NEW PLAN EXCEL REALTY TRUST INC
Form 10-K
February 26, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from to

Commission File Number 1-12244

NEW PLAN EXCEL REALTY TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland (State of Incorporation)	**33-0160389** (I.R.S. Employer Identification No.)
420 Lexington Avenue **New York, NY 10170** (Address of Principal Executive Offices) (Zip Code)	**(212) 869-3000** (Registrant s Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange
Series E Cumulative Redeemable Preferred Stock	New York Stock Exchange

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes o No x

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 x 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

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

The aggregate market value of the Registrant s shares of common stock held by non-affiliates was approximately $2,508,098,812 as of June 30, 2006, based on the closing price of $24.69 on the New York Stock Exchange on that date.

As of February 21, 2007, the number of shares of common stock of the Registrant outstanding was 103,496,084.

Documents incorporated by reference: Portions of the Proxy Statement for the 2007 Annual Meeting of Stockholders of the Registrant to be filed subsequently with the SEC are incorporated by reference into Part III of this report.

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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. (we 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 or 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:

- national or local economic, business, real estate and other market conditions, including the ability of the general economy to recover timely from economic downturns;
- the competitive environment in which we operate;
- property ownership and management risks;
- financial 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 and changes in the capitalization rates with respect to the acquisition and disposition of properties;
- 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 ability to maintain our status as a real estate investment trust (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 pending developments and redevelopments to be completed on time and within budget and the failure of newly acquired or developed properties to perform as expected;
- 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; and
- other risks identified in this Annual Report on Form 10-K and, from time to time, in other reports we file with the Securities and Exchange Commission (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, managers and developers of community and neighborhood shopping centers. As of December 31, 2006, we owned interests in 467 properties in 38 states, including 289 wholly-owned properties and one property held through a consolidated joint venture (collectively, our Consolidated Portfolio), as well as 177 properties held through unconsolidated joint ventures. The 467 properties include 453 community and neighborhood shopping centers with approximately 67.6 million square feet of gross leasable area (GLA), and 14 related retail assets with approximately 0.7 million square feet of GLA. In addition, we manage three properties, with approximately 0.7 million square feet of GLA, on behalf of third-party owners. Our Consolidated Portfolio includes 278 community and neighborhood shopping centers with approximately 40.7 million square feet of GLA and 12 related retail assets with approximately 0.7 million square feet of GLA. At December 31, 2006, the GLA for our Consolidated Portfolio was approximately 90.7% leased and the GLA for our total portfolio, including our pro rata share of joint venture properties, was approximately 90.9% leased.

We are a self-administered and self-managed equity real estate investment trust, which we refer to as a REIT, that was formed in 1972 and is incorporated in Maryland. We maintain our principal executive offices at 420 Lexington Avenue, New York, New York 10170, where our telephone number is (212) 869-3000.

Focused Product Strategy

Our strategy is to own and manage a quality portfolio of commercial retail properties, primarily community and neighborhood shopping centers, which 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;
- selectively pursuing new development opportunities;
- selectively acquiring well-located commercial retail properties, primarily community and neighborhood shopping centers, either on an individual basis, in portfolio or corporate transactions, or through joint venture arrangements;
- effecting strategic asset dispositions and recycling the capital created by those transactions;
- providing retail real estate advisory services;
- generating fee income through the management of properties owned by joint ventures in which we have an economic interest, as well as properties owned by independent third parties;
- seeking to reduce risk through geographic, tenant and retail format diversification of our portfolio; and
- continuing to maintain a strong and flexible financial position.

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

Our ownership interests in real estate consist of our Consolidated Portfolio, which includes wholly-owned properties and properties consolidated in accordance with the provisions of Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) or in accordance with the provisions of Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar*

Entity When the Limited Partners Have Certain Rights (EITF 04-5), and our unconsolidated joint venture portfolio, which includes properties owned by joint ventures in which we have an economic interest. By entering into strategic joint ventures with institutional investors and other partners, we are able to generate capital sources for redevelopment, new development and acquisitions, as well as create an opportunity to earn fees for property management, leasing and other related services. Our joint ventures may grow through acquisitions from third parties or direct purchases from us. We, together with our joint venture partners, apply similar operating, investing and capital strategies to the portfolios owned by our joint ventures as we do with respect to our Consolidated Portfolio.

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, as well as local specialty tenants, that generate substantial daily traffic. In order to support these efforts, we have six regional offices and 11 satellite field offices throughout the country, each of which is responsible for managing the leasing, property management and maintenance of properties in its area. We regularly monitor the physical condition of our properties and the financial condition of our tenants. We continually use our leasing and management capabilities to seek opportunities for tenant expansions, renovations and refurbishments to preserve and increase the value of our properties. 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.

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 increased rents, expansion and redevelopment of existing properties, development of undeveloped outparcels and the minimization of overhead and operating costs.

Redevelopment and Outparcel Development of Properties

During 2006, we completed 17 redevelopment projects in our Consolidated Portfolio, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $64.6 million. Our current redevelopment pipeline in our Consolidated Portfolio is comprised of 27 projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $189.4 million. In addition, during 2006, we completed four outparcel development projects in our Consolidated Portfolio, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $8.0 million. Our current outparcel development pipeline in our Consolidated Portfolio is comprised of nine projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $22.2 million. We intend on financing these redevelopment and outparcel development projects through cash from operations or draws on our $350.0 million unsecured revolving credit facility, which was amended and restated on August 25, 2006 (as amended, the Amended Revolving Facility).

We also redevelop properties in our joint venture portfolios and during 2006, we completed one redevelopment project, the aggregate cost of which, including costs incurred in prior years on this project, was approximately $3.9 million, of which our pro rata share was approximately $0.4 million. The current redevelopment pipeline in our joint venture portfolios is comprised of nine projects, the aggregate cost of which, including costs incurred in prior years, is expected to be approximately $125.8 million, of which our pro rata share will be approximately $14.7 million. In addition, we also develop outparcels at properties in our joint venture portfolios and during 2006, we completed two outparcel development projects, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $6.0 million, of which our pro rata share was approximately $0.3 million. The current outparcel development pipeline in our joint venture portfolios is comprised of one project, the aggregate cost of which, including costs incurred in prior years on this project, is expected to be approximately $2.2 million, of which our pro rata share will be approximately $0.1 million. We intend on financing the redevelopment and outparcel development projects in our joint venture portfolios with a variety of financing vehicles as determined from time to time by the joint venture.

New Development of Properties

We selectively enter into new development opportunities. These projects are driven by tenant demand, and as such, we generally have a lease executed with the anchor tenant prior to investing substantial capital. Such activity enhances our relationships with our anchor tenants by demonstrating our ability to serve their growth needs. Upon completion, we either hold the properties as long-term investments or sell them as part of a merchant building program. Properties that are developed as part of our merchant building program are owned in one of our wholly-owned taxable REIT subsidiaries, in accordance with the Tax Relief Extension Act of 1999, which became effective on January 1, 2001.

Our current new development pipeline in our Consolidated Portfolio is comprised of seven projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $92.1 million. We intend on financing these new development projects through cash from operations or draws on the Amended Revolving Facility.

We also develop properties in our joint venture portfolios and the current pipeline for such new development projects in our joint venture portfolios is one project, the aggregate cost of which, including costs incurred in prior years on this project, is expected to be approximately $26.9 million, of which our pro rata share will be approximately $1.3 million. We intend on financing any new development projects in our joint venture portfolios with a variety of financing vehicles as determined from time to time by the joint venture.

Acquisition of Properties

We 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 consolidated and joint venture portfolios by making selective, opportunistic acquisitions of individual properties and portfolios of well-located community and neighborhood shopping centers and other retail properties. Such acquisitions may involve stabilized, income-producing community and neighborhood shopping centers, as well as shopping centers that require significant re-tenanting and redevelopment where our ability to leverage our relationships with retailers and to utilize our management capabilities will allow us to enhance value. We may also consider investments in geographic markets where we do not presently operate should suitable opportunities arise.

During 2006, we expanded our Consolidated Portfolio by opportunistically acquiring the following: (i) five shopping centers, (ii) two buildings adjacent to shopping centers owned by us, (iii) the remaining 90% interests in two shopping centers in which we owned the other 10% interests, (iv) a leasehold interest in a new development project and (v) six land parcels. The acquisitions were completed in separate transactions during 2006 for an aggregate purchase price of approximately $197.5 million and were comprised of properties located within our existing regional concentrations. Included in the 2006 acquisitions of shopping centers is the acquisition of Tyrone Gardens, a 209,337 square foot shopping center located in St. Petersburg, Florida, for approximately $19.0 million by NewSem Tyrone Gardens LLC, a joint venture with The Sembler Company in which we hold a 90% interest. In accordance with the provisions of EITF 04-5, this property is included as a consolidated entity in our Consolidated Financial Statements.

During 2006, we also expanded our joint venture portfolios by acquiring, together with our joint venture partners, 15 properties and one land parcel for an aggregate purchase price of approximately $336.3 million.

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, to maximize shareholder value, we continually analyze each asset in our portfolio and identify those properties that can be sold or exchanged in light of 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 such capital into newer properties or properties where 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.

In addition, we may sell and contribute assets to our existing joint ventures or to newly formed joint ventures. Although selling properties to joint ventures reduces our ownership interest in such property, we continue to share in the potential upside of properties that meet our long-term investment strategy, while retaining property management responsibilities, leveraging our infrastructure and generating fee income. In addition, we may facilitate the transfer of an individual asset or portfolio of assets between our joint ventures.

During 2006, we generated proceeds of approximately $124.0 million through the dispositions of 27 shopping centers (15 of which were sold to a single buyer in a portfolio transaction), two miscellaneous properties and six land parcels, each of which were part of our Consolidated Portfolio. In addition, we generated approximately $1.3 million from our pro rata share of the dispositions of three properties and one land parcel held through our joint ventures.

Retail Real Estate Advisory Services

In order to capitalize on our asset management expertise and our broad geographic and tenant reach, we also provide retail real estate advisory services, including leasing and disposition strategies, for retailers. Our efforts may include services for our current tenants, as well as for retailers not currently leasing space in our portfolio. For example, during 2006, we were engaged by The Great Atlantic & Pacific Tea Company to advise on the sublease, assignment or other disposition of certain surplus Farmer Jack and Food Basics lease locations in the Southeast Michigan and Toledo, Ohio markets.

Portfolio Diversification

We seek to reduce risk through diversification achieved by the geographic distribution of our properties, the breadth of our tenant base and the balanced mix of both community and neighborhood shopping centers. As a result, the largest shopping center in our Consolidated Portfolio, as a percent of our total Consolidated Portfolio annualized base rent (ABR), is just 2.0% of our total Consolidated Portfolio ABR and the ten largest tenants in our Consolidated Portfolio account for 18.2% of our total Consolidated Portfolio ABR. Including our pro rata share of ABR from unconsolidated joint venture properties, our largest shopping center, as a percent of our total portfolio ABR, is just 1.8% of our total portfolio ABR and our ten largest tenants account for 17.8% of our total portfolio ABR. Our properties are strategically located across 38 states and throughout more than 165 metropolitan and micropolitan statistical areas (as defined by The United States Office of Management and Budget for application to Census Bureau data). By owning both community shopping centers and neighborhood shopping centers we are able to offer convenience shopping for the day-to-day needs of consumers, as well as a broad range of general merchandise.

Financing Strategy

General

We intend to finance redevelopments of existing assets, new developments and future acquisition opportunities 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 additional joint ventures with institutions to acquire individual 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 investment-grade credit ratings,
- maintaining a large pool of unencumbered properties, and
- managing our exposure to interest rate risk from our floating rate debt.

Financing Activities

Amendments and Restatements of Credit Agreements

On August 25, 2006, we amended and restated our then existing $350.0 million unsecured revolving credit facility and added an accordion feature to the Amended Revolving Facility that allows us, subject to certain conditions, to increase the amount that can be borrowed under the facility to $500.0 million. The Amended Revolving Facility bears interest at LIBOR plus 55 basis points (based on our current credit ratings) and incurs an annual facility fee of 15 basis points. The Amended Revolving Facility is scheduled to mature on August 25, 2010, with a one-year extension option.

On August 25, 2006, we also amended and restated our then existing $150.0 million secured term loan (as amended, the Amended Secured Term Loan). The Amended Secured Term Loan bears interest at LIBOR plus 55 basis points (based on our current credit ratings) and is scheduled to mature on August 25, 2010.

Issuance of 3.70% Senior Convertible Notes and Repurchase of $50.0 Million of Common Stock

On September 19, 2006, we completed a private offering of $200.0 million aggregate principal amount of 3.70% senior convertible notes (the 3.70% Convertible Notes) due September 15, 2026 (the September 2006 Debt Offering). At certain times and upon the occurrence of certain events, the notes are convertible into cash up to their principal amount and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, cash or shares of our common stock. The initial conversion rate will be 30.5506 shares per $1,000 principal amount of notes (which is equivalent to an initial conversion price of $32.73 per share). The notes may not be redeemed by us prior to September 20, 2011 (except to preserve our status as a REIT for U.S., federal income tax purposes), but are redeemable anytime thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes plus any accrued and unpaid interest (including additional interest), if any. In addition, on September 20, 2011, September 15, 2016, and September 15, 2021, or upon the occurrence of certain change in control transactions prior to September 20, 2011, note holders may require us to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes.

Net proceeds from the September 2006 Debt Offering were used to repurchase and retire 1,863,600 shares of our common stock at an average purchase price of $26.83 per share (approximately $50.0 million in aggregate value) and for general corporate purposes, including the repayment of outstanding borrowings under our Amended Revolving Facility.

On November 3, 2006, we filed a registration statement on Form S-3 (the Registration Statement) registering the resale of the 3.70% Convertible Notes and the shares of our common stock, which may, under certain circumstances, become issuable upon conversion of the 3.70% Convertible Notes. The 3.70% Convertible Notes were originally sold to qualified institutional buyers by means of a private placement in accordance with Rule 144A under the Securities Act of 1933, as amended. At the time of the September 2006 Debt Offering, we entered into a Registration Rights Agreement with the initial purchasers of the 3.70% Convertible Notes, which required the filing of the Registration Statement. We will not receive any of the proceeds from the sale of the 3.70% Convertible Notes or the shares of common stock issuable upon conversion of the 3.70% Convertible Notes by the selling securityholders. On November 22, 2006, December 11, 2006, December 22, 2006, January 16, 2007 and February 2, 2007, we filed prospectus supplements to the Registration Statement naming additional beneficial holders as selling securityholders of the 3.70% Convertible Notes and shares of our common stock issuable upon conversion of the 3.70% Convertible Notes.

Competition

We face considerable competition in the leasing of real estate, which is a highly competitive market. 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 or concessions to tenants, may be less favorable or more costly than current lease terms or than expectations for the space. We believe that the principal competitive factors in attracting tenants in our market areas are location, price, co-tenants and physical conditions of our properties. In this regard, we aggressively manage and, where appropriate, redevelop and upgrade, our properties, with an emphasis on maintaining high occupancy rates and a strong base of nationally and regionally recognized anchor tenants, as well as local specialty tenants, that generate substantial daily traffic. In addition, we believe that the breadth of our national portfolio of properties, and the local knowledge and market intelligence of our regional operating system, make us attractive to national, regional and local retailers.

In addition, we face significant competition 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. The current market for acquisitions continues to be highly competitive. Nevertheless, we believe that our experience in operating, acquiring, developing and obtaining financing for community and neighborhood shopping centers, particularly our ability to structure acquisitions, should enable us to compete effectively. Given our operating and capital strategies, we have the capacity to acquire individual properties or portfolios on both our own balance sheet or with joint venture capital, which enables us to allocate risk and increase returns. We can also acquire stabilized, income producing properties or properties that can benefit from our re-tenanting and redevelopment competencies. In addition, because of the breadth of our portfolio, we can acquire properties across the nation and are able to efficiently absorb such properties into our scalable regional operating system.

Environmental Exposure

We are subject to federal, state and local environmental regulations that apply generally to the ownership of real property and the operations conducted on real property. 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 or petroleum product releases at a property 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. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such property or to borrow using such property as collateral.

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.

Employees

As of December 31, 2006, we employed approximately 440 individuals (including, executive, administrative and field personnel).

Available Information

Our internet website address is www.newplan.com. The information contained on our website is not incorporated by reference into this report and such information should not be considered a part of this report. 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, or furnish them to, 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 and Nominating Committee and the Executive Compensation and Stock Option Committee. 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 our committee charters are also available in print free of charge, upon request by any stockholder. You can obtain such copies in print by contacting our Senior Vice President of Corporate Communications, either by mail at our corporate office or by e-mail at corporatecommunications@newplan.com.

Financial Information about Industry Segments

Our principal business is the ownership, management and development 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.

Item 1A. *Risk Factors*

Overview

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.

The occurrence of any of the following factors or circumstances could adversely affect our cash flows, financial condition, results of operations and/or our ability to meet our operating expenses, including debt service and capital expenditure obligations, and make distributions to our stockholders, any or all of which could in turn cause a decline in the market value of our securities.

Risks Related to Our Properties and Business

The economic performance and value of our properties are subject to risks associated with real estate assets and with the real estate industry. As a real estate company, we 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, where properties that represented 17.0% of our Consolidated Portfolio total ABR and 17.3% of our total portfolio total ABR, each as of December 31, 2006, are located;
- local conditions, including an oversupply of space in properties similar to those that we own, or a reduction in demand for properties similar to those that we own;
- the attractiveness of our properties to tenants;
- the financial stability of tenants, including the ability of tenants to pay rent;
- competition from other available properties;
- changes in market rental rates;
- the need to periodically fund the costs to repair, renovate and re-let space;
- changes in operating costs, including costs for maintenance, insurance and real estate taxes;
- earthquakes, tornados, hurricanes and other natural disasters, civil unrest, terrorist acts or acts of war, which may result in uninsured or underinsured losses;

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- 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, and a decrease in the demand for retail space may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. 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 and could adversely affect our business.

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, or expiration of existing leases without renewal, and the loss of rental income attributable to the terminated or expired 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, 2006, our largest tenants were The Kroger Co., Wal-Mart Stores and Sears Holdings Corp., the scheduled ABR for which, represented 4.1%, 2.4% and 2.3%, respectively, of our total ABR including our pro rata share of ABR generated by properties owned by unconsolidated joint ventures. As of December 31, 2006, The Kroger Co., Wal-Mart Stores and Sears Holdings Corp. represented 4.3%, 2.5% and 2.4%, respectively, of our scheduled ABR, excluding our pro rata share of ABR generated by properties owned by unconsolidated joint ventures.

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 from a bankrupt tenant.

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 or concessions to tenants, may be less favorable or more costly than current lease terms or than expectations for the space. As of December 31, 2006, leases were scheduled to expire on a total of approximately 11.6% of the space at our properties (including our pro rata share of properties owned by unconsolidated joint ventures) through 2007. 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. In deciding whether to acquire a particular property, we make certain assumptions regarding the expected future performance of that property. However, 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, which may result in the properties failure to achieve projected returns.

In particular, we may acquire 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 reduce the number of acquisition opportunities available to us and 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. The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties.

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 redevelopment projects, and in the past few years have become more actively involved in development projects. We also expect to invest in additional development and redevelopment projects in the future.

Redevelopment and new development of properties are subject to a number of risks, including the following:

- abandonment of development activities after expending resources to determine feasibility;
- construction and/or lease-up delays;

- cost overruns, including construction costs that exceed our original estimates;

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- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; and

- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws.

If any of these problems occur, 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. In addition, delays in the completion of a development or redevelopment project may provide various tenants the right to withdraw from a property.

Our current and future joint venture investments could be adversely affected by a lack of sole decision-making authority and our reliance on joint venture partners financial condition. We have invested in some cases as a 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, including the following:

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

- we may be required to obtain prior consent from our co-venturers or partners for a sale or transfer to a third party of our interests in the joint venture, which restricts our ability to dispose of our interest in the joint venture;

- our co-venturers or partners might have interests or goals that are inconsistent with our interests or goals, and may be in a position to take actions contrary to our interests or otherwise impede our objectives;

- our co-venturers or partners also might become insolvent or bankrupt, which may delay construction or development of a property or increase our financial commitment to the joint venture;

- such investments have the potential risk of impasse on certain major decisions, such as a sale, because neither we nor our partner or co-venturer typically have full control over the joint venture;

- any disputes that may arise between us and our joint venture partners could result in litigation or arbitration that could increase our expenses and distract our officers and/or directors from focusing their time and effort on our business; and

- we might be liable for the actions of our joint venture partners in certain circumstances, and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we do not control the joint venture.

As of December 31, 2006, we had approximately $91.4 million of investments in and advances to 13 unconsolidated joint ventures that own an aggregate of 177 properties. The largest of these investments is our investment in the Galileo America LLC venture. We have a 5% equity interest in this joint venture, which interest was acquired on August 10, 2005 in conjunction with our sale of an aggregate of 69 community and neighborhood shopping centers to Galileo America LLC. Our investment in this joint venture is subject to the risks described above for jointly owned investments. As of December 31, 2006, this joint venture was comprised of 132 stabilized assets, two assets undergoing redevelopment and one new development asset.

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

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that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales or properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial position.

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 given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses, including lease and other contract claims, acts of war and acts of God, and, in some cases, flooding, that generally are not insured, either because such coverage is not available or is not available at commercially reasonable rates. If we experience a loss which is uninsured or which exceeds policy limits, we could lose a significant portion of the capital we have invested in the damaged property, as well as the anticipated future revenue from the property. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

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 we will be able to obtain full coverage in the future at a reasonable cost. The costs associated with property and casualty renewals may be higher than anticipated.

We have substantial scheduled debt payments, which will result in significant debt service obligations, and we may not be able to refinance debt at maturity. As of December 31, 2006, the total principal amount of our outstanding debt was approximately $1.8 billion. Therefore, our business is subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to pay expected dividends to stockholders and meet required payments of principal and interest. We are also subject to the risk that 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. 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) and we may be forced to dispose of properties on disadvantageous terms. In addition, 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, which could adversely affect our cash flow and our ability to pay distributions to stockholders.

Our degree of leverage could limit our ability to obtain additional financing and adversely affect our business and financial condition. Our organizational documents do not contain any limitation on the incurrence of debt. The degree of our leverage could have important consequences, including:

- requiring us to dedicate a substantial portion of our funds from operations to servicing our debt, thereby reducing the amount available for distributions;

- 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 economic and industry downturns.

In addition, as a result of the financial and operating covenants described below, our leverage could reduce our flexibility in conducting our business and planning for, or reacting to, changes in our business and in the real estate industry.

We currently have variable rate debt obligations, which could be substantial in the future and may impede our operating performance and put us at a competitive disadvantage. As of December 31, 2006, we had approximately $265.3 million of outstanding floating rate debt, including the impact of swaps, maturing at various times up to September 1, 2011. In addition, we could increase the amount of our outstanding variable rate debt in the future in part by borrowing under the Amended Revolving Facility, which bears interest at a variable rate and had approximately $309.0 million available for draw as of December 31, 2006. The rates on our variable rate indebtedness increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. 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.

Hedging agreements enable us to convert floating rate liabilities to fixed rate liabilities or fixed rate liabilities to floating rate liabilities. Hedging agreements expose us to the risk that the counterparties to such agreements may not perform, even though the counterparties to hedging agreements that we enter into are major financial institutions, which could increase our exposure to fluctuating interest rates. In addition, hedging agreements may involve costs, such as transaction fees or breakage costs, if we terminate them. As of December 31, 2006, we were a party to four hedging agreements.

As discussed above, 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.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt. As of December 31, 2006, we had approximately $437.3 million of mortgage debt outstanding, excluding the impact of unamortized premiums. If a property or group of properties 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 financial covenants may restrict our operating and acquisition activities. The Amended Revolving Facility, the Amended Secured Term Loan 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 these covenants, including the financial coverage ratios, 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.

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. We are subject to federal, state and local environmental regulations that apply generally to the ownership of real property and the operations conducted on real property. 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 or petroleum product releases at a property 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. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such property or to borrow using such property as collateral.

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;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication of research reports about us or our industry by securities analysts;
- 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;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;

- speculation in the press or investment community;

- actions by institutional shareholders or hedge funds, including trading or hedging activity; 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. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. 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 in connection with grants of restricted stock or upon exercise of stock options 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, defer 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 provisions include a staggered board of directors, advance notice requirements for stockholder proposals and our share ownership limit described below. In addition, our charter permits our Board of Directors to issue up to 25,000,000 shares of preferred stock, having those preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our Board of Directors. Thus, any future series of our preferred stock may have voting or other provisions that could delay or prevent a change in control or other transaction that might involve a premium over the then-prevailing market price of our common stock or that might 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 may have the effect of inhibiting a third party from making an acquisition proposal or of impeding a change in control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including the following:

- business combination moratorium/fair price provisions that, subject to limitations, prohibit certain business combinations between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter 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; and

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

Our Board of Directors has opted out of these provisions of Maryland law. As a result, these provisions will not apply to a business combination or control share acquisition involving the company. Our Board of Directors may, however, repeal these elections 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). In order to eliminate federal income tax, we will be required to distribute annually 100% of our net taxable income (including capital gains). Because of these distribution requirements, we likely will not be able to fund all future capital needs, including capital for property development and 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 and our ability to continue to qualify as a REIT for federal income tax purposes.

Tax Risks

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 and any available relief provisions do not apply, the company would not be allowed to take a deduction for distributions to stockholders in computing its taxable income, and it would be subject to federal and state income tax (including any applicable alternative minimum 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, we will pay tax on any net taxable income or gain that we do not distribute in a taxable year. We may also be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

In addition, 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. The need to avoid this penalty tax could cause us to forego or defer sales of our properties that we might otherwise have sold or that might otherwise be in our best interest to sell or to own and sell such properties through a taxable REIT subsidiary. A taxable REIT subsidiary would be subject to a corporate level tax on its taxable income attributable to such sales.

Any net taxable income earned directly by our taxable affiliates, including ERT Development Corporation, is subject to federal, state and local corporate income tax. The taxation of the company at the state and local levels may differ from the federal income tax treatment of the company. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for investment, debt service, and 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 more than 35% of the outstanding voting securities or more than 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 laws 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 1B. ***Unresolved Staff Comments***

None.

Item 2. *Properties*

The following table sets forth certain information as of December 31, 2006 regarding our Consolidated Portfolio properties on a state-by-state basis:

State	Number of Properties	Percent Leased	GLA (1)	Percent of Scheduled ABR (2)
Alabama	6	91.6 %	703,686	1.1 %
Arizona	3	86.8 %	601,212	1.3 %
Arkansas	1	100.0 %	60,842	0.0 %
California	11	94.6 %	1,726,058	6.2 %
Colorado	2	98.1 %	364,580	1.3 %
Connecticut	1	92.6 %	97,086	0.3 %
Delaware	1	100.0 %	30,000	0.0 %
Florida	28	90.0 %	4,754,531	13.9 %
Georgia	21	94.0 %	2,488,139	5.8 %
Illinois	10	93.0 %	1,759,856	5.4 %
Indiana	6	89.2 %	828,289	1.5 %
Iowa	2	71.4 %	279,826	0.3 %
Kentucky	9	96.7 %	1,709,912	3.7 %
Louisiana	3	99.3 %	345,573	0.5 %
Maryland	2	72.1 %	163,161	0.3 %
Massachusetts	2	82.2 %	343,532	0.6 %
Michigan	16	90.6 %	2,207,848	5.7 %
Minnesota	1	93.7 %	55,715	0.1 %
Nevada	2	74.4 %	311,512	0.7 %
New Jersey	7	98.5 %	818,353	2.4 %
New Mexico	2	100.0 %	97,384	0.2 %
New York	15	87.2 %	2,014,432	5.7 %
North Carolina	10	95.9 %	1,375,925	2.2 %
Ohio	24	85.0 %	4,235,138	8.6 %
Oklahoma	1	90.3 %	186,851	0.5 %
Pennsylvania	11	87.1 %	2,117,696	5.5 %
Rhode Island	1	93.2 %	148,126	0.4 %
South Carolina	4	91.2 %	807,866	1.7 %
Tennessee	15	90.8 %	2,194,443	4.1 %
Texas	64	92.0 %	7,210,072	17.0 %
Virginia	7	90.6 %	941,257	2.1 %
Wisconsin	1	100.0 %	198,419	0.4 %
Wyoming	1	89.5 %	155,022	0.3 %
	290	90.7 %	41,332,342	100.0 %
Region (3)				
East	70	91.1 %	10,567,346	24.7 %
Midwest	60	88.1 %	9,720,113	22.4 %
South	139	91.7 %	17,944,137	43.0 %
West	21	91.6 %	3,100,746	9.8 %
	290	90.7 %	41,332,342	100.0 %

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

(2) ABR represents 2006 scheduled ABR based on contractual minimum lease payments as of December 31, 2006.

(3) NCREIF Regions

Of the 290 properties in our Consolidated Portfolio, 286 properties are held in fee simple, and four properties are held pursuant to ground leases, which ground leases constitute an aggregate of 0.5 million rentable square feet and expire between 2027 and 2031.

As of December 31, 2006, we owned interests in 467 properties, including 177 properties held through unconsolidated joint ventures. The following table sets forth certain information as of December 31, 2006 regarding our properties on a state-by-state basis, and includes our pro rata share of unconsolidated joint venture properties:

State	Number of Properties	Percent Leased	GLA (1)	Percent of Scheduled ABR (2)
Alabama	10	92.2 %	810,115	1.4 %
Arizona	5	86.8 %	611,391	1.2 %
Arkansas	2	96.8 %	69,868	0.0 %
California	14	94.6 %	1,752,127	5.9 %
Colorado	6	98.1 %	542,667	1.9 %
Connecticut	13	94.6 %	244,404	0.8 %
Delaware	1	100.0 %	30,000	0.0 %
Florida	44	90.3 %	4,915,990	13.5 %
Georgia	38	94.0 %	2,756,651	6.0 %
Illinois	12	93.0 %	1,801,436	5.2 %
Indiana	8	89.2 %	837,218	1.4 %
Iowa	3	72.5 %	293,299	0.3 %
Kansas	1	94.3 %	5,132	0.0 %
Kentucky	14	96.8 %	1,759,569	3.6 %
Louisiana	6	99.3 %	375,415	0.5 %
Maine	2	100.0 %	13,702	0.0 %
Maryland	2	72.1 %	163,161	0.3 %
Massachusetts	6	82.7 %	361,825	0.6 %
Michigan	22	90.4 %	2,273,892	5.5 %
Minnesota	1	93.7 %	55,715	0.1 %
Mississippi	3	54.2 %	13,156	0.0 %
Nevada	3	75.3 %	325,263	0.7 %
New Hampshire	2	100.0 %	11,122	0.0 %
New Jersey	8	98.5 %	821,193	2.3 %
New Mexico	3	98.9 %	103,685	0.2 %
New York	24	88.0 %	2,152,653	5.8 %
North Carolina	19	96.0 %	1,454,691	2.3 %
Ohio	35	85.1 %	4,383,704	8.4 %
Oklahoma	2	92.5 %	245,774	0.7 %
Pennsylvania	16	87.3 %	2,155,087	5.2 %
Rhode Island	1	93.2 %	148,126	0.4 %
South Carolina	9	91.3 %	828,021	1.7 %
Tennessee	26	90.8 %	2,247,583	4.0 %
Texas	86	92.2 %	7,606,218	17.3 %
Virginia	13	91.1 %	1,001,215	2.1 %
West Virginia	3	93.0 %	18,031	0.0 %
Wisconsin	3	99.3 %	212,314	0.4 %
Wyoming	1	89.5 %	155,022	0.3 %
	467	90.9 %	43,556,435	100.0 %
Region (3)				
East	133	91.5 %	11,162,800	25.1 %
Midwest	85	88.1 %	9,862,710	21.3 %
South	217	91.9 %	19,040,770	43.3 %
West	32	91.9 %	3,490,155	10.2 %
	467	90.9 %	43,556,435	100.0 %

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

(2) ABR represents 2006 scheduled ABR based on contractual minimum lease payments as of December 31, 2006.

(3) NCREIF Regions

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The following table sets forth a schedule of lease expirations for leases in place within our Consolidated Portfolio as of December 31, 2006 (excluding Pointe*Orlando, a wholly-owned property currently undergoing significant redevelopment), for each of the next ten years and thereafter, assuming no exercise of renewal options or base rent escalations over the lease term.

	Number of Leases Expiring	Leased GLA	Percent of GLA	ABR Per Foot	Percent of Total ABR
2007	1,017	3,971,149	10.67 %	$ 10.01	11.90 %
2008	914	4,347,843	11.69 %	9.52	12.39 %
2009	867	4,316,522	11.60 %	9.89	12.78 %
2010	617	4,779,062	12.85 %	8.48	12.13 %
2011	577	4,007,814	10.77 %	8.98	10.77 %
2012	176	1,640,544	4.41 %	8.63	4.24 %
2013	117	1,680,247	4.52 %	7.69	3.87 %
2014	93	1,584,011	4.26 %	8.97	4.26 %
2015	123	2,363,775	6.35 %	9.51	6.73 %
2016	113	2,584,288	6.95 %	8.20	6.34 %
2017+	173	5,929,959	15.94 %	8.22	14.59 %
	4,787	37,205,214	100.00 %	$ 8.98	100.00 %

The following table sets forth a schedule of lease expirations for leases in place as of December 31, 2006 (including our pro rata share of unconsolidated joint venture properties, but excluding Pointe*Orlando, a wholly-owned property currently undergoing significant redevelopment), for each of the next ten years and thereafter, assuming no exercise of renewal options or base rent escalations over the lease term.

	Number of Leases Expiring	Leased GLA	Percent of GLA	ABR Per Foot	Percent of Total ABR
2007	1,535	4,103,216	10.44 %	$ 10.09	11.59 %
2008	1,420	4,546,366	11.56 %	9.58	12.19 %
2009	1,356	4,512,747	11.48 %	9.92	12.53 %
2010	1,019	5,033,564	12.80 %	8.62	12.15 %
2011	884	4,231,773	10.76 %	9.20	10.90 %
2012	303	1,763,901	4.49 %	8.87	4.38 %
2013	218	1,783,829	4.54 %	7.98	3.98 %
2014	198	1,706,098	4.34 %	9.09	4.34 %
2015	225	2,505,267	6.37 %	9.60	6.73 %
2016	183	2,694,871	6.85 %	8.37	6.31 %
2017+	342	6,437,445	16.37 %	8.26	14.89 %
	7,683	39,319,077	100.00 %	$ 9.09	100.00 %

Item 3. *Legal Proceedings*

We are not presently involved in any material litigation arising outside the ordinary course of our business. However, we are involved in routine litigation arising in the ordinary course of business, none of which is believed to be material in light of reserves taken by 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 2006.

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our common stock is listed on the New York Stock Exchange under the symbol NXL . As of February 21, 2007, there were approximately 3,297 registered record holders of our common stock. The following table shows the high and low sales prices, as reported by the New York Stock Exchange composite tape, and the cash dividends declared each calendar quarter during 2006 and 2005 for our common stock:

	High	Low	Cash Dividends Declared	
2005:				
First quarter	$ 27.35	$ 24.83	$ 0.4125	
Second quarter	27.91	24.50	0.4125	
Third quarter	28.65	22.39	3.3125	(1)
Fourth quarter	24.55	20.18	0.3125	
2006:				
First quarter	$ 26.42	$ 23.07	$ 0.3125	
Second quarter	25.95	22.80	0.3125	
Third quarter	27.75	24.35	0.3125	
Fourth quarter	28.93	26.67	0.3125	

(1) Dividends declared for the third quarter 2005 include a special dividend of $3.00 per common share (the Special Dividend), which was paid on September 27, 2005 to common stockholders of record on August 25, 2005. In connection with the payment of the Special Dividend and the closing of a transfer of approximately $968.0 million of our assets to a joint venture, we reduced our regular quarterly dividend from $0.4125 per share of common stock to $0.3125 per share of common stock.

We declared dividends of approximately $151.1 million for the year ended December 31, 2006 (amount does not include increases to the dividend payable on our Series D depository shares to account for the step-up in the dividend rate).

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 Amended Revolving Facility and Amended Secured Term Loan (together, Credit Agreements), 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.

Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate Securities and Exchange Commission filings, in whole or in part, the following performance graph will not be incorporated by reference into any such filings.

PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return of our common stock for the period from December 31, 2001 to December 31, 2006 to the S&P 500 Index and to the published FTSE NAREIT Equity REIT Index over the same five-year period. The graph assumes that the value of the investment in our common stock and each index was $100 at December 31, 2001 and that all dividends were reinvested. The stockholder return shown on the graph below is not indicative of future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among New Plan Excel Realty Trust, Inc., The S & P 500 Index
And The FTSE NAREIT Equity REIT Index

* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

www.researchdatagroup.com/S&P.htm

Index	**12/31/01**	**12/31/02**	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**
New Plan Excel Realty Trust, Inc.	100.00	108.95	151.58	177.40	181.60	223.21
S&P 500	100.00	77.90	100.24	111.15	116.61	135.03
FTSE NAREIT Equity REIT Index	100.00	103.82	142.37	187.33	210.12	283.78

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.

	Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands, except per share amounts)				
Statement of Income Data:					
Rental revenues:					
Rental income	$ 334,349	$ 358,869	$ 367,511	$ 343,823	$ 274,154
Percentage rents	4,903	5,811	5,979	6,347	5,389
Expense reimbursements	101,063	97,656	92,824	93,381	73,405
Fee income	16,660	10,957	4,797	5,265	5,266
Total rental revenues	456,975	473,293	471,111	448,816	$ 358,214
Expenses:					
Operating costs	72,672	75,511	79,221	81,929	58,895
Real estate taxes	59,564	64,414	58,572	55,867	42,544
Depreciation and amortization	88,905	89,973	86,487	71,862	59,558
Provision for doubtful accounts	7,922	11,167	8,763	6,815	8,342
General and administrative	28,674	26,361	17,674	19,807	17,837
Total expenses	257,737	267,426	250,717	236,280	187,176
Income before real estate sales, minority interest and other income and expenses	199,238	205,867	220,394	212,536	171,038
Other income and expenses:					
Interest, dividend and other income	4,016	4,219	3,517	4,130	5,734
Equity in income of unconsolidated ventures	5,143	4,045	1,513	3,438	5,245
Interest expense	(94,202)	(118,043)	(106,054)	(100,987)	(92,071)
Foreign currency loss					(13)
Impairment of real estate		(859)	(43)	(3,536)	(67,600)
Minority interest in income of consolidated partnership and joint ventures	(745)	(5,953)	(853)	(1,554)	(642)
Income from continuing operations	113,450	89,276	118,474	114,027	21,691
Discontinued operations:					
Results of discontinued operations	8,025	12,353	15,476	17,929	39,293
Gain (loss) on sale of discontinued operations	14,648	17,787	(1,139)	4,018	99,046
Impairment of real estate held for sale	(907)		(88)	(6,953)	(39,961)
Income from discontinued operations	21,766	30,140	14,249	14,994	98,378
Income before gain on sale of real estate	135,216	119,416	132,723	129,021	120,069
Gain on sale of real estate	1	186,908	1,217		1,993
Net income	$ 135,217	$ 306,324	$ 133,940	$ 129,021	$ 122,062
Net income available to common stock basic	$ 113,251	$ 284,436	$ 112,470	$ 107,221	$ 108,036
Net income available to common stock diluted	$ 113,996	$ 289,506	$ 113,266	$ 108,776	$ 108,678
Basic earnings per common share:					
Earnings per share continuing operations	$ 0.88	$ 2.46	$ 0.98	$ 0.95	$ 0.11
Earnings per share discontinued operations	0.21	0.29	0.13	0.15	1.03
Basic earnings per common share	$ 1.09	$ 2.75	$ 1.11	$ 1.10	$ 1.14
Diluted earnings per common share:					
Earnings per share continuing operations	$ 0.85	$ 2.43	$ 0.97	$ 0.93	$ 0.11
Earnings per share discontinued operations	0.20	0.28	0.13	0.15	1.02
Diluted earnings per common share	$ 1.05	$ 2.71	$ 1.10	$ 1.08	$ 1.13
Average shares outstanding basic	104,102	103,393	100,894	97,318	95,119
Average shares outstanding diluted	108,814	106,834	103,345	100,269	96,552
Other Data:					
Distributions per common share (1)	$ 1.25	$ 4.45	$ 1.65	$ 1.65	$ 1.65
Balance Sheet Data as of the End of Each Period:					
Net real estate	$ 3,135,547	$ 3,016,262	$ 3,559,763	$ 3,294,037	$ 3,269,476
Total assets	3,534,899	3,369,762	3,831,742	3,558,596	3,515,279
Long term debt, net (2)	1,834,360	1,644,881	1,996,319	1,776,004	1,713,476
Total liabilities	2,032,677	1,820,717	2,160,797	1,934,588	1,902,996
Minority interest in consolidated partnership and joint ventures	57,485	57,659	30,784	37,865	39,434
Total stockholders equity	1,444,737	1,491,386	1,640,161	1,586,143	1,572,849

(1) Amount for the year ended December 31, 2005 includes the Special Dividend of $3.00 per common share, which was paid on September 27, 2005 to common stockholders of record on August 25, 2005.

(2) Long-term debt includes mortgage loans, net, notes payable, net, capital leases and credit agreements.

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 our wholly-owned and majority-owned subsidiaries and consolidated variable interest entities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) 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 on our consolidated balance sheets. Certain leases provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales levels are 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 SEC s Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition* (SAB 104), provides guidance on the application of GAAP to selected revenue recognition issues. We have concluded that our revenue recognition policy is appropriate and in accordance with GAAP and SAB 104.

Real Estate

Land, buildings and building and tenant improvements are recorded at cost and 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. Land, buildings and building and tenant improvements that are under redevelopment, or are being developed, are carried at cost and no depreciation is recorded on these assets. Additionally, amounts essential to the development of the property, such as pre-construction costs, development costs, construction costs, interest costs, real estate taxes, salaries and related costs, and other costs incurred during the period of development are capitalized. We cease capitalization when the property is available for occupancy upon substantial completion of tenant improvements, but in any event no later than one year from the completion of major construction activity.

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.

Business Combinations

In connection with our acquisition of properties, purchase costs are allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of the tangible assets, consisting of land, buildings and building and tenant improvements, are determined as if vacant (i.e., at replacement cost). Intangible assets, including the above-market value of leases and the value of in-place leases, are recorded at their relative fair values. The below-market value of leases is recorded in Other liabilities on our Consolidated Balance Sheets.

Above-market, below-market and in-place lease values for owned properties are recorded based on the present value (using an interest rate reflecting the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the leases negotiated and in-place at the time of acquisition and (ii) management s estimate of fair market lease rates for the property or equivalent property, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market or below-market lease value is amortized as a reduction of, or increase to, rental income over the remaining non-cancelable term of each lease plus any renewal periods with fixed rental terms that are considered to be below-market.

The total amount of other intangible assets allocated to in-place lease values and tenant relationship intangible values is based on management s evaluation of the specific characteristics of each lease and our overall relationship with each tenant. Factors considered in the allocation of these values include, but are not limited to, the nature of the existing relationship with the tenant, the tenant s credit quality, the expectation of lease renewals, the estimated carrying costs of the property during a hypothetical expected lease-up period, current market conditions and the costs to execute similar leases. Management will also consider information obtained about a property in connection with its pre-acquisition due diligence. Estimated carrying costs include real estate taxes, insurance, other property operating costs and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, based on management s assessment of specific market conditions. Management will estimate costs required to execute leases including commissions and legal costs to the extent that such costs are not already incurred with a new lease that has been negotiated in connection with the purchase of a property. Independent appraisals and/or management s estimates will be used to determine these values.

The value of in-place leases is amortized to expense over the remaining initial term of each lease. The value of tenant relationship intangibles is amortized to expense over the initial terms of the leases; however, no amortization period for intangible assets will exceed the remaining depreciable life of the building.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, lease origination costs, in-place values and tenant relationship values, will be charged as an expense.

Long Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property s value is impaired only if management s 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 estimate of cash flows considers factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic 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, and reflected as an adjustment to the basis of the property.

When assets are identified by management as held for sale, we discontinue depreciating the assets and estimate the sales price, net of selling costs, of such assets. If, in management s opinion, the net sales price of the assets that 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, such assessments 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 September 2006, the SEC issued SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB No. 108). SAB No. 108 provides guidance on how the effects of uncorrected prior year misstatements should be considered when quantifying current year misstatements for the purpose of a materiality assessment. The SEC staff believes registrants must quantify misstatements using both a balance sheet and income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for the first annual period ending after November 15, 2006, with early application encouraged. We adopted SAB No. 108 in the quarter ended December 31, 2006. The adoption of SAB No. 108 is not expected to have a material impact on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure requirements regarding fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for such fiscal year, including financial statements for an interim period within such fiscal year. The adoption of SFAS No. 157 is not expected to have a material impact on our consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 (i) clarifies the accounting for uncertainty in income taxes recognized in companies financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, (ii) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and (iii) provides guidance on derecognition of recognized tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of the adoption of FIN 48 on our consolidated financial statements.

In March 2006, the FASB issued Statement No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140* (SFAS No. 156). SFAS No. 156 (i) clarifies when an obligation to service financial assets should be separately recognized as a servicing asset or a servicing liability, (ii) requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable, and (iii) permits an entity with a separately recognized servicing asset or servicing liability to choose either the amortization method or the fair value method for subsequent measurement. SFAS No. 156 is effective for fiscal years beginning after September 15, 2006, but early adoption is permitted. The adoption of SFAS No. 156 is not expected to have a material impact on our consolidated financial statements.

In February 2006, the FASB issued Statement No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* (SFAS No. 155). SFAS No. 155 (i) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (ii) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, (iii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (iv) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and (v) amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 155 is not expected to have a material impact on our consolidated financial statements.

Results of Operations

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

During 2006, we acquired four shopping centers (Shoppes at Hickory Hollow, The Quentin Collection, Fox Run Mall and Memphis Commons), two buildings immediately adjacent to properties owned by us (Building at Tarpon Mall and Building at Hazel Path), the remaining 90% interests in two shopping centers in which we owned the other 10% interests (Ventura Downs and Odessa-Winwood Town Center), six land parcels, and a leasehold interest in a new development project (collectively, the 2006 Acquisitions).

On August 10, 2005, we completed the sale and contribution of 69 community and neighborhood shopping centers (the Galileo Properties) to Galileo America LLC for approximately $968.0 million of total consideration (the Property Transfer). As a result of a series of related transactions that occurred simultaneously with the closing of the Property Transfer, we own an approximately 5.0% equity interest in Galileo America LLC, which, as of December 31, 2006, owned 135 real estate assets. In addition, we acquired a recurring asset management fee stream and a minimum 20 year fee stream for all property management, leasing, development, acquisition and disposition fees related to Galileo America LLC (such transactions are referred to collectively with the Property Transfer as the Galileo Transactions). As a result of our retained 5% equity ownership interest in Galileo America LLC, as well as our acquisition of the property and asset management rights as part of the Galileo Transactions, the results of operations of the Galileo Properties were not classified as discontinued operations for the years ended December 31, 2006, 2005 and 2004. Accordingly, our results of operations for the years ended December 31, 2006, 2005 and 2004 include the results of operations of the Galileo Properties.

During 2005, we acquired eight shopping centers (Brunswick Town Center, Hillcrest Shopping Center, West Ridge Shopping Center, Market Plaza, Surrey Square Mall, Fashion Place Shopping Center, Western Hills Plaza and Southland Shopping Center), a vacant building with 2.5 acres of land immediately adjacent to Midway Crossing, a shopping center owned by us, a vacant building immediately adjacent to Victory Square, a shopping center owned by us, six land parcels, the remaining 90% interest in Marketplace at Wycliffe, a shopping center in which we owned the other 10% interest, and the remaining 90% interest in Mableton Walk, a shopping center in which we owned the other 10% interest (collectively, the 2005 Acquisitions). Accordingly, our results of operations for the years ended December 31, 2006 and 2005 include the results of operations of the 2005 Acquisitions.

During 2004, we acquired 11 shopping centers (New Britain Village Square, Elk Grove Town Center, Villa Monaco, Florence Square, Stockbridge Village, Starlite Plaza, Village Center, Annex of Arlington, Marketplace, Silver Pointe, and The Shoppes at Southside), 11 acres of unimproved land known as Unity Plaza, the remaining 50% interest in Clearwater Mall, a shopping center in which we owned the other 50% interest, and the remaining 50% interest in The Market at Preston Ridge, a shopping center in which we owned the other 50% interest (collectively, the 2004 Acquisitions). Accordingly, our results of operations for the years ended December 31, 2006, 2005 and 2004 include the results of operations of the 2004 Acquisitions.

In accordance with the provisions of FIN 46 and EITF 04-5 our consolidated results of operations for the years ended December 31, 2006, 2005 and 2004 include the results of operations of certain of our joint ventures (collectively, Consolidation Adjustments), as applicable.

In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the results of operations of properties that have been disposed of (by sale, by abandonment, or in a distribution to owners) or classified as held for sale must be classified as discontinued operations and segregated in our Consolidated Statements of Income and Comprehensive Income. Therefore, results of operations from prior periods have been restated to reflect the current pool of disposed of or held for sale assets.

Results of Operations for the Twelve Months Ended December 31, 2006 and 2005

Revenues:

Total revenues decreased $16.3 million, or 3%, from $473.3 million in 2005 to $457.0 million in 2006. Significant changes are discussed below.

Rental income decreased $24.6 million, or 7%, from $358.9 million in 2005 to $334.3 million in 2006. The following factors accounted for this variance:

- 2006 Acquisitions, which increased rental income by approximately $2.1 million
- 2005 Acquisitions, which increased rental income by approximately $8.5 million
- Consolidation Adjustments, which increased rental income by approximately $1.0 million
- Net increases in rental rates and straight-line rent adjustments, which increased rental income by approximately $9.6 million
- Increased lease settlement income, which increased rental income by approximately $1.9 million
- The sale of the Galileo Properties, which decreased rental income by approximately $47.3 million
- Decreased specialty rent, which decreased rental income by approximately $0.4 million

Percentage rents decreased $0.9 million, or 16%, from $5.8 million in 2005 to $4.9 million in 2006. The following factors accounted for this variance:

- 2005 Acquisitions, which increased percentage rents by approximately $0.1 million
- The sale of the Galileo Properties, which decreased percentage rents by approximately $0.4 million
- Higher tenant sales breakpoints associated with contractual lease terms, combined with certain tenants who are now paying annual minimum rents in lieu of percentage rents, which decreased percentage rents by approximately $0.6 million

Expense reimbursements increased $3.4 million, or 3%, from $97.7 million in 2005 to $101.1 million in 2006. The following factors accounted for this variance:

- 2006 Acquisitions, which increased expense reimbursements by approximately $0.3 million
- 2005 Acquisitions, which increased expense reimbursements by approximately $2.7 million
- Consolidation Adjustments, which increased expense reimbursements by approximately $0.2 million
- A net increase in the amount of reimbursable real estate taxes, which increased expense reimbursements by approximately $2.1 million
- A net increase in the amount of reimbursable property operating expenses, including electricity, insurance, water and sewer expenses, which increased expense reimbursements by approximately $8.7 million
- The sale of the Galileo Properties, which decreased expense reimbursements by approximately $10.6 million

Fee income increased $5.7 million, or 52%, from $11.0 million in 2005 to $16.7 million in 2006. Fee income is derived from services provided to our joint ventures and other managed projects, and the variances in the following fee revenues, which are primarily attributable to an increase in the number of properties being managed by us, accounted for the net increase in fee income:

- Property management fee revenue, which increased fee income by approximately $4.6 million
- Leasing fee revenue, which increased fee income by approximately $0.5 million
- Asset management fee revenue, which increased fee income by approximately $1.6 million
- Acquisition fee revenue, which decreased fee income by approximately $0.8 million
- Financing fee revenue, which decreased fee income by approximately $0.2 million

Operating Expenses:

Total operating expenses decreased $9.7 million, or 4%, from $267.4 million in 2005 to $257.7 million in 2006. Significant changes are discussed below.

Operating costs decreased $2.8 million, or 4%, from $75.5 million in 2005 to $72.7 million in 2006. The following factors accounted for this variance:

- 2006 Acquisitions, which increased operating costs by approximately $0.3 million

- 2005 Acquisitions, which increased operating costs by approximately $2.1 million
- Consolidation Adjustments, which increased operating costs by approximately $0.2 million

- Increased payroll and payroll related expenses, attributable to increased personnel levels necessary to administer the growing number of properties under management, which increased operating costs by approximately $1.4 million

- Costs recorded for conditional asset retirement obligations in accordance with FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, and in anticipation of future environmental remediation, which increased operating costs by approximately $0.3 million

- Increased insurance expense, attributable to higher premiums under our renewed policy, which increased operating costs by approximately $1.3 million

- Decreased capitalization with respect to our redevelopment projects, due to the completion of certain projects, which increased operating costs by approximately $3.5 million

- The sale of the Galileo Properties, which decreased operating costs by approximately $9.5 million

- Decreased snow removal costs, which decreased operating costs by approximately $0.4 million

- Decreased legal fees for tenant related matters, which decreased operating costs by approximately $1.1 million

- Combined net decreases in maintenance, repair and utility expenses, which decreased operating costs by approximately $0.7 million

- Decreased advertising and promotions expenses, which accounted for the balance of the variance

Real estate taxes decreased $4.8 million, or 7%, from $64.4 million in 2005 to $59.6 million in 2006. The following factors accounted for this variance:

- 2006 Acquisitions, which increased real estate taxes by approximately $0.2 million

- 2005 Acquisitions, which increased real estate taxes by approximately $2.2 million

- Consolidation Adjustments, which increased real estate taxes by approximately $0.2 million

- Decreased capitalization, attributable to the completion of certain redevelopment projects, which increased real estate taxes by approximately $0.7 million

- The sale of the Galileo Properties, which decreased real estate taxes by approximately $7.2 million

- Lower assessments at certain properties, which decreased real estate taxes by approximately $0.9 million

Depreciation and amortization decreased $1.1 million, or 1%, from $90.0 million in 2005 to $88.9 million in 2006. The following factors accounted for this variance:

- 2006 Acquisitions, which increased depreciation and amortization by approximately $1.1 million

- 2005 Acquisitions, which increased depreciation and amortization by approximately $4.3 million

- Consolidation Adjustments, which increased depreciation and amortization by approximately $0.6 million

- Increased depreciation expense on properties previously under redevelopment, which increased depreciation and amortization by approximately $2.8 million

- Increased deprecation expense on corporate assets, which increased depreciation and amortization by approximately $0.2 million

- Increased amortization expense of intangible assets, which increased depreciation and amortization by approximately $0.2 million

- Increased amortization expense associated with amounts paid to acquire certain property and asset management rights in conjunction with the Galileo Transactions, which increased depreciation and amortization by approximately $1.1 million

- The sale of the Galileo Properties, which decreased depreciation and amortization by approximately $11.4 million

Provision for doubtful accounts decreased $3.3 million, or 29%, from $11.2 million in 2005 to $7.9 million in 2006. The following factors accounted for this variance:

- 2005 Acquisitions, which in the aggregate increased provision for doubtful accounts by approximately $0.3 million

- Reserves taken on properties previously under redevelopment, partially offset by lower write-offs, which increased provision for doubtful accounts by approximately $1.9 million

- Lower reserve levels on the Galileo Properties, combined with the collection of previously reserved receivables associated with these same properties, which decreased provision for doubtful accounts by approximately $5.5 million

General and administrative expenses increased $2.3 million, or 9%, from $26.4 million in 2005 to $28.7 million in 2006. The following factors accounted for this variance:

- Increased payroll related expenses, primarily attributable to the increased personnel levels necessary to service the growth of properties under management in our portfolio, and comprised of the following, which increased general and administrative expenses by approximately $4.7 million:

- Increased payroll and payroll related expenses of approximately $3.5 million

- Increased compensation expense, primarily attributable to stock-based awards granted during 2006, of approximately $1.1 million

- Increased hiring costs of approximately $0.1 million

- Costs incurred in connection with our increased offshore accounting efforts, which increased general and administrative expenses by approximately $1.4 million

- The write-off of pre-acquisition due diligence costs associated with an acquisition that did not materialize, combined with increased consulting expenses, which increased general and administrative expenses by approximately $0.3 million

- Increased travel and promotion expenses, which increased general and administrative expenses by approximately $0.7 million

- Decreased allocation of costs to the properties, primarily attributable to lower regional office costs, which increased general and administrative expenses by approximately $0.2 million

- A change in accounting classification whereby expenses previously billed to the Galileo Properties and reflected as management fee income, an offset to general and administrative expenses, are now classified as fee income in the consolidated statement of operations, which change resulted in an increase in general and administrative expenses by approximately $1.5 million

- Decreased rent expense, which decreased general and administrative expenses by approximately $0.7 million

- Decreased utilities expense, which decreased general and administrative expenses by approximately $0.1 million

- Reserves taken in 2005 in connection with specific tenant litigations, which decreased general and administrative expenses by approximately $2.8 million

- Decreased legal fees, which decreased general and administrative expenses by approximately $0.5 million

- The following non-recurring expenses, which were recorded in 2005 in connection with the Galileo Transactions and the payment of the Special Dividend, which decreased general and administrative expenses by approximately $2.2 million:

- Personnel expense of approximately $1.5 million

- Additional stock option expense of approximately $0.7 million attributable to, and recorded as a result of, the stock option revaluation resulting from the payment of the Special Dividend

- Decreased state tax expense, attributable to the reversal of reserves previously taken, in light of a recent evaluation of our state and franchise tax exposure, which decreased general and administrative expenses by approximately $0.2 million

Other Income and Expenses:

Equity in income of unconsolidated ventures increased $1.1 million, or 28%, from $4.0 million in 2005 to $5.1 million in 2006. The following factors accounted for this variance:

- Increased income before depreciation, attributable to the following, which increased equity in income unconsolidated ventures by approximately $7.7 million:

- The operating performance of Galileo America LLC, a joint venture in which we acquired an ownership interest in August 2005, which increased income before depreciation by approximately $4.0 million

- Increased operating performance of NP/I&G Institutional Retail Company, LLC, primarily attributable to property acquisitions by the joint venture subsequent to January 1, 2005, which increased income before depreciation by approximately $0.7 million

- Increased operating performance of CA New Plan Acquisition Fund, LLC, primarily attributable to property acquisitions by the joint venture subsequent to January 1, 2005, which increased income before deprecation by approximately $0.2 million

- Improved operating performance of BPR Shopping Center, L.P., which increased income before depreciation by approximately $3.0 million

- A gain on the sale of land by BPR Land Partnership, L.P. in the first quarter of 2006, which increased income before depreciation by approximately $0.4 million

- A gain on the sale of Rodney Village, a property owned by Benbrooke Ventures, a joint venture in which we formerly had a 50% interest, in the first quarter of 2005, which decreased income before depreciation by approximately $0.1 million

- Decreased operating performance of CA New Plan Venture Fund, LLC, primarily due to property sales by the joint venture subsequent to January 1, 2005, which decreased income before deprecation by approximately $0.5 million

- Increased depreciation, attributable to an increased number of operating properties owned by unconsolidated ventures, which decreased equity in income of unconsolidated ventures by approximately $6.6 million

Interest expense decreased $23.8 million, or 20%, from $118.0 million in 2005 to $94.2 million in 2006. The following factors accounted for this variance:

- Consolidation Adjustments, which increased interest expense by approximately $0.3 million

- A higher interest rate on our then existing $150.0 million variable rate secured term loan (prior to August 2006 amendments), which increased interest expense by approximately $2.5 million

- Increased interest rates on our derivative financial instruments that convert fixed rate debt to variable rate debt, which increased interest expense by approximately $1.8 million

- The 2005 write-off of premiums associated with the repayment of the secured mortgage indebtedness discussed below, which increased interest expense by approximately $4.2 million

- A net decrease in interest expense recorded on our outstanding notes payable, attributable to the following transactions, which decreased interest expense by approximately $8.3 million:

- The September 2006 Debt Offering, which increased interest expense by approximately $2.1 million

- The public offering of $125.0 million aggregate principal amount of senior unsecured, 7-year fixed rate notes with a coupon of 5.125% and $125.0 million aggregate principal amount of senior unsecured, 10-year fixed rate notes with a coupon of 5.25% in September 2005 (collectively, the September 2005 Debt Offering), which increased interest expense by approximately $9.3 million

- A full year of interest expense on our $100.0 million 5.30% unsecured senior notes, due January 15, 2015, which increased interest expense by approximately $0.2 million

- The repayment of $100.0 million in principal amount of our outstanding 7.75% unsecured senior notes, due April 5, 2005, with a portion of the proceeds from our then existing $150.0 million unsecured term loan (the Unsecured Term Loan) on April 5, 2005, which decreased interest expense by approximately $2.5 million

- The repayment of $250.0 million in principal amount of our outstanding 5.875% unsecured senior notes, due June 15, 2007, with the proceeds from the September 2005 Debt Offering, which decreased interest expense by approximately $10.3 million

- The 2005 payment of accrued interest and a make-whole premium in connection with our redemption of all $250.0 million of our outstanding 5.875% senior notes due June 15, 2007, which decreased interest expense by approximately $7.1 million

- A decrease in the average balance outstanding under our then existing $350.0 million variable rate revolving credit facility, partially offset by a higher interest rate on such revolving credit facility, which decreased interest expense by approximately $1.1 million

- The repayment of the Unsecured Term Loan in August 2005, which decreased interest expense by approximately $2.3 million

- A net decrease in the amount of mortgage debt outstanding, primarily attributable to the repayment of approximately $100.6 million of secured mortgage indebtedness with a portion of the proceeds from the Galileo Transactions, as well as the repayment of other mortgage indebtedness upon maturity, partially offset by the assumption of mortgages in connection with the 2006 Acquisitions and 2005 Acquisitions, which decreased interest expense by approximately $5.4 million

- Prepayment penalties incurred in connection with the 2005 repayment of the secured mortgage indebtedness discussed above, which decreased interest expense by approximately $11.2 million

- Decreased amortization of debt issuance costs, primarily attributable to the non-recurring write-off in 2005 of unamortized issuance costs associated with our then outstanding 5.875% unsecured notes, which decreased interest expense by approximately $1.1 million

- Increased capitalized interest with respect to our redevelopment projects, due to increased interest rates and increased project spending, which decreased interest expense by approximately $3.2 million

Minority interest in income of consolidated partnership and joint ventures decreased $5.3 million, from $6.0 million for the year ended December 31, 2005 to $0.7 million for the year ended December 31, 2006. This decrease is primarily attributable to the allocation of a portion of the gain from the sale of the Galileo Properties to the limited partners of Excel Realty Partners, L.P., a Delaware limited partnership (ERP), in 2005, which allocation did not recur in 2006.

Discontinued Operations:

For the year ended December 31, 2006, properties that had been either disposed of (by sale, abandonment, or in a distribution to owner) or classified as held for sale generated approximately $8.0 million, $14.6 million and $(0.9) million in results of operations, gain on sale and impairment of real estate held for sale, respectively. For the year ended December 31, 2005, such properties generated approximately $12.4 million and $17.8 million in results of operations and gain on sale, respectively. Accordingly, these amounts have been classified as discontinued operations.

Gain on Sale of Real Estate:

Gain on sale of real estate was approximately $186.9 million for the year ended December 31, 2005. This gain is directly attributable to the sale of the Galileo Properties in connection with the Galileo Transactions.

Results of Operations for the Twelve Months Ended December 31, 2005 and 2004

Revenues:

Total revenues increased $2.2 million, from $471.1 million in 2004 to $473.3 million in 2005. Significant changes are discussed below.

Rental income decreased $8.6 million, or 2%, from $367.5 million in 2004 to $358.9 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which increased rental income by approximately $8.6 million

- 2004 Acquisitions, which increased rental income by approximately $10.8 million

- Increases in occupancy and rental rates, which increased rental income by approximately $5.7 million

- Increased lease settlement income, which increased rental income by approximately $2.7 million

- The sale of the Galileo Properties, which decreased rental income by approximately $28.0 million

- Write-offs of straight-line rent balances related to certain tenant move-outs, primarily at our properties under redevelopment, which decreased rental income by approximately $2.6 million

- Decreased specialty rent, which decreased rental income by approximately $0.2 million

- Increased capitalization with respect to our redevelopment projects, which decreased rental income by approximately $5.2 million

- Decreases in cost of living adjustments, which accounted for the balance of the variance

Expense reimbursements increased $4.9 million, or 5%, from $92.8 million in 2004 to $97.7 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which increased expense reimbursements by approximately $1.7 million

- 2004 Acquisitions, which increased expense reimbursements by approximately $4.9 million

- A net increase in the amount of reimbursable real estate taxes, which increased expense reimbursements by approximately $4.2 million

- The sale of the Galileo Properties, which decreased expense reimbursements by approximately $4.1 million

- A net decrease in the amount of reimbursable property operating expenses, which decreased expense reimbursements by approximately $1.0 million

- Increased capitalization with respect to our redevelopment projects, which decreased expense reimbursements by approximately $0.8 million

Fee income increased $6.2 million, or 129%, from $4.8 million in 2004 to $11.0 million in 2005. Fee income is derived from services provided to our joint ventures and other managed projects, and the variances in the following fee revenues, which are primarily attributable to an increase in the number of properties being managed by us, accounted for the net increase in fee income:

- Financing fee revenue, which increased fee income by approximately $0.1 million

- Property management fee revenue, which increased fee income by approximately $3.0 million

- Leasing fee revenue, which increased fee income by approximately $1.0 million

- Acquisition fee revenue, which increased fee income by approximately $1.3 million

- Asset management fee revenue, which increased fee income by approximately $0.8 million

Operating Expenses:

Total operating expenses increased $16.7 million, or 7%, from $250.7 million in 2004 to $267.4 million in 2005. Significant changes are discussed below.

Operating costs decreased $3.7 million, or 5%, from $79.2 million in 2004 to $75.5 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which increased operating costs by approximately $1.6 million

- 2004 Acquisitions, which increased operating costs by approximately $1.7 million

- Increased payroll and payroll related expenses, attributable to increased personnel levels and increased management fees, as a result of the increased number of properties under management, which increased operating costs by approximately $1.9 million

- Combined increases in maintenance, repair and utility expenses, which increased operating costs by approximately $1.5 million

- Increased legal fees for tenant related matters, which increased operating costs by approximately $0.3 million

- Increased snow removal costs, which increased operating costs by approximately $0.3 million

- The sale of the Galileo Properties, which decreased operating costs by approximately $5.9 million

- Decreased insurance expense attributable to lower premiums under our renewed insurance policy that went into effect in April 2005, which decreased operating costs by approximately $1.5 million

- Increased capitalization with respect to our redevelopment projects, which decreased operating costs by approximately $3.6 million

Real estate taxes increased $5.8 million, or 10%, from $58.6 million in 2004 to $64.4 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which increased real estate taxes by approximately $1.3 million

- 2004 Acquisitions, which increased real estate taxes by approximately $4.1 million

- Property tax rate increases at certain municipalities, combined with higher assessments at certain properties, which increased real estate taxes by approximately $4.5 million

- The sale of the Galileo Properties, which decreased real estate taxes by approximately $3.6 million

- Increased capitalization with respect to our redevelopment projects, which decreased real estate taxes by approximately $0.5 million

Depreciation and amortization increased $3.5 million, or 4%, from $86.5 million in 2004 to $90.0 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which increased depreciation and amortization by approximately $3.5 million

- 2004 Acquisitions, which increased depreciation and amortization by approximately $4.4 million

- Increased depreciation expense attributable to increased tenant improvements, which increased depreciation and amortization by approximately $1.5 million

- Increased depreciation expense on properties previously under redevelopment or classified as held for sale, which increased depreciation and amortization by approximately $0.1 million

- Increased amortization expense attributable to increased deferred leasing commissions, which increased depreciation and amortization by approximately $0.4 million

- Increased amortization expense associated with amounts paid to acquire certain property and asset management rights in conjunction with the Galileo Transactions, which increased depreciation and amortization by approximately $0.6 million

- The sale of the Galileo Properties, which decreased depreciation and amortization by approximately $7.0 million

Provision for doubtful accounts increased $2.4 million, or 27%, from $8.8 million in 2004 to $11.2 million in 2005. The following factors accounted for this variance:

- 2005 Acquisitions, which in the aggregate increased provision for doubtful accounts by approximately $0.1 million

- 2004 Acquisitions, which in the aggregate increased provision for doubtful accounts by approximately $0.2 million

- Reserves taken in connection with the sale of the Galileo Properties, which increased provision for doubtful accounts by approximately $2.8 million

- Increased reserves taken for properties under redevelopment, which reserves were capitalized and therefore decreased provision for doubtful accounts by approximately $0.5 million

- Increased recoveries of previously reserved amounts, primarily attributable to aggressive collection efforts, which decreased provision for doubtful accounts by approximately $0.2 million

General and administrative expenses increased $8.7 million, or 49%, from $17.7 million in 2004 to $26.4 million in 2005. The following factors accounted for this variance:

- Increased payroll related expenses, attributable to the following factors, which increased general and administrative expenses by approximately $5.0 million:

- Additional stock option expense of approximately $0.7 million attributable to, and recorded as a result of, the stock option revaluation resulting from the payment of the Special Dividend

- Additional stock option expense of approximately $1.0 million taken in accordance with the provisions of FASB Statement No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123(R)), for stock option grants awarded to certain of our employees and members of our Board of Directors during 2005

- Additional personnel expense of approximately $1.5 million recorded in conjunction with the Galileo Transactions

- Increased personnel levels and wage rates, which increased payroll related expenses by approximately $1.8 million

- Increased rental expense and other office costs associated with our new corporate office location, which lease began in December 2004 and increased general and administrative expenses by approximately $2.2 million

- Increased reserves taken in connection with specific tenant litigations, which increased general and administrative expenses by approximately $2.8 million

- Increased costs incurred from offshore accounting services, partially offset by decreased accounting fees, primarily attributable to lower costs incurred in connection with complying with regulations under Section 404 of the Sarbanes-Oxley Act of 2002 as compared to 2004, which increased general and administrative expenses by approximately $0.8 million

- Increased travel and promotion expenses, which increased general and administrative expenses by approximately $0.1 million

- Decreased state tax expense, attributable to the reversal of reserves previously taken, in light of a recent evaluation of our state and franchise tax exposure, which decreased general and administrative expenses by approximately $1.6 million

- Increased allocation of costs to the properties, primarily attributable to higher regional office costs, which decreased general and administrative expenses by approximately $0.6 million

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Other Income and Expenses:

Interest, dividend and other income increased $0.7 million, or 20%, from $3.5 million in 2004 to $4.2 million in 2005. The following factors accounted for this variance:

- Interest earned on cash balances, primarily on the balance maintained during the period between the closing of the Galileo Transactions on August 10, 2005 and the payment of the Special Dividend on September 27, 2005, which increased interest, dividend and other income by approximately $1.6 million

- Consolidation Adjustments, which increased interest, dividend and other income by approximately $0.1 million

- Compensation for an easement received in 2004, but not in 2005, which decreased interest, dividend and other income by approximately $0.1 million

- Decreased mortgage receivable balances, primarily attributable to the repayment of loans outstanding, which decreased interest, dividend and other income by approximately $0.9 million

Equity in income of unconsolidated ventures increased $2.5 million, or 167%, from $1.5 million in 2004 to $4.0 million in 2005. The following factors accounted for this variance:

- Increased income before depreciation, attributable to the following, which increased equity in income of unconsolidated ventures by approximately $4.6 million:

- The operating performance of Galileo America LLC, a joint venture in which we acquired an ownership interest in August 2005, which increased income before depreciation by approximately $1.6 million

- Increased operating performance of NP/I&G Institutional Retail Company, LLC, primarily attributable to the acquisition of properties by the joint venture subsequent to January 1, 2004, which increased equity in income of unconsolidated ventures by approximately $2.0 million

- Improved operating performance of BPR Shopping Center, L.P., which increased income of unconsolidated ventures by approximately $0.7 million

- Improved operating performance of Arapahoe Crossings, L.P., which increased income of unconsolidated ventures by approximately $0.3 million

- Increased depreciation, attributable to an increased number of operating properties owned by unconsolidated ventures, which decreased equity in income of unconsolidated ventures by approximately $2.1 million

Interest expense increased $11.9 million, or 11%, from $106.1 million in 2004 to $118.0 million in 2005. The following factors accounted for this variance:

- An increase in the average balance outstanding under our then outstanding $350.0 million revolving credit facility, compounded by a higher interest rate on our then outstanding revolving credit facility, which increased interest expense by approximately $1.3 million

- A higher interest rate on our then outstanding $150.0 million secured term loan, which increased interest expense by approximately $3.1 million

- The Unsecured Term Loan, which was entered into in the second quarter of 2005 and paid off with a portion of the proceeds from the Galileo Transactions in the third quarter of 2005, which increased interest expense by approximately $2.3 million

- Increased interest expense on our derivative financial instruments that convert fixed rate debt to variable rate debt, which increased interest expense by approximately $2.3 million

- Increased amortization of debt issuance costs, primarily attributable to the early repayment of public debt, which increased interest expense by approximately $0.9 million

- The payment of accrued interest and a make-whole premium in connection with our redemption of all $250.0 million of our outstanding 5.875% senior notes due June 15, 2007, which increased interest expense by approximately $7.1 million

- Prepayment penalties incurred in connection with the repayment of the secured mortgage indebtedness discussed below, which increased interest expense by approximately $11.2 million

- A net decrease in the amount of mortgage indebtedness outstanding, attributable to the repayment of approximately $100.6 million of secured mortgage indebtedness with a portion of the proceeds from the Galileo Transactions, as well as the repayment of other mortgage indebtedness upon maturity, partially offset by the assumption of mortgages in connection with the 2005 Acquisitions and 2004 Acquisitions, which decreased interest expense by approximately $5.0 million

- The write-off of premiums associated with the repayment of the secured mortgage indebtedness discussed above, which decreased interest expense by approximately $3.0 million

- The repayment of $75.0 million of our 6.875% medium-term notes in April 2005 with a portion of the proceeds from the Unsecured Term Loan, which decreased interest expense by approximately $5.8 million

- A decrease in the balance outstanding under our fixed rate REMIC, attributable to ongoing scheduled payments, which decreased interest expense by approximately $0.2 million

- Increased capitalized interest with respect to our redevelopment projects, due to increased interest rates and increased project spending, which decreased interest expense by approximately $2.1 million

- Decreased financing fees, which accounted for the balance of the variance

Minority interest in income of consolidated partnership and joint ventures increased $5.1 million, from $0.9 million for the year ended December 31, 2004 to $6.0 million for the year ended December 31, 2005. This increase is primarily attributable to the allocation of a portion of the gain from the sale of the Galileo Properties in connection with the Galileo Transactions to the limited partners of ERP.

Discontinued Operations:

For the year ended December 31, 2005, properties that had been either disposed of (by sale, abandonment, or in a distribution to owner) or classified as held for sale generated approximately $12.4 million and $17.8 million in results of operations and gain on sale, respectively. For the year ended December 31, 2004, such properties generated approximately $14.6 million, $(0.1) million and $(1.1) million in results of operations, impairment of real estate held for sale and loss on sale, respectively. Accordingly, these amounts have been classified as discontinued operations.

Gain on Sale of Real Estate:

Gain on sale of real estate was approximately $186.9 million for the year ended December 31, 2005. This gain is directly attributable to the sale of the Galileo Properties in connection with the Galileo Transactions. Gain on sale of real estate was approximately $1.2 million for the year ended December 31,

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2004. This amount represents our previously deferred gain incurred in connection with our sale of 70% of our interest in Arapahoe Crossings, L.P. in 2003.

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. 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 (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures.

On October 1, 2003, the National Association of Real Estate Investment Trusts (NAREIT), based on discussions with the SEC, provided revised guidance regarding the calculation of FFO. This revised guidance provides that impairments should not be added back to net income in calculating FFO and that original issuance costs associated with preferred stock that has been redeemed should be factored into the calculation of FFO. We present FFO in accordance with NAREIT s revised guidance in the table set forth below.

Given the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors as a starting point in measuring 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 gains (or losses) from sales of property and depreciation and amortization on real estate assets, which can make periodic and peer analyses of operating performance more difficult. However, it should be noted that there are certain items, such as impairments, that are included within the definition of FFO that do not relate to and are not indicative of our operating performance. Furthermore, FFO should not 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. In addition, 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 periods indicated (dollars in thousands):

	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
Net income available to common stockholders diluted	$ 113,996	$ 289,506	$ 113,266
Deduct:			
Minority interest in income of consolidated partnership, excluding gain allocation	(745)	(714)	(796)
Net income available to common stockholders basic	113,251	288,792	112,470
Add:			
Depreciation and amortization			
Continuing operations real estate assets	85,470	88,412	84,796
Discontinued operations real estate assets	3,155	5,164	5,782
Pro rata share of joint venture real estate assets	10,355	3,732	1,629
Deduct:			
Gain on sale of real estate (1)	(1)	(186,908)	(1,217)
(Gain) loss on sale of discontinued operations (1)	(11,801)	(11,818)	5,622
Pro rata share of joint venture (gain) loss on sale of real estate (1)	(78)	(406)	433
Funds from operations basic	200,351	186,968	209,515
Add:			
Minority interest in income of consolidated partnership, excluding gain allocation	745	714	796
Funds from operations diluted	$ 201,096	$ 187,682	$ 210,311
Net cash provided by operating activities	$ 209,157	$ 222,366	$ 221,955
Net cash (used in) provided by investing activities	(154,809)	636,105	(254,294)
Net cash (used in) provided by financing activities	(55,634)	(856,561)	34,303

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

Liquidity and Capital Resources

As of December 31, 2006, we had approximately $13.8 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, these needs must be met from cash generated from operations and external sources of capital.

As of December 31, 2006, approximately $309.0 million was available for draw under the Amended Revolving Facility.

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), capital expenditures incurred in our development and redevelopment projects, and quarterly dividends and distributions that we pay to our common and preferred stockholders and holders of partnership units in ERP. We believe that cash generated from operations and borrowings under the Amended 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 from operations.

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 because, even in difficult economic times, consumers still need to purchase basic living essentials such as food and soft goods. 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 rental payments and our ability to re-lease space on favorable terms as leases expire. In either of these instances, our cash flow would be adversely affected.

We may acquire large portfolios of community and neighborhood shopping centers, either through direct acquisitions or business combinations. While we believe that the cash generated by any newly-acquired properties will more than offset the operating and interest expenses associated with those properties, it is possible that the 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 properties, including increased general and administrative costs while we integrate the properties into our operating system.

In some cases, we have invested as a co-venturer or partner in the development or redevelopment of new properties, instead of developing projects directly. Pursuant to the terms of certain of our joint venture agreements, we have outstanding commitments to contribute up to an aggregate of $5.5 million that may be required by such joint ventures. In addition to the committed amount, we have also agreed to contribute our pro rata share of any additional capital that may be required by our joint ventures, which pro rata share is not expected to be material. We expect to fund these capital requirements either out of excess cash from operations, or through draws on the Amended Revolving Facility.

During 2006, we completed −17 redevelopment projects in our Consolidated Portfolio, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $64.6 million. Our current redevelopment pipeline in our Consolidated Portfolio is comprised of 27 projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $189.4 million. In addition, during 2006, we completed −four outparcel development projects in our Consolidated Portfolio, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $8.0 million. Our current outparcel development pipeline in our Consolidated Portfolio is comprised of nine projects, the aggregate cost of which, including costs incurred in prior years on these projects, is expected to be approximately $22.2 million. We intend on financing these redevelopment and outparcel development projects through cash from operations or draws on the Amended Revolving Facility.

We also redevelop properties in our joint venture portfolios and during 2006 we completed− one redevelopment project, the aggregate cost of which, including costs incurred in prior years on this project, was approximately $3.9 million, of which our pro rata share was approximately $0.4 million. The current joint venture redevelopment pipeline is comprised of nine projects, the aggregate cost of which, including costs incurred in prior years, is expected to be approximately $125.8 million, of which our pro rata share will be approximately $14.7 million. In addition, we also develop outparcels at properties in our joint venture portfolios and during 2006, we completed two outparcel redevelopment projects through out joint venture portfolios, the aggregate cost of which, including costs incurred in prior years on these projects, was approximately $6.0 million, of which our pro rata share was approximately $0.3 million. The current outparcel development pipeline in our joint venture portfolios is comprised of one project, the aggregate cost of which, including costs incurred in prior years on this project, is expected to be approximately $2.2 million, of which our pro rata share will be approximately $0.1 million. We intend on financing the redevelopment and outparcel development projects in our joint venture portfolios with a variety of financing vehicles as determined from time to time by the joint venture.

We 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 lives of the leases. We expect to pay for these capital expenditures out of excess cash from operations or, to the extent necessary, through draws on the Amended Revolving Facility. We believe that a significant portion of these expenditures is recouped in the form of continuing lease payments.

We have a common stock repurchase program pursuant to which we may repurchase up to $75.0 million of our outstanding common stock through periodic open market transactions or through privately negotiated transactions. We also have a preferred stock and public debt repurchase program under which we may repurchase up to $125.0 million of our outstanding preferred stock and public debt through periodic open market transactions or through privately negotiated transactions. No repurchases were made in 2006 under any of these repurchase programs.

We also obtained separate authorization in September 2006 to repurchase up to an additional $75.0 million of our outstanding common stock in connection with the September 2006 Debt Offering. Concurrently with the September 2006 Debt Offering, pursuant to such separate authorization, 1,863,600 shares of common stock were repurchased and retired at an average purchase price of $26.83 per share (approximately $50.0 million aggregate value). Due to the fact that we completed the offering on September 19, 2006, no additional repurchases may be made pursuant to this authorization.

We currently pay a quarterly dividend of $0.3125 per share of common stock (or $1.25 per share on an annualized basis). 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 be distributed to stockholders. In addition, under the Amended Revolving Facility and the Amended Secured Term Loan, we are restricted from paying common stock dividends that would exceed 95% of our Funds From Operations (as defined in the applicable debt agreement) during any four-quarter period. We also make regular quarterly distributions on ERP units.

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 or development 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 ability to access 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 three major rating agencies Standard & Poor s (BBB), Moody s Investor Service (Baa2) and Fitch Ratings (BBB+). 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 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 existing debt agreements.

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. 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 attractive terms.

We have selectively effected asset sales to generate cash proceeds over the last two years. During 2006, we generated approximately $124.0 million in gross proceeds through the culling of non-core and non-strategic properties and approximately $1.4 million from the disposition of certain properties and land parcels held through joint ventures. During 2005, we generated approximately $1.1 billion in gross proceeds through the Galileo Transactions, as well as the culling of non-core and non-strategic properties and approximately $17.1 million from the disposition of certain properties and land parcels held through joint ventures. 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 in order to raise cash will necessarily be limited if market conditions make such sales unattractive.

The following table summarizes all of our known contractual cash obligations, excluding interest, to pay third parties as of December 31, 2006 (based on a calendar year, dollars in thousands):

Contractual Cash Obligations	**Total**	**Less than 1 year**	**1- 3 years**	**3 - 5 years**	**More than 5 years**
Long-Term Debt (1)	$ 1,803,347	$ 62,239	$ 372,624	$ 742,517	$ 625,967
Capital Lease Obligations	27,500	410	918	1,066	25,106
Operating Leases (2)	57,807	3,474	6,440	6,285	41,608
Total	$ 1,888,654	$ 66,123	$ 379,982	$ 749,868	$ 692,681

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

(2) Operating leases include ground leases for shopping centers that we operate and our administrative office space.

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We intend to repay our 2007 contractual cash obligations, which include approximately $32.6 million of maturing mortgages and scheduled amortization and approximately $30.0 million of maturing notes payable, through draws under the Amended Revolving Facility, with proceeds generated through the sale of assets, with proceeds generated through the issuance of public or private secured or unsecured debt, or a combination thereof.

The following table summarizes certain terms of our existing credit agreements as of December 31, 2006 (dollars in thousands):

Loan	Amount Available to be Drawn	Amount Drawn as of December 31, 2006	Current Interest Rate (1)	Maturity Date
Amended Revolving Facility	$ 350,000	$ 41,000	LIBOR plus 55 bp (2)	August 2010
Amended Secured Term Loan	150,000	150,000	LIBOR plus 55 bp	August 2010
Total	$ 500,000	$ 191,000		

(1) We incur interest using a 30-day LIBOR rate, which was 5.35% at December 31, 2006.

(2) We also incur an annual facility fee of 15 basis points on this facility.

On September 19, 2006, we completed the September 2006 Debt Offering. Net proceeds from the offering were used to repurchase approximately $50.0 million of our common stock at an average purchase price of $26.83 per share and for general corporate purposes, including the repayment of outstanding borrowings under the Amended Revolving Facility.

On August 25, 2006, we amended and restated our existing $350.0 million unsecured revolving credit facility and added an accordion feature that allows us, subject to certain conditions, to increase the amount that can be borrowed under the facility to $500.0 million. The Amended Revolving Facility bears interest at LIBOR plus 55 basis points (based on our current credit ratings) and incurs an annual facility fee of 15 basis points. The Amended Revolving Facility is scheduled to mature on August 25, 2010, with a one-year extension option.

On August 25, 2006, the Company also amended and restated its existing $150.0 million secured term loan. The Amended Secured Term Loan bears interest at LIBOR plus 55 basis points (based on our current credit ratings) and is scheduled to mature on August 25, 2010.

Our ability to borrow under the Credit Agreements is subject to our ongoing compliance with a number of covenants, including with respect to our ability to incur liens on our property, engage in major transactions such as mergers, make certain investments and engage in certain transactions with our affiliates. In addition, the Credit Agreements require that we maintain certain financial coverage ratios and other debt covenants. As of December 31, 2006, these coverage ratios and debt covenants, as amended, included:

- EBITDA (as defined in the applicable debt agreement) to fixed charges ratio of at least 1.60:1;
- minimum tangible net worth of approximately $1.2 billion;
- total debt to total adjusted assets of no more than 60% (or 65% in certain circumstances);
- total secured debt to total adjusted assets of no more than 40%;
- unsecured debt to unencumbered assets value of no more than 60% (or 65% in certain circumstances);
- 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%; and
- Funds from Operations (as defined in the applicable debt agreement) payout ratio no greater than 95%.

Under the terms of each of the Amended Revolving Facility and the Amended Secured Term Loan, 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. The Amended Secured Term Loan also contains certain financial covenants relating to the operating performance of certain properties that collateralize the Amended Secured Term Loan.

As of December 31, 2006, we had approximately $1.2 billion of public indebtedness outstanding, excluding the impact of unamortized discounts, under three indentures, having a weighted average interest rate of 5.3%. 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 existing Credit Agreements, as described above.

As of December 31, 2006, we were in compliance with all of the financial covenants under our existing Credit Agreements 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 Agreements and public indebtedness, as of December 31, 2006, we had approximately $437.3 million of mortgage debt outstanding, excluding the impact of unamortized premiums, having a weighted average contract interest rate of 7.3% per annum.

Off-Balance Sheet Arrangements

We do not believe that we currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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

The following is a brief summary of the unconsolidated joint venture obligations that we have as of December 31, 2006, and in which we expect to make additional capital contributions to the joint venture:

- *CA New Plan Acquisition Fund, LLC.* We have a 10% interest in a joint venture that was created in conjunction with the restructuring of CA New Plan Venture Fund, LLC (see below) for the acquisition, redevelopment and development of real estate assets. Under the terms of the joint venture, we have committed to contribute our pro rata share of any capital that might be required by the joint venture for asset acquisitions, up to a maximum of $4.2 million, of which approximately $2.4 million had been contributed by us as of December 31, 2006. We anticipate contributing the remaining approximately $1.8 million by the end of 2007. Additionally, we have agreed to contribute our pro rata share of any additional 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, 2006, the joint venture owned seven stabilized retail properties and one retail property under redevelopment. The joint venture had loans outstanding of approximately $67.8

million as of December 31, 2006. As of December 31, 2006, the book value of our investment in CA New Plan Acquisition Fund, LLC was approximately $2.4 million.

- *Galileo America LLC.* We have a 5% interest in this joint venture, which interest was acquired on August 10, 2005 in conjunction with the Galileo Transactions. Under the terms of this joint venture, we are not obligated to contribute any additional capital to the venture; however, in the event that additional capital is contributed by our joint venture partner, we have the option to contribute the amount necessary to maintain our 5% ownership interest. We anticipate making additional capital contributions from time to time to maintain our 5% ownership interest. As of December 31, 2006, the joint venture was comprised of 132 stabilized retail assets, two retail properties under redevelopment and one new development property and had loans outstanding of approximately $1.3 billion. As of December 31, 2006, the book value of our investment in Galileo America LLC was approximately $34.8 million.

- *NP / I&G Institutional Retail Company II, LLC.* In February 2006, we formed a second strategic joint venture with JP Morgan Investment Management Inc. to acquire high-quality institutional grade community and neighborhood shopping centers on a nationwide basis. Under the terms of this joint venture, we have a 20% interest in the venture and have committed to contribute our pro rata share of any capital required by the venture for asset acquisitions. As of December 31, 2006, we had contributed approximately $1.8 million. Additionally, we have agreed to contribute our pro rata share of any additional capital that might be required by the joint venture; however, we do not expect that any significant additional capital contributions with respect to existing properties will be required. As of December 31, 2006, the joint venture owned one stabilized retail property. The joint venture had loans outstanding of approximately $21.0 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in NP / I&G Institutional Retail Company II, LLC was approximately $1.8 million.

- *NPK Redevelopment I, LLC.* We have a joint venture with Kmart Corporation (Sears Holding Corp.) pursuant to which the joint venture will redevelop three Kmart Supercenter properties formerly owned by Kmart. Under the terms of this joint venture, we have agreed to contribute $6.0 million, $3.6 million of which we have contributed as of December 31, 2006. After our contribution of the total committed amount, we will have a 20% interest in the venture and will be responsible for contributing our pro rata share of any additional 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 no loans outstanding as of December 31, 2006. As of December 31, 2006, the book value of our investment in NPK Redevelopment I, LLC was approximately $3.6 million.

In addition, the following is a brief summary of the other unconsolidated joint venture obligations that we have as of December 31, 2006. Although we have agreed to contribute certain amounts of capital that may be required by these joint ventures, as more fully described below, we do not expect that any significant capital contributions to the following joint ventures will be required.

- *Arapahoe Crossings, L.P.* We, together with a U.S. partnership comprised substantially of foreign investors, have an interest in a joint venture which owns Arapahoe Crossings, a community shopping center located in Aurora, Colorado. Under the terms of this joint venture, we have a 30% interest and we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint venture had loans outstanding of approximately $47.8 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in Arapahoe Crossings, L.P. was approximately $6.5 million.

- *BPR Land Partnership, L.P.* We have a 50% interest in a joint venture that owns approximately 27.1 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint

venture had no loans outstanding as of December 31, 2006. As of December 31, 2006, the book value of our investment in BPR Land Partnership, L.P. was approximately $1.0 million.

- *BPR Shopping Center, L.P.* We have a 25% interest in a joint venture that owns The Centre at Preston Ridge, a community shopping center located in Frisco, Texas. Under the terms of this joint venture, we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint venture had loans outstanding of approximately $67.8 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in BPR Shopping Center, L.P. was approximately $2.8 million.

- *BPR South, L.P.* We have a 50% interest in a joint venture that owns approximately 8.4 acres of undeveloped land in Frisco, Texas. Under the terms of this joint venture, we have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint venture had no loans outstanding as of December 31, 2006. As of December 31, 2006, the book value of our investment in BPR South, L.P. was approximately $0.9 million.

- *CA New Plan Venture Direct Investment Fund, LLC.* We have a 10% interest in a joint venture that was created in conjunction with the restructuring of CA New Plan Venture Fund, LLC (see below). Under the terms of the joint venture, we committed to contribute our pro rata share of any capital that might be required by the joint venture for certain redevelopment activities, up to a maximum of $0.4 million, and have agreed to contribute our pro rata share of any additional capital that might be required by the joint venture. As of December 31, 2006, we had not made any such capital contributions. As of December 31, 2006, the joint venture owned five stabilized retail properties and one retail property under redevelopment and had loans outstanding of approximately $45.0 million. As of December 31, 2006, the book value of our investment in CA New Plan Venture Direct Investment Fund, LLC was approximately $0.7 million.

- *CA New Plan Venture Fund, LLC*. During 2005, this joint venture was restructured to create two additional joint ventures, CA New Plan Acquisition Fund, LLC, and CA New Plan Venture Direct Investment Fund, LLC. As a result of the restructuring, six stabilized assets were transferred from CA New Plan Venture Fund, LLC to CA New Plan Venture Direct Investment Fund, LLC, and two assets were sold. As of December 31, 2006, the joint venture owned four stabilized retail properties and one retail property under redevelopment. Under the terms of the restructured joint venture, we continue to have a 10% interest in the venture, and committed to contribute our pro rata share of any capital that might be required by the joint venture for certain redevelopment activities, up to a maximum amount of $0.9 million, and have agreed to contribute our pro rata share of any additional capital that might be required by the joint venture. As of December 31, 2006, we had not made any such capital contributions. The joint venture had loans outstanding of approximately $47.3 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in CA New Plan Venture Fund, LLC was approximately $3.3 million.

- *NP/I&G Institutional Retail Company, LLC.* We have a strategic joint venture with JPMorgan Investment Management Inc. to acquire high-quality institutional grade community and neighborhood shopping centers on a nationwide basis. The joint venture owned 13 stabilized retail properties as of December 31, 2006. Under the terms of this joint venture, we have a 20% interest in the venture and are responsible for contributing our pro rata share of any capital that might be required by the joint venture. We initially committed to contribute up to a maximum amount of $30.0 million to the joint venture, however, in connection with the acquisition of certain assets during 2005, we, together with ERP, contributed a disproportionate share of capital to the venture, such that our total capital investment as of December 31, 2005 was $41.4 million. The excess contribution was returned to us in February 2006. During the year ended December 31, 2006, in connection with the acquisition of certain other assets, we increased our committed capital to the

venture to $31.9 million, of which approximately $29.2 million (which represents the book value of our investment as of December 31, 2006) had been contributed as of December 31, 2006. We do not expect that any significant additional capital contributions will be required, nor do we expect that any additional acquisitions of property will be made by the joint venture. The joint venture had loans outstanding of approximately $281.4 million as of December 31, 2006.

- *NP/SSP Baybrook, LLC*. In December 2006, we formed a third strategic joint venture with JP Morgan Investment Management Inc. for the specific purpose of acquiring Baybrook Gateway, a shopping center located in Webster, Texas. Under the terms of this joint venture, we have a 20% interest in the venture and are responsible for contributing our pro rata share of any capital that might be required by the joint venture; however, we do not expect that any significant additional capital contributions will be required. The joint venture had loans outstanding of approximately $41.0 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in NP/SSP Baybrook, LLC was approximately $2.9 million.

- *Westgate Mall, LLC*. We, together with Transwestern Investment Company and The Richard E. Jacobs Group, have an interest in a joint venture that was formed for the specific purpose of acquiring and redeveloping Westgate Mall, an enclosed mall located on 55 acres of land in Fairview Park, Ohio. The joint venture is currently redeveloping the mall into a large community shopping center. Under the terms of this joint venture, we have a 10% interest in the venture and have agreed to contribute our pro rata share of any capital that might be required by the joint venture. The joint venture had loans outstanding of approximately $27.7 million as of December 31, 2006. As of December 31, 2006, the book value of our investment in Westgate Mall, LLC was approximately $1.5 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, 2006, none of which we believe will materially adversely affect us:

- *Letters of Credit.* We have arranged for the provision of seven separate letters of credit in connection with certain property or insurance related matters. If these letters of credit are drawn, we will be obligated to reimburse the providing bank for the amount of the draw. As of December 31, 2006, there was no balance outstanding under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be approximately $12.7 million.

- *Non-Recourse and Other 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, 2006, we had mortgage loans outstanding of approximately $437.3 million, excluding the impact of unamortized premiums, and our unconsolidated joint ventures had mortgage loans outstanding of approximately $1.9 billion. In addition, we have guaranteed certain construction and other obligations relative to certain joint venture development projects; however we do not expect that our obligations under such guarantees will be material if called upon.

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

Year	
2007	$ 3,474
2008	3,223
2009	3,217
2010	3,193
2011	3,092
Thereafter	41,608

We also have a potential contingent obligation in connection with a specific tenant litigation for which we have reserved approximately $4.8 million as of December 31, 2006. There can be no assurance as to the final outcome of this litigation and whether it will exceed or fall short of the amount reserved; however, we believe that the amount of the reserve is adequate.

For a discussion of other factors which may adversely affect our liquidity and capital resources, please see the section titled Risk Factors in Item 1A of this Annual Report on Form 10-K.

Inflation

The majority of our leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions contain clauses enabling 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 such rates may be increased to be consistent with, 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 our floating rate loans.

In the normal course of business, we also face risks that are either non-financial or non-qualitative. Such risks principally include credit risks and legal risks.

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

As of December 31, 2006, we had approximately $9.3 million of outstanding floating rate mortgages. We also had approximately $191.0 million outstanding under our floating rate Credit Agreements. In addition, as discussed below, we have converted $65.0 million of fixed rate borrowings to floating rate borrowings through the use of a hedging agreement. We do not believe that the interest rate risk represented by our floating rate debt is material as of December 31, 2006, in relation to our approximately $1.8 billion of outstanding total debt, our approximately $3.5 billion of total assets and our approximately $5.0 billion total market capitalization as of that date.

On August 2, 2006, we entered into two forward starting interest rate swap agreements, each for $75.0 million in notional amount. One of the swaps is expected to be used to hedge the risk of changes in interest cash outflows on fixed rate 10-year borrowings/financings that we anticipate issuing between February 1, 2007 and October 31, 2007 by effectively locking the three-month LIBOR swap rate. This swap terminates on June 15, 2017. The other swap is expected to be used to hedge the risk of changes in interest cash outflows on fixed rate 10-year borrowings/financings that we anticipate issuing between February 1, 2008 and October 31, 2008 by effectively locking the three-month LIBOR swap rate. This swap terminates on June 4, 2018.

As of December 31, 2006, we had entered into two reverse arrears swap agreements. The two reverse arrears swap agreements effectively convert the interest rate on $65.0 million of the debt from a fixed rate to a blended floating rate of 30 basis points over the six-month LIBOR rate. These two swaps will terminate on February 1, 2011.

Hedging agreements may expose us to the risk that the counterparties to these agreements may not perform, which could increase our exposure to fluctuating 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 $2.7 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 $2.7 million. This assumes that the amount outstanding under our variable rate debt remains at approximately $265.3 million (including the impact of $65.0 million in reverse arrears swap agreements), the balance as of December 31, 2006. If market rates of interest increase by 1%, the fair value of our total outstanding debt would decrease by approximately $71.7 million. If market rates of interest decrease by 1%, the fair value of our total outstanding debt would increase by approximately $75.0 million. This assumes that our total outstanding debt remains at $1.8 billion, the balance as of December 31, 2006.

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 Annual Report on Form 10-K.

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

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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 our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management s Report on Internal Control Over Financial Reporting

Management s report on internal control over financial reporting and the attestation report of PricewaterhouseCoopers LLP, our independent registered public accounting firm, on management s assessment of our internal control over financial reporting are set forth on pages F-2 and F-3, respectively, of this Annual Report on Form 10-K, and are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. *Directors, Executive Officers, and Corporate Governance*

We have adopted a Code of Ethics for Principal Executive Officer and Senior Financial Officers, which is available on our website at www.newplan.com. We intend to disclose any amendment to, or waiver from, a provision of our Code of Ethics for Principal Executive Officer and Senior Financial Officers on our website within four business days following the date of amendment or waiver.

The information required by this item regarding directors, executive officers and corporate governance is hereby incorporated by reference to the material appearing in the Proxy Statement for the Annual Stockholders Meeting to be held in 2007 (the Proxy Statement) under the captions Election of Directors, and Information Regarding Directors, Executive Officers and Corporate Governance. The information required by this item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption 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 captions Compensation Discussion and Analysis, Compensation of Directors and Executive Officers, Compensation Committee Report and Compensation Committee Interlocks and Insider Participation.

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

The information regarding security ownership of certain beneficial owners and management required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption Voting Securities of Certain Beneficial Owners and Management.

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2006. In order to counteract the dilutive effect on the options outstanding resulting from the payment of the Special Dividend, we amended our outstanding option grants to adjust both the number of options outstanding and the related exercise prices. The information set forth in the following table includes the effect of such amendment.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by stockholders	3,802,928	$ 20.48	2,002,207 (1)
Equity compensation plans not approved by stockholders (2)	633,650	11.35	-
Total	4,436,578	$ 19.18	2,002,207 (1)

(1) All of these securities are available for issuance under our 2003 Stock Incentive Plan.

(2) Represents options granted to Glenn Rufrano, our Chief Executive Officer, in connection with the employment agreement entered into upon commencement of Mr. Rufrano s employment with us in February 2000. All of these options, which have an exercise price of $11.35 per share and expire ten years from the grant date, were vested as of February 23, 2005.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the captions Transactions with Related Persons and Information Regarding Directors, Executive Officers and Corporate Governance Independence of Directors.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement under the caption Other Matters Relationship with Independent Accountants.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(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(b). The required exhibit index has been filed with the exhibits.

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

*3.1	Articles of Amendment and Restatement of the Charter of the Company, filed as Exhibit 3.01 to 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 February 23, 2004 (incorporating all amendments thereto through February 23, 2004), filed as Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004.
*4.1	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.
*4.2	Articles Supplementary classifying 805,000 shares of preferred stock as 7.625% Series E Cumulative Redeemable Preferred Stock, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed on April 17, 2003.
*4.3	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. 33-61383.
*4.4	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.
*4.5	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.
*4.6	Supplemental Indenture, dated as of December 17, 2004, by and between the Company and U.S. Bank Trust National Association (as successor to State Street Bank and Trust Company), as Trustee, to the Indenture dated as of February 3, 1999, by and among the Company, New Plan Realty Trust, as guarantor, and the Trustee, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated December 22, 2004.

*4.7	Senior Securities Indenture, dated as of January 30, 2004, by and between the Company and U.S. Bank Trust National Association, as Trustee filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated February 5, 2004.
*4.8	First Supplemental Indenture, dated as of September 19, 2006, between the Company and U.S. Bank Trust National Association, as trustee, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on September 19, 2006.
*4.9	Registration Rights Agreement, dated as of September 19, 2006, among the Company and the Initial Purchasers named in Schedule A to the Purchase Agreement, for whom Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Banc of America Securities LLC are acting as representatives, filed as Exhibit 4.3 to the Company s Current Report on Form 8-K, filed on September 19, 2006.
*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	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.
*10.3	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.
*10.4	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.
*10.5	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.
*10.6	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.
*10.7	Amended and Restated 1994 Directors 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.
*10.8	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.
*10.9	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.
*10.10	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.
*10.11	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.
*10.12	2003 Stock Incentive Plan of the Company, as amended and restated effective July 14, 2005, filed as Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

*10.13	Form of Stock Option Award pursuant to 2003 Stock Incentive Plan, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated February 18, 2005.
*10.14	Form of Amendment to Stock Option Awards pursuant to 2003 Stock Incentive Plan, filed as Exhibit 10.8 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
*10.15	Form of Restricted Stock Award pursuant to 2003 Stock Incentive Plan, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, dated February 18, 2005.
*10.16	Out-Performance Compensation Plan, effective as of February 27, 2006, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.
*10.17	Second Amended and Restated Revolving Credit Agreement, dated as of August 25, 2006, among New Plan Excel Realty Trust, Inc., Bank of America, N.A. and the other lenders party thereto, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on August 28, 2006.
*10.18	Second Amended and Restated Guaranty, dated as of August 25, 2006, by and among Excel Realty Trust ST, Inc., CA New Plan Asset Partnership IV, L.P., CA New Plan Texas Assets, L.P., HK New Plan Exchange Property Owner II, LP, NP of Tennessee, L.P., HK New Plan Exchange Property Owner I, LLC, New Plan of Illinois, LLC, New Plan of Michigan, LLC, New Plan Property Holding Company, Pointe Orlando Development Company, New Plan Realty Trust, Excel Realty Trust-NC and Bank of America, N.A., as administrative agent (Second Amended and Restated Revolving Credit Agreement), filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on August 28, 2006.
*10.19	Second Amended and Restated Secured Term Loan Agreement, dated as of August 25, 2006, among New Plan Excel Realty Trust, Inc., Bank of America, N.A. and the other lenders party thereto, filed as Exhibit 10.3 to the Company s Current Report on Form 8-K, filed on August 28, 2006.
*10.20	Second Amended and Restated Guaranty, dated as of August 25, 2006, by and among Excel Realty Trust ST, Inc., CA New Plan Asset Partnership IV, L.P., CA New Plan Texas Assets, L.P., HK New Plan Exchange Property Owner II, LP, NP of Tennessee, L.P., HK New Plan Exchange Property Owner I, LLC, New Plan of Illinois, LLC, New Plan of Michigan, LLC, New Plan Property Holding Company, Pointe Orlando Development Company, New Plan Realty Trust, Excel Realty Trust-NC and Bank of America, N.A., as administrative agent (Second Amended and Restated Secured Term Loan Agreement), filed as Exhibit 10.4 to the Company s Current Report on Form 8-K, filed on August 28, 2006.
*10.21	Term Loan Agreement, dated as of April 5, 2005, by and among the Company, Citicorp North America, Inc., as administrative agent, and the other lenders party thereto, filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
*10.22	First Amendment to Term Loan Agreement, dated as of July 13, 2005, by and among the Company, Citicorp North America, Inc., as administrative agent, and the other lenders party thereto, filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

*10.23	Second Amendment to Term Loan Agreement, dated as of July 19, 2005, by and among the Company, Citicorp North America Inc., as administrative agent, and the other lenders party thereto, filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
*10.24	Second Amended and Restated Agreement of Limited Partnership of Excel Realty Partners, L.P., dated as of May 19, 2003, filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
*10.25	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Excel Realty Partners, L.P., dated as of December 7, 2004, filed as Exhibit 10.20 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004.
*10.26	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.
10.27	New Plan Excel Realty Trust, Inc. Deferred Compensation Plan, amended and restated as of February 26, 2007.
*10.28	Director Compensation Schedule, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated February 28, 2005.
*10.29	2005 Compensation Schedule for Executive Officers, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on March 3, 2006.
*10.30	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.
*10.31	Schedule of William Newman s Compensation Arrangement, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, dated October 28, 2005.
*10.32	Demand Promissory Note, dated July 1, 1997, made by Dean Bernstein in favor of the Company, filed as Exhibit 10.23 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*10.33	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.
*10.34	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, 2001.
*10.35	Agreement, dated May 14, 2004, by and between the Company and Dean Bernstein, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
*10.36	Agreement, dated as of May 16, 2006, by and between the Company and Dean Bernstein, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on May 17, 2006.
*10.37	Demand Promissory Note, dated June 29, 1994, made by Steven F. Siegel in favor of the Company, filed as Exhibit 10.26 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*10.38	Demand Promissory Note, dated July 1, 1997, made by Steven F. Siegel in favor of the Company, filed as Exhibit 10.27 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.

*10.39	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.
*10.40	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, 2001.
*10.41	Agreement, dated June 24, 2003, by and between the Company and Steven F. Siegel, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
*10.42	Agreement, dated as of May 16, 2006, by and between the Company and Steven F. Siegel, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on May 17, 2006.
*10.43	Employment Agreement, dated as of March 15, 2005, by and between the Company and Glenn Rufrano, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated March 18, 2005.
*10.44	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.
*10.45	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.
*10.46	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.
*10.47	Agreement, dated as of September 27, 2002, by and between the Company and John Roche, filed as Exhibit 10.38 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002.
*10.48	Agreement, dated as of October 24, 2005, by and between the Company and John Roche, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated October 28, 2005.
*10.49	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.
*10.50	Agreement, dated February 12, 2003, 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 March 31, 2003.
*10.51	Agreement, dated as of March 15, 2005, by and between the Company and Leonard Brumberg, filed as Exhibit 10.3 to the Company s Current Report on Form 8-K, dated March 18, 2005.
*10.52	Consulting Agreement, dated as of May 6, 2005 (effective as of May 1, 2005), by and between the Company and Scott MacDonald, filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, dated May 10, 2005.
*10.53	Employment Agreement, dated as of March 15, 2005, by and between the Company and Michael Carroll, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, dated March 18, 2005.

*10.54	Contribution and Sale Agreement, dated as of July 19, 2005, by and among the Company, certain of its subsidiaries, Galileo America LLC and Galileo America, Inc., filed as Exhibit 99.3 to the Company s Current Report on Form 8-K, dated August 16, 2005.
12.1	Ratio of Earnings to Fixed Charges.
12.2	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
21	Subsidiaries of the Company.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated herein by reference as above indicated.

Denotes a management contract or compensatory plan, contract or arrangement.

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NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

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Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). 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 our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework,* our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of New Plan Excel Realty Trust, Inc.:

We have completed integrated audits of New Plan Excel Realty Trust, Inc. s consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedules

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of New Plan Excel Realty Trust, Inc. and its subsidiaries (collectively, the Company) at December 31, 2006 and 2005 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 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 index appearing under Item 15(a)(2) 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in Management s Report on Internal Control Over Financial Reporting appearing on page F-2, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 26, 2007

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NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2006 and 2005
(In thousands, except fractions, percentages and par value amounts)

	December 31, 2006	December 31, 2005
ASSETS		
Real estate:		
Land	$ 724,596	$ 724,901
Buildings and improvements	2,841,158	2,668,177
Accumulated depreciation and amortization	(430,207)	(376,816)
Net real estate	3,135,547	3,016,262
Real estate held for sale	28,649	19,244
Cash and cash equivalents	7,916	9,202
Restricted cash	23,662	19,906
Marketable securities	5,847	3,014
Receivables:		
Trade, net of allowance for doubtful accounts of $19,386 and $27,540 as of December 31, 2006 and 2005, respectively	29,422	20,751
Deferred rent, net of allowance of $1,702 and $1,592 as of December 31, 2006 and 2005, respectively	32,169	29,314
Other, net	22,582	25,138
Mortgages and notes receivable	4,412	795
Prepaid expenses and deferred charges	47,550	43,346
Investments in / advances to unconsolidated ventures	91,401	95,538
Intangible assets, net of accumulated amortization of $19,754 and $10,927 as of December 31, 2006 and 2005, respectively	88,256	78,046
Other assets	17,486	9,206
Total assets	$ 3,534,899	$ 3,369,762
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Mortgages payable, including unamortized premium of $11,563 and $13,871 as of December 31, 2006 and 2005, respectively	$ 448,910	$ 433,653
Notes payable, net of unamortized discount of $5,911 and $4,822 as of December 31, 2006 and 2005, respectively	1,166,950	968,347
Credit facilities	191,000	215,000
Capital leases	27,500	27,881
Dividends payable	37,529	37,826
Other liabilities	150,585	127,369
Tenant security deposits	10,203	10,641
Total liabilities	2,032,677	1,820,717
Minority interest in consolidated partnership and joint ventures	57,485	57,659
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.01 par value, 25,000 shares authorized; 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, 2006 and 2005; Series E: 8,000 depositary shares, each representing 1/10 of one share of 7.625% Series E Cumulative Redeemable Preferred, 800 shares outstanding as of December 31, 2006 and 2005	10	10
Common stock, $0.01 par value, 250,000 shares authorized; 103,420 and 104,305 shares issued and outstanding as of December 31, 2006 and 2005, respectively	1,034	1,042
Additional paid-in capital	2,009,705	2,036,880
Accumulated other comprehensive loss	(10,850)	(8,074)
Accumulated distributions in excess of net income	(555,162)	(538,472)
Total stockholders equity	1,444,737	1,491,386
Total liabilities and stockholders equity	$ 3,534,899	$ 3,369,762

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

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NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2006, 2005 and 2004
(In thousands, except per share amounts)

	December 31, 2006	December 31, 2005	December 31, 2004
Revenues:			
Rental income	$ 334,349	$ 358,869	$ 367,511
Percentage rents	4,903	5,811	5,979
Expense reimbursements	101,063	97,656	92,824
Fee income	16,660	10,957	4,797
Total revenues	456,975	473,293	471,111
Operating expenses:			
Operating costs	72,672	75,511	79,221
Real estate taxes	59,564	64,414	58,572
Depreciation and amortization	88,905	89,973	86,487
Provision for doubtful accounts	7,922	11,167	8,763
General and administrative	28,674	26,361	17,674
Total operating expenses	257,737	267,426	250,717
Income before real estate sales, impairment of real estate, minority interest and other income and expenses	199,238	205,867	220,394
Other income and expenses:			
Interest, dividend, and other income	4,016	4,219	3,517
Equity in income of unconsolidated ventures	5,143	4,045	1,513
Interest expense	(94,202)	(118,043)	(106,054)
Impairment of real estate		(859)	(43)
Minority interest in income of consolidated partnership and joint ventures	(745)	(5,953)	(853)
Income from continuing operations	113,450	89,276	118,474
Income from discontinued operations (Note 5)	21,766	30,140	14,249
Income before gain on sale of real estate	135,216	119,416	132,723
Gain on sale of real estate	1	186,908	1,217
Net income	$ 135,217	$ 306,324	$ 133,940
Preferred dividends	(21,966)	(21,888)	(21,470)
Net income available to common stock basic	113,251	284,436	112,470
Minority interest in income of consolidated partnership	745	5,070	796
Net income available to common stock diluted	$ 113,996	$ 289,506	$ 113,266
Basic earnings per common share:			
Income from continuing operations	$ 0.88	$ 2.46	$ 0.98
Discontinued operations	0.21	0.29	0.13
Basic earnings per share	$ 1.09	$ 2.75	$ 1.11
Diluted earnings per common share:			
Income from continuing operations	$ 0.85	$ 2.43	$ 0.97
Discontinued operations	0.20	0.28	0.13
Diluted earnings per share	$ 1.05	$ 2.71	$ 1.10
Average shares outstanding basic	104,102	103,393	100,894
Average shares outstanding diluted	108,814	106,834	103,345
Dividends per common share (1)	$ 1.25	$ 4.45	$ 1.65
Other comprehensive income:			
Net income	$ 135,217	$ 306,324	$ 133,940
Realized/unrealized (loss) gain on available-for-sale securities	259	(420)	517
Unrealized gains on securities held for deferred compensation	131	39	
Realized (loss) gain on interest hedges, net	1,435	(11,157)	161
Unrealized gain (loss) on interest hedges, net	(4,601)	8,495	(8,494)
Comprehensive income	$ 132,441	$ 303,281	$ 126,124

(1) For the year ended December 31, 2005, amount includes a special cash distribution of $3.00 per common share paid on September 27, 2005 (Note 14).

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

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NEW PLAN EXCEL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
For the Years Ended December 31, 2006, 2005 and 2004
(In thousands)

	Preferred Stock		Shares of Beneficial Interest/ Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Distributions in Excess of Net Income	Total Stockholders Equity
	Number	Amount	Number	Amount				
Balance at December 31, 2003	950	$ 10	97,980	$ 979	$ 1,889,338	$ 2,785	$ (306,969)	$ 1,586,143
Net income							133,940	133,940
Dividends							(188,424)	(188,424)
Exercise of stock options			952	10	19,066			19,076
Shares repurchased and retired			(2)		(52)			(52)
Employee loans					291			291
Dividend Reinvestment Plan			465	5	11,184			11,189
Stock incentive grants			65		898			898
Option grant					664			664
Redemption of limited partner units for shares of common stock			1,385	14	34,598			34,612
Realized/unrealized holding gain on marketable securities						517		517
Realized gain on interest hedges						161		161
Unrealized loss on interest hedges						(8,494)		(8,494)
Stock offering			2,000	20	49,620			49,640
Impact of non-cash adjustments to account for Preferred D dividend step-up					370		(370)	
Balance at December 31, 2004	950	10	102,845	1,028	2,005,977	(5,031)	(361,823)	1,640,161
Net income							306,324	306,324
Dividends (1)							(482,973)	(482,973)
Exercise of stock options			487	5	8,677			8,682
Forfeiture of equity award			(11)		(295)			(295)
Shares repurchased and retired			(2)		(47)			(47)
Employee loans					119			119
Dividend Reinvestment Plan			919	9	21,739			21,748
Stock incentive grants			67		239			239
Option grant					(161)			(161)
Redemption of limited partner units for shares of common stock					(161)			(161)
Realized/unrealized holding gain on marketable securities						(420)		(420)
Unrealized gains on securities held for deferred compensation						39		39
Realized gain/loss on interest hedges, net						(11,157)		(11,157)
Unrealized losses on interest hedges						8,495		8,495
Impact of non-cash adjustments to account for Preferred D dividend step-up					793			793
Balance at December 31, 2005	950	10	104,305	1,042	2,036,880	(8,074)	(538,472)	1,491,386
Net income							135,217	135,217
Dividends							(151,907)	(151,907)
Exercise of stock options			509	5	8,357			8,362
Forfeiture of equity award			(1)					
Shares repurchased and retired			(1,870)	(18)	(50,127)			(50,145)
Employee loans					115			115
Dividend Reinvestment Plan			302	3	7,509			7,512
Stock incentive grants			57	1	179			180
Option grant					2,630			2,630
Redemption of limited partner units for shares of common stock			118	1	3,295			3,296
Realized/unrealized holding gain on marketable securities						259		259
Unrealized gain/loss on securities held for deferred compensation, net						131		131
						1,435		1,435

Realized gain/loss on interest hedges, net		
Unrealized gain/loss on interest hedges, net	(4,601)	(4,601)
Impact of non-cash adjustments to account for Preferred D dividend step-up		