquired a 10% managing membership interest in a joint venture with a private U.S. pension fund. Accordingly, our results of operations for the year ended December 31, 2002 include the results of operations from the properties acquired in the CenterAmerica Acquisition from and after March 1, 2002.

In addition to the EIG Acquisition and the CenterAmerica Acquisition, we acquired three separate properties, Superior Marketplace, Whitestown Plaza and Midway Market Square, during 2002 (collectively, 2002 Other Acquisitions). During 2001, we acquired Arapahoe Crossings and the Stein Mart Center (collectively, 2001 Other Acquisitions). Accordingly, our results of operations for the years ended December 31, 2002 and 2001 include the results of operations of the 2002 Other Acquisitions and the 2001 Other Acquisitions, respectively.

On September 21, 2001, we completed the sale of our garden apartment community portfolio (excluding one apartment community which was sold separately to an unrelated third party on September 28, 2001) to a private investor group, Houlihan/C.L.K. Our one remaining apartment community (The Club Apartments) was sold to Homewood City Board of Education of Homewood, Alabama. Accordingly, the assets and operating results of the garden apartment communities were reclassified and reported as discontinued operations and are not reflected in the following discussion.

On July 1, 2001, we acquired 100% of the common stock of ERT Development Corporation (ERT). Effective July 1, 2001, we consolidated the results of operations of ERT. Prior to July 1, 2001, we owned 100% of the outstanding preferred shares of ERT. We accounted for ERT using the equity method of accounting prior to July 1, 2001.

In 2001, we sold 26 properties, seven land parcels and one outparcel, and in 2002, we sold two properties which were not classified as held for sale as of December 31, 2001, one outparcel and one land parcel (collectively, Sold Properties).

Results of Operations for the Twelve Months Ended December 31, 2002 and 2001

Revenues:

Rental income increased $72.3 million, or 30%, from $238.0 million in 2001 to $310.3 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased rental income by approximately $61.1 million

The EIG Acquisition, which increased rental income by approximately $2.6 million

2002 Other Acquisitions, which increased rental income by approximately $0.6 million

The consolidation of ERT for the entire year, which increased rental income by approximately $6.0 million

Increased lease settlement income of approximately $1.9 million

Combined increases in specialty rent and cost of living of approximately $0.3 million

Increased other income of approximately $0.2 million

Reduction of capitalized revenue, which increased rental income by approximately $1.1 million

Increases in rental rates, combined with rental revenues generated by properties previously under redevelopment, which increased rental income by approximately $2.6 million

Sold Properties, which reduced rental income by approximately $4.2 million

Percentage rents increased $1.4 million, or 27%, from $5.2 million in 2001 to $6.6 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased percentage rents by approximately $0.4 million

The consolidation of ERT for the entire year, which increased percentage rents by approximately $1.4 million

A general decrease in tenants sales, which decreased percentage rents by approximately $0.3 million

Sold Properties, which resulted in a reduction of percentage rents of approximately $0.1 million

Expense reimbursements increased $20.8 million, or 38%, from $54.6 million in 2001 to $75.4 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased expense reimbursements by approximately $14.4 million

The EIG Acquisition, which increased expense reimbursements by approximately $0.4 million

2002 Other Acquisitions, which increased expense reimbursements by approximately $0.1 million

The consolidation of ERT for the entire year, which increased expense reimbursements by approximately $1.3 million

An increase in reimbursable real estate taxes and property operating expenses, which increased expense reimbursements by approximately $4.9 million

Expense reimbursements attributable to Sold Properties, which decreased expense reimbursements by approximately $0.3 million

Interest, dividend and other income decreased $3.0 million, or 21%, from $14.0 million in 2001 to $11.0 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased interest, dividend and other income by approximately $0.6 million

2002 Other Acquisitions, which increased interest, dividend and other income by approximately $0.3 million

Fee income attributable to the nine percent fee charged by us on the letter of credit issued in connection with the sale of our garden apartment portfolio, which increased interest, dividend and other income by approximately $3.1 million

An increase in interest, dividend and other income attributable to Sold Properties of approximately $0.1 million

The consolidation of ERT for the entire year, which decreased interest, dividend and other income by approximately $5.9 million

Lower mortgages and notes receivable balances which reduced interest, dividend and other income by approximately $1.2 million

Equity participation in ERT in 2001 was approximately $(4.3) million. We did not record any equity participation in 2002 as we consolidated ERT for financial statement purposes for periods effective after July 1, 2001, and the results of its operations are reflected in our consolidated net income.

As a result of the CenterAmerica Acquisition and the consolidation of ERT, we acquired direct equity investments in the CA New Plan Venture Fund, Vail Ranch II and The Centre at Preston Ridge joint venture projects. We also maintain joint venture interests in Benbrooke Ventures and Clearwater Mall, LLC. These projects resulted in combined income of approximately $5.2 million, which is recorded in Equity in income of unconsolidated ventures for the year ended December 31, 2002.

We recorded foreign currency loss of approximately $0.6 million in 2001. This loss was attributable to notes receivable from a Canadian company. These notes were repaid in full during 2002, and accordingly, we recorded only a nominal amount of loss during 2002.

Expenses:

Total expenses increased $72.4 million, or 32%, from $228.4 million in 2001 to $300.8 million in 2002. The major areas of change are discussed below.

Operating costs increased $19.8 million, or 41%, from $48.1 million in 2001 to $67.9 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased operating costs by approximately $12.7 million

The EIG Acquisition, which increased operating costs by approximately $0.1 million

2002 Other Acquisitions, which increased operating costs by approximately $0.1 million

The consolidation of ERT for the entire year, which increased operating costs by approximately $2.6 million

Increased insurance expense as a result of higher premiums under our renewed policy and our addition of a higher coverage terrorism clause of approximately $4.7 million

Combined increases in payroll expense and snow removal costs of approximately $0.6 million

Sold Properties, which reduced operating expenses by approximately $0.6 million

Decreased utilities expense of approximately $0.4 million

Real estate and other taxes increased $13.6 million, or 41%, from $33.2 million in 2001 to $46.8 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased real estate and other taxes by approximately $11.1 million

2002 Other Acquisitions, which increased real estate and other taxes by approximately $0.1 million

The consolidation of ERT for the entire year, which increased real estate and other taxes by approximately $0.3 million

Property tax rate increases at certain municipalities, combined with higher assessments at certain properties, which increased real estate and other taxes by approximately $2.3 million

Sold Properties, which reduced real estate and other taxes by approximately $0.2 million

Interest expense increased $14.5 million, or 18%, from $78.5 million in 2001 to $93.0 million in 2002. The following factors accounted for this variance:

Debt assumed in connection with the CenterAmerica Acquisition, which increased interest expense by approximately $13.4 million

Debt assumed in connection with the EIG Acquisition, which increased interest expense by approximately $0.3 million

Debt assumed in connection with 2002 Other Acquisitions, which increased interest expense by approximately $0.2 million

Our issuance of $250 million of bonds during the second quarter, which increased interest expense by approximately $7.0 million

An increase in the amortization of debt issuance costs, which increased interest expense by approximately $2.1 million

Increased mortgage interest expense of approximately $0.3 million

Sold Properties, which reduced interest expense by approximately $0.4 million

The repayment of approximately $81 million of notes payable in May 2002, which reduced interest expense by approximately $2.8 million

Refinancing and pay down of the Fleet Revolving Facility, which reduced interest expense by approximately $4.2 million

Increased capitalization with respect to our redevelopment projects, which reduced interest expense by $1.4 million

Depreciation and amortization expense increased $14.5 million, or 28%, from $51.7 million in 2001 to $66.2 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased depreciation and amortization expense by approximately $9.3 million

The EIG Acquisition, which increased depreciation and amortization expense by approximately $0.3 million

2002 Other Acquisitions, which increased depreciation and amortization expense by approximately $0.2 million

The consolidation of ERT for the entire year, which increased depreciation and amortization expense by approximately $2.3 million

Increased capital spending during 2002, which increased depreciation and amortization expense by approximately $2.4 million

Provision for doubtful accounts increased $3.4 million, or 61%, from $5.6 million in 2001 to $9.0 million in 2002. This increase reflects the inclusion of expenses associated with the CenterAmerica Acquisition and the consolidation of ERT of approximately $1.5 million and $0.8 million, respectively, compounded by increased reserves attributable to certain Kmart leases of approximately $3.4 million. These increases were partially offset by reduced reserve levels attributable to lower write-offs, which reduced the provision for doubtful accounts by approximately $2.3 million.

In 2001, we recorded approximately $0.9 million of severance costs, attributable to payments made to certain of our officers in connection with their resignation or retirement, and in accordance with the terms of their respective retirement/employment agreements.

General and administrative expenses increased $7.6 million, or 74%, from $10.3 million in 2001 to $17.9 million in 2002. The following factors accounted for this variance:

The CenterAmerica Acquisition, which increased general and administrative expenses by approximately $4.0 million

Increased franchise tax expense of approximately $2.9 million, resulting from Pennsylvania tax legislation passed during 2002

Combined increases in payroll related expenses, office costs, and professional fees of approximately $2.8 million

Increased depreciation expense on non-real estate assets of approximately $0.6 million

Increase capitalized costs, which reduced general and administrative expenses by approximately $2.7 million

Gains on the Sale of Assets:

We sold two shopping centers, one outparcel and one land parcel during 2002 that resulted in a gain of approximately $0.4 million. Excluding the sale of our garden apartment portfolio, we sold 26 properties, seven land parcels and one outparcel during 2001. The sale of these properties resulted in a gain of $1.6 million.

Impairment of Real Estate:

As part of the periodic assessment of our real estate properties relative to both the extent to which such assets are consistent with our long-term real estate investment objectives and the performance and prospects of each asset, we determined in the fourth quarter of 2002 that our investment in two properties was impaired. Given the substantial culmination during the fourth quarter of 2002 of our non-core asset recycling program and therefore achievement of our goal relative to executing a product strategy focused on our core assets of community and neighborhood shopping centers, we reduced our anticipated holding period of certain of our remaining non-core assets. As a result of the reduction in the anticipated holding period, together with a reassessment of the anticipated future operating income of the properties and the effects of new competition and demand for the properties, we determined that our investment in Pointe Orlando and Factory Merchants Barstow was impaired and recorded an impairment of real estate of approximately $88.0 million related to these assets. At Pointe Orlando, we took a $70.0 million impairment charge, reducing the book value of this asset to $88.0 million and at Factory Merchants Barstow, we took an $18.0 million impairment charge, reducing the book value of this asset to $15.0 million.

Discontinued Operations:

Effective January 1, 2002, we adopted SFAS No. 144. This statement retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations, and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale. As of December 31, 2002, such properties generated approximately $21.7 million, $19.3 million and $100.7 million in results of operations, impairment expense and gain on sale, respectively. Accordingly, these amounts have been classified as discontinued operations. The results of operations for these properties, as well as the operating results of our garden apartment communities, have also been classified as Discontinued Operations for 2001.

Extraordinary Item:

We reported an extraordinary loss of approximately $0.3 million in 2002. This loss was attributable to the write-off of unamortized mortgage premiums/discounts in connection with our prepayment of certain mortgages.

Results of Operations for the Twelve Months Ended December 31, 2001 and 2000

Revenues:

Rental income decreased $2.5 million, or 1%, from $240.5 million in 2000 to $238.0 million in 2001. The following factors accounted for this variance:

2001 Other Acquisitions, which increased rental income by approximately $1.7 million

The consolidation of ERT for the six months subsequent to July 1, 2001, which increased rental income by approximately $7.2 million

Sold properties, which reduced rental income by approximately $4.7 million

Clearwater Mall, a property which is undergoing redevelopment, which had decreased rental income of approximately $3.3 million in 2001

A decrease in lease settlement income of approximately $0.3 million

Lower occupancy rates, which reduced rental income by approximately $3.1 million

Expense reimbursements increased $5.4 million, or 11%, from $49.2 million in 2000 to $54.6 million in 2001. The following factors accounted for this variance:

2001 Other Acquisitions, which increased expense reimbursements by approximately $0.2 million

The consolidation of ERT for the six months subsequent to July 1, 2001, which increased expense reimbursements by approximately $1.8 million

An increase in reimbursable real estate taxes and property operating expenses, which increased expense reimbursements by approximately $4.4 million

Sold Properties, which reduced expense reimbursements by approximately $0.5 million

Clearwater Mall, a property which is undergoing redevelopment, which had reduced expense reimbursements of approximately $0.5 million in 2001

Interest, dividend and other income decreased $16.4 million, or 54%, from $30.4 million in 2000 to $14.0 million in 2001. The following factors accounted for this variance:

2001 Other Acquisitions, which increased interest, dividend and other income by approximately $0.1 million

The consolidation of ERT for the six months subsequent to July 1, 2001, which reduced interest, dividend and other income by approximately $11.5 million

A reduction of interest income attributable to our development projects of approximately $2.3 million

Lower mortgage and notes receivable balances, which reduced interest, dividend and other income by approximately $0.6 million

Combined decreases in insurance recoveries, fees and miscellaneous income of approximately $2.1 million

Equity participation in ERT increased $13.6 million, or 76%, from $(17.9) million in 2000 to $(4.3) million in 2001. This change is primarily attributable to our consolidation of ERT subsequent to July 1, 2001.

Expenses:

Total expenses decreased $5.4 million, or 2%, from $233.8 million in 2000 to $228.4 million in 2001. The major areas of change are discussed below.

Operating expenses increased $2.9 million, or 6%, from $45.2 million in 2000 to $48.1 million in 2001. The following factors accounted for this variance:

2001 Other Acquisitions, which increased operating expenses by approximately $0.3 million

The consolidation of ERT subsequent to July 1, 2001, which increased operating expenses by approximately $3.5 million

Combined increases in payroll related expenses, repairs, utilities and other expenses of approximately $2.7 million

Sold Properties, which reduced operating expenses by approximately $0.8 million

Clearwater Mall, a property undergoing redevelopment, which reduced operating expenses by approximately $1.5 million

Combined decreases in snow removal and insurance costs of approximately $1.3 million

Interest expense decreased $9.6 million, or 11%, from $88.1 million in 2000 to $78.5 million in 2001. The following factors accounted for this variance:

The consolidation of ERT subsequent to July 1, 2001, which increased interest expense by approximately $3.6 million

Swap interest, which increased interest expense by approximately $2.6 million

Sold Properties, which reduced interest expense by approximately $0.2 million

Lower debt levels and reduced interest rates, which reduced interest expense by approximately $14.0 million

Increased capitalized interest relating to our development projects, which reduced interest expense by approximately $1.6 million

Depreciation and amortization expense increased $2.0 million, or 4%, from $49.7 million in 2000 to $51.7 million in 2001. The following factors accounted for this variance:

2001 Other Acquisitions, which increased depreciation and amortization by approximately $0.4 million

The consolidation of ERT subsequent to July 1, 2001, which increased depreciation and amortization by approximately $2.3 million

Increased capital spending, which increased depreciation and amortization by approximately $0.7 million

Sold Properties, which reduced depreciation and amortization by approximately $1.1 million

Clearwater Mall, a property undergoing redevelopment, which had reduced depreciation and amortization expense of approximately $0.3 million

Provision for doubtful accounts increased $1.2 million, or 27%, from $4.4 million in 2000 to $5.6 million in 2001. This increase is primarily attributable to a $1.8 million reserve recorded in connection with the bankruptcy filing of Kmart Corporation, our largest tenant in 2001, offset by reduced reserve levels attributable to lower write-offs, which reduced the provision for doubtful accounts by approximately $0.6 million.

Severance costs declined $4.0 million, or 82%, from $4.9 million in 2000 to $0.9 million in 2001. The severance costs in both years were attributable to payments made to certain officers in connection with their resignation or retirement, in accordance with the terms of their respective retirement/employment agreements.

General and administrative expenses increased $2.8 million, or 37%, from $7.5 million in 2000 to $10.3 million in 2001. The following factors accounted for this variance:

The consolidation of ERT subsequent to July 1, 2001, which increased general and administrative expenses by approximately $0.4 million

Combined increases in payroll expenses, office costs, insurance, taxes, miscellaneous expenses and professional fees of approximately $3.0 million

Increased depreciation expense of approximately $0.2 million on non-real estate assets

Increased capitalized costs related to our development projects, which reduced general and administrative expenses by approximately $0.8 million.

Gains on the Sale of Assets:

Excluding the sale of our garden apartment portfolio, we sold 26 properties, seven land parcels and one outparcel during 2001. These sales resulted in a gain of approximately $1.6 million. In 2000, we sold 11 retail properties and one commercial property, which resulted in a gain of $9.2 million.

Impairment of Real Estate:

In 2001, the estimated fair value of certain properties classified as Real estate held for sale was less than the book value of these properties. This resulted in an impairment of real estate of approximately $13.1 million. Impairment of real estate was approximately $3.6 million in 2000.

Discontinued Operations:

Effective January 1, 2002, we adopted SFAS No. 144. This statement retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations, and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale. As of December 31, 2001 and 2000, such properties generated approximately $36.5 million and $44.2 million in results of operations, and $1.5 million and $0 in gain on sale, respectively. Accordingly, these amounts have been classified as discontinued operations.

Extraordinary Item:

During 2000, we prepaid a mortgage which had an unamortized mortgage premium associated with it. The elimination of this premium resulted in an extraordinary item of $0.8 million.

Same Property Analysis

Included in our consolidated results of operations are the results of operations of properties that have been owned for the full periods presented below (Same-Store Properties). The Same-Store Properties results exclude the results of operations of properties that have undergone or are undergoing redevelopment during the applicable periods, as well as properties acquired or disposed of during the periods presented. Same-Store Properties financial information and statistics are as follows (in thousands, except for number of properties included in analysis):

	Years Ended December 31,	
	2002	**2001**

Number of properties included in analysis	208	208
Percent leased (weighted average)	90.2%	92.4%
Rental revenues:		
Rental income	$ 206,588	$ 208,686
Percentage rents	4,989	4,676
Expense reimbursements	51,397	46,989
Total rental revenues	262,974	260,351
Expenses:		
Operating costs	45,412	42,570
Real estate and other taxes	29,191	27,797
Provision for doubtful accounts	5,848	6,119
Total expenses	80,451	76,486
Net operating income	$ 182,523	$ 183,865

Results of Operations for the Twelve Months Ended December 31, 2002 and 2001 for Same-Store Properties

Revenues:

Rental income for the Same-Store Properties decreased $2.1 million, or 1%, from $208.7 million in 2001 to $206.6 million in 2002. This decrease is attributable to a 2.2% decline in occupancy.

Expense reimbursements increased $4.4 million, or 9%, from $47.0 million in 2001 to $51.4 million in 2002. This increase is due primarily to the recovery of an increased amount of total property expenses in 2002, as well as increased tenant billings, partially offset by a decrease of $0.6 million attributable to the Kmart leases which were rejected in bankruptcy.

Expenses:

Total expenses increased $4.0 million, or 5%, from $76.5 million in 2001 to $80.5 million in 2002. The major areas of change are discussed below.

Operating expenses increased $2.8 million, or 7%, from $42.6 million in 2001 to $45.4 million in 2002. This increase is primarily attributable to increased insurance expense as a result of higher premiums under our renewed policy, and our addition of increased terrorism coverage.

Real estate and other taxes increased $1.4 million, or 5%, from $27.8 million in 2001 to $29.2 million in 2002. This increase is due primarily to property tax rate increases in certain municipalities combined with higher assessments at certain properties in 2002.

Provision for doubtful accounts decreased $0.3 million, or 5%, from $6.1 million in 2001 to $5.8 million in 2002. This increase is primarily attributable to reduced reserve levels attributable to lower write-offs, partially offset by a $1.8 million reserve related to the Kmart leases that were rejected in bankruptcy.

Funds from Operations

Funds from Operations (FFO) is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance to net income calculated in accordance with generally accepted accounting principles (GAAP). We calculate FFO in accordance with the best practices described in the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (the White Paper). The White Paper defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Given the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors as a measure of our operational performance because it excludes various items included in net income that do not relate to or are not indicative of our operating performance such as various non-recurring items, gains and losses on sales of real estate and real estate related depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult to compare. FFO should not, however, be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance, is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and is not indicative of funds available to fund our cash needs, including our ability to make distributions. Our computation of FFO may differ from the methodology utilized by other equity REITs to calculate FFO and, therefore, may not be comparable to such other REITs.

The following information is provided to reconcile net income, the most comparable GAAP number, to FFO, and to show the items included in our FFO for the past periods indicated (in thousands):

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Net income before extraordinary item	$ 122,380	$ 105,162	$ 122,323
Add:			
Depreciation and amortization			
Continuing operations real estate assets (1)	67,627	55,135	54,648
Discontinued operations real estate assets	4,000	13,828	14,774
Impairment of real estate			
Impairment of real estate	88,229	13,850	3,620
Impairment of real estate held for sale	19,332		
Deduct:			
Preferred A dividends	(1,587)	(3,203)	(3,200)
Preferred B dividends	(13,584)	(13,584)	(13,584)
Preferred D dividends	(5,852)	(5,852)	(5,851)
(Gains)/loss on sale of real estate (2)	(202)	88	(9,200)
Gain on sale of discontinued operations	(98,876)	(1,500)	
Funds from operations basic	181,467	163,924	163,530
Add:			
Preferred A dividends	1,587	3,203	3,200
Minority interest in income of consolidated partnership	642	848	952
Funds from operations diluted	$ 183,696	$ 167,975	$ 167,682
Net cash provided by operating activities	$ 229,685	$ 186,734	$ 179,332
Net cash (used in)/provided by investing activities	(426,952)	314,135	(9,772)
Net cash provided by / (used in) financing activities	198,632	(494,876)	(179,224)
Weighted average of common shares outstanding diluted	97,489	90,673	90,825

Note Preferred A shares have a dilutive effect for FFO calculations. On July 15, 2002, we redeemed all Preferred A shares outstanding, resulting in the issuance of approximately 1.9 million shares of common stock.

---

(1) Includes pro rata share of joint venture projects.

(2) Excludes gain/loss on sale of land.

Liquidity and Capital Resources

As of December 31, 2002, we had approximately $10.6 million in available cash, cash equivalents and marketable securities. As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders on an annual basis. Therefore, as a general matter, it is unlikely that we will have any substantial cash balances that could be used to meet our liquidity needs. Instead, our liquidity needs must be met from cash generated from operations and external sources of capital.

Short-Term Liquidity Needs

Our short-term liquidity requirements consist primarily of funds necessary to pay for operating and other expenses directly associated with our portfolio of properties (including regular maintenance items), interest expense and scheduled principal payments on our outstanding debt, capital expenditures incurred to facilitate the leasing of space (*e.g.*, tenant improvements and leasing commissions), and quarterly dividends and distributions that we pay to our common and preferred stockholders and holders of partnership units in a partnership that we control. Historically, we have satisfied these requirements principally through cash generated from operations. We believe that cash generated from operations and borrowings under our Fleet Revolving Facility will be sufficient to meet our short-term liquidity requirements; however, there are certain factors that may have a material adverse effect on our cash flow.

We derive substantially all of our revenue from tenants under existing leases at our properties. Therefore, our operating cash flow is dependent on the rents that we are able to charge to our tenants, and the ability of these tenants to make their rental payments. We believe that the nature of the properties in which we typically invest primarily community and neighborhood shopping centers provides a more stable revenue flow in uncertain economic times, in that consumers still need to purchase basic living essentials such as food and soft goods, even in difficult economic times. However, general economic downturns, or economic downturns in one or more markets in which we own properties, still may adversely impact the ability of our tenants to make lease payments and our ability to re-lease space on favorable terms as leases expire. In either of these instances, our cash flow could be adversely affected.

The current economic downturn in the United States has had an adverse effect on our performance thus far. A continuation of the current downturn could continue to negatively impact our operating results in 2003, depending on the magnitude and length of the downturn.

On January 22, 2002, Kmart Corporation, our second largest tenant, filed for bankruptcy protection under Chapter 11 of the federal bankruptcy laws. Since the bankruptcy filing:

leases at seven locations where Kmart is our lessee were rejected,

Kmart indicated that it intends to close six additional locations at our properties on or about March 31, 2003, and

we entered into agreements with Kmart to reduce rent at four of our store locations effective July 1, 2002 and at six of our other store locations effective April 1, 2003; however, two of the store locations where rent reductions were effective July 1, 2002 are included in the six store locations scheduled to close on or about March 31, 2003, resulting in eight store locations where we have agreed to rent reductions.

As of December 31, 2002, Kmart was our lessee at 36 locations (excluding the seven previously rejected locations) that contain a total of 3.3 million square feet of gross leasable area, or approximately 6.5% of our total gross leasable area. As of December 31, 2002, Kmart s annualized base rent for these 36 locations was $13.7 million, or approximately $4.09 per square foot, not taking into account the rental reductions agreed to at the six locations effective April 1, 2003, which are not material. In January 2003, Kmart formally rejected one lease where designation rights had previously been assigned. Under federal bankruptcy laws, Kmart can reject the six leases at the locations scheduled to close on or about March 31, 2003, as well as the remaining 29 leases that we have with Kmart. It could also seek to receive rent reductions or deferrals or other lease modifications. We have no information at this time as to Kmart s plans for the 29 remaining leases.

The delay or failure of Kmart to make payments under its leases, or the rejection by Kmart of a substantial number of leases with us under federal bankruptcy laws, would adversely impact our performance, which impact could be material. In the event that leases are terminated, we would seek to re-lease those spaces to new tenants. In some cases, we believe we could re-lease the space currently occupied by Kmart on terms that would be at least as favorable as the current lease with Kmart. In other cases, however, we may not be able to achieve the rental rates that Kmart is currently paying. It may also take a significant amount of time to re-lease any space vacated by Kmart during which period we would not be collecting any rent for that space. In addition, Kmart s termination of leases or closure of stores could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases, the impact of which could be material to us.

We are not currently aware of any pending tenant bankruptcies that are likely to materially affect our rental revenues.

In December 2002, we completed the EIG Acquisition, which increased the net rentable area of our properties by more than 17%. As a result of this acquisition, we will incur substantial, additional expenses that are attributable to the operation of these properties. We also assumed or incurred approximately $412 million of additional debt to finance the transaction. Subsequently, in connection with the sale of four of our factory outlet centers, we repaid approximately $193 million of this debt. While we believe that the cash generated by these newly-acquired properties will more than offset the operating and interest expenses associated with these properties, it is possible that these properties may not perform as well as expected and as a result, our cash needs may increase. In addition, there may be other costs incurred as a result of the acquisition of these properties, including increased general and administrative costs while we assimilate such a large number of properties into our operating system.

We spent approximately $11 million in 2002 to complete our $25 million deferred maintenance program that began in 2001. We believe that completing this maintenance enhanced the competitiveness of our properties. We also completed 23 redevelopment projects in 2002, the aggregate cost of which (including costs incurred in prior years on these projects) was approximately $38 million. Our current pipeline is comprised of an additional 17 redevelopment projects, including 16 community and neighborhood shopping centers and one enclosed regional mall project, the aggregate cost of which (including costs incurred in prior years on these projects) is expected to be approximately $82 million.

We also regularly incur significant expenditures in connection with the re-leasing of our retail space, principally in the form of tenant improvements and leasing commissions. The amounts of these expenditures can vary significantly, depending on negotiations with tenants and the willingness of tenants to pay higher base rents over the life of the leases. We expect to pay for these capital expenditures out of excess cash from operations or, to the extent necessary, draws on our revolving credit facilities. We believe that a significant portion of these expenditures is recouped in the form of continuing lease payments.

We have established a stock repurchase program under which we may repurchase up to $75 million of our outstanding common stock through periodic open market transactions or through privately negotiated transactions. As of December 31, 2002, we had repurchased approximately 2,150,000 shares under this program at an average purchase price of $15.30 per share. We repurchased approximately 50,000 shares in 2002 at an average purchase price of $16.00 per share. In light of the current trading price of our common stock, we do not anticipate effecting additional stock repurchases in the near future, although we could reevaluate this determination at any time based on market conditions.

We have also established a repurchase program under which we may repurchase up to $125 million of our outstanding preferred stock and public debt through periodic open market transactions or through privately negotiated transactions. As of December 31, 2002, no purchases had been made under this program.

On July 15, 2002, we redeemed all outstanding shares of our Series A Cumulative Convertible Preferred Stock. Each share of Series A stock was redeemed for 1.24384 shares of common stock, and resulted in the issuance of approximately 1.9 million shares of common stock at an equivalent price of $20.10 per share. The redemption occurred at a discount to the carrying value of the preferred stock aggregating approximately $7.0 million based on the shares we redeemed at the closing price of the common stock at redemption. This discount has been reflected as an adjustment to earnings attributable to common shareholders for the year ended December 31, 2002.

The current quarterly dividend on our common stock is $0.4125 per share. We also pay regular quarterly dividends on our preferred stock. The maintenance of these dividends is subject to various factors, including the discretion of our Board of Directors, our ability to pay dividends under Maryland law, the availability of cash to make the necessary dividend payments and the effect of REIT distribution requirements, which require at least 90% of our taxable income to be distributed to stockholders. We also make regular quarterly distributions on units in a partnership that we control.

In addition, under our existing credit facilities, we are restricted from paying common stock dividends that would exceed 95% of our funds from operations during any four-quarter period.

Long-Term Liquidity Needs

Our long-term liquidity requirements consist primarily of funds necessary to pay for the principal amount of our long-term debt as it matures, significant non-recurring capital expenditures that need to be made periodically at our properties, redevelopment projects that we undertake at our properties and the costs associated with acquisitions of properties that we pursue. Historically, we have satisfied these requirements principally through the most advantageous source of capital at the time, which has included the incurrence of new debt through borrowings (through public offerings of unsecured debt and private incurrence of secured and unsecured debt), sales of common and preferred stock, capital raised through the disposition of assets, repayment by third parties of notes receivable and joint venture capital transactions. We believe that these sources of capital will continue to be available in the future to fund our long-term capital needs; however, there are certain factors that may have a material adverse effect on our access to these capital sources.

Our ability to incur additional debt is dependent upon a number of factors, including our degree of leverage, the value of our unencumbered assets, our credit rating and borrowing restrictions imposed by existing lenders. Currently, we have investment grade credit ratings for prospective unsecured debt offerings from two major rating agencies Standard & Poor s (BBB) and Moody s Investor Service (Baa2). A downgrade in outlook or rating by a rating agency can occur at any time if the agency perceives an adverse change in our financial condition, results of operations or ability to service debt. If such a downgrade occurs, it would increase the interest rate currently payable under our existing credit facilities, it likely would increase the costs associated with obtaining future financing, and it potentially could adversely affect our ability to obtain future financing.

Based on an internal evaluation, the estimated value of our properties is well above the outstanding amount of mortgage debt encumbering the properties. Therefore, at this time, we believe that additional financing could be obtained, either in the form of mortgage debt or additional unsecured borrowings, and without violating the financial covenants contained in our unsecured debt agreements. In 2002, we entered into the Fleet Revolving Facility, issued $250 million of senior unsecured notes in a public offering and increased the Fleet Term Loan from $125 million to $155 million.

Our ability to raise funds through sales of common stock and preferred stock is dependent on, among other things, general market conditions for REITs, market perceptions about our company and the current trading price of our stock. In January 2002, we sold 6.9 million shares of common stock in a public offering that raised net proceeds of approximately $121 million. We will continue to analyze which source of capital is most advantageous to us at any particular point in time, but the equity markets may not be consistently available on terms that are attractive.

We have selectively effected asset sales to generate cash proceeds over the last two years. In particular, in December 2002 we sold four of our factory outlet centers and generated gross proceeds of approximately $193 million. In September 2001 we sold our portfolio of garden apartment properties and generated gross proceeds of approximately $380 million. In 2002 and 2001, we also sold other assets and generated proceeds from certain of our joint venture projects and notes receivable that raised an additional $172 and $89 million in gross proceeds, respectively. Our ability to generate cash from asset sales is limited by market conditions and certain rules applicable to REITs. Our ability to sell properties in the future to raise cash will necessarily be limited if market conditions make such sales unattractive.

The following table summarizes all of our long-term contractual cash obligations, excluding interest, to pay third parties as of December 31, 2002 (in thousands):

Contractual Cash Obligations	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Long-Term Debt (1)	$ 1,693,146	$ 364,555	$ 348,767	$ 335,221	$ 644,603
Capital Lease Obligations	28,866	278	604	729	27,255
Operating Leases	18,599	1,500	2,680	1,376	13,043
Total	$ 1,740,611	$ 366,333	$ 352,051	$ 337,326	$ 684,901

(1) Long-term debt includes scheduled amortization and scheduled maturities for mortgage loans, notes payable (including notes payable, other) and credit facilities.

As described elsewhere, in November 2002, we increased the borrowing base of our Fleet Term Loan by $30 million and extended the maturity date until December 31, 2003. The additional borrowings under this facility were used to pay down a portion of the balance outstanding under the Fleet Revolving Facility. In January 2003, we repaid our notes payable, other with deposits held in escrow. On March 3, 2003, we repaid $110.5 million of mortgage indebtedness that was to mature in July 2003 through borrowings under the Fleet Revolving Facility. We intend to repay $49 million issued under our medium term note program that matures in November 2003 and the balance outstanding under the Fleet Term Loan that matures in December 2003 either through draws under the Fleet Revolving Facility or from the proceeds generated through the issuance of public or private secured or unsecured debt or a combination thereof. We anticipate repaying the $7 million of other mortgage loans due in 2003 and the balance of the 2003 long-term debt obligations, which consist primarily of scheduled amortization, through draws under the Fleet Revolving Facility.

The following table summarizes certain terms of our senior unsecured credit facilities as of December 31, 2002:

Loan	Amount Available to be Drawn (in thousands)	Amount Drawn as of December 31, 2002 (in thousands)	Current Interest Rate (1)	Maturity Date
Fleet Term Loan	$ 155,000	$ 155,000	LIBOR plus 115 bp	December 2003
Fleet Revolving Facility	350,000	75,000	LIBOR plus 105 bp	April 2005
Total	$ 505,000	$ 230,000		

(1) We incur interest using a 30-day LIBOR rate, which was 1.38% at December 31, 2002.

The Fleet Revolving Facility and the Fleet Term Loan require that we maintain certain financial coverage ratios. These coverage ratios currently include:

net operating income of unencumbered assets to interest on unsecured debt ratio of at least 2:1

EBITDA to fixed charges ratio of at least 1.75:1

minimum tangible net worth of approximately $1.3 billion

total debt to total adjusted assets of no more than 55%

total secured debt to total adjusted assets of no more than 40%

unsecured debt to unencumbered assets value ratio of no more than 55%

book value of ancillary assets to total adjusted assets of no more than 25%

book value of new construction assets to total adjusted assets of no more than 15%

FFO payout ratio no greater than 95%

Under the terms of each of the Fleet Term Loan and the Fleet Revolving Facility, the respective covenants will be modified to be consistent with any more restrictive covenant contained in any other existing or new senior unsecured credit facility that we enter into.

We have also issued approximately $784 million of indebtedness under three public indentures. These indentures also contain covenants that require us to maintain certain financial coverage ratios. These covenants are generally less onerous than the covenants contained in our senior unsecured credit facilities, as described above.

As of December 31, 2002, we were in compliance with all of the financial covenants under our existing credit facilities and public indentures, and we believe that we will continue to remain in compliance with these covenants. However, if our properties do not perform as expected, or if unexpected events occur that require us to borrow additional funds, compliance with these covenants may become difficult and may restrict our ability to pursue certain business initiatives. In addition, these financial covenants may restrict our ability to pursue particular acquisition transactions (for example, acquiring a portfolio of properties that is highly leveraged) and could significantly impact our ability to pursue growth initiatives.

In addition to our existing credit facilities and public indebtedness, we had approximately $671 million of mortgage debt outstanding as of December 31, 2002, having a weighted average interest rate of 5.7% per annum, and $784 million of notes payable with a weighted average interest rate of 6.9% per annum.

Joint Ventures

In a few cases, we have made commitments to provide funds to joint ventures under certain circumstances. The liabilities associated with these joint ventures do not show up as liabilities on our financial statements.

The following is a brief summary of the joint venture obligations that we have as of December 31, 2002:

Benbrooke Ventures. We have an investment in a joint venture which owns three community shopping centers located in Dover, Delaware; Fruitland, Maryland; and Spotsylvania, Virginia. Under the terms of this joint venture, we have a 50% interest in the venture; however, we have agreed to contribute 80% of any capital required by the joint venture. We do not, however, expect that any significant capital contributions will be required. As of December 31, 2002, the book value of our investment in Benbrooke Ventures was approximately $8.9 million.

CA New Plan Venture Fund. In connection with the CenterAmerica Acquisition, we assumed obligations under a joint venture agreement with a third-party institutional investor. The joint venture had loans outstanding of approximately $97.7 million as of December 31, 2002. Under the terms of this joint venture, we have a 10% interest in the venture, and are responsible for contributing our pro rata share of any capital that might be required by the joint venture, up to a maximum amount of $8.3 million, of which approximately $5.7 million had been contributed by us as of December 31, 2002. We anticipate contributing the remaining $2.6 million during 2003. As of December 31, 2002, the book value of our investment in CA New Plan Venture Fund was approximately $6.4 million.

Clearwater Mall, LLC. In October 2002, we contributed our Clearwater Mall property to this joint venture, which is currently redeveloping the property. The joint venture had loans outstanding of approximately $11.4 million as of December 31, 2002. Under the terms of this joint venture we have a 50% interest in the venture; however, we have agreed to contribute 75% of any capital that might be required by the joint venture. We do not, however, expect that any significant capital contributions will be required. As of December 31, 2002, the book value of our investment in the Clearwater Mall, LLC was approximately $4.0 million.

Preston Ridge Joint Venture. We have investments in various joint ventures that own either a community shopping center (The Centre at Preston Ridge) or undeveloped land in Frisco, Texas. As of December 31, 2002, the aggregate book value of our investment in these joint ventures was approximately $10.7 million.

Phase 1. Under the terms of this joint venture, we have a 25% interest in the venture that owns the community shopping center. Our ownership interest was reduced to 25% from 50% on November 25, 2002 when a U.S. partnership comprised substantially of foreign investors purchased a 70% interest in the joint venture. We have agreed to contribute our pro rata share of any capital that might be required by the joint venture; however, we do not expect that any significant capital contributions will be required. The joint venture had loans outstanding of approximately $70.0 million as of December 31, 2002.

Phase 2. We have a 50% interest in a joint venture that owns approximately 38.6 acres of undeveloped land in Frisco, Texas. We have agreed to contribute our pro rata share of any capital that might be required by the joint venture; however, we do not expect that any significant capital contributions will be required. As of December 31, 2002, the joint venture had a mortgage loan outstanding of approximately $3.0 million, payable to us.

Phase 3. We have a 50% interest in a joint venture that owns approximately 5.4 acres of undeveloped land in Frisco, Texas. We have agreed to contribute our pro rata share of any capital that might be required by the joint venture; however, we do not expect that any significant capital contributions will be required. The joint venture had loans outstanding of $0.9 million as of December 31, 2002.

Vail Ranch II Joint Venture. We have a 50% interest in a joint venture that owns a community shopping center in Temecula, California that is in the final stages of development. The joint venture had third-party loans outstanding of approximately $8.9 million as of December 31, 2002. We currently guarantee interest payments under the loan (which rate of interest is the prime rate of the lender), as well as the payment of taxes, insurance and general maintenance and upkeep on the property. We have agreed to contribute our pro rata share of any capital that might be required by the joint venture; however, we do not expect that any significant capital contributions will be required. As of December 31, 2002, the book value of our investment in the Vail Ranch II joint venture was approximately $1.3 million.

Other Funding Obligations

In addition to the joint venture obligations described above, we also had the following contingent contractual obligations as of December 31, 2002, none of which we believe will materially adversely affect us:

Letter of Credit Extension. In connection with the sale of our garden apartment portfolio, we arranged for the provision of a letter of credit to the buyer in the amount of approximately $30 million, which can remain outstanding through September 2004 (subject to extensions for up to one year). The letter of credit was used by the buyer as collateral for a loan obtained to finance the purchase of the garden apartment portfolio. If the letter of credit is drawn (for example, following a default by the buyer under the loan), we will be obligated to reimburse the providing bank for the amount of the draw. The balance outstanding and thus the maximum amount of exposure under this letter of credit was approximately $23.8 million as of December 31, 2002; however, as of December 31, 2002, approximately $4.5 million of this balance was secured by funds held in escrow. These funds reduced our exposure under the letter of credit to approximately $19.3 million.

Non-Recourse Debt Guarantees. Under certain of our non-recourse loans and those of our joint ventures, we could, under certain circumstances, be responsible for portions of the mortgage indebtedness in connection with certain customary non-recourse carve out provisions such as environmental conditions, misuse of funds and material misrepresentations. As of December 31, 2002, we had mortgage loans outstanding of approximately $671.0 million and our joint ventures had mortgage loans outstanding of approximately $120.6 million.

Leasing Commitments. We have entered into leases, as lessee, in connection with ground leases for shopping centers which we operate, an office building which we sublet, and our administrative office space. These leases are accounted for as operating leases. The minimum annual rental commitments during the next five fiscal years and thereafter are approximately as follows (in thousands):

Year		
2003	$	1,500
2004		1,356
2005		1,324
2006		833
2007		543
Thereafter		13,043
	$	18,599

For a discussion of other factors which may adversely affect our liquidity and capital resources, please see the section titled Risk Factors in Item I of this Annual Report on Form 10-K.

Inflation

The majority of our leases contain provisions designed to mitigate the adverse impact of inflation. These provisions enable us to receive percentage rents, which generally increase as prices rise but may be adversely impacted by tenant sales decreases, and/or escalation clauses which are typically related to increases in the consumer price index or similar inflation indices. In addition, we believe that many of our existing lease rates are below current market levels for comparable space and that upon renewal or re-rental these rates may be increased to match, or get closer to, current market rates. This belief is based upon an analysis of relevant market conditions, including a comparison of comparable market rental rates, and upon the fact that many of our leases have been in place for a number of years and may not contain escalation clauses sufficient to match the increase in market rental rates over such time. Most of our leases require the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, we periodically evaluate our exposure to interest rate fluctuations, and may enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on floating rate loans.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

As of December 31, 2002, we had approximately $121.5 million of outstanding floating rate mortgages. We also had approximately $230.0 million outstanding under floating rate credit facilities. We do not believe that the interest rate risk represented by our floating rate debt is material as of December 31, 2002, in relation to our $1.7 billion of outstanding total debt, our $3.5 billion of total assets and the $3.8 billion total market capitalization as of that date. In addition, as discussed below, we have fixed $50.0 million of floating rate borrowings through the use of two hedging agreements.

We have entered into two hedging agreements: a cap agreement which reduces our interest rate exposure; and a reverse arrears swap agreement under which we will receive the difference between the fixed rate of the swap, 4.357%, and the floating rate option, which is the six-month LIBOR rate, in arrears. Hedging agreements enable us to convert floating rate liabilities into fixed rate liabilities. However, hedging agreements expose us to the risk that the counterparties to these agreements may not perform, which could increase our exposure to rising interest rates. Generally, the counterparties to hedging agreements that we enter into are major financial institutions. We may borrow additional money with floating interest rates in the future. Increases in interest rates, or the loss of the benefit of existing or future hedging agreements, would increase our expense, which would adversely affect cash flow and our ability to service our debt. Future increases in interest rates will increase our interest expense as compared to the fixed rate debt underlying our hedging agreements and we could be required to make payments to unwind such agreements.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $3.5 million. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $3.5 million. This assumes that the amount outstanding under our variable rate debt remains at approximately $351.5 million, the balance as of December 31, 2002. If market rates of interest increase by 1%, the fair value of our total outstanding debt would decrease by approximately $17.4 million. If market rates of interest decreased by 1%, the fair value of our total outstanding debt would increase by approximately $17.4 million. This assumes that our total outstanding debt remains at $1.7 billion, the balance as of December 31, 2002.

Item 8. Financial Statements and Supplementary Data

Financial statements required by this item appear with an Index to Financial Statements and Schedules, starting on page F-1 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Annual Stockholders Meeting to be held in 2003 (the Proxy Statement) under the captions Proposal 1 Election of Directors, Executive Compensation and Other Information and Other Matters Section 16(a) Beneficial Ownership Reporting Compliance.

Item 11. **Executive Compensation**

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption Executive Compensation and Other Information.

Item 12. **Security Ownership of Certain Beneficial Owners and Management**

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the captions Voting Securities of Certain Beneficial Owners and Management and Equity Compensation Plan Information.

Item 13. **Certain Relationships and Related Transactions**

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption Certain Relationships and Related Transactions.

Item 14. ***Controls and Procedures***

Within the 90-day period prior to the filing of this annual report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a 14 of the rules promulgated under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

Item 15. **Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a) Documents filed as part of this report:

1. *Financial Statements.*

The response to this portion of Item 15 is submitted as a separate section of this report.

2. *Financial Statement Schedules.*

The response to this portion of Item 15 is submitted as a separate section of this report.

3. *Exhibits.*

The list of exhibits filed with this report is set forth in response to Item 15(c). The required exhibit index has been filed with the exhibits.

(b) *Reports on Form 8-K filed during the three months ended December 31, 2002*.

Form 8-K filed on December 27, 2002, regarding the acquisition of 57 community and neighborhood shopping centers from Equity Investment Group.

(c) *Exhibits*. The following documents are filed as exhibits to this report:

*2.1	Agreement for Purchase of Real Estate and Related Property, dated as of May 10, 2001, by and between the Company and Coolidge-Koenmen LLC, filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed on October 5, 2001.
*2.2	Amendment to Agreement for Purchase of Real Estate and Related Property, dated as of July 30, 2001, by and between the Company and Coolidge-Koenmen LLC (Club Sales Contract Amendment), filed as Exhibit 2.2 to the Company s Current Report on Form 8-K filed on October 5, 2001.
*2.3	Amendment to Agreement for Purchase of Real Estate and Related Property, dated as of July 30, 2001, by and between the Company and Coolidge-Koenmen LLC, filed as Exhibit 2.3 to the Company s Current Report on Form 8-K filed on October 5, 2001.
*2.4	Closing Date Amendment to Agreement for Purchase of Real Estate and Related Property, dated as of September 21, 2001, by and between the Company and Coolidge-Koenmen LLC, filed as Exhibit 2.4 to the Company s Current Report on Form 8-K filed on October 5, 2001.
*2.5	

	Purchase Agreement, dated as of January 13, 2002, by and among the Company, CenterAmerica Property Trust, L.P. and certain affiliates of CenterAmerica Property Trust, L.P., filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed on January 14, 2002.
*2.6	Purchase Agreement, dated as of October 17, 2002, by and between the Company and EIG Realty, Inc., filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.7	First Amendment to Purchase Agreement, dated as of November 6, 2002, by and between the Company and EIG Realty, Inc., filed as Exhibit 2.2 to the Company s Current Report on Form 8-K filed on December 27, 2002.

*2.8	Closing Day Amendment to Purchase Agreement, dated as of December 12, 2002, by and between the Company and EIG Realty, Inc., filed as Exhibit 2.3 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.9	Purchase Agreement, dated as of October 17, 2002, by and among the Company, RIG Hunt River Commons, LLC, RIG Paradise Pavilion, LLC and RIG Hilltop Plaza, LLC, filed as Exhibit 2.4 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.10	First Amendment to Purchase Agreement, dated as of November 6, 2002, by and among the Company, RIG Hunt River Commons, LLC, RIG Paradise Pavilion, LLC, RIG Hilltop Plaza, LLC and RIG Normandy Square, LLC, filed as Exhibit 2.5 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.11	Closing Day Amendment to Purchase Agreement, dated as of December 12, 2002, by and among the Company, RIG Hunt River Commons, LLC, RIG Paradise Pavilion, LLC, RIG Hilltop Plaza, LLC and RIG Normandy Square, LLC, filed as Exhibit 2.6 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.12	Purchase Agreement, dated as of October 17, 2002, by and between the Company and EIG Operating Partnership, L.P., filed as Exhibit 2.7 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.13	First Amendment to Purchase Agreement, dated as of November 6, 2002, by and between the Company and EIG Operating Partnership, L.P., filed as Exhibit 2.8 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.14	Closing Day Amendment to Purchase Agreement, dated as of December 12, 2002, by and between the Company and EIG Operating Partnership, L.P., filed as Exhibit 2.9 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.15	Contribution Agreement, dated as of October 17, 2002, by and between Excel Realty Partners,L.P. and EIG Operating Partnership, L.P., filed as Exhibit 2.10 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.16	First Amendment to Contribution Agreement, dated as of November 6, 2002, by and between Excel Realty Partners, L.P. and EIG Operating Partnership, L.P., filed as Exhibit 2.11 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.17	Second Amendment to Contribution Agreement, dated as of December 9, 2002, by and between Excel Realty Partners, L.P. and EIG Operating Partnership, L.P., filed as Exhibit 2.12 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*2.18	Closing Day Amendment to Contribution Agreement, dated as of December 12, 2002, by and between Excel Realty Partners, L.P. and EIG Operating Partnership, L.P., filed as Exhibit 2.13 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*3.1	Articles of Amendment and Restatement of the Charter of the Company, filed as Exhibit 3.01 Amendment No. 1 to the Company s Registration Statement on Form S-3, File No. 33-59195.

*3.2	Articles of Amendment of Articles of Amendment and Restatement of the Charter of the Company, filed as Exhibit 4.4 to the Company s Registration Statement on Form S-3, File No. 333-65211.
*3.3	Restated Bylaws of the Company, effective as of May 16, 2001 (incorporating all amendments thereto through May 16, 2001), filed as Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
*3.4	Amendment to Restated Bylaws of the Company, dated November 5, 2001, filed as Exhibit 3.4 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*4.1	Articles Supplementary classifying 690,000 shares of preferred stock as 8 5/8% Series B Cumulative Redeemable Preferred Stock, filed as Exhibit 4.02 to the Company s Current Report on Form 8-K dated January 14, 1998.
*4.2	Articles Supplementary relating to the Series C Junior Participating Preferred Stock of the Company, which may in the future be issued under the Company s Rights Plan, filed as Exhibit 4.3 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 1998.
*4.3	Articles Supplementary classifying 150,000 shares of preferred stock as 7.80% Series D Cumulative Voting Step-Up Premium Rate Preferred Stock, filed as Exhibit 4.5 to the Company s Registration Statement on Form S-3, File No. 333 65211.
*4.4	Indenture, dated as of May 8, 1995, between the Company and State Street Bank and Trust Company of California, N.A. (as successor to the First National Bank of Boston), filed as Exhibit 4.01 to the Company s Registration Statement on Form S-3, File No. 33-59195.
*4.5	First Supplemental Indenture, dated as of April 4, 1997, between the Company and State Street Bank and Trust Company of California, N.A., filed as Exhibit 4.02 to the Company s Registration Statement on Form S-3, File No. 333-24615.
*4.6	Second Supplemental Indenture, dated as of July 3, 1997, between the Company and State Street Bank and Trust Company of California, N.A., filed as Exhibit 4.01 to the Company s Current Report on Form 8-K dated July 3, 1997.
*4.7	Senior Securities Indenture, dated as of March 29, 1995, between New Plan Realty Trust and The First National Bank of Boston, as Trustee, filed as Exhibit 4.2 to New Plan Realty Trust s Registration Statement on Form S-3, File No. 33-60045.
*4.8	First Supplemental Indenture, dated as of August 5, 1999, by and among New Plan Realty Trust, New Plan Excel Realty Trust, Inc. and State Street Bank and Trust Company, filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
*4.9	Senior Securities Indenture, dated as of February 3, 1999, among the Company, New Plan Realty Trust, as guarantor, and State Street Bank and Trust Company, as Trustee, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated February 3, 1999.
*4.10	Registration Rights Agreement, dated as of December 12, 2002, by and between the Company and EIG Operating Partnership, L.P., filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed on December 27, 2002.
*4.11	Registration Rights Agreement, dated as of December 12, 2002, by and between the Company and EIG Operating Partnership, L.P., filed as Exhibit 4.2 to the Company s Current Report on Form 8-K filed on December 27, 2002.

*10.1	New Plan Realty Trust 1991 Stock Option Plan, as amended, filed as Exhibit 4.2 to the Company s Registration Statement on Form S-8, File No. 333-65221.
*10.2	New Plan Realty Trust March 1991 Stock Option Plan and Non-Qualified Stock Option Plan, filed as Exhibit 4.4 to the Company s Registration Statement on Form S-8, File No. 333-65221.
*10.3	Amended and Restated 1993 Stock Option Plan of the Company, dated May 28, 1998, filed as Exhibit 4.1 to the Company s Registration Statement on Form S-8, File No. 333 65223.
*10.4	Amendment to the Amended and Restated 1993 Stock Option Plan of the Company, dated September 28, 1998, filed as Exhibit 10.4 to the Company s Annual Report on Form 10 K/A for the year ended December 31, 1998.
*10.5	Amendment to the Amended and Restated 1993 Stock Option Plan of the Company, dated February 8, 1999, filed as Exhibit 10.5 to the Company s Annual Report on Form 10 K/A for the year ended December 31, 1998.
*10.6	Amendment to the Amended and Restated 1993 Stock Option Plan of the Company, dated April 21, 1999, filed as Exhibit 10.4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999.
*10.7	Amendment to the Amended and Restated 1993 Stock Option Plan of the Company, dated February 17, 2000, filed as Exhibit 10.5 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999.
*10.8	Directors Amended and Restated 1994 Stock Option Plan of the Company, dated May 10, 1996, filed as Exhibit 10.8 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 1998.
*10.9	Amendment to the Amended and Restated 1994 Directors Stock Option Plan of the Company, dated September 28, 1998, filed as Exhibit 10.9 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 1998.
*10.10	Amendment to the Amended and Restated 1994 Directors Stock Option Plan of the Company, dated February 17, 2000, filed as Exhibit 10.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999.
*10.11	Amendment to the Amended and Restated 1994 Directors Stock Option Plan of the Company, effective as of May 24, 2000, filed as Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
*10.12	New Plan Realty Trust 1997 Stock Option Plan, filed as Exhibit 4.1 to the Company s Registration Statement on Form S-8, File No. 333-65221.
*10.13	Revolving Credit Agreement, dated as of April 26, 2002, by and among the Company, Fleet National Bank, as administrative agent, and the other lenders party thereto, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
10.14	First Amendment to Revolving Credit Agreement, dated as of November 6, 2002, by and among the Company, Fleet National Bank, as administrative agent, and the other lenders party thereto.
10.15	First Amended and Restated Term Loan Agreement, dated as of November 6, 2002, by and among the Company, the lenders party thereto and Fleet National Bank, as administrative agent.

*10.16	Amended and Restated Agreement of Limited Partnership of Excel Realty Partners, L.P., dated as of June 25, 1997, filed as Exhibit 10.20 to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
*10.17	First Amendment to Amended and Restated Agreement of Limited Partnership of Excel Realty Partners, L.P., dated as of August 20, 1999, by and among New Plan DRP Trust, New Plan Excel Realty Trust, Inc. and the current and future partners in the partnership, filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
*10.18	Rights Agreement, dated as of May 15, 1998, between the Company and BankBoston, N.A., filed as Exhibit 4 to the Company s Report on Form 8-A dated May 19, 1998.
*10.19	First Amendment to Rights Agreement, dated as of February 8, 1999, between the Company and BankBoston, N.A., filed as Exhibit 4.1 to the Company s Report on Form 8-A/A (Amendment No. 1) dated May 5, 1999.
*10.20	Dividend Reinvestment and Share Purchase Plan, included in the prospectus of the Company filed pursuant to Rule 424(b)(3), File No. 333-65211, on April 20, 2000.
*10.21	Support Agreement, dated as of May 14, 1998, by William Newman to the Company, filed as Exhibit 10.7 to the Company s Registration Statement on Form S-4, File No. 333-61131, dated August 11, 1998.
*10.22	Employment Agreement, dated as of September 17, 1998, by and between the Company and William Newman, filed as Exhibit 10.39 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 1998.
10.23	Demand Promissory Note, dated July 1, 1997, made by Dean Bernstein in favor of the Company.
*10.24	Employment Agreement, dated as of September 25, 1998, by and between the Company and Dean Bernstein, filed as Exhibit 10.39 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000.
*10.25	Extension Letter concerning Employment Agreement, dated March 27, 2000, provided by the Company to Dean Bernstein, filed as Exhibit 10.42 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
10.26	Demand Promissory Note, dated June 29, 1994, made by Steven F. Siegel in favor of the Company.
10.27	Demand Promissory Note, dated July 1, 1997, made by Steven F. Siegel in favor of the Company.
*10.28	Employment Agreement, dated as of September 25, 1998, by and between the Company and Steven F. Siegel, filed as Exhibit 10.45 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 1998.
*10.29	Extension Letter concerning Employment Agreement, dated March 27, 2000, provided by the Company to Steven F. Siegel, filed as Exhibit 10.44 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*10.30	Employment Agreement, dated as of February 23, 2000, by and between the Company and Glenn J. Rufrano, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.31	Stock Option Agreement, dated as of February 23, 2000, by and between the Company and Glenn J. Rufrano (relating to 460,976 options), filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, dated March 9, 2000.

*10.32	Stock Option Agreement, dated as of February 23, 2000, by and between the Company and Glenn J. Rufrano (relating to 39,024 options), filed as Exhibit 10.3 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.33	Stock Option Agreement, dated as of February 23, 2000, by and between the Company and Glenn J. Rufrano (relating to 200,000 options), filed as Exhibit 10.4 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.34	Stock Pledge Agreement, dated February 23, 2000 between the Company and Glenn J. Rufrano, filed as Exhibit 10.8 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.35	Recourse Promissory Note, dated February 23, 2000, made by Glenn J. Rufrano in favor of the Company, filed as Exhibit 10.6 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.36	Limited Recourse Promissory Note, dated February 23, 2000, made by Glenn J. Rufrano in favor of the Company, filed as Exhibit 10.7 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.37	Employment Agreement, dated as of April 14, 2000, by and between the Company and John Roche, filed as Exhibit 10.15 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
10.38	Agreement, dated as of September 27, 2002, by and between the Company and John Roche.
*10.39	Employment Agreement, dated as of September 14, 2000, by and between the Company and Leonard Brumberg, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
*10.40	Employment Agreement, dated as of March 1, 2002, by and among CA New Plan Management Inc., Scott MacDonald and the Company, filed as Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
*10.41	Agreement, dated as of February 23, 2000, by and between the Company and Arnold Laubich, filed as Exhibit 10.9 to the Company s Current Report on Form 8-K, dated March 9, 2000.
*10.42	Agreement, dated as of May 5, 2000, by and between the Company and James M. Steuterman, filed as Exhibit 10.16 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
*10.43	Agreement, dated as of December 19, 2000, by and between the Company and James DeCicco, filed as Exhibit 10.44 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000.
*10.44	Loan Agreement, dated as of November 30, 2001, by and among BPR Shopping Center, L.P., the Bank of America, N.A., the Company and the other parties thereto, filed as Exhibit 10.49 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*10.45	Reimbursement Agreement, dated as of August 24, 2001, between the Company and Fleet National Bank, filed as Exhibit 10.61 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
12	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.

21 Subsidiaries of the Company.

23 Consent of PricewaterhouseCoopers LLP.

---

*Incorporated herein by reference as above indicated.

(d) *Financial Statement Schedules*. The following documents are filed as a part of this report:

The response to this portion of Item 15 is submitted as a separate section of this report.

NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
1. CONSOLIDATED STATEMENTS	
Report of Independent Accountants	F-2
Consolidated Balance Sheets December 31, 2002 and December 31, 2001	F-3
Consolidated Statements of Income and Comprehensive Income for the Years ended December 31, 2002, December 31, 2001 and December 31, 2000	F-4
Consolidated Statements of Changes in Stockholders Equity for the Years ended December 31, 2002, December 31, 2001 and December 31, 2000	F-5
Consolidated Statements of Cash Flows for the Years ended December 31, 2002, December 31, 2001 and December 31, 2000	F-6
Notes to Consolidated Financial Statements	F-7
2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES	
Schedule II - Valuation and Qualifying Accounts	F-36
Schedule III - Real Estate and Accumulated Depreciation	F-37
Schedule IV - Mortgage Loans on Real Estate	F-54

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders

of New Plan Excel Realty Trust, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of New Plan Excel Realty Trust, Inc. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 3, 2003

NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

(In thousands)

	December 31, 2002	December 31, 2001
ASSETS		
Real estate:		
Land	$ 830,376	$ 498,859
Buildings and improvements	2,735,046	2,184,787
Accumulated depreciation and amortization	(295,946)	(269,755)
Net real estate	3,269,476	2,413,891
Real estate held for sale	21,276	20,747
Cash and cash equivalents	8,528	7,163
Restricted cash	52,930	
Marketable securities	2,115	1,887
Receivables:		
Trade, less allowance for doubtful accounts of $15,307 and $15,633 at December 31, 2002 and 2001, respectively	46,990	43,555
Other, net	43,479	8,736
Mortgages and notes receivable	2,632	45,360
Prepaid expenses and deferred charges	21,527	15,964
Investments in / advances to unconsolidated ventures	31,234	41,876
Other assets	15,092	23,687
Total assets	$ 3,515,279	$ 2,622,866
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Mortgages payable, including unamortized premium of $20,403 and $6,063 at December 31, 2002 and 2001, respectively	$ 671,200	$ 241,436
Notes payable, net of unamortized discount of $2,222 and $1,752 at December 31, 2002 and 2001, respectively	783,927	613,248
Notes payable, other	28,349	
Credit facilities	230,000	95,000
Capital leases	28,866	29,170
Dividends payable	44,836	41,692
Other liabilities	106,690	80,982
Tenant security deposits	9,128	5,833
Total liabilities	1,902,996	1,107,361
Minority interest in consolidated partnership	39,434	22,267

Commitments and contingencies				
Stockholders equity:				
Preferred stock, Series A: $.01 par value, 25,000 shares authorized: 4,600 shares designated as 8 ½% Series A Cumulative Convertible Preferred, 0 and 1,507 shares outstanding at December 31, 2002 and 2001, respectively; Series B: 6,300 depositary shares each representing 1/10 of one share of 8 5/8% Series B Cumulative Redeemable Preferred, 630 shares outstanding at December 31, 2002 and 2001; Series D: 1,500 depositary shares, each representing 1/10 of one share of Series D Cumulative Voting Step-Up Premium Rate Preferred, 150 shares outstanding at December 31, 2002 and 2001.		8		23
Common stock, $.01 par value, 250,000 shares authorized; 96,916 and 87,352 shares issued and outstanding as of December 31, 2002 and 2001, respectively.		968		873
Additional paid-in capital		1,825,820		1,697,570
Accumulated other comprehensive loss		(593)		(1,965)
Accumulated distributions in excess of net income		(253,354)		(203,263)
Total stockholders equity		1,572,849		1,493,238
Total liabilities and stockholders equity	$	3,515,279	$	2,622,866

The accompanying notes are an integral part of the consolidated financial statements.

NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2002, 2001 and 2000

(In thousands, except per share amounts)

	December 31, 2002	December 31, 2001	December 31, 2000
Rental revenues:			
Rental income	$ 310,339	$ 238,010	$ 240,478
Percentage rents	6,649	5,183	5,384
Expense reimbursements	75,411	54,606	49,249
Total rental revenues	392,399	297,799	295,111
Expenses:			
Operating costs	67,924	48,078	45,200
Real estate and other taxes	46,835	33,216	33,959
Interest	92,953	78,534	88,071
Depreciation and amortization	66,223	51,733	49,725
Provision for doubtful accounts	8,979	5,614	4,381
Severance costs		896	4,945
General and administrative	17,878	10,306	7,469
Total expenses	300,792	228,377	233,750
Income before real estate sales, impairment of real estate, minority interest and other income and expenses	91,607	69,422	61,361
Other income and expenses:			
Interest, dividend, and other income	11,014	13,990	30,426
Equity participation in ERT		(4,313)	(17,867)
Equity in income of unconsolidated ventures	5,244	985	
Foreign currency loss	(13)	(560)	(437)
Gain on sale of real estate	371	1,610	9,200
Impairment of real estate	(88,229)	(13,107)	(3,620)
Minority interest in income of consolidated partnership	(642)	(848)	(952)
Income from continuing operations	19,352	67,179	78,111
Discontinued operations:			
Results of operations of discontinued garden apartment communities (Note 5)	17,007	15,179	21,310
Income from other discontinued operations (Note 5)	86,021	22,804	22,902

Income from discontinued operations	103,028	37,983	44,212
Net income before extraordinary item	122,380	105,162	122,323