SIZELER PROPERTY INVESTORS INC
Form 10-Q
August 13, 2002

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

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

For the transition period from ________________ to

Commission file number 1-9349

SIZELER PROPERTY INVESTORS, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	72-1082589
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2542 WILLIAMS BOULEVARD, KENNER, LOUISIANA	70062
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (504) 471-6200

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

Indicate by Check 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

13,091,000 shares of Common Stock ($.0001 Par Value) were outstanding as of August 12, 2002.

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Sizeler Property Investors, Inc. and Subsidiaries

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

Sizeler Property Investors, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS	June 30 2002 (Unaudited)
Real estate investments (Notes A and C):	
Land	$ 53,216,000
Buildings and improvements, net of accumulated depreciation of $91,945,000 in 2002 and $86,627,000 in 2001	207,949,000
Investment in real estate partnership	846,000
	262,011,000
Cash and cash equivalents	4,106,000
Accounts receivable and accrued revenue, net of allowance for doubtful accounts of $175,000 in 2002 and $165,000 in 2001	1,922,000
Prepaid expenses and other assets	12,199,000
Total Assets	$ 280,238,000
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES	
Mortgage notes payable (Note D)	$ 110,065,000
Notes payable	200,000
Accounts payable and accrued expenses	4,605,000
Tenant deposits and advance rents	897,000
	115,767,000
Convertible subordinated debentures (Note F)	56,599,000
Total Liabilities	172,366,000
SHAREHOLDERS' EQUITY	
Series A preferred stock, 40,000 shares authorized, none issued	--
Series B preferred stock, par value $0.0001 per share, liquidation preference $25 per share, 2,476,000 shares authorized,	

336,000 issued and outstanding in 2002, none in 2001	1,000
Common stock, par value $0.0001 per share, 51,484,000 shares authorized, shares issued and outstanding - 13,091,000 in 2002 and 12,013,000 in 2001	1,000
Excess stock, par value $0.0001 per share, 16,000,000 shares authorized, none issued	--
Additional paid-in capital	169,682,000
Cumulative net income	43,516,000
Cumulative distributions paid	(105,328,000)
	107,872,000
Total Liabilities and Shareholders' Equity	$ 280,238,000

See notes to consolidated financial statements.

Sizeler Property Investors, Inc. and Subsidiaries
Consolidated Statements of Income
(unaudited)

	Quarter Ended June 30		Six Months
	2002	2001	2002
OPERATING REVENUE (Note A)			
Rents and other income	$ 13,113,000	$ 13,050,000	$ 26,209,000
Equity in income of partnership	24,000	26,000	58,000
	13,137,000	13,076,000	26,267,000
OPERATING EXPENSES			
Utilities	581,000	605,000	1,067,000
Real estate taxes	999,000	988,000	1,998,000
Administrative expenses	1,395,000	1,296,000	2,810,000
Operations and maintenance	1,937,000	1,933,000	3,895,000
Other operating expenses	1,300,000	870,000	2,252,000
Depreciation and amortization	2,826,000	2,831,000	5,649,000
	9,038,000	8,523,000	17,671,000
INCOME FROM OPERATIONS	4,099,000	4,553,000	8,596,000
Interest expense	3,543,000	3,857,000	6,849,000
NET INCOME BEFORE EXTRAORDINARY ITEM	556,000	696,000	1,747,000
Extraordinary item - early			

extinguishment of debt	(155,000)	--	(155,000)
NET INCOME	$ 401,000	$ 696,000	$ 1,592,000
NET INCOME ALLOCATION:			
Allocable to preferred shareholders	137,000	--	137,000
Allocable to common shareholders	264,000	696,000	1,455,000
NET INCOME	$ 401,000	$ 696,000	$ 1,592,000
Net income per common share - basic and diluted			
Income before extraordinary item	$ 0.03	$ 0.08	$ 0.13
Extraordinary item	(0.01)	--	(0.01)
Net income	$ 0.02	$ 0.08	$ 0.12
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	12,990,000	8,203,000	12,615,000

See notes to consolidated financial statements.

Sizeler Property Investors, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Si
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OPERATING ACTIVITIES:	
Net income	$ 1,5
Adjustments to reconcile net income to net cash provided by operating activities:	
Extraordinary item - early extinguishment of debt	1
Depreciation and amortization	5,6
Decrease in accounts receivable and accrued revenue	8
Increase in prepaid expenses and other assets	(1,0
(Decrease) increase in accounts payable and accrued expenses	(2,3
Net Cash Provided by Operating Activities	4,8
INVESTING ACTIVITIES:	
Acquisitions of and improvements to real estate investments	(3,6
Net Cash Used in Investing Activities	(3,6
FINANCING ACTIVITIES:	
Principal payments on mortgage notes payable	(1,1
Net payments on notes payable to banks	(2,1
Decrease in mortgage escrow deposits	4
Cash dividends to shareholders	(5,8
Cash redemption of debentures	(33,8

Proceeds from debenture offering	29,3
Proceeds from preferred stock offering	7,6
Debenture issuance costs	(1,9
Proceeds from issuance of shares of common stock pursuant to direct stock purchase and dividend reinvestment, stock option, and stock award plans	9,2
Net Cash Provided by (Used in) Financing Activities	1,7
Net increase (decrease) in cash and cash equivalents	2,8
Cash and cash equivalents at beginning of year	1,2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,1
Cash interest payments, net of capitalized interest	$ 7,7

See notes to consolidated financial statements.

Sizeler Property Investors, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

June 30, 2002

NOTE A -- BASIS OF PRESENTATION

As of June 30, 2002, the Company's real estate portfolio included interests in fifteen shopping centers and fourteen apartment communities. The Company holds, directly or indirectly through both wholly-owned subsidiaries and majority-owned entities, a fee interest in twenty-seven of its properties, and long-term ground leases on the remaining two properties - Southwood Shopping Center in Gretna, Louisiana and Westland Shopping Center in Kenner, Louisiana. Sixteen properties are held through partnerships and limited partnerships whereby the majority owner is a wholly-owned subsidiary of Sizeler Property Investors, Inc. The minority interests in these entities are held by third party corporations who have contributed capital for their respective interests. The other thirteen properties in the portfolio are held through wholly-owned subsidiary corporations and limited liability companies. The Company, the wholly-owned subsidiaries and majority-owned partnerships and limited partnerships, are referred to collectively as the "Company", and are properly reflected on the Company's Consolidated Balance Sheet.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Furthermore, the preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

Operating results for the three-month and six-month periods ended June 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. The consolidated balance sheet at December 31, 2001, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Sizeler Property Investors, Inc. Annual Report on Form 10-K for the year ended December 31, 2001.

NOTE B -- RECLASSIFICATIONS

Certain reclassifications have been made in the 2001 Consolidated Financial Statements to conform with the 2002 consolidated financial statement presentation.

NOTE C -- REAL ESTATE INVESTMENTS

On April, 2002, the Company signed a construction contract for approximately $12.0 million for the construction of the second phase of its Governors Gate apartment community located in Pensacola, Florida. Construction is currently underway on the development that will add approximately 200 units to the existing portfolio. The development is expected to be completed in early 2003.

NOTE D -- MORTGAGE NOTES PAYABLE

The Company's mortgage notes payable are secured by certain land, buildings and improvements. At June 30, 2002, mortgage notes payable totalled approximately $110.1 million. Individual notes ranged from $2.2 million to $18.7 million, with fixed rates of interest ranging from 6.85% to 8.25% and maturity dates ranging from May 1, 2008 to January 1, 2013. Net book values of properties securing these mortgage notes payable totalled approximately $131.7 million at June 30, 2002, with individual property net book values ranging from $2.2 million to $29.1 million.

NOTE E -- SEGMENT DISCLOSURE

The Company is engaged in two operating segments, the ownership and rental of retail shopping center properties and apartment properties. These reportable segments offer different products or services and are managed separately as each requires different operating strategies and management expertise. Subsequent to consolidation, there are no intersegment sales or transfers.

The Company assesses and measures segment operating results based on a performance measure referred to as Net Operating Income and is based on the operating revenues and operating expenses directly associated with the operations of the real estate properties (excluding depreciation, administrative and interest expense). Net Operating Income is not a measure of operating results or cash flows from operating activities as measured by GAAP, and is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity.

The operating revenue, operating expenses, net operating income and real estate investments for each of the reportable segments are summarized below for the three- and six-month periods ended June 30, 2002 and 2001.

Retail:	Quarter Ended June 30 2002	Quarter Ended June 30 2001	Six Months 2002
Operating revenue	$ 7,026,000	$ 7,067,000	$ 14,157,000
Operating expenses	(2,280,000)	(2,215,000)	(4,432,000)
Net operating income - retail	4,746,000	4,852,000	9,725,000
Apartments:			
Operating revenue	6,111,000	6,009,000	12,110,000
Operating expenses	(2,537,000)	(2,181,000)	(4,780,000)
Net operating income - apartments	3,574,000	3,828,000	7,330,000
Net operating income - total	8,320,000	8,680,000	17,055,000
Administrative expenses	(1,395,000)	(1,296,000)	(2,810,000)
Depreciation	(2,826,000)	(2,831,000)	(5,649,000)
Income from operations	4,099,000	4,553,000	8,596,000
Interest expense	(3,543,000)	(3,857,000)	(6,849,000)
Net income before extraordinary item	556,000	696,000	1,747,000
Extraordinary item - early extinguishment of debt	(155,000)	--	(155,000)
Net income	$ 401,000	$ 696,000	$ 1,592,000

	June 30 2002	June 30 2001
Gross real estate investments:		
Retail	$212,583,000	$214,921,000
Apartments	141,373,000	137,950,000
	$353,956,000	$352,871,000

NOTE F -- DEBT REFINANCING

Exchange offer. On May 1, 2002, the Company completed an exchange offer for its outstanding 8.0% convertible subordinated debentures due July 15, 2003 (Old Debentures). As a result of the exchange offer, the Company accepted tenders from holders of a total of $28,067,000 in aggregate principal amount of the Old Debentures, to exchange into $27,299,000 of the Company's 9.0% convertible subordinated debentures due July 15, 2009, and 30,720 shares of the Company's 9.75% Series B cumulative redeemable preferred stock (at $25 per share). The exchange offer is excluded from the consolidated statement of cash flows.

Cash offering. On May 10, 2002, the Company closed the sale of $29,300,000 in principal amount of its 9.0% convertible subordinated debentures due July 15, 2009, Series 5/8/02 and 305,320 shares of its 9.75% Series B cumulative redeemable preferred stock (at $25 per share). Cash proceeds of these offerings were $36,933,000.

After completion of the exchange offer and the application of the net proceeds of the cash offering to redeem outstanding Old Debentures in accordance with the Indenture governing the Old Debentures, all of the $61,878,000 principal amount of the Old Debentures had been retired. The Company now has outstanding $56,599,000 principal amount of its 9.0% convertible subordinated debentures due July 15, 2009 and 336,040 shares of its 9.75% cumulative redeemable preferred stock (with a liquidation price of $25 per share plus accumulated dividends).

NOTE G -- ACCOUNTING PRONOUNCEMENTS

Business Combinations and Goodwill. In July 2001, the Financial Accounting Standards Board issued Statement 141, Business Combinations, and Statement 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations subsequent to June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. In accordance with Statement 141, we are accounting for all business combinations initiated or completed after June 30, 2001 using the purchase method of accounting. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provision of Statement 142. Statement 142 was adopted by the Company effective January 1, 2002 and requires that the Company reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period. No such impairment losses were recognized in the first six months of 2002.

In August 2001, the Financial Accounting Standards Board issued Statement 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144) which supersedes FASB Statement 121, Accounting for the Impairment of Long-Lived Assets to Be Disposed Of (Statement 121). Statement 144 retains the fundamental provisions in Statement 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with Statement 121. Statement 144 was adopted by the Company effective January 1, 2002. Its adoption had no material impact on the Company's financial statements because the impairment assessment under Statement 144 is largely unchanged from Statement 121.

NOTE H -- SUBSEQUENT EVENTS

On August 2, 2002, the Company signed a construction contract for approximately $10.9 million for the construction of Greenbrier Estates, a new apartment community, consisting of approximately 150 units, to be built in proximity to the Company's North Shore Square Mall located in Slidell, Louisiana.

On August 5, 2002, the Company purchased 9.0 acres of developable land adjacent to its new Slidell apartment community development for a purchase price of approximately $280,000.

Independent Accountants' Review Report

Shareholders and Board of Directors
Sizeler Property Investors, Inc.

We have reviewed the accompanying consolidated balance sheet of Sizeler Property Investors, Inc. and subsidiaries as of June 30, 2002, and the related consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2002 and 2001. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Sizeler Property Investors, Inc. and subsidiaries as of December 31, 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 21, 2002, except for Note I as to which the date is March 7, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

New Orleans, Louisiana
July 19, 2002

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Comparison of the Three Months Ended June 30, 2002 and 2001

Total operating revenues were approximately $13.1 million for the three-month period ended June 30, 2002, compared to $12.9 million, on a same-store basis, earned a year ago. Operating revenues in 2001 included the effect of Camelot Shopping Center, which was sold in July, 2001. Operating revenues for 2001 were $13.1 million. At June 30, 2002, retail and apartment properties were 92% and 96% leased, respectively, generating operating revenues of $7.0 million and $6.1 million, respectively. Second quarter operating costs were $4.8 million in 2002, compared to $4.4 million in 2001. The increase in costs was primarily due to increased property insurance costs and real estate taxes. Net operating income totaled $8.3 million for the three months ended June 30, 2002, compared to $8.6 million, on a same-store basis, earned in 2001. Net operating income for 2001 was $8.7 million.

Interest expense for the three months ended June 30, 2002 decreased $314,000 compared to the same period last year. Interest expense was reduced due to the Company's issuance of marketable securities which reduced the Company's floating rate bank debt. The average credit line interest rate was 3.80% for the three months ended June 30, 2002, compared to 6.40% in the prior year. The reduction in bank debt interest was partially offset by increased interest expense related to the Company's 9.0% convertible subordinated debentures due in 2009.

Comparison of the Six Months Ended June 30, 2002 and 2001

Operating revenues totaled $26.3 million for the six-month period ended June 30, 2002, compared to $25.8 million, on a same-store basis, earned a year ago. Operating revenues in 2001 included the effect of Camelot Shopping Center, which was sold in July, 2001. Operating revenues for 2001 were $26.2 million. Operating costs were $9.2 million in 2002, compared to $8.8 million in 2001. The increase in operating costs was due primarily to increased property insurance costs and real estate taxes. Net operating income totaled $17.1 million for the six months ended June 30, 2002, compared to $17.2 million, on a same-store basis, earned in 2001. Net operating income for 2001 was $17.5 million. Interest expense for the six months ended June 30, 2002 decreased approximately $1.0 million compared to 2001. Interest expense was reduced due to the Company's issuance of marketable securities which reduced the Company's floating rate bank debt. The average credit line interest rate was 3.92% for the six months ended June 30, 2002, compared to 7.02% in the prior year. The reduction in bank debt interest was partially offset by increased interest expense related to the Company's 9.0% convertible subordinated debentures due in 2009.

Liquidity and Capital Resources

The primary source of working capital for the Company is net cash provided by operating activities, from which the Company funds normal operating requirements, debt service obligations, and distributions to shareholders. In addition, the Company maintains unsecured credit lines with commercial banks, which it utilizes to supplement cash provided by operating activities and to initially finance the cost of property development and redevelopment activities, portfolio acquisitions and other expenditures. At June 30, 2002, the Company had $4.1 million in cash and cash equivalents and $50 million in committed bank lines of credit facilities, of which approximately $49.8 million was available. The bank lines are renewable on an annual basis and utilization is subject to certain restrictive covenants that impose maximum borrowing levels by the Company through the maintenance of certain prescribed financial ratios.

Net cash flows provided by operating activities decreased $1.5 million in 2002 compared to the same period in 2001. The decrease was principally attributable to a decrease in short-term payables.

Net cash flows used in investing activities increased approximately $483,000 in 2002 from 2001, primarily attributable to increased development activities.

Net cash flows provided by financing activities increased approximately $6.1

million in 2002 from 2001 due to (i) an increase in net cash proceeds of approximately $7.6 million from the issuance of common stock primarily pursuant to the

direct stock purchase and dividend reinvestment plan; (ii) net cash proceeds of $35.0 million from the offering for cash of debentures and preferred stock of which $33.8 million was used to retire existing debentures and the remaining $1.2 million is available for general corporate purposes; (iii) increased cash dividends to shareholders of $2.1 million resulting from additional shares outstanding and (iv) a $610,000 reduction in cash proceeds due to lower usage of bank lines and payments on mortgage notes payable.

On May 1, 2002, the Company completed an exchange offer for its outstanding 8.0% convertible subordinated debentures due July 15, 2003 (Old Debentures). As a result of the exchange offer, the Company accepted tenders from holders of a total of $28,067,000 in aggregate principal amount of the Old Debentures, to exchange into $27,299,000 of the Company's 9.0% convertible subordinated debentures due July 15, 2009, and 30,720 shares of the Company's 9.75% Series B cumulative redeemable preferred stock (at $25 per share).

On May 10, 2002, the Company closed the sale of $29,300,000 in principal amount of its 9.0% convertible subordinated debentures due July 15, 2009, Series 5/8/02 and 305,320 shares of its 9.75% Series B cumulative redeemable preferred stock (at $25 per share). Cash proceeds of these offerings were $36,933,000.

After completion of the exchange offer and the application of the net proceeds of the cash offering to redeem outstanding Old Debentures in accordance with the Indenture governing the Old Debentures, all of the $61,878,000 principal amount of the Old Debentures had been retired. The Company now has outstanding $56,599,000 principal amount of its 9.0% convertible subordinated debentures due July 15, 2009 and 336,040 shares of its 9.75% cumulative redeemable preferred stock (with a liquidation price of $25 per share plus accumulated dividends). The Board of Directors, on July 19, 2002, declared a cash dividend of $.609375 on the Company's Series B cumulative redeemable preferred stock ("preferred stock"), payable on August 15, 2002, to shareholders of record on July 31, 2002. The Board of Directors, on August 9, 2002, declared a cash dividend of $.609375 on the Company's preferred stock, payable on November 15, 2002, to shareholders of record on October 31, 2002. The terms of the preferred stock will require the Company to pay quarterly dividends of $.609375 per preferred share on a quarterly basis. The dividend on the preferred stock must be declared before a quarterly dividend on common stock may be declared.

As of June 30, 2002, fourteen of the Company's properties, comprising approximately 50% of its gross investment in real estate, were subject to a total of $110.1 million in mortgage obligations, all of which are long-term, generally non-recourse and bear fixed rates of interest for fixed terms. The remaining fifteen properties and vacant parcels of land in the portfolio are currently unencumbered by debt. The Company anticipates that its current cash balance, operating cash flows, and borrowing capacity (including borrowings under its lines of credit) will be adequate to fund the Company's future (i) operating and administrative expenses, (ii) debt service obligations, (iii) distributions to shareholders, (iv) development activities, (v) capital improvements on existing properties, and (vi) typical repair and maintenance expenses at its properties.

The Company's current common stock dividend policy is to pay quarterly dividends to shareholders, based upon funds from operations, as well as other factors. As funds from operations excludes the deduction of certain non-cash charges, principally depreciation on real estate assets, quarterly dividends will typically be greater than net income and may include a tax-deferred return of capital component. The Board of Directors, on August 9, 2002, declared a cash dividend on common stock of $0.23 per share for the period April 1, 2002 through June 30, 2002, payable on September 5, 2002 to shareholders of record as of August 30, 2002.

Funds From Operations

Real estate industry analysts and the Company utilize the concept of funds from operations as an important analytical measure of a Real Estate Investment Trust's financial performance. The Company considers funds from operations in evaluating its operating results and its dividend policy, as previously mentioned, is also based, in part, on the concept of funds from operations.

Funds from operations (FFO) is defined by the Company as net income, excluding gains or losses from sales of property and those items defined as extraordinary under accounting principles generally accepted in the United States of America (GAAP), certain non-recurring charges, plus depreciation on real estate assets and after adjustments for unconsolidated partnerships to reflect funds from operations on the same basis. Funds from operations do not represent cash flows from operations as defined by GAAP, nor is it indicative that cash flows are adequate to fund all cash needs, including

distributions to shareholders. Funds from operations should not be considered as an alternative to net income as defined by GAAP or to cash flows as a measure of liquidity. A reconciliation of net income to basic and diluted funds from operations is presented below (in thousands):

	Quarter Ended June 30			
	2002		2001	
	($000)	Shares	($000)	Shares
Net Income	$ 401	12,990	$ 696	8,203
Additions:				
Depreciation	2,826		2,831	
Partnership depreciation	9		9	
Early extinguishment of debt	155			
Deductions:				
Minority depreciation	12		13	
Amortization costs	150		156	
Funds from Operations - Basic	$3,229	12,990	$3,367	8,203
Interest on convertible debentures	1,503		1,237	
Amortization of debenture issuance costs	64		60	
Funds from Operations - Diluted	$4,796	18,973	$4,664	13,040

	Six Months Ended June 30			
	2002		2001	
	($000)	Shares	($000)	Shares
Net Income	$1,592	12,615	$1,359	8,155
Additions:				
Depreciation	5,649		5,665	
Partnership depreciation	19		17	
Early extinguishment of debt	155			
Deductions:				
Minority depreciation	27		25	
Amortization costs	299		314	
Funds from Operations - Basic	$7,089	12,615	$6,702	8,155
Interest on convertible debentures	2,741		2,475	
Amortization of debenture issuance costs	125		122	
Funds from Operations - Diluted	$9,955	18,028	$9,299	12,992

Effects of Inflation

Substantially all of the Company's retail leases contain provisions designed to provide the Company with a hedge against inflation. Most of the Company's retail leases contain provisions which enable the Company to receive percentage rentals based on tenant sales in excess of a stated breakpoint and/or provide for periodic increases in minimum rent during the lease term. The majority of the Company's retail leases are for terms of less than ten years, which allows the Company to adjust rentals to changing market conditions. In addition, most retail leases require tenants to pay a contribution towards property operating expenses, thereby reducing the Company's exposure to higher operating costs caused by inflation. The Company's apartment leases are written for short terms, generally six to twelve months, and are adjusted according to changing market conditions.

New Accounting Pronouncements

During the second quarter of 2002, the FASB issued Statement 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections ("Statement 145"). This statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishments of Debt, and requires that all gains and losses from extinguishments of debt should be classified as extraordinary items only if they meet the criteria in APB No. 30. Applying APB No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or

that meet the criteria for classification as to an extraordinary item. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB No. 30 for classification as an extraordinary item must be reclassified. The Company will adopt the provisions related to the rescission of SFAS No. 4 as of January 1, 2003.

Future Results

This Form 10-Q and other documents prepared and statements made by the Company, may contain certain forward-looking statements that are subject to risk and uncertainty. Investors and potential investors in the Company's securities are cautioned that a number of factors could adversely affect the Company and cause actual results to differ materially from those in the forward-looking statements, including, but not limited to (a) the inability to lease current or future vacant space in the Company's properties; (b) decisions by tenants and anchor tenants who own their space to close stores at the Company's properties; (c) the inability of tenants to pay rent and other expenses; (d) tenant financial difficulties; (e) general economic and world conditions, including threats to the United States homeland from unfriendly factions; (f) decreases in rental rates available from tenants; (g) increases in operating costs at the Company's properties; (h) lack of availability of financing for acquisition, development and rehabilitation of properties by the Company; (i) possible dispositions of mature properties since the Company is continuously engaged in the examination of its various lines of business; (j) increases in interest rates; (k) a general economic downturn resulting in lower retail sales and causing downward pressure on occupancies and rents at retail properties; as well as (l) the adverse tax consequences if the Company were to fail to qualify as a REIT in any taxable year. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update or revise any forward-looking statements in this Form 10-Q, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We incorporate by reference the disclosure contained in Item 7a, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Form 10-K, for the year ended December 31, 2001. There have been no material changes during the first six months of 2002.

PART II

Other Information

Item 1. Legal Proceedings.

The Company operates in various states in the Gulf South and has subsidiaries and other affiliates domiciled in those states owning titles to the properties in their respective states. There are no pending legal proceedings to which the Company or any subsidiary or affiliate is a party or to which any of its properties is subject which in the opinion of management and its litigation counsel has resulted or will result in any material adverse effect to the financial position of the Company as a whole.

Item 2. Changes in Securities.

In the second quarter of 2002, the Company issued 336,040 shares of Series B, cumulative redeemable preferred stock (NYSE:SIZPRB) and $56,599,000 of 9.0% convertible subordinated debentures pursuant to the refinancing of its 8.0% convertible subordinated debentures. The Company redeemed all of its outstanding 8.0% convertible subordinated debentures ($61,878,000) due July 15, 2003 (in accordance with the Indenture governing the Old Debentures).

Item 3. Defaults upon Senior Securities.

None.

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

At the Company's Annual Meeting of Shareholders, held on May 10, 2002, the following matters were submitted for voting by the shareholders:

1) Election of Directors- The shareholders re-elected Francis L. Fraenkel and Sidney W. Lassen to serve until the 2005 Annual Meeting of Shareholders or until their successors are duly elected and qualified (the terms of J. Terrell Brown, Harold B. Judell, Thomas A. Masilla, Jr., James W. McFarland, Richard L. Pearlstone and Theodore H. Strauss continued after the meeting).

Directors	Votes For	Votes Withheld
Francis L. Fraenkel	11,204,959	321,481
Sidney W. Lassen	11,229,490	296,950

2) Proposal to amend the Company's 1996 Stock Option Plan to (i) increase the total number of shares of common stock available under the plan, (ii) to increase the number of shares of common stock with respect to which options may be granted to non-employee directors individually and as a group, and (iii) to modify the definition of a "change of control." The shareholders approved the proposal with 5,192,262 votes for, 1,283,545 votes against and 270,812 abstentions.

3) Proposal to amend the Company's 1994 Directors' Stock Ownership Plan to increase the number of shares of common stock granted to non-employee directors on an annual basis. The shareholders approved the proposal with 10,311,122 votes for, 1,052,646 votes against and 162,672 abstentions.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits
None

(b) Reports on Form 8-K
None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIZELER PROPERTY INVESTORS, INC.
(Registrant)

By: /S/ ROBERT A. WHELAN
Robert A. Whelan
Chief Financial Officer

Date: August 13, 2002