UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended June 30, 2009
	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: 001-32268

Kite Realty Group Trust

(Exact Name of Registrant as Specified in its Charter)

Maryland	**11-3715772**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

30 S. Meridian Street, Suite 1100 **Indianapolis, Indiana**	**46204**
(Address of principal executive offices)	(Zip code)

Telephone: (317) 577-5600

(Registrant s telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The number of Common Shares outstanding as of August 3, 2009 was 62,966,884 ($.01 par value).

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KITE REALTY GROUP TRUST
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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Cautionary Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by Kite Realty Group Trust (the Company), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on assumptions and expectations that 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 cannot be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements, financial or otherwise, 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 and local economic, business, real estate and other market conditions, particularly in light of the current recession and governmental action and policies;
- financing risks, including accessing capital on acceptable terms;
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent;
- the competitive environment in which the Company operates;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- the Company s ability to maintain its status as a real estate investment trust (REIT) for federal income tax purposes;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally; and
- other risks identified in this Quarterly Report on Form 10-Q 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, including, in particular, the section titled Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and in our quarterly reports on Form 10-Q.

The Company undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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Part I. FINANCIAL INFORMATION

Item 1.

Kite Realty Group Trust

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2009	December 31, 2008
Assets:		
Investment properties at cost:		
Land	$ 222,356,743	$ 227,781,452
Land held for development	23,074,389	25,431,845
Buildings and improvements	709,117,203	690,161,336
Furniture, equipment and other	5,046,994	5,024,696
Construction in progress	192,125,761	191,106,309
	1,151,721,090	1,139,505,638
Less: accumulated depreciation	(115,171,727)	(104,051,695)
	1,036,549,363	1,035,453,943
Cash and cash equivalents	57,262,003	9,917,875
Tenant receivables, including accrued straight-line rent of $7,977,887 and $7,221,882, respectively, net of allowance for uncollectible accounts	17,623,268	17,776,282
Other receivables	7,588,685	10,357,679
Investments in unconsolidated entities, at equity	11,211,870	1,902,473
Restricted cash and escrow deposits	12,079,731	11,316,728
Deferred costs, net	20,501,646	21,167,288
Prepaid and other assets	4,667,371	4,159,638
Total Assets	$ 1,167,483,937	$ 1,112,051,906
Liabilities and Equity:		
Mortgage and other indebtedness	$ 669,742,156	$ 677,661,466
Accounts payable and accrued expenses	37,931,722	53,144,015
Deferred revenue and other liabilities	22,551,294	24,594,794
Total Liabilities	730,225,172	755,400,275
Commitments and contingencies		
Redeemable noncontrolling interests in Operating Partnership	48,911,344	67,276,904
Equity:		
Kite Realty Group Trust Shareholders Equity:		
Preferred Shares, $.01 par value, 40,000,000 shares authorized, no shares issued and outstanding		
Common Shares, $.01 par value, 200,000,000 shares authorized, 62,963,674 shares and 34,181,179 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	629,637	341,812
Additional paid in capital	449,241,738	343,631,595
Accumulated other comprehensive income	(6,628,878)	(7,739,154)
Accumulated deficit	(59,310,084)	(51,276,059)
Total Kite Realty Group Trust Shareholders Equity	383,932,413	284,958,194

Noncontrolling Interests		4,415,008		4,416,533
Total Equity		388,347,421		289,374,727
Total Liabilities and Equity	$	1,167,483,937	$	1,112,051,906

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

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Kite Realty Group Trust

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenue:				
Minimum rent	$ 17,951,594	$ 18,304,809	$ 35,937,438	$ 36,188,937
Tenant reimbursements	4,664,968	4,569,309	9,360,649	9,588,247
Other property related revenue	1,770,070	2,974,507	3,358,178	8,131,592
Construction and service fee revenue	5,762,463	8,311,318	11,911,458	12,599,840
Total revenue	30,149,095	34,159,943	60,567,723	66,508,616
Expenses:				
Property operating	4,098,494	3,924,055	9,689,094	8,285,826
Real estate taxes	3,603,116	3,246,816	6,396,881	6,301,165
Cost of construction and services	5,017,734	7,024,400	10,577,050	10,788,634
General, administrative, and other	1,547,357	1,259,408	2,890,827	2,969,358
Depreciation and amortization	8,728,789	8,348,003	16,240,227	16,376,666
Total expenses	22,995,490	23,802,682	45,794,079	44,721,649
Operating income	7,153,605	10,357,261	14,773,644	21,786,967
Interest expense	(6,991,624)	(7,351,499)	(13,768,132)	(14,605,065)
Income tax expense of taxable REIT subsidiary	(13,233)	(251,858)	(51,185)	(1,405,086)
Other income, net	35,622	31,676	84,521	96,908
Income from unconsolidated entities	121,017	86,121	152,517	147,295
Income from continuing operations	305,387	2,871,701	1,191,365	6,021,019
Income from discontinued operations		305,041		635,864
Consolidated net income	305,387	3,176,742	1,191,365	6,656,883
Net income attributable to noncontrolling interest	(48,302)	(717,453)	(233,038)	(1,490,295)
Net income attributable to Kite Realty Group Trust	$ 257,085	$ 2,459,289	$ 958,327	$ 5,166,588
Income per common share - basic & diluted:				
Income from continuing operations attributable to Kite Realty Group Trust common shareholders	$ 0.01	$ 0.07	$ 0.02	$ 0.16
Income from discontinued operations attributable to Kite Realty Group Trust common shareholders		0.01		0.02
Net income attributable to Kite Realty Group Trust common shareholders	$ 0.01	$ 0.08	$ 0.02	$ 0.18
Weighted average common shares outstanding - basic	47,988,205	29,147,361	41,124,387	29,088,327
Weighted average common shares outstanding - diluted	48,081,453	29,269,062	41,198,377	29,161,590
Dividends declared per common share	$ 0.0600	$ 0.2050	$ 0.2125	$ 0.4100
Net income attributable to Kite Realty Group Trust common shareholders:				
Income from continuing operations	$ 257,085	$ 2,221,968	$ 958,327	$ 4,672,217
Discontinued operations		237,321		494,371

Net income attributable to Kite Realty Group Trust common shareholders	$ 257,085	$ 2,459,289	$ 958,327	$ 5,166,588

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

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Kite Realty Group Trust

Condensed Consolidated Statement of Shareholders Equity

(Unaudited)

	Common Shares		Additional	Accumulated Other Comprehensive	Accumulated	
	Shares	**Amount**	**Paid-in Capital**	**Loss**	**Deficit**	**Total**
Balances, December 31, 2008	34,181,179	$ 341,812	$ 343,631,595	$ (7,739,154)	$ (51,276,059)	$ 284,958,194
Stock compensation activity	23,730	237	452,962			453,199
Proceeds of common share offering, net of costs	28,750,000	287,500	87,305,770			87,593,270
Proceeds from employee share purchase plan	8,765	88	27,703			27,791
Other comprehensive income				1,110,276		1,110,276
Distributions declared					(8,992,352)	(8,992,352)
Net income					958,327	958,327
Adjustment to redeemable noncontrolling interests - Operating Partnership			17,823,708			17,823,708
Balances, June 30, 2009	62,963,674	$ 629,637	$ 449,241,738	$ (6,628,878)	$ (59,310,084)	$ 383,932,413

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

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Kite Realty Group Trust

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2009	2008
Cash flows from operating activities:		
Consolidated net income	$ 1,191,365	$ 6,656,883
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Equity in earnings of unconsolidated entities	(152,517)	(147,295)
Straight-line rent	(854,283)	(462,921)
Depreciation and amortization	17,053,870	17,132,592
Provision for credit losses	1,200,537	318,904
Compensation expense for equity awards	283,454	412,298
Amortization of debt fair value adjustment	(215,429)	(215,429)
Amortization of in-place lease liabilities	(1,563,112)	(1,625,953)
Distributions of income from unconsolidated entities	72,000	243,105
Changes in assets and liabilities:		
Tenant receivables	378,270	1,728,814
Deferred costs and other assets	9,612	(4,176,518)
Accounts payable, accrued expenses, deferred revenue and other liabilities	(6,027,438)	2,267,285
Net cash provided by operating activities	11,376,329	22,131,765
Cash flows from investing activities:		
Acquisitions of interests in properties and capital expenditures, net	(16,026,633)	(57,918,615)
Change in construction payables	(3,291,327)	(704,888)
Contributions to unconsolidated entities	(9,112,912)	
Distributions of capital from unconsolidated entities		725,235
Net cash used in investing activities	(28,430,872)	(57,898,268)
Cash flows from financing activities:		
Equity issuance proceeds, net of costs	87,621,061	846,778
Loan proceeds	64,660,320	62,773,357
Loan transaction costs	(370,074)	(253,043)
Loan payments	(72,364,200)	(18,831,255)
Distributions paid common shareholders	(12,188,873)	(11,901,897)
Distributions paid redeemable noncontrolling interests	(2,911,563)	(3,419,074)
Distributions to noncontrolling interests	(48,000)	(446,286)
Net cash provided by financing activities	64,398,671	28,768,580
Net change in cash and cash equivalents	47,344,128	(6,997,923)
Cash and cash equivalents, beginning of period	9,917,875	19,002,268
Cash and cash equivalents, end of period	$ 57,262,003	$ 12,004,345

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

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Kite Realty Group Trust

Notes to Condensed Consolidated Financial Statements

June 30, 2009

(Unaudited)

Note 1. Organization

Kite Realty Group Trust (the Company), through its majority-owned subsidiary, Kite Realty Group, L.P. (the Operating Partnership), is engaged in the ownership, operation, management, leasing, acquisition, construction, expansion and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. The Company also provides real estate facilities management, construction, development and other advisory services to third parties through its taxable REIT subsidiary. At June 30, 2009, the Company owned interests in 55 operating properties (consisting of 51 retail properties, three commercial operating properties and an associated parking garage) and eight properties under development or redevelopment. Of the 63 total properties held at June 30, 2009, the Company owned a controlling interest in all but one operating property and one parcel of land currently undergoing pre-development activities (collectively the unconsolidated joint venture properties), both of which are accounted for under the equity method.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The Company s management has prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited financial statements as of June 30, 2009 and for the three and six months ended June 30, 2009 and 2008 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company s 2008 Annual Report on Form 10-K. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates. The results of operations for the interim periods are not necessarily indicative of the results that may be expected on an annual basis.

The Company has evaluated subsequent events through the time that the financial statements for the period ended June 30, 2009 were filed with the SEC in the Company s Quarterly Report on Form 10-Q on August 10, 2009.

Consolidation and Investments in Joint Ventures

The accompanying financial statements of the Company are presented on a consolidated basis and include all accounts of the Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership and any variable interest entities (VIEs) in which the Company is the primary beneficiary. The Company consolidates properties that are wholly owned as well as properties it controls but in which it owns less than a 100% interest. Control of a property is demonstrated by:

- the Company s ability to manage day-to-day operations of the property;
- the Company s ability to refinance debt and sell the property without the consent of any other partner or owner;
- the inability of any other partner or owner to replace us as a manager of the property; or
- being the primary beneficiary of a VIE.

The Company s determination of the primary beneficiary of a VIE considers all relationships between the Company and the VIE, including management agreements and other contractual arrangements, when determining the party obligated to absorb the majority of the expected losses, as defined in Financial Accounting Standards Board (FASB) Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FIN 46R). There have been no changes as of June 30, 2009 in the Company s conclusions regarding whether an entity qualifies as a VIE or whether the Company is the primary beneficiary of any previously identified VIE.

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As of June 30, 2009, the Company had investments in six joint ventures that are VIEs in which the Company is the primary beneficiary. As of June 30, 2009, these VIEs had total debt of approximately $96.7 million which is secured by assets of the VIEs totaling approximately $180.4 million. The Operating Partnership guarantees the debt of these VIEs.

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as it exercises significant influence over, but does not control, operating and financial policies. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions.

Noncontrolling Interests

In December 2007, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 160 Non-controlling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. As a result of the retrospective adoption of SFAS 160, which was effective for the Company on January 1, 2009, the Company reclassified noncontrolling interest from the liability section to the equity section in its accompanying consolidated balance sheets and as an allocation of net income rather than an expense in the accompanying consolidated statements of operations. As a result of the reclassification, total equity at December 31, 2008 increased $4.4 million.

The noncontrolling interests in the Operating Partnership for the six months ended June 30, 2009 and 2008 were as follows:

		2009		2008
Noncontrolling interests balance January 1	**$**	**4,416,533**	$	4,421,500
Net income allocable to noncontrolling interests, excluding redeemable noncontrolling interests		**46,475**		15,600
Distributions to noncontrolling interests		**(48,000)**		(446,286)
Company purchase of noncontrolling interests				427,612
Noncontrolling interests balance at June 30	**$**	**4,415,008**	$	4,418,426

In addition, as part of the adoption of SFAS 160, the Company also applied the measurement provisions of EITF Topic D-98 Classification and Measurement of Redeemable Securities (EITF D-98). As a result of the adoption of SFAS 160, as well as applying the measurement provisions of EITF D-98, the Company did not change the classification of redeemable noncontrolling interests in the Operating Partnership in the accompanying consolidated balance sheets because the Company may be required to pay cash to unitholders upon redemption of their interest in the limited partnership under certain circumstances. However, as noted above, noncontrolling interests, including redeemable interests, are now classified as an allocation of net income rather than an expense in the accompanying consolidated statements of operations.

The redeemable noncontrolling interests in the Operating Partnership for the six months ended June 30, 2009 and 2008 was as follows:

	2009	2008

Redeemable noncontrolling interests balance January 1	**$**	**67,276,904**	$	127,325,047
Net income allocable to redeemable noncontrolling interests		**186,563**		1,474,695
Accrued distributions to redeemable noncontrolling interests		**(1,711,091)**		(3,412,956)
Other comprehensive income (loss) allocable to redeemable noncontrolling interests (1)		**982,676**		(68,033)
Adjustment to redeemable noncontrolling interests - operating partnership		**(17,823,708)**		(21,465,653)
Redeemable noncontrolling interests balance at June 30	**$**	**48,911,344**	$	103,853,100

(1) Represents the noncontrolling interests share of the changes in the fair value of derivative instruments accounted for as cash flow hedges (see Note 7).

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The following sets forth comprehensive income (loss) allocable to noncontrolling interests for the six months ended June 30, 2009 and 2008:

	2009	2008
Accumulated comprehensive loss balance at January 1	**$ (1,827,167)**	$ (696,313)
Other comprehensive income (loss) allocable to noncontrolling interests (1)	**982,676**	(68,033)
Accumulated comprehensive loss balance at June 30	**$ (844,491)**	$ (764,346)

(1) Represents the noncontrolling interests share of the changes in the fair value of derivative instruments accounted for as cash flow hedges (see Note 7).

The adoption of the measurement provisions of EITF D-98 also requires that the carrying amount of the redeemable noncontrolling interests in the Operating Partnership be reflected at the greater of historical book value or redemption value with a corresponding adjustment to accumulated deficit. The adoption of this provision did not impact either of the accompanying consolidated balance sheets.

Although the presentation of certain of the Company s noncontrolling interests in subsidiaries did change as a result of the adoption of SFAS No. 160 and EITF D-98, it did not have a material impact on the Company s financial condition or results of operations.

In addition to the reclassified amounts related to the adoption of SFAS 160 as discussed above, the Company also reclassified certain prior year amounts related to discontinued operations to conform to the current year presentation. Such reclassifications had no effect on net income attributable to the Company.

The Company allocates net operating results of the Operating Partnership to noncontrolling interest holders based on the partners respective weighted average ownership interest. The Company adjusts the noncontrolling interests in the Operating Partnership at the end of each period to reflect such interests in the Operating Partnership at the greater of historical book value or redemption value. This adjustment is reflected in the Company s shareholders equity. The Company s and the redeemable noncontrolling interests in the Operating Partnership for the three and six months ended June 30, 2009 and 2008 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Company s weighted average diluted interest in Operating Partnership	**85.7%**	77.8%	**83.7%**	77.8%
Redeemable noncontrolling weighted average diluted interests in Operating Partnership	**14.3%**	22.2%	**16.3%**	22.2%

The Company s and the noncontrolling interests in the Operating Partnership at June 30, 2009 and December 31, 2008 were as follows:

	Balance at	
	June 30, 2009	**December 31, 2008**
Company s interest in Operating Partnership	**88.7%**	80.9%
Noncontrolling interests in Operating Partnership	**11.3%**	19.1%

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Investment Properties

Investment properties are recorded at cost and include costs of acquisitions, development, pre-development, construction costs, certain allocated overhead, tenant allowances and improvements, and interest and real estate taxes incurred during construction. Significant renovations and improvements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. If a tenant vacates a space prior to the lease expiration, terminates its lease, or otherwise notifies the Company of its intent to do so, any related unamortized tenant allowances are immediately expensed. Maintenance and repairs that do not extend the useful lives of the respective assets are reflected in property operating expense.

The Company incurs costs prior to land acquisition and for certain land held for development including acquisition contract deposits, as well as legal, engineering and other external professional fees related to evaluating the feasibility of developing a shopping center. These pre-development costs are included in land held for development in the accompanying condensed consolidated balance sheets. If the Company determines that the development of a property is no longer probable, any pre-development costs previously incurred are immediately expensed. Once construction commences on the land, the related capitalized costs are transferred to construction in progress.

The Company also capitalizes costs such as construction, interest, real estate taxes, salaries and related costs of personnel directly involved with the development of our properties. As portions of the development property become operational, the Company expenses appropriate costs on a pro rata basis.

Depreciation on buildings and improvements is provided utilizing the straight-line method over estimated original useful lives ranging from 10 to 35 years. Depreciation on tenant allowances and improvements is provided utilizing the straight-line method over the term of the related lease. Depreciation on equipment and fixtures is provided utilizing the straight-line method over 5 to 10 years.

Impairment

In accordance with SFAS No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (SFAS 144), management reviews investment properties and intangible assets within the real estate operation and development segment for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable. Impairment analysis requires management to make certain assumptions and requires significant judgment. Management does not believe any investment properties were impaired at June 30, 2009.

Impairment losses for investment properties are recorded when the undiscounted cash flows estimated to be generated by the investment properties during the expected holding period are less than the carrying amounts of those assets. Impairment losses are measured as the excess carrying value over the fair value of the asset.

In accordance with SFAS 144, operating properties held for sale include only those properties available for immediate sale in their present condition and for which management believes it is probable that a sale of the property will be completed within one year. Operating properties are carried at the lower of cost or fair value less costs to sell. Depreciation and amortization are suspended during the held-for-sale period.

The Company s properties generally have operations and cash flows that can be clearly distinguished from the rest of the Company. In accordance with SFAS 144, the operations reported in discontinued operations include those operating properties that were sold or considered held-for-sale and for which operations and cash flows can be clearly distinguished. The operations from these properties are eliminated from ongoing operations and the Company will not have a continuing involvement after disposition. Prior periods have been reclassified to reflect the operations of these properties as discontinued operations to the extent they are material to the results of operations.

Revenue Recognition

As lessor, the Company retains substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases.

Base minimum rents are recognized on a straight-line basis over the terms of the respective leases. Certain lease agreements contain provisions that grant additional rents based on tenants sales volume (contingent percentage rent). Percentage rents are

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recognized when tenants achieve the specified targets as defined in their lease agreements. Percentage rents are included in other property related revenue in the accompanying statements of operations.

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenues in the period the applicable expense is incurred.

Gains and losses on sales of real estate are recognized in accordance with SFAS No. 66, Accounting for Sales of Real Estate . In summary, gains and losses from sales are not recognized unless a sale has been consummated, the buyer s initial and continuing investment is adequate to demonstrate a commitment to pay for the property, the Company has transferred to the buyer the usual risks and rewards of ownership, and the Company does not have a substantial continuing financial involvement in the property. As part of the Company s ongoing business strategy, it will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants. Gains realized on such sales were $0.6 million and $2.0 million for the three months ended June 30, 2009 and 2008, respectively, and $1.6 million and $4.7 million for the six months ended June 30, 2009 and 2008, respectively, and are classified as other property related revenue in the accompanying consolidated financial statements.

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date to the estimated total cost for each contract. Project costs include all direct labor, subcontract, and material costs and those indirect costs related to contract performance costs incurred to date. Project costs do not include uninstalled materials. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

From time to time, the Company will construct and sell build-to-suit merchant assets to third parties. Proceeds from the sale of build-to-suit merchant assets are included in construction and service fee revenue and the related costs of the sale of these assets are included in cost of construction and services in the accompanying consolidated financial statements.

Development and other advisory services fees are recognized as revenues in the period in which the services are rendered. Performance-based incentive fees are recorded when the fees are earned.

Tenant Receivables and Allowance for Doubtful Accounts

Tenant receivables consist primarily of billed minimum rent, accrued and billed tenant reimbursements and accrued straight-line rent. The Company generally does not require specific collateral other than corporate or personal guarantees from its tenants.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of certain tenants or others to meet contractual obligations under their lease or other agreements. This allowance includes an estimate of the amount of the straight-line rent receivable that is deemed to be unrealizable over the term of the tenants leases. Accounts are written off when, in the opinion of management, the balance is uncollectible.

Note 3. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined based on the weighted average number of shares outstanding combined with the incremental average shares that would have been outstanding assuming all potentially dilutive shares were converted into common shares as of the earliest date possible.

Potentially dilutive securities include outstanding share options, units in the Operating Partnership, which may be exchanged, at our option, for either cash or common shares under certain circumstances and deferred share units, which may be credited to the accounts of non-employee trustees in lieu of the payment of cash compensation or the issuance of common shares to such trustees. The only securities that had a potentially dilutive effect for the three and six months ended June 30, 2009 and 2008 were outstanding share options and deferred share units, the dilutive effect of which was as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Dilutive effect of outstanding share options to outstanding common shares	**54,116**	111,713	**44,742**	63,921
Dilutive effect of deferred share units to outstanding common shares	**39,132**	9,988	**29,248**	9,342
Total dilutive effect	**93,248**	121,701	**73,990**	73,263

For the periods ended June 30, 2009 and 2008, approximately 1.5 million and 1.0 million outstanding common share options, respectively, were excluded from the computation of diluted earnings per share because their impact was anti-dilutive.

Note 4. Discontinued Operation

In December 2008, the Company sold its Silver Glen Crossings property, located in Chicago, Illinois. The results related to this property have been reflected as discontinued operations for three and six months ended June 30, 2008.

Note 5. Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following at June 30, 2009 and December 31, 2008:

	Balance at	
	June 30, 2009	December 31, 2008
Line of credit	**$ 77,800,000**	$ 105,000,000
Term loan	**55,000,000**	55,000,000
Notes payable secured by properties under construction - variable rate	**65,772,389**	66,458,435
Mortgage notes payable - fixed rate	**329,902,193**	331,198,521
Mortgage notes payable - variable rate	**140,074,375**	118,595,882
Net premiums on acquired debt	**1,193,199**	1,408,628
Total mortgage and other indebtedness	**$ 669,742,156**	$ 677,661,466

Consolidated indebtedness, including weighted average maturities and weighted average interest rates at June 30, 2009, is summarized below:

	Amount	Weighted Average Maturity (Years)	Weighted Average Interest Rate	Percentage of Total
Fixed rate debt	$ 329,902,193	5.5	6.00%	49%
Floating rate debt (hedged)	205,045,620	2.1	5.58%	31%

Total fixed rate debt		534,947,813	4.2	5.84%	80%
Notes payable secured by properties under construction - variable rate		65,772,389	1.4	2.67%	10%
Other variable rate debt		272,874,375	1.9	2.28%	41%
Floating rate debt (hedged)		(205,045,620)	-2.1	-2.42%	-31%
Total variable rate debt		133,601,144	1.3	2.27%	20%
Net premiums on acquired debt		1,193,199	N/A	N/A	N/A
Total debt	$	669,742,156	3.6	5.13%	100%

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Mortgage and construction loans are collateralized by certain real estate properties and leases. Mortgage loans are generally due in monthly installments of interest and principal and mature over various terms through 2022. Variable interest rates on mortgage and construction loans are based on LIBOR plus a spread of 125 to 350 basis points. At June 30, 2009, the one-month LIBOR interest rate was 0.31%. Fixed interest rates on mortgage loans range from 5.11% to 7.65%.

For the six months ended June 30, 2009, the Company had loan borrowings of $64.7 million and loan repayments of $72.4 million. The major components of this activity are as follows:

- Draws of approximately $12.4 million were made on the variable rate construction loan at the Eddy Street Commons development project;

- The maturity date of the construction loan on the Cobblestone Plaza property was extended to March 2010. In conjunction with the June 30, 2009 extension, the loan balance was paid down from $33.0 million to $26.0 million. The Company funded the approximately $7.0 million paydown from its cash and available credit. The total commitment under this loan was reduced from $44.5 million to $37.5 million in conjunction with the $7.0 million principal curtailment payment;

- The $4.1 million loan on the Fishers Station property was refinanced with a loan bearing interest at LIBOR + 350 basis points and maturing in June 2011;

- Permanent financing of $15.4 million was placed on the Eastgate Pavilion shopping center, a previously unencumbered property. This variable rate loan bears interest at LIBOR + 295 basis points and matures in April 2012;

- The maturity date of the Delray Marketplace construction loan was extended from July 2009 to June 2011. The amount outstanding under the loan remained $9.4 million as of June 30, 2009;

- The maturity date of the variable rate loan on the Beacon Hill property was extended from March 2009 to March 2014. The Company funded the approximately $3.5 million paydown made in conjunction with the extension utilizing its unsecured revolving credit facility;

- Approximately $57 million was paid down on the unsecured revolving credit facility using proceeds from the Company s May 2009 common share offering;

- In addition to the preceding activity, during the six months ended June 30, 2009, the Company used proceeds from its unsecured revolving credit facility and other borrowings (exclusive of repayments) totaling approximately $30 million for development, redevelopment, acquisitions and general working capital purposes; and

- The Company made scheduled principal payments totaling approximately $1.8 million.

Unsecured Revolving Credit Facility

In 2007, the Operating Partnership entered into an amended and restated four-year $200 million unsecured revolving credit facility (the unsecured facility) with a group of financial institutions led by Key Bank National Association, as agent. The Company and several of the Operating Partnership s subsidiaries are guarantors of the Operating Partnership s obligations under the unsecured facility. The unsecured facility has a maturity date of February 20, 2011, with a one-year extension option (subject to certain customary conditions). Borrowings under the unsecured facility bear interest at a floating interest rate of LIBOR plus 115 to 135 basis points, depending on the Company s leverage ratio. The unsecured facility has a commitment fee ranging from 0.125% to 0.20% applicable to the average daily unused amount. Subject to certain conditions, including the prior consent of the lenders, the Company has the option to increase its borrowings under the unsecured facility to a maximum of $400 million if there are sufficient unencumbered assets to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of $25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

The amount that the Company may borrow under the unsecured facility is based on the value of assets in its unencumbered property pool. As of June 30, 2009, the Company has 52 unencumbered properties and other assets used to calculate the value of the unencumbered property pool, of which 50 are wholly owned and two of which are owned through joint ventures. The major unencumbered assets include: Broadstone Station, Courthouse Shadows, Four Corner Square, Hamilton Crossing, King s Lake Square, Market Street Village, Naperville Marketplace, PEN Products, Publix at Acworth, Red Bank Commons, Shops at Eagle Creek, Traders Point II, Union Station Parking Garage, Wal-Mart Plaza and Waterford Lakes. As of June 30, 2009, the total amount available for borrowing under the unsecured credit facility was approximately $56 million.

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Term Loan

In July 2008, the Operating Partnership entered into a $30 million unsecured term loan agreement (the Term Loan) arranged by KeyBanc Capital Markets Inc., which has an accordion feature that enables the Operating Partnership to increase the loan amount up to a total of $60 million, subject to certain conditions. The Operating Partnership s ability to borrow under the Term Loan is subject to ongoing compliance by the Company, the Operating Partnership and their subsidiaries with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the Term Loan requires that the Company satisfy certain financial covenants. The Term Loan matures on July 15, 2011 and bears interest at LIBOR plus 265 basis points. A significant portion of the initial $30 million of proceeds from the Term Loan was used to pay down the Company s unsecured facility.

In August 2008, the Operating Partnership entered into an amendment to the Term Loan, which, among other things, increased the amount available for borrowing under the original term loan agreement by an additional $25 million. This amount was subsequently drawn, resulting in an aggregate amount outstanding under the Term Loan of $55 million. The additional $25 million of proceeds of borrowings under the Term Loan were used to pay down the Company s unsecured facility. In connection with obtaining the Term Loan, in September 2008, the Company entered into a cash flow hedge for the entire $55 million outstanding, which effectively fixed the interest rate at 5.92%.

Fair Value of Fixed and Variable Rate Debt

As of June 30, 2009, the fair value of fixed rate debt was approximately $336.1 million compared to the book value of $329.9 million. The fair value was estimated using cash flows discounted at current borrowing rates for similar instruments which ranged from 3.39% to 6.25%. As of June 30, 2009, the fair value of variable rate debt was approximately $337.1 million compared to the book value of $338.6 million. The fair value was estimated using cash flows discounted at current borrowing rates for similar instruments which ranged from 3.31% to 6.67%.

Note 6. Shareholders Equity

On May 11, 2009, the Company s Board of Trustees declared a cash distribution of $0.06 per common share for the second quarter of 2009. Simultaneously, the Company s Board of Trustees declared a cash distribution of $0.06 per Operating Partnership unit for the same period. These distributions were paid on July 17, 2009 to shareholders and unitholders of record as of July 7, 2009.

In May 2009, the Company completed an equity offering of 28,750,000 common shares at an offering price of $3.20 per share for aggregate gross and net proceeds of $92.0 million and $87.6 million, respectively. Approximately $57 million of the net proceeds were used to repay borrowings under the Company s unsecured revolving credit facility and the remainder was retained as cash.

In February and March 2009, the Compensation Committee of the Company s Board of Trustees approved a long-term equity incentive compensation award of a total of approximately 527,000 share options to management and other employees, the value of which was determined using the Black-Scholes valuation methodology. These share options were issued with exercise prices ranging from $2.64 to $3.56 and will vest ratably over five years beginning on the first anniversary date of the grant.

Note 7. Derivative Instruments, Hedging Activities and Other Comprehensive Income

The Company is exposed to capital market risk, including changes in interest rates. In order to manage volatility relating to variable interest rate risk, the Company enters into interest rate hedging transactions from time to time. The Company does not use derivatives for trading or speculative purposes nor does the Company currently have any derivatives that are not designated as cash flow hedges. The Company has agreements with each of its derivative counterparties that contain a provision provided that the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of June 30, 2009, the Company was party to various consolidated cash flow hedge agreements totaling $205 million, which effectively fix certain variable rate debt at interest rates ranging from 4.40% to 6.32% and mature over various terms through 2012.

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the

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period to maturity, and uses observable market-based inputs, including interest rate curves, implied volatilities, and the creditworthiness of both the Company and the counterparty.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment to SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. The Company adopted SFAS No. 161 on January 1, 2009 and the adoption did not have a material impact on the Company s financial condition or results of operations. In addition, on January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

To comply with the provisions of SFAS No. 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company considers the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

The only assets or liabilities that the Company records at fair value on a recurring basis are interest rate hedge agreements. The fair value of the Company s interest rate hedge agreements as of June 30, 2009 was approximately $7.9 million, including accrued interest of approximately $0.4 million, which is recorded in accounts payable and accrued expenses on the accompanying consolidated balance sheet.

The Company currently expects approximately $5.7 million to be an increase to interest expense as the hedged forecasted interest payments occur. No hedge ineffectiveness on cash flow hedges was recognized by the Company during any period presented. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to earnings over time as the hedged items are recognized in earnings during 2009 and the first six months of 2010. During the three months ended June 30, 2009 and June 30, 2008 approximately $1.6 million and $0.6 million, respectively, was reclassified as a reduction to earnings. During the six months ended June 30, 2009 and June 30, 2008, approximately $3.0 million and $1.0 million, respectively, was reclassified as a reduction to earnings.

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The Company s share of net unrealized losses on its interest rate hedge agreements are the only components of its accumulated comprehensive income calculation. The following sets forth comprehensive income allocable to the Company for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income attributable to Kite Realty Group Trust	**$ 257,085**	$ 2,459,289	**$ 958,327**	$ 5,166,588
Other comprehensive income allocable to Kite Realty Group Trust(1)	**875,828**	2,325,875	**1,110,276**	443,827
Comprehensive income attributable to Kite Realty Group Trust	**$ 1,132,913**	$ 4,785,164	**$ 2,068,603**	$ 5,610,415

(1) Represents the Company s share of the changes in the fair value of derivative instruments accounted for as cash flow hedges.

Note 8. Segment Data

The operations of the Company are aligned into two business segments: (1) real estate operation and (2) development, construction and advisory services. Segment data of the Company for the three and six months ended June 30, 2009 and 2008 are as follows:

Three Months Ended June 30, 2009	**Real Estate Operation**	**Development, Construction and Advisory Services**	**Subtotal**	**Intersegment Eliminations**	**Total**
Revenues	$ 24,718,718	$ 14,131,965	$ 38,850,683	$ (8,701,588)	$ 30,149,095
Operating expenses, cost of construction and services, general, administrative and other	8,519,726	14,456,010	22,975,736	(8,709,035)	14,266,701
Depreciation and amortization	8,683,006	45,783	8,728,789		8,728,789
Operating income (loss)	7,515,986	(369,828)	7,146,158	7,447	7,153,605
Interest expense	(7,103,791)		(7,103,791)	112,167	(6,991,624)
Income tax expense of taxable REIT subsidiary		(13,233)	(13,233)		(13,233)
Other income	147,789		147,789	(112,167)	35,622
Income from unconsolidated entities	121,017		121,017		121,017
Consolidated net income (loss)	681,001	(383,061)	297,940	7,447	305,387
Net (income) loss attributable to noncontrolling interests	(76,827)	29,088	(47,739)	(563)	(48,302)
Net income (loss) attributable to Kite Realty	$ 604,174	$ (353,973)	$ 250,201	$ 6,884	$ 257,085

Group Trust										
Total assets	$	1,164,188,621	$	32,550,201	$	1,196,738,822	$	(29,254,885)	$	1,167,483,937

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Three Months Ended June 30, 2008	Real Estate Operation	Development, Construction and Advisory Services	Subtotal	Intersegment Eliminations	Total
Revenues	$ 26,048,048	$ 20,781,305	$ 46,829,353	$ (12,669,410)	$ 34,159,943
Operating expenses, cost of construction and services, general, administrative and other	7,581,712	20,229,989	27,811,701	(12,357,022)	15,454,679
Depreciation and amortization	8,306,647	41,356	8,348,003		8,348,003
Operating income (loss)	10,159,689	509,960	10,669,649		