

KITE REALTY GROUP TRUST  
Form 10-Q  
November 09, 2006

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32268

**Kite Realty Group Trust**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or other jurisdiction of incorporation or organization)

**11-3715772**  
(IRS Employer Identification Number)

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

**46204**  
(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.

YesNo

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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YesNo

The number of Common Shares outstanding as of November 1, 2006 was 28,841,450 (\$.01 par value)

**KITE REALTY GROUP TRUST  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006  
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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 and Section 21E of the Securities Exchange Act of 1934. 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 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 and local economic, business, real estate and other market conditions;

the ability of tenants to pay rent;

the competitive environment in which the Company operates;

financing risks;

property ownership and management risks;

the level and volatility of interest rates;

the financial stability of tenants;

the Company's ability to maintain its status as a real estate investment trust (REIT) for federal income tax purposes;

acquisition, disposition, development and joint venture risks;

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, 2005 and in our 2006 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.

## Part I. FINANCIAL INFORMATION

## Item 1.

**Kite Realty Group Trust**  
**Consolidated Balance Sheets**  
(Unaudited)

	September 30, 2006	December 31, 2005
<b>Assets:</b>		
Investment properties at cost:		
Land	\$ 191,122,886	\$ 172,509,684
Land held for development	19,034,512	51,340,820
Buildings and improvements	560,470,407	485,129,649
Furniture, equipment and other	5,458,042	5,675,980
Construction in progress and other	196,016,436	65,903,868
	<u>972,102,283</u>	<u>780,560,001</u>
Less accumulated depreciation	(58,933,666)	(41,825,911)
	<u>913,168,617</u>	<u>738,734,090</u>
Cash and cash equivalents	21,271,444	15,208,835
Tenant receivables, including accrued straight-line rent of \$4.2 million and \$3.3 million, respectively, net of allowance for bad debts	13,102,056	11,302,923
Other receivables	10,267,549	6,082,511
Investments in unconsolidated entities at equity	1,163,902	1,303,919
Escrow deposits	9,136,113	6,718,198
Deferred costs, net	19,642,799	17,380,288
Prepaid and other assets	4,305,182	2,499,042
	<u>992,057,662</u>	<u>799,229,806</u>
<b>Total Assets</b>	<b>\$ 992,057,662</b>	<b>\$ 799,229,806</b>
<b>Liabilities and Shareholders' Equity:</b>		
Mortgage and other indebtedness	\$ 571,029,648	\$ 375,245,837
Accounts payable and accrued expenses	30,197,252	30,642,822
Deferred revenue and other liabilities	35,325,539	25,369,152
Minority interest	4,318,257	4,847,801
	<u>640,870,696</u>	<u>436,105,612</u>
<b>Total Liabilities</b>	<b>640,870,696</b>	<b>436,105,612</b>
Commitments and contingencies		
Limited Partners' interests in operating partnership	79,358,294	84,244,814
<b>Shareholders' Equity:</b>		
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, 28,838,534 shares and 28,555,187 shares issued and outstanding, respectively	288,385	285,552
Additional paid in capital	290,987,222	288,976,563
Unearned compensation		(808,015)
Accumulated other comprehensive income	411,383	427,057
Accumulated deficit	(19,858,318)	(10,001,777)
	<u>271,828,672</u>	<u>278,879,380</u>
<b>Total Shareholders' Equity</b>	<b>271,828,672</b>	<b>278,879,380</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 992,057,662</b>	<b>\$ 799,229,806</b>

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



**Kite Realty Group Trust**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Revenue:</b>				
Minimum rent	\$ 17,262,427	\$ 14,299,487	\$ 49,506,938	\$ 40,176,577
Tenant reimbursements	3,787,767	2,401,870	11,901,251	7,896,914
Other property related revenue	1,565,787	2,409,900	3,562,454	3,765,989
Construction and service fee revenue	10,293,822	4,793,407	27,227,754	13,473,050
Other income, net	158,632	57,759	243,820	150,217
<b>Total revenue</b>	<b>33,068,435</b>	<b>23,962,423</b>	<b>92,442,217</b>	<b>65,462,747</b>
<b>Expenses:</b>				
Property operating	3,439,853	2,933,660	9,749,011	8,113,017
Real estate taxes	2,323,799	1,604,623	7,953,433	4,977,853
Cost of construction and services	7,795,070	4,320,678	22,879,759	11,620,017
General, administrative, and other	1,305,599	1,112,313	4,250,312	3,621,683
Depreciation and amortization	7,209,586	5,439,607	22,574,735	15,615,518
<b>Total expenses</b>	<b>22,073,907</b>	<b>15,410,881</b>	<b>67,407,250</b>	<b>43,948,088</b>
<b>Operating income</b>	<b>10,994,528</b>	<b>8,551,542</b>	<b>25,034,967</b>	<b>21,514,659</b>
Interest expense	(6,139,761)	(5,176,658)	(15,324,928)	(13,677,961)
Loss on sale of asset			(764,008)	
Income tax expense of taxable REIT subsidiary	(777,600)	(232,285)	(640,584)	(232,285)
Minority interest in income of consolidated subsidiaries	(2,993)	(623,574)	(78,503)	(716,523)
Equity in earnings of unconsolidated entities	72,261	76,385	221,983	278,736
Limited Partners' interests in the continuing operations of the Operating Partnership	(936,782)	(798,408)	(1,926,356)	(2,192,785)
<b>Income from continuing operations</b>	<b>3,209,653</b>	<b>1,797,002</b>	<b>6,522,571</b>	<b>4,973,841</b>
Discontinued operations, net of Limited Partners' interests		185,239		573,999
<b>Net income</b>	<b>\$ 3,209,653</b>	<b>\$ 1,982,241</b>	<b>\$ 6,522,571</b>	<b>\$ 5,547,840</b>
<b>Income per common share - basic:</b>				
Continuing operations	\$ 0.11	\$ 0.09	\$ 0.23	\$ 0.26
Discontinued operations		0.01		0.03
	<b>\$ 0.11</b>	<b>\$ 0.10</b>	<b>\$ 0.23</b>	<b>\$ 0.29</b>