WEINGARTEN REALTY INVESTORS /TX/
Form 10-K
March 01, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

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

For the fiscal year ended December 31, 2006
OR
¨ 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 1-9876

WEINGARTEN REALTY INVESTORS
(Exact name of registrant as specified in its charter)

TEXAS (State or other jurisdiction of incorporation or organization)	**74-1464203** (IRS Employer Identification No.)
2600 Citadel Plaza Drive **P.O. Box 924133** **Houston, Texas** (Address of principal executive offices)	**77292-4133** (Zip Code)

(713) 866-6000
(Registrant's telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest, $0.03 par	New York Stock Exchange

value	
Series D Cumulative Redeemable Preferred Shares, $0.03 par value	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares, $0.03 par value	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares, $0.03 par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). YES x NO ¨.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

The aggregate market value of the common shares held by non-affiliates (based upon the closing sale price on the New York Stock Exchange of $38.28) on June 30, 2006 was $3,003,015,509. As of June 30, 2006, there were 89,704,771 common shares of beneficial interest, $.03 par value, outstanding.

As of February 2, 2007 there were 85,857,373 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Shareholders to be held May 3, 2007 are incorporated by reference in Part III.

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Forward-Looking Statements

This annual report on Form 10-K, together with other statements and information publicly disseminated by us, 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. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimat "project," or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms, (iv) changes in governmental laws and regulations, (v) the level and volatility of interest rates, (vi) the availability of suitable acquisition opportunities and (vii) changes in operating costs. Accordingly, there is no assurance that our expectations will be realized.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this annual report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Form 10-K.

PART I

ITEM 1. Business

General. Weingarten Realty Investors is a real estate investment trust organized under the Texas Real Estate Investment Trust Act. We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping and industrial centers we own or lease. We also manage centers for joint ventures in which we are partners or for other outside owners for which we charge fees.

At December 31, 2006, we owned or operated under long-term leases, either directly or through our interest in joint ventures or partnerships, a total of 363 developed income-producing properties and 26 properties under various stages of construction and development. The total number of centers includes 322 neighborhood and community shopping centers located in Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maine, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Utah, Texas, South Carolina and Washington. We also owned 67 industrial projects located in California, Florida, Georgia, Tennessee and Texas. The portfolio of properties is approximately 65 million square feet.

We also owned interests in 15 parcels of unimproved land held for future development that totaled approximately 5.7 million square feet.

At December 31, 2006, we employed 457 full-time persons and our principal executive offices are located at 2600 Citadel Plaza Drive, Houston, Texas 77008, and our phone number is (713) 866-6000. We also have 13 regional offices located in various parts of the United States.

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Investment and Operating Strategy. Our investment strategy is to increase cash flow and the value of our portfolio through intensive hands-on management of our existing portfolio of assets, selective remerchandising and renovation of properties and the acquisition and development of income-producing real estate assets where the returns on such investments exceed our blended long-term cost of capital. We have expanded our new development program to include both operating properties and a merchant developer component where we will build, lease and then sell the developed real estate. Our estimated gross investment in the 26 properties currently under development or predevelopment is $657 million.

To help fund our growth strategy we pursue the disposition of selective noncore assets as circumstances warrant when we believe the sales proceeds can be effectively redeployed into assets with higher growth potential.

At December 31, 2006, neighborhood and community shopping centers generated 89.7% of total revenue and industrial properties accounted for 9.8%. We expect to continue to focus the future growth of the portfolio in neighborhood and community centers and bulk and office/service industrial properties in markets where we currently operate as well as other markets primarily throughout the United States. While we do not anticipate significant investment in other classes of real estate such as multi-family or office assets, we remain open to opportunistic uses of our undeveloped land.

We may either purchase or lease income-producing properties in the future, and may also participate with other entities in property ownership through partnerships, joint ventures or similar types of co-ownership. Equity investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness may be incurred in connection with acquiring such investments.

We may invest in mortgages; however, we currently have only invested in first mortgages to joint ventures or partnerships in which we own an equity interest. We may also invest in securities of other issuers for the purpose, among others, of exercising control over such entities, subject to the gross income and asset tests necessary for REIT qualification.

Our operating strategy consists of intensive hands-on management and leasing of our properties. In acquiring and developing properties, we attempt to accumulate enough properties in a geographic area to allow for the establishment of a regional office, which enables us to obtain in-depth knowledge of the market from a leasing perspective and to have easy access to the property and our tenants from a management viewpoint.

Diversification from both a geographic and tenancy perspective is a critical component of our operating strategy. While over 38% of the building square footage of our properties is located in the State of Texas, we continue to expand our holdings outside the state. With respect to tenant diversification, our two largest merchants accounted for 3.0% and 1.6%, respectively, of our total rental revenues for the year-end December 31, 2006. No other tenant accounted for more than 1.5% of our total rental revenues.

We finance our growth and working capital needs in a conservative manner. We have a credit rating of A- from Standard & Poors and Baa1 from Moody's Investor Services. We intend to maintain a conservative approach to managing our balance sheet, which, in turn, gives us many options to raising debt or equity capital when needed. At December 31, 2006, our fixed charge coverage ratio was 2.4 to 1 and our debt to total market capitalization was 40.6%.

Our policies with respect to the investment and operating strategies discussed above are reviewed by our Board of Trust Managers periodically and may be modified without a vote of our shareholders.

Location of Properties. Our properties are located in 22 states, primarily throughout the southern half of the country. Of our 389 properties that were owned or operated under long-term leases, either directly or through our interest in joint ventures or partnerships, as of December 31, 2006, 77 are located in the Houston metropolitan area and an additional 96 properties are located in other parts of Texas. We also have 15 parcels of unimproved land, nine of which are located in the Houston area and four of which are located in other parts of Texas. Because of our investments in the Houston area, as well as in other parts of Texas, the Houston and Texas economies affect, to a degree, our business and operations.

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Economic Factors. The national economy remained strong in 2006. The US economy is expected to continue to grow in 2007, although at a more moderate pace. While the housing market and energy prices may indicate economic uncertainty, we are strategically positioned in markets that are forecasted to exceed the national average according to many economic measures. Many of our operating areas throughout the United States are showing high employment growth and higher than average rent growth among larger metropolitan areas. Any downturn in the economy could adversely affect us; however, the vast majority of our properties are located in densely populated metropolitan areas and are anchored by supermarkets and discount stores, which generally provide basic necessity-type items and tend to be less affected by economic changes.

Competition. We compete with numerous other developers and real estate companies (both public and private), financial institutions and other investors engaged in the development, acquisition and operation of shopping centers and commercial property in our trade areas. This results in competition for the acquisition of both existing income-producing properties and prime development sites. There is also competition for tenants to occupy the space that is developed, acquired and managed by our competitors or us.

We believe that the principal competitive factors in attracting tenants in our market areas are location, price, anchor tenants and maintenance of properties. We also believe that our competitive advantages include the favorable locations of our properties, knowledge of markets and customer bases, our ability to provide a retailer with multiple locations with anchor tenants and the practice of continuous maintenance and renovation of our properties.

Materials Available on Our Website. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding Officers, Trustees or 10% Beneficial Owners of the Company, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.weingarten.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission. We have also made available on our website copies of our Audit Committee Charter, Management Development and Compensation Committee Charter, Governance Committee Charter, Code of Conduct and Ethics and Governance Policies. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. You may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549.

Financial Information. Additional financial information concerning us is included in the Consolidated Financial Statements located on pages 45 through 72 herein.

ITEM 1A. Risk Factors

The economic performance and value of our shopping centers depend on many factors, each of which could have an adverse impact on our cash flows and operating results.

The economic performance and value of our properties can be affected by many factors, including the following:

- Changes in the national, regional and local economic climate;
- Local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- The attractiveness of the properties to tenants;
- Competition from other available space;
- Our ability to provide adequate management services and to maintain our properties;
- Increased operating costs, if these costs cannot be passed through to tenants; and
- The expense of periodically renovating, repairing and releasing spaces.

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Our properties consist primarily of neighborhood and community shopping centers and, therefore, our performance is linked to general economic conditions in the market for retail space. The market for retail space has been and may continue to be adversely affected by weakness in the national, regional and local economies where our properties are located, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing consumer purchases through catalogues and the Internet. To the extent that any of these conditions occur, they are likely to affect market rents for retail space. In addition, we may face challenges in the management and maintenance of the properties or encounter increased operating costs, such as real estate taxes, insurance and utilities, which may make our properties unattractive to tenants.

Our acquisition activities may not produce the cash flows that we expect and may be limited by competitive pressures or other factors.

We intend to acquire existing retail properties to the extent that suitable acquisitions can be made on advantageous terms. Acquisitions of commercial properties involve risks such as:

§ Our estimates on expected occupancy and rental rates may differ from actual conditions;
§ Our estimates of the costs of any redevelopment or repositioning of acquired properties may prove to be inaccurate;
§ We may be unable to operate successfully in new markets where acquired properties are located, due to a lack of market knowledge or understanding of local economies;
§ We may be unable to successfully integrate new properties into our existing operations; or
§ We may have difficulty obtaining financing on acceptable terms or paying the operating expenses and debt service associated with acquired properties prior to sufficient occupancy.

In addition, we may not be in a position or have the opportunity in the future to make suitable property acquisitions on advantageous terms due to competition for such properties with others engaged in real estate investment. Our inability to successfully acquire new properties may have an adverse effect on our results of operations.

Our dependence on rental income may adversely affect our ability to meet our debt obligations and make distributions to our shareholders.

The substantial majority of our income is derived from rental income from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected if a significant number of our tenants, or any of our major tenants (as discussed in more detail below):

§ Delay lease commencements;
§ Decline to extend or renew leases upon expiration;
§ Fail to make rental payments when due; or
§ Close stores or declare bankruptcy.

Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. Lease terminations by an anchor tenant or a failure by that anchor tenant to occupy the premises could also result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In addition, we cannot be sure that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms. The loss of rental revenues from a number of our tenants and our inability to replace such tenants may adversely affect our profitability and our ability to meet debt and other financial obligations and make distributions to the shareholders.

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Our development and construction activities could affect our operating results.

We intend to continue the selective development and construction of retail properties in accordance with our development and underwriting policies as opportunities arise. Our development and construction activities include risks that:

- We may abandon development opportunities after expending resources to determine feasibility;
- Construction costs of a project may exceed our original estimates;
- Occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;
- Rental rates per square foot could be less than projected;
- Financing may not be available to us on favorable terms for development of a property;
- We may not complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs; and
- We may not be able to obtain, or may experience delays in obtaining necessary zoning, land use, building, occupancy and other required governmental permits and authorizations.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for a significant cash return. If any of the above events occur, the development of properties may hinder our growth and have an adverse effect on our results of operations. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management.

Real estate property investments are illiquid, and therefore we may not be able to dispose of properties when appropriate or on favorable terms.

Real estate property investments generally cannot be disposed of quickly. In addition, the federal tax code imposes restrictions on the ability of a REIT to dispose of properties that are not applicable to other types of real estate companies. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which could cause us to incur extended losses and reduce our cash flows and adversely affect distributions to shareholders.

Our cash flows and operating results could be adversely affected by required payments of debt or related interest and other risks of our debt financing.

We are generally subject to risks associated with debt financing. These risks include:

- Our cash flow may not satisfy required payments of principal and interest;
- We may not be able to refinance existing indebtedness on our properties as necessary or the terms of the refinancing may be less favorable to us than the terms of existing debt;
- Required debt payments are not reduced if the economic performance of any property declines;
- Debt service obligations could reduce funds available for distribution to our shareholders and funds available for acquisitions;
- Any default on our indebtedness could result in acceleration of those obligations and possible loss of property to foreclosure; and
- The risk that necessary capital expenditures for purposes such as re–leasing space cannot be financed on favorable terms.

If a property is mortgaged to secure payment of indebtedness and we cannot make the mortgage payments, we may have to surrender the property to the lender with a consequent loss of any prospective income and equity value from

such property. Any of these risks can place strains on our cash flows, reduce our ability to grow and adversely affect our results of operations.

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Property ownership through partnerships and joint ventures could limit our control of those investments and reduce our expected return.

Partnership or joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner or co-venturer might become bankrupt, that our partner or co-venturer might at any time have different interests or goals than us, and that our partner or co-venturer may take action contrary to our instructions, requests, policies or objectives. Other risks of joint venture investments could include impasse on decisions, such as a sale, because neither our partner or co-venturer nor we would have full control over the partnership or joint venture. These factors could limit the return that we receive from those investments or cause our cash flows to be lower than our estimates.

Our financial condition could be adversely affected by financial covenants.

Our credit facilities and public debt indentures under which our indebtedness is, or may be, issued contain certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur secured and unsecured indebtedness, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions. These covenants could limit our ability to obtain additional funds needed to address cash shortfalls or pursue growth opportunities or transactions that would provide substantial return to our shareholders. In addition, a breach of these covenants could cause a default under or accelerate some or all of our indebtedness, which could have a material adverse effect on our financial condition.

If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax as a regular corporation and could have significant tax liability.

We intend to operate in a manner that allows us to qualify as a REIT for U.S. federal income tax purposes. However, REIT qualification requires us to satisfy numerous requirements (some on an annual or quarterly basis) established under highly technical and complex provisions of the Internal Revenue Code, for which there are a limited number of judicial or administrative interpretations. Our status as a REIT requires an analysis of various factual matters and circumstances that are not entirely within our control. Accordingly, it is not certain we will be able to qualify and remain qualified as a REIT for U.S. federal income tax purposes. Even a technical or inadvertent violation of the REIT requirements could jeopardize our REIT qualification. Furthermore, Congress or the IRS might change the tax laws or regulations and the courts might issue new rulings, in each case potentially having retroactive effect that could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

§ We would be taxed as a regular domestic corporation, which, among other things, means that we would be unable to deduct distributions to our shareholders in computing our taxable income and would be subject to U.S. federal income tax on our taxable income at regular corporate rates;

§ Any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to shareholders, and could force us to liquidate assets or take other actions that could have a detrimental effect on our operating results; and

§ Unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost our qualification, and our cash available for distribution to our shareholders therefore would be reduced for each of the years in which we do not qualify as a REIT.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow. We may also be subject to certain U.S. federal, state and local taxes on our income and property either directly or at the level of our subsidiaries. Any of these taxes would decrease cash available for distribution to our shareholders.

Compliance with REIT requirements may negatively affect our operating decisions.

To maintain our status as a REIT for U.S. federal income tax purposes, we must meet certain requirements, on an ongoing basis, including requirements regarding our sources of income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares. We may also be required to make distributions to our shareholders when we do not have funds readily available for distribution or at times when our funds are otherwise needed to fund capital expenditures.

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As a REIT, we must distribute at least 90% of our annual net taxable income (excluding net capital gains) to our shareholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. From time to time, we may generate taxable income greater than our income for financial reporting purposes, or our net taxable income may be greater than our cash flow available for distribution to our shareholders. If we do not have other funds available in these situations, we could be required to borrow funds, sell a portion of our securities at unfavorable prices or find other sources of funds in order to meet the REIT distribution requirements.

Dividends paid by REITs generally do not qualify for reduced tax rates.

In general, the maximum U.S. federal income tax rate for dividends paid to individual U.S. shareholders is 15% (through 2008). Unlike dividends received from a corporation that is not a REIT, our distributions to individual shareholders generally are not eligible for the reduced rates.

Our real estate investments may contain environmental risks that could adversely affect our operating results.

The acquisition of certain assets may subject us to liabilities, including environmental liabilities. Our operating expenses could be higher than anticipated due to the cost of complying with existing or future environmental laws and regulations. In addition, under various federal, state and local laws, ordinances and regulations, we may be considered an owner or operator of real property or to have arranged for the disposal or treatment of hazardous or toxic substances. As a result, we may become liable for the costs of removal or remediation of certain hazardous substances released on or in our property.

We may also be liable for other potential costs that could relate to hazardous or toxic substances (including governmental fines and injuries to persons and property). We may incur such liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. Any liability could be of substantial magnitude and divert management's attention from other aspects of our business and, as a result, could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to the shareholders.

An uninsured loss or a loss that exceeds the policies on our properties could subject us to lost capital or revenue on those properties.

Under the terms and conditions of the leases currently in force on our properties, tenants generally are required to indemnify and hold us harmless from liabilities resulting from injury to persons, air, water, land or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of our agents. Tenants are generally required, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. We have obtained comprehensive liability, casualty, property, flood and rental loss insurance policies on our properties. All of these policies may involve substantial deductibles and certain exclusions. In addition, we cannot assure the shareholders that the tenants will properly maintain their insurance policies or have the ability to pay the deductibles. Should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to the shareholders.

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Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unintended expenditures that adversely affect our cash flows.

All of our properties are required to comply with the Americans with Disabilities Act (ADA). The ADA has separate compliance requirements for “public accommodations” and “commercial facilities,” but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and noncompliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. While the tenants to whom we lease properties are obligated by law to comply with the ADA provisions, and typically under tenant leases are obligated to cover costs associated with compliance, if required changes involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of these tenants to cover costs could be adversely affected. As a result, we could be required to expend funds to comply with the provisions of the ADA, which could adversely affect the results of operations and financial condition and our ability to make distributions to shareholders. In addition, we are required to operate the properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to the properties. We may be required to make substantial capital expenditures to comply with those requirements, and these expenditures could have a material adverse effect on our ability to meet the financial obligations and make distributions to our shareholders.

ITEM 1B. Unresolved Staff Comments

None.

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ITEM 2. Properties

At December 31, 2006, our real estate properties consisted of 389 locations in 22 states. A complete listing of these properties, including the name, location, building area and land area:

Center and Location		Building Total	Land Total
Houston and Harris County, Total		**6,804,000**	**23,395,000**
Alabama-Shepherd, S. Shepherd at W. Alabama		56,000	176,000
Bayshore Plaza, Spencer Hwy. at Burke Rd.		122,000	196,000
Bellaire Boulevard, Bellaire at S. Rice		35,000	137,000
Braeswood Square, N. Braeswood at Chimney Rock		103,000	422,000
Centre at Post Oak, Westheimer at Post Oak Blvd.		184,000	505,000
Champions Village, F.M. 1960 at Champions Forest Dr.		408,000	1,391,000
Crestview, Bissonnet at Wilcrest		9,000	35,000
Cullen Place, Cullen at Reed		7,000	30,000
Cullen Plaza, Cullen at Wilmington		85,000	318,000
Cypress Pointe, F.M. 1960 at Cypress Station		288,000	737,000
Eastpark, Mesa Rd. at Tidwell		113,000	664,000
Edgebrook, Edgebrook at Gulf Fwy.		78,000	360,000
Fiesta Village, Quitman at Fulton		30,000	80,000
Fondren/West Airport, Fondren at W. Airport		62,000	223,000
Glenbrook Square, Telephone Road		76,000	320,000
Griggs Road, Griggs at Cullen		80,000	382,000
Harrisburg Plaza, Harrisburg at Wayside		93,000	334,000
Heights Plaza, 20th St. at Yale		72,000	228,000
Humblewood Shopping Plaza, Eastex Fwy. at F.M. 1960		279,000	784,000
I-45/Telephone Rd. Center, I-45 at Maxwell Street		164,000	819,000
Jacinto City, Market at Baca	*	50,000	134,000
Landmark, Gessner at Harwin		56,000	228,000
Lawndale, Lawndale at 75th St.		54,000	177,000
Little York Plaza, Little York at E. Hardy		117,000	483,000
Lyons Avenue, Lyons at Shotwell		68,000	178,000
Market at Westchase, Westheimer at Wilcrest		87,000	318,000
Northbrook Center, Northwest Fwy. at W. 34th		174,000	655,000
North Main Square, Pecore at N. Main		19,000	64,000
North Oaks, F.M. 1960 at Veterans Memorial		425,000	1,646,000
North Triangle , I-45 at F.M. 1960		16,000	113,000
Northway, Northwest Fwy. at 34th		209,000	793,000
Northwest Crossing, N.W. Fwy. at Hollister (75%)	* !	299,000	884,000
Oak Forest, W. 43rd at Oak Forest		164,000	541,000
Orchard Green, Gulfton at Renwick		74,000	273,000
Randall's /Cypress Station, F.M. 1960 at I-45		141,000	618,000
Randall's /Kings Crossing, Kingwood Dr. at Lake Houston Pkwy.		128,000	624,000
Randall's /Norchester, Grant at Jones		108,000	475,000
Richmond Square, Richmond Ave. at W. Loop 610		91,000	135,000
River Oaks East, W. Gray at Woodhead		71,000	206,000
River Oaks West, W. Gray at S. Shepherd		235,000	609,000

Sheldon Forest North , North, I-10 at Sheldon	*	22,000	131,000
Sheldon Forest South , North, I-10 at Sheldon	*	76,000	328,000
Shops at Three Corners, S. Main at Old Spanish Trail (70%)	*	252,000	1,007,000
Southgate, W. Fuqua at Hiram Clark		125,000	533,000
Spring Plaza, Hammerly at Campbell		56,000	202,000
Steeplechase, Jones Rd. at F.M. 1960		293,000	849,000
Stella Link , Stella Link at S. Braeswood		68,000	261,000
Studemont, Studewood at E. 14th St		28,000	91,000
Ten Blalock Square, I-10 at Blalock		97,000	321,000
10/Federal, I-10 at Federal		132,000	474,000
Village Arcade, University at Kirby		191,000	413,000
Westbury Triangle, Chimney Rock at W. Bellfort		67,000	257,000

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Westchase Center, Westheimer at Wilcrest		336,000	754,000
Westhill Village, Westheimer at Hillcroft		131,000	479,000
Texas (Excluding Houston & Harris Co.), Total		**9,628,000**	**45,481,000**
Bell Plaza, 45th Ave. at Bell St., Amarillo		129,000	682,000
Coronado, 34th St. at Wimberly Dr., Amarillo		48,000	201,000
Puckett Plaza, Bell Road, Amarillo		133,000	621,000
Wolflin Village, Wolflin Ave. at Georgia St., Amarillo		193,000	421,000
Brodie Oaks, South Lamar Blvd. at Loop 360, Austin		354,000	1,050,000
Southrigde Plaza, William Cannon Dr. at S. 1st St., Austin		143,000	565,000
Calder, Calder at 24th St., Beaumont		34,000	95,000
North Park Plaza, Eastex Fwy. at Dowlen, Beaumont	* !	238,000	636,000
Phelan West, Phelan at 23rd St., Beaumont (67%)	* !	83,000	89,000
Phelan, Phelan at 23rd St, Beaumont		12,000	63,000
Southgate, Calder Ave. at 6th St., Beaumont		34,000	118,000
Westmont, Dowlen at Phelan, Beaumont		98,000	507,000
North Towne Plaza, U.S. 77 and 83 at SHFM 802, Brownsville (75%)	# *	-	1,629,000
Gateway Station, I-35W and McAlister Rd., Burleson (70%)	# *	-	344,000
Lone Star Pavilions, Texas at Lincoln Ave., College Station		107,000	439,000
Rock Prairie Marketplace, Rock Prairie Rd. at Hwy. 6, College Station	#	-	2,590,000
Montgomery Plaza, Loop 336 West at I-45, Conroe		317,000	1,179,000
River Pointe, I-45 at Loop 336, Conroe		190,000	310,000
Moore Plaza, S. Padre Island Dr. at Staples, Corpus Christi		535,000	1,491,000
Portairs, Ayers St. at Horne Rd., Corpus Christi		117,000	416,000
Shoppes at Deer Creek, FM 731 at FM 1137, Crowley		75,000	635,000
Golden Beach Market Place, Golden Triangle Blvd. at N. Beach St., Ft. Worth		83,000	340,000
Overton Park Plaza, SW Loop 820/Interstate 20 at South Hulen St., Ft. Worth		463,000	1,636,000
Southcliff, I-20 at Grandbury Rd., Ft. Worth		116,000	568,000
Broadway , Broadway at 59th St., Galveston		76,000	220,000
Galveston Place, Central City Blvd. at 61st St., Galveston		210,000	828,000
Food King Place, 25th St. at Avenue P, Galveston		28,000	78,000
Festival Plaza, Helotes, TX	#	-	75,000
Killeen Marketplace, 3200 E. Central Texas Expressway, Killeen		251,000	512,000
Cedar Bayou, Bayou Rd., La Marque		46,000	51,000
North Creek Plaza, Del Mar Blvd. at Hwy. I-35, Laredo		451,000	1,251,000
Plantation Centre, Del Mar Blvd. at McPherson Rd., Laredo		135,000	596,000
League City Plaza, I-45 at F.M. 518, League City		127,000	680,000
Central Plaza, Loop 289 at Slide Rd., Lubbock		151,000	529,000
Northtown Plaza, 1st St. at University Plaza, Lubbock		74,000	308,000
Town and Country, 4th St. at University, Lubbock		51,000	339,000
Angelina Village, Hwy. 59 at Loop 287, Lufkin		257,000	1,835,000
Independence Plaza, Town East Blvd., Mesquite		179,000	787,000
South 10th St. HEB, S. 10th St. at Houston St., McAllen	* !	104,000	368,000
Las Tiendas Plaza, Expressway 83 at McColl Rd., McAllen	* !	530,000	910,000
Market at Nolana, Nolana Ave and 29th St., McAllen	# * !	-	508,000
Northcross, N. 10th St. at Nolana Loop, McAllen	* !	76,000	218,000

Old Navy Building, 1815 10th Street, McAllen	* !	16,000	62,000
Market at Sharyland Place, U.S. Expressway 83 and Shary Road, Mission	# * !	-	543,000
Sharyland Towne Crossing, U.S. Expressway 83 and Shary Road, Mission	* ! #	7,000	2,008,000
North Sharyland Crossing, Shary Rd. at North Hwy. 83, Mission	# * !	-	966,000
Custer Park, SWC Custer Road at Parker Road, Plano		181,000	376,000
Pitman Corners, Custer Road at West 15th, Plano		190,000	699,000
Gillham Circle, Gillham Circle at Thomas, Port Arthur		33,000	94,000
Starr Plaza, U.S. Hwy. 83 at Bridge St., Rio Grande City	* ! #	170,000	742,000
Rockwall, I-30 at Market Center Street, Rockwall		209,000	933,000
Plaza, Ave. H at Eighth Street, Rosenberg	*	82,000	270,000
Rose-Rich, U.S. Hwy. 90A at Lane Dr., Rosenberg		104,000	386,000
Lake Pointe Market Center, Dalrock Rd. at Lakeview Pkwy., Rowlett		121,000	294,000
Boswell Towne Center, Highway 287 at Bailey Boswell Rd., Saginaw		88,000	176,000
Fiesta Trails, I-10 at DeZavala Rd., San Antonio		488,000	1,589,000
Oak Park Village, Nacogdoches at New Braunfels, San Antonio		66,000	221,000

Parliament Square, W. Ave. at Blanco, San Antonio		120,000	484,000
Thousand Oaks, Thousand Oaks Dr. at Jones Maltsberger Rd., San Antonio		163,000	730,000
Valley View, West Ave. at Blanco Rd., San Antonio		90,000	341,000
Westover Square, 151 and Ingram, San Antonio (67%)	# *	-	501,000
First Colony Commons, Hwy. 59 at Williams Trace Blvd., Sugar Land		410,000	1,649,000
Market at Town Center, Town Center Blvd., Sugar Land		345,000	1,733,000
New Boston Road, New Boston at Summerhill, Texarkana		97,000	335,000
Island Market Place, 6th St. at 9th Ave., Texas City		27,000	90,000
Palmer Plaza, F.M. 1764 at 34th St., Texas City		197,000	367,000
Tomball Marketplace, FM 2920 and Future 249, Tomball	#	-	2,431,000
Broadway, S. Broadway at W. 9th St., Tyler		60,000	259,000
Crossroads, I-10 at N. Main, Vidor		116,000	484,000
Florida, Total		**7,217,000**	**30,934,000**
Boca Lyons, Glades Rd. at Lyons Rd., Boca Raton		117,000	545,000
Sunset 19, US Hwy. 19 at Sunset Pointe Rd., Clearwater		273,000	1,078,000
Embassy Lakes, Sheraton St. at Hiatus Rd., Cooper City		180,000	618,000
Shoppes at Paradise Isle, 34940 Emerald Coast Pkwy, Destin (25%)	* !	172,000	765,000
Hollywood Hills Plaza, Hollywood Blvd. at North Park Rd., Hollywood		365,000	1,429,000
Indian Harbour Place, East Eau Gallie Boulevard, Indian Harbour Beach (25%)	* !	164,000	637,000
Argyle Village, Blanding at Argyle Forest Blvd., Jacksonville		305,000	1,329,000
TJ Maxx Plaza, 117th Avenue at Sunset Blvd., Kendall		162,000	540,000
Largo Mall, Ulmerton Rd. at Seminole Ave., Largo		576,000	1,888,000
Palm Lakes Plaza, Atlantic Boulevard and Rock Island Road, Maragate (20%)	* !	114,000	548,000
Lake Washington Crossing, Wickham Rd. at Lake Washington Rd., Melbourne (25%)	* !	119,000	580,000
Lake Washington Square, Wickham Rd. at Lake Washington Rd., Melbourne		112,000	688,000
Kendall Corners, Kendall Drive and SW 127th Avenue, Miami (20%)	* !	96,000	363,000
South Dade, South Dixie Highway and Eureka Drive, Miami (20%)	* !	220,000	1,229,000
Tamiami Trail Shops, S.W. 8th St. at S.W. 137th Ave., Miami		111,000	515,000
Northridge, E. Commercial Blvd. at Dixie Hwy., Oakland Park		235,000	901,000
Colonial Plaza, E. Colonial Dr. at Primrose Dr., Orlando		488,000	2,009,000
Colonial Landing, East Colonial Dr. at Maguire Boulevard, Orlando	* #	266,000	980,000
International Drive Value Center, International Drive and Touchstone Drive, Orlando (20%)	* !	186,000	985,000
Market at Southside, Michigan Ave. at Delaney Ave., Orlando		162,000	349,000
Phillips Crossing, Interstate 4 and Sand Lake Road, Orlando	#	-	697,000
Phillips Landing, Turkey Lake Rd., Orlando	#	-	311,000
The Marketplace at Dr. Phillips, Dr. Phillips Boulevard and Sand Lake Road, Orlando (20%)	* !	328,000	1,496,000
Westland Terrace Plaza, SR 50 at Apopka Vineland Rd., Orlando		251,000	361,000
Alafaya Square, Alafaya Trail, Oviedo (20%)	* !	176,000	917,000
University Palms, Alafaya Trail at McCullough Rd., Oviedo		99,000	522,000
East Lake Woodlands, East Lake Road and Tampa Road, Palm Harbor (20%)	* !	145,000	730,000

Shoppes at Parkland, Hillsboro Boulevard at State Road #7, Parkland		146,000	905,000
Flamingo Pines, Pines Blvd. at Flamingo Rd., Pembroke Pines		362,000	1,447,000
Pembroke Commons, University at Pines Blvd., Pembroke Pines		316,000	1,394,000
Publix at Laguna Isles, Sheridan St. at SW 196th Ave., Pembroke Pines		69,000	400,000
Vizcaya Square, Nob Hill Rd. at Cleary Blvd., Plantation		108,000	521,000
Quesada Commons, Quesada Avenue and Toledo Blade Boulevard, Port Charlotte (25%)	* !	59,000	313,000
Shoppes of Port Charlotte, Toledo Blade Boulevard and Tamiami Trail, Port Charlotte (25%)	* !	41,000	276,000
Marketplace at Seminole Towne Center, Central Florida Greenway and Rinehart Rd, Sanford		494,000	1,743,000
Venice Pines, Center Rd. at Jacaranda Blvd., Venice		97,000	525,000
Winter Park Corners, Aloma Ave. at Lakemont Ave., Winter Park		103,000	400,000
California, Total		**4,013,000**	**14,451,000**
Jess Ranch Marketplace, Bear Valley Road at Jess Ranch Parkway, Apple Valley	* ! #	-	-
Centerwood Plaza, Lakewood Blvd. at Alondra Dr., Bellflower		71,000	333,000
Southampton Center, IH-780 at Southampton Rd., Benecia		162,000	596,000
580 Market Place, E. Castro Valley at Hwy. I-580, Castro Valley		100,000	444,000
Chino Hills Marketplace, Chino Hills Pkwy. at Pipeline Ave., Chino Hills		320,000	1,187,000
Buena Vista Marketplace, Huntington Dr. at Buena Vista St., Duarte		91,000	322,000
El Camino Promenade, El Camino Real at Via Molena, Encinitas		111,000	451,000
Freedom Centre, Freedom Blvd. At Airport Blvd., Watsonville		151,000	543,000

Fremont Gateway Plaza, Paseo Padre Pkwy. at Walnut Ave., Fremont		195,000	650,000
Hallmark Town Center, W. Cleveland Ave. at Stephanie Ln., Madera		85,000	365,000
Menifee Town Center, Antelope Rd. at Newport Rd., Menifee		248,000	658,000
Marshalls Plaza, McHenry at Sylvan Ave., Modesto		79,000	218,000
Prospectors Plaza, Missouri Flat Rd. at US Hwy. 50, Placerville		228,000	873,000
Shasta Crossroads, Churn Creek Rd. at Dana Dr., Redding		252,000	520,000
Ralphs Redondo, Hawthorne Blvd. at 182nd St., Redondo Beach		67,000	431,000
Arcade Square, Watt Ave. at Whitney Ave., Sacramento		76,000	234,000
Discovery Plaza, W. El Camino Ave. at Truxel Rd., Sacramento		93,000	417,000
Summerhill Plaza, Antelope Rd. at Lichen Dr., Sacramento		134,000	704,000
Valley, Franklin Boulevard and Mack Road, Sacramento		103,000	580,000
Silver Creek Plaza, E. Capital Expressway at Silver Creek Blvd., San Jose		196,000	573,000
Greenhouse Marketplace, Lewelling Blvd. at Washington Ave., San Leandro		238,000	578,000
Rancho San Marcos Village, San Marcos Blvd. at Rancho Santa Fe Rd., San Marcos		121,000	541,000
San Marcos Plaza, San Marcos Blvd. at Rancho Santa Fe Rd., San Marcos		81,000	116,000
Stony Point Plaza, Stony Point Rd. at Hwy. 12, Santa Rosa		199,000	619,000
Sunset Center, Sunset Ave. at State Hwy. 12, Suisun City		85,000	359,000
Creekside Center, Alamo Dr. at Nut Creek Rd., Vacaville		116,000	400,000
Westminster Center, Westminster Blvd. at Golden West St., Westminster		411,000	1,739,000
Louisiana, Total		**3,058,000**	**9,206,000**
Seigen Plaza, Siegen Lane at Honore Lane, Baton Rouge		349,000	1,000,000
Park Terrace, U.S. Hwy. 171 at Parish, DeRidder		137,000	520,000
Town & Country Plaza, U.S. Hwy. 190 West, Hammond		227,000	645,000
Manhattan Place, Manhattan Blvd. at Gretna Blvd., Harvey		258,000	894,000
Ambassador Plaza, Ambassador Caffery at W. Congress, Lafayette		102,000	196,000
River Marketplace, Ambassador Caffery at Kaliste Saloom, Lafayette (20%)	* !	343,000	1,031,000
Westwood Village, W. Congress at Bertrand, Lafayette		141,000	942,000
Conn's Building, Ryan at 17th St., Lake Charles		23,000	36,000
14/Park Plaza, Hwy. 14 at General Doolittle, Lake Charles		207,000	535,000
K-Mart Plaza, Ryan St., Lake Charles	* !	210,000	126,000
Prien Lake Plaza, Prien Lake Rd. at Nelson Rd., Lake Charles		252,000	730,000
Southgate, Ryan at Eddy, Lake Charles		171,000	511,000
Orleans Station, Paris, Robert E. Lee at Chatham, New Orleans		5,000	31,000
Danville Plaza, Louisville at 19th, Monroe		144,000	539,000
University Place, 70th St. at Youree Dr., Shreveport (20%)	* !	376,000	1,077,000
Westwood, Jewella at Greenwood, Shreveport		113,000	393,000
Nevada, Total		**3,499,000**	**12,004,000**
Eastern Horizon, Eastern Ave. at Horizon Ridge Pkwy., Henderson		211,000	478,000
Best in the West, Rainbow at Lake Mead Rd., Las Vegas		437,000	1,516,000
Charleston Commons, Charleston and Nellis, Las Vegas		338,000	1,316,000
Francisco Centre, E. Desert Inn Rd. at S. Eastern Ave., Las Vegas		148,000	639,000
Mission Center, Flamingo Rd. at Maryland Pkwy, Las Vegas		208,000	570,000
Paradise Marketplace, Flamingo Rd. at Sandhill, Las Vegas		149,000	537,000

Rainbow Plaza, Rainbow Blvd. at Charleston Blvd., Las Vegas		410,000	1,548,000
Rancho Towne & Country, Rainbow Blvd. at Charleston Blvd., Las Vegas		87,000	350,000
Tropicana Beltway, Tropicana Beltway at Fort Apache Rd., Las Vegas	* !	638,000	1,466,000
Tropicana Marketplace, Tropicana at Jones Blvd., Las Vegas		143,000	519,000
Westland Fair North, Charleston Blvd. At Decatur Blvd., Las Vegas		566,000	2,344,000
College Park S.C., E. Lake Mead Blvd. at Civic Ctr. Dr., North Las Vegas		164,000	721,000
North Carolina, Total		**3,366,000**	**18,880,000**
Capital Square, Capital Blvd. at Huntleigh Dr., Cary		157,000	607,000
Harrison Pointe, Harrison Ave. at Maynard Rd., Cary		124,000	1,343,000
High House Crossing, NC Hwy 55 at Green Level W. Rd., Cary		90,000	606,000
Northwoods Market, Maynard Rd. at Harrison Ave., Cary		78,000	431,000
Parkway Pointe, Cory Parkway at S. R. 1011, Cary		80,000	461,000
Chatham Crossing, US 15/501 at Plaza Dr., Chapel Hill (25%)	* !	96,000	425,000
Galleria, Galleria Boulevard and Sardis Road, Charlotte		316,000	799,000
Johnston Road Plaza, Johnston Rd. at McMullen Creek Pkwy., Charlotte		80,000	466,000

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Steele Creek Crossing, York Rd. at Steele Creek Rd., Charlotte		77,000	491,000
Whitehall Commons, NWC of Hwy. 49 at I-485, Charlotte		436,000	360,000
Bull City Market, Broad St. at West Main St., Durham		43,000	112,000
Durham Festival, Hillsborough Rd. at LaSalle St., Durham		134,000	487,000
Mineral Springs Village, Mineral Springs Rd. at Wake Forest Rd., Durham		58,000	572,000
Ravenstone Commons, Hwy 98 at Sherron Rd., Durham		60,000	374,000
Waterford Village, US Hwy 17 & US Hwy 74/76, Leland (75%)	# *	-	1,264,000
Pinecrest Plaza, Hwy. 15-501 at Morganton Rd., Pinehurst		250,000	1,438,000
Avent Ferry, Avent Ferry Rd. at Gorman St., Raleigh		117,000	669,000
Falls Pointe, Neuce Rd. at Durant Rd., Raleigh		189,000	659,000
Leesville Town Centre, Leesville Rd. at Leesville Church Rd., Raleigh		114,000	904,000
Lynnwood Collection, Creedmoor Rd at Lynn Road, Raleigh		86,000	429,000
Six Forks Station, Six Forks Rd. at Strickland Rd., Raleigh		468,000	1,843,000
Little Brier Creek, Little Brier Creek Lane and Brier Leaf Lane, Raleigh		63,000	90,000
Stonehenge Market, Creedmoor Rd. at Bridgeport Dr., Raleigh		188,000	669,000
Surf City Crossing, Highway 17 and Highway 210, Surf City	#	-	1,359,000
Heritage Station, Forestville Rd. at Rogers Rd., Wake Forest		62,000	392,000
The Shoppes at Caveness Farms, Capitol Blvd and Caveness Farms Ave, Wake Forest	#	-	1,630,000
Arizona, Total		**2,132,000**	**7,186,000**
Palmilla Center, Dysart Rd. at McDowell Rd., Avondale		170,000	264,000
Raintree Ranch, Ray Road at Price Road, Chandler	#	60,000	759,000
University Plaza, Plaza Way at Milton Rd., Flagstaff		162,000	919,000
Val Vista Towne Center, Warner at Val Vista Rd., Gilbert		216,000	366,000
Arrowhead Festival S.C., 75th Ave. at W. Bell Rd., Glendale		177,000	157,000
Fry's Ellsworth Plaza, Broadway Rd. at Ellsworth Rd., Mesa		74,000	58,000
Monte Vista Village Center, Baseline Rd. at Ellsworth Rd., Mesa		104,000	353,000
Red Mountain Gateway, Power Rd. at McKellips Rd., Mesa		206,000	353,000
Camelback Village Square, Camelback at 7th Avenue, Phoenix		235,000	543,000
Laveen Village Market, Baseline Rd. at 51st St., Phoenix	#	108,000	773,000
Rancho Encanto, 35th Avenue at Greenway Rd., Phoenix		74,000	290,000
Squaw Peak Plaza, 16th Street at Glendale Ave., Phoenix		61,000	220,000
Fountain Plaza, 77th St. at McDowell, Scottsdale		105,000	445,000
Fry's Valley Plaza, S. McClintock at E. Southern, Tempe		145,000	570,000
Broadway Marketplace, Broadway at Rural, Tempe		83,000	347,000
Pueblo Anozira, McClintock Dr. at Guadalupe Rd., Tempe		152,000	769,000
New Mexico, Total		**1,473,000**	**4,489,000**
Eastdale, Candelaria Rd. at Eubank Blvd., Albuquerque		118,000	601,000
North Towne Plaza, Academy Rd. at Wyoming Blvd., Albuquerque		103,000	607,000
Pavillions at San Mateo, I-40 at San Mateo, Albuquerque		196,000	791,000
Plaza at Cottonwood, Coors Bypass Blvd. at Seven Bar Loop Rd., Albuquerque		418,000	386,000
Wyoming Mall, Academy Rd. at Northeastern, Albuquerque		326,000	1,309,000
De Vargas, N. Guadalupe at Paseo de Peralta, Santa Fe		312,000	795,000
Colorado, Total		**2,707,000**	**13,648,000**

Aurora City Place, E. Alameda at I225, Aurora	*	528,000	2,260,000
Bridges at Smoky Hill, Smoky Hill Rd. at S. Picadilly St., Aurora	*	59,000	272,000
Buckingham Square, Mississippi at Havana, Aurora	* #	-	-
Academy Place, Academy Blvd. at Union Blvd., Colorado Springs		261,000	404,000
Uintah Gardens, NEC 19th St. at West Uintah, Colorado Springs		212,000	677,000
Green Valley Ranch Towne Center, Tower Rd. at 48th Ave., Denver (37%)	* !	104,000	421,000
Lowry Town Center, 2nd Ave. at Lowry Ave., Denver	*	131,000	246,000
Gold Creek, Hwy. 86 at Elizabeth St., Elizabeth	*	80,000	160,000
CityCenter Englewood, S. Santa Fe at Hampden Ave., Englewood (51%)	*	307,000	453,000
Glenwood Meadows, Midland Ave. at W. Meadows, Glenwood Springs (41%)	* ! #	350,000	1,288,000
Highlands Ranch University Park, Highlands Ranch at University Blvd., Highlands Ranch (40%)	* !	88,000	534,000
Crossing at Stonegate, Jordon Rd. at Lincoln Ave., Parker (51%)	*	109,000	870,000
River Point at Sheridan, Highway 77 and Highway 88, Sheridan	# *	-	4,270,000
Thorncreek Crossing, Washington St. at 120th St., Thornton (51%)	*	386,000	1,157,000
Westminster Plaza, North Federal Blvd. at 72nd Ave., Westminster	*	92,000	636,000

Kansas, Total		**251,000**	**454,000**
Shawnee Village, Shawnee Mission Pkwy. at Quivera Rd., Shawnee		135,000	10,000
Kohl's, Wanamaker Rd. at S.W. 17th St., Topeka		116,000	444,000
Oklahoma, Total		**174,000**	**682,000**
Market Boulevard , E. Reno Ave. at N. Douglas Ave., Midwest City		36,000	142,000
Town and Country, Reno Ave at North Air Depot, Midwest City		138,000	540,000
Arkansas, Total		**355,000**	**1,489,000**
Markham Square, W. Markham at John Barrow, Little Rock		127,000	514,000
Markham West, 11400 W. Markham, Little Rock		178,000	769,000
Westgate, Cantrell at Bryant, Little Rock		50,000	206,000
Tennessee, Total		**656,000**	**3,396,000**
Bartlett Towne Center, Bartlett Blvd. at Stage Rd., Bartlett		179,000	774,000
Mendenhall Commons, South Mendenahall Rd. and Sanderlin Avenue, Memphis		80,000	250,000
Commons at Dexter Lake, Dexter at N. Germantown, Memphis		229,000	1,013,000
Highland Square, Summer at Highland, Memphis		14,000	84,000
Ridgeway Trace, Memphis	#	-	715,000
Summer Center, Summer Ave. at Waring Rd., Memphis		154,000	560,000
Missouri, Total		**259,000**	**1,307,000**
Ballwin Plaza, Manchester Rd. at Vlasis Dr., Ballwin		203,000	653,000
Western Plaza, Hwy 141 at Hwy 30, Fenton	* !	56,000	654,000
Georgia, Total		**2,167,000**	**8,199,000**
Lakeside Marketplace, Cobb Parkway (US Hwy 41), Acworth		322,000	736,000
Camp Creek Marketplace II, Camp Creek Parkway and Carmia Drive, Atlanta		196,000	724,000
Publix at Princeton Lakes, Carmia Drive and Camp Creek Drive, Atlanta		68,000	336,000
Brookwood Square, East-West Connector at Austell Rd., Austell		253,000	971,000
Dallas Commons, US Highway 278 and Nathan Dean Boulevard, Dallas		95,000	244,000
Reynolds Crossing, Steve Reynolds and Old North Cross Rd., Duluth		116,000	407,000
Thompson Bridge Commons, Thompson Bridge Rd. at Mt. Vernon Rd., Gainesville		78,000	540,000
Grayson Commons, Grayson Hwy at Rosebud Rd., Grayson		77,000	510,000
Village Shoppes of Sugarloaf, Sugarloaf Pkwy at Five Forks Trickum Rd., Lawrenceville		148,000	831,000
Sandy Plains Exchange, Sandy Plains at Scufflegrit, Marietta		73,000	452,000
Brownsville Commons, Brownsville Road and Hiram-Lithia Springs Road, Powder Springs		82,000	205,000
Roswell Corners, Woodstock Rd. at Hardscrabble Rd., Roswell		319,000	784,000
Brookwood Marketplace, Peachtree Parkway at Mathis Airport Rd., Suwannee		340,000	1,459,000
Utah, Total		**633,000**	**1,660,000**
Alpine Valley Center, Main St. at State St., American Fork (33%)	* !	200,000	447,000

Taylorsville Town Center, West 4700 South at Redwood Rd., Taylorsville		134,000	399,000
West Jordan Town Center, West 7000 South at S. Redwood Rd., West Jordan		299,000	814,000
Illinois, Total		**394,000**	**1,268,000**
Lincoln Place, Hwy. 59, Fairview Heights		224,000	503,000
Lincoln Place II, Route 159 at Hwy. 50, Fairview Heights		170,000	765,000
Maine, Total		**205,000**	**963,000**
The Promenade, Essex at Summit, Lewiston (75%)	*	205,000	963,000
Kentucky, Total		**683,000**	**3,176,000**
Millpond Center, Boston at Man O'War, Lexington		144,000	773,000
Tates Creek, Tates Creek at Man O' War, Lexington		185,000	660,000
Regency Shopping Centre, Nicholasville Rd.& West Lowry Lane, Lexington		136,000	590,000
Festival at Jefferson Court, Outer Loop at Jefferson Blvd., Louisville		218,000	1,153,000
Washington, Total		**617,000**	**1,888,000**
Village at Liberty Lake, E. Country Vista Dr. at N. Liberty Rd., Liberty Lake	* ! #	143,000	142,000
Mukilteo Speedway Center, Mukilteo Speedway, Lincoln Way, and Highway 99, Lynnwood (20%)	* !	90,000	353,000

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Meridian Town Center, Meridian Avenue East and 132nd Street East, Puyallup (20%)	* !	143,000	535,000
South Hill Center, 43rd Avenue Southwest and Meridian Street South, Puyallup (20%)	* !	134,000	514,000
Rainier Square Plaza, Rainer Avenue South and South Charleston Street, Seattle (20%)	* !	107,000	344,000
Oregon Total		**177,000**	**382,000**
Clackamas Square, SE 82nd Avenue and SE Causey Avenue, Portland (20%)	* !	137,000	216,000
Raleigh Hills Plaza, SW Beaverton-Hillsdale Hwy and SW Scholls Ferry Road, Portland (20%)	* !	40,000	166,000
South Carolina, Total		**87,000**	**436,000**
Fresh Market Shoppes, 890 William Hilton Head Pkwy, Hilton Head (25%)	* !	87,000	436,000
INDUSTRIAL			
Houston and Harris County, Total		**5,242,000**	**13,308,000**
1919 North Loop West, Hacket Drive at West Loop 610 North		140,000	157,000
Beltway 8 Business Park, Beltway 8 at Petersham Dr.		158,000	499,000
Blankenship Building, Kempwood Drive		59,000	175,000
Brookhollow Business Center, Dacoma at Directors Row		133,000	405,000
Central Park Northwest VI, Central Pkwy. at Dacoma		175,000	518,000
Central Park Northwest VII, Central Pkwy. at Dacoma		103,000	283,000
Claywood Industrial Park, Clay at Hollister		330,000	1,761,000
Crosspoint Warehouse, Crosspoint		73,000	179,000
Jester Plaza Office Service Center, West T.C. Jester		101,000	244,000
Kempwood Industrial, Kempwood Dr. at Blankenship Dr.		113,000	327,000
Kempwood Industrial, Kempwood Dr. at Blankenship Dr. (20%)	* !	207,000	531,000
Lathrop Warehouse, Lathrop St. at Larimer St. (20%)	* !	253,000	435,000
Navigation Business Park, Navigation at N. York (20%)	* !	238,000	555,000
Northway Park II, Loop 610 East at Homestead (20%)	* !	304,000	746,000
Railwood F, Market at U.S. 90 (20%)	* !	300,000	559,000
Railwood Industrial Park, Mesa at U.S. 90		616,000	1,651,000
Railwood Industrial Park, Mesa at U.S. 90 (20%)	* !	498,000	1,061,000
South Loop Business Park, S. Loop at Long Dr.	* !	92,000	206,000
Southport Business Park 5, South Loop 610		161,000	358,000
Southwest Park II Service Center, Rockley Road		68,000	216,000
Stonecrest Business Center, Wilcrest at Fallstone		111,000	308,000
West-10 Business Center, Wirt Rd. at I-10		129,000	331,000
West 10 Business Center II, Wirt Rd. at I-10		83,000	147,000
Westgate Service Center, Park Row Drive at Whiteback Dr.		119,000	499,000
West Loop Commerce Center, W. Loop N. at I-10		34,000	91,000
610 and 11th St. Warehouse, Loop 610 at 11th St.		105,000	202,000

610 and 11th St. Warehouse, Loop 610 at 11th St. (20%)	* !	244,000	539,000
610/288 Business Park , Cannon Street (20%)	* !	295,000	482,000
Texas (excluding Houston & Harris Co.), Total		**3,879,000**	**9,515,000**
Midpoint I-20 Distribution Center, New York Avenue and Arbrook Boulevard, Arlington		253,000	593,000
Randol Mill Place, Randol Mill Road, Arlington		55,000	178,000
Braker 2 Business Center, Kramer Ln. at Metric Blvd., Austin		27,000	93,000
Corporate Center Park I and II, Putnam Dr. at Research Blvd., Austin		117,000	326,000
Oak Hills Industrial Park, Industrial Oaks Blvd., Austin		90,000	340,000
Rutland 10 Business Center, Metric Blvd. At Centimeter Circle, Austin		54,000	139,000
Southpark A,B,C, East St. Elmo Rd. at Woodward St., Austin		78,000	238,000
Southpoint Service Center, Burleson at Promontory Point Dr., Austin		54,000	234,000
Wells Branch Corporate Center, Wells Branch Pkwy., Austin		59,000	183,000
1625 Diplomat Drive, SWC Diplomat Dr. at McDaniel Dr., Carrollton		106,000	199,000
Midway Business Center, Midway at Boyington, Carrollton		141,000	309,000
Manana Office Center, I-35 at Manana, Dallas		223,000	473,000
Newkirk Service Center, Newkirk near N.W. Hwy., Dallas		106,000	223,000
Northaven Business Center, Northaven Rd., Dallas		151,000	178,000
Northeast Crossing Office/Service Center, East N.W. Hwy. at Shiloh, Dallas		79,000	199,000

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Northwest Crossing Office/Service Center, N.W. Hwy. at Walton Walker, Dallas		127,000	290,000
Redbird Distribution Center, Joseph Hardin Drive, Dallas		111,000	233,000
Regal Distribution Center, Leston Avenue, Dallas		203,000	318,000
Space Center Industrial Park, Pulaski St. at Irving Blvd., Dallas		265,000	426,000
McGraw Hill Distribution Center, 420 E. Danieldale Rd, DeSoto		418,000	888,000
Freeport Commerce Center, Sterling Street and Statesman Drive, Irving		51,000	196,000
Central Plano Business Park, Klein Rd. at Plano Pkwy., Plano		138,000	415,000
Jupiter Service Center, Jupiter near Plano Pkwy., Plano		78,000	234,000
Sherman Plaza Business Park, Sherman at Phillips, Richardson		101,000	312,000
Interwest Business Park, Alamo Downs Parkway, San Antonio		218,000	742,000
Isom Business Park, 919-981 Isom Road, San Antonio		175,000	462,000
O'Connor Road Business Park, O'Connor Road, San Antonio		150,000	459,000
Freeport Business Center, 13215 N. Promenade Blvd., Stafford		251,000	635,000
Georgia, Total		**1,568,000**	**4,343,000**
Atlanta Industrial Park II & VI, Atlanta Industrial Pkwy. at Atlanta Industrial Dr., Atlanta		552,000	1,755,000
Sears Logistics, 3700 Southside Industrial Way, Atlanta (20%)	* !	403,000	890,000
Southside Industrial Parkway, Southside Industrial Pkwy at Jonesboro Rd., Atlanta		72,000	242,000
Kennesaw 75, 3850-3900 Kennesaw Prkwy, Kennesaw		178,000	491,000
6485 Crescent Drive, I-85 at Jimmy Carter Blvd., Norcross (20%)	* !	363,000	965,000
Tennessee, Total		**1,142,000**	**2,658,000**
Crowfarn Drive Warehouse, Crowfarn Dr. at Getwell Rd., Memphis (20%)	* !	161,000	316,000
Outland Business Center, Outland Center Dr., Memphis (20%)	* !	410,000	1,215,000
Southpoint I & II, Pleasant Hill Rd. at Shelby Dr., Memphis		571,000	1,127,000
Florida, Total		**1,496,000**	**3,700,000**
Lakeland Industrial Center, I-4 at County Rd., Lakeland		600,000	1,535,000
1801 Massaro, 1801 Massaro Blvd., Tampa		159,000	337,000
Hopewell Industrial Center, Old Hopewell Boulevard and U.S. Highway 301, Tampa		224,000	486,000
Tampa East Industrial Portfolio, 1841 Massaro Blvd., Tampa		513,000	1,342,000
California, Total		**1,043,000**	**2,548,000**
1725 Dornoch, Donroch Court, San Diego		112,000	268,000
1855 Dornoch, Donroch Court, San Diego		205,000	520,000
Siempre Viva Business Park, Siempre Viva Rd. at Kerns St., San Diego (20%)	* !	726,000	1,760,000
UNIMPROVED LAND			
Houston & Harris County, Total			**2,402,000**
Bissonnet at Wilcrest			175,000
Citadel Plaza at 610 North Loop			137,000
East Orem			122,000

Kirkwood at Dashwood Drive		322,000
Mesa Road at Tidwell		901,000
Northwest Freeway at Gessner		422,000
Shaver at Denham		17,000
West Little York at Interstate 45		161,000
West Loop North at Interstate 10		145,000
Texas (excluding Houston & Harris Co.), Total		**1,121,000**
River Pointe Drive at Interstate 45, Conroe	#	590,000
NEC of US Hwy 380 & Hwy 75, McKinney		87,000
9th Ave. at 25th St., Port Arthur		243,000
Highway 3 at Highway 1765, Texas City		201,000
Louisiana, Total		**462,000**
U.S. Highway 171 at Parish, DeRidder		462,000
North Carolina, Total		**1,750,000**
The Shoppes at Caveness Farms		1,750,000

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Weingarten Realty Investors
Property Listing at December 31, 2006

ALL PROPERTIES-BY LOCATION	NUMBER OF PROPERTIES	BUILDING TOTAL	LAND TOTAL
Grand Total	**389**	**64,925,000**	**246,781,000**
Texas (excluding Houston and Harris County)	96	13,507,000	56,117,000
Houston & Harris County	77	12,046,000	39,105,000
Florida	41	8,713,000	34,634,000
California	30	5,056,000	16,999,000
North Carolina	26	3,366,000	20,630,000
Louisiana	16	3,058,000	9,668,000
Arizona	16	2,132,000	7,186,000
Colorado	15	2,707,000	13,648,000
Georgia	18	3,735,000	12,542,000
Nevada	12	3,499,000	12,004,000
Tennessee	9	1,798,000	6,054,000
New Mexico	6	1,473,000	4,489,000
Oklahoma	2	174,000	682,000
Arkansas	3	355,000	1,489,000
Utah	3	633,000	1,660,000
Kentucky	4	683,000	3,176,000
Kansas	2	251,000	454,000
Missouri	2	259,000	1,307,000
Illinois	2	394,000	1,268,000
Maine	1	205,000	963,000
Washington	5	617,000	1,888,000
South Carolina	1	87,000	436,000
Oregon	2	177,000	382,000
ALLPROPERTIES-BY CLASSIFICATION			
Grand Total	**389**	**64,925,000**	**246,781,000**
Shopping Centers	322	50,555,000	204,974,000
Industrial	67	14,370,000	36,072,000
Unimproved Land	0		5,735,000

Total square footage includes 465,000 square feet of building area and 11,933,000 square feet of land leased from others.

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*

Denotes partial ownership. Our interest is 50% except where noted. The square feet figures represent the total property amounts.

# Denotes property under development.

! Denotes properties of an unconsolidated joint venture. These properties are not consolidated in our financial statements.

General. In 2006 no single property accounted for more than 2.1% of our total assets or 1.5% of gross revenues. Five properties, in the aggregate, represented approximately 7.0% of our gross revenues for the year ended December 31, 2006; otherwise, none of the remaining properties accounted for more than 1.3% of our gross revenues during the same period. The weighted average occupancy rate for all of our improved properties as of December 31, 2006 was 94.1% compared to 94.2% as of December 31, 2005.

Substantially all of our properties are owned directly by us (subject in some cases to mortgages), although our interests in some properties are held indirectly through interests in joint ventures or under long-term leases. In our opinion, our properties are well maintained and in good repair, suitable for their intended uses, and adequately covered by insurance.

We participate in 65 joint ventures or partnerships that hold 103 of our properties. Our ownership interest ranges from 20% to 99%; we are normally the managing or operating partner and receive a fee for acting in this capacity.

We may use a DownREIT operating partnership structure in the acquisition of some real estate properties. In these transactions, a fair value purchase price is agreed upon between us, as general partner of the DownREIT, and the seller where the seller receives operating partnership units in exchange for some or all of its ownership interest in the property. Each operating partnership unit is the equivalent of one of our common shares of beneficial interest. These units generally allow our partners the right to put their limited partnership units interest to us on or after the first anniversary of the entity's formation. We may acquire these limited partnership units for either cash or a fixed number of our common shares at our discretion.

Shopping Centers. At December 31, 2006, we owned or operated under long-term leases, either directly or through our interest in joint ventures or partnerships, a total of 297 developed income-producing properties and 25 properties under various stages of construction and development. Our shopping centers are located Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maine, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah and Washington.

Our shopping centers are primarily neighborhood and community shopping centers that range in size from 100,000 to 600,000 square feet of building area, as distinguished from small strip centers, which generally contain 5,000 to 25,000 square feet, and from large regional enclosed malls. Almost none of the centers have climatized common areas, but are designed to allow retail customers to park their automobiles in close proximity to any retailer in the center. Our centers are customarily constructed of masonry, steel and glass, and all have lighted, paved parking areas, which are typically landscaped with berms, trees and shrubs. They are generally located at major intersections in close proximity to neighborhoods that have existing populations sufficient to support retail activities of the types conducted in our centers.

We have approximately 6,600 separate leases with 4,800 different tenants. Included among our top revenue-producing tenants are: The Kroger Co., T.J.X. Companies, Ross Stores, Safeway, Publix, Office Depot, Blockbuster Video, Home Depot, Barnes & Noble, and the Gap. The diversity of our tenant base is also evidenced by the fact that our largest tenant accounted for only 3.0% of rental revenues during 2006.

In the ordinary course of business, we have tenants who cease making payments under their leases or who file for bankruptcy protection. We are unable to predict or forecast the timing of store closings or unexpected vacancies; however, we believe the effect of this will not have a material impact on our financial position, results of operations, or our liquidity due to the significant diversification of our tenant base.

Our shopping center leases have lease terms generally ranging from three to five years for tenant space under 5,000 square feet and from 10 to 25 years for tenant space over 10,000 square feet. Leases with primary lease terms in

excess of 10 years, generally for anchor and out-parcels, frequently contain renewal options which allow the tenant to extend the term of the lease for one or more additional periods, with each of these periods generally being of a shorter duration than the primary lease term. The rental rates paid during a renewal period are generally based upon the rental rate for the primary term; sometimes adjusted for inflation, market conditions or an amount of the tenant's sales during the primary term.

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Most of our leases provide for the monthly payment in advance of fixed minimum rentals, the tenants' pro rata share of ad valorem taxes, insurance (including fire and extended coverage, rent insurance and liability insurance) and common area maintenance for the center (based on estimates of the costs for these items). They also provide for the payment of additional rentals based on a percentage of the tenants' sales. Utilities are generally paid directly by tenants except where common metering exists with respect to a center. In this case we make payments for the utilities, and the tenants on a monthly basis reimburse us. Generally, our leases prohibit the tenant from assigning or subletting its space. They also require the tenant to use its space for the purpose designated in its lease agreement and to operate its business on a continuous basis. Some of the lease agreements with major tenants contain modifications of these basic provisions in view of the financial condition, stability or desirability of those tenants. Where a tenant is granted the right to assign its space, the lease agreement generally provides that the original lessee will remain liable for the payment of the lease obligations under that lease agreement.

During 2006 we invested approximately $781 million in the acquisition of operating retail properties. Approximately $402 million was invested in 17 shopping centers and $54 million was invested in two unconsolidated joint ventures to acquire 11 retail properties. We also invested $325 million in the Woolbright Properties Portfolio, 80% of which was subsequently bought from us as part of a joint venture arrangement with TIAA-CREF Global Real Estate. These combined acquisitions added 4.0 million square feet to our share of the portfolio.

In March 2006 we acquired Fresh Market Shoppes Shopping Center, an 87,000 square foot shopping center located in Hilton Head, South Carolina. Fresh Market and Bonefish Grill anchor this specialty retail center. We also acquired The Shoppes at Paradise Isle, a 172,000 shopping center located in Destin, Florida. Best Buy, Linens-N-Things, PetsMart and Office Depot anchor this property. Both of these shopping centers were acquired through a 25%-owned unconsolidated joint venture.

In April 2006 Valley Shopping Center, a 103,000 square foot shopping center anchored by Raley’s Supermarket was acquired. The center has below-market rents providing strong growth opportunities and is in close proximity to our regional office in Sacramento.

In May 2006 Brownsville Commons, an 82,000 square foot shopping center including a 54,000 square foot (corporate owned) Kroger supermarket, was acquired in Powder Springs, Georgia, a suburb of Atlanta. The Shoppes of Parkland, was also acquired, which is a 146,000 square foot shopping center located in Parkland, Florida and is anchored by BJ’s Wholesale. This center services two upper income neighborhoods, Parkland and Boca Raton.

In June 2006 we purchased a property in California and acquired a shopping center in Florida through a 25%-owned unconsolidated joint venture. Freedom Centre, anchored by Ralph’s and Rite Aid, is a 151,000 square foot shopping center located in Freedom, California. Indian Harbour Place is a 164,000 square foot shopping center located in Melbourne, Florida and is anchored by Publix.

In July 2006 we acquired Mendenhall Commons, an 80,000 square foot grocery-anchored neighborhood shopping center located in the affluent East Memphis submarket of Memphis, Tennessee. Kroger anchors the center. We also acquired the Regency Shopping Center, located in Lexington, Kentucky, and Little Brier Creek Lane in Raleigh, North Carolina. Regency Shopping Center is a 136,000 square foot shopping center, which is anchored by Kroger (corporate owned), Michael’s and TJ Maxx. Little Brier Creek Lane is a 63,000 square foot shopping center anchored by Pei Wei.

Quesada Commons, a 59,000 square foot shopping center, and Shoppes of Port Charlotte, a 41,000 square foot shopping center, were acquired through a 25%-owned unconsolidated joint venture in July 2006. Both centers are located in Port Charlotte, Florida and are recently constructed shopping centers. Publix, Florida’s dominant supermarket chain, anchors Quesada Commons, and Petco and Panera Bread anchor the Shoppes of Port Charlotte.

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In August 2006 we acquired the North American Properties portfolio consisting of five retail properties, including four properties in metropolitan Atlanta, Georgia and one in Sanford, Florida, a suburb north of Orlando. The properties are all new construction and are anchored by strong national tenants as described in the below table:

Center Name	Square Feet of Property*	Location	Anchors	Occupancy at Acquisition Date
Brookwood Marketplace	253,000	Suwannee (Atlanta), GA	SuperTarget*, Home Depot, OfficeMax	96%
Camp Creek Phase II	196,000	Atlanta, GA	SuperTarget*, Circuit City	99%
Lakeside Marketplace	322,000	Acworth (Atlanta), GA	SuperTarget*, Circuit City, Ross Dress for Less, PETCO, OfficeMax	100%
Publix at Princeton Lakes	68,000	Atlanta, GA	Publix	100%
Marketplace at Seminole Towne Center	494,000	Sanford (Orlando), FL	SuperTarget*, Circuit City, Linens ‘n Things, Marshalls, PETCO	99%

* Target owns its own property and is not part of the transaction.

The purchase agreement allows for the subsequent development and leasing of an additional phase of Brookwood Marketplace by the property seller. If the terms of the purchase agreement are met by the seller, the purchase price would be increased by approximately $6.9 million. This agreement expires in August 2008.

In September 2006 Dallas Commons and Reynolds Crossing were acquired in Atlanta, Georgia. Dallas Commons is a 95,000 square foot shopping center and Reynolds Crossing is an 116,000 square foot shopping center. Both centers are anchored by a 70,000 square foot (corporate owned) Kroger supermarket.

The Woolbright Properties Portfolio was acquired, which consisted of seven neighborhood/community anchored retail shopping centers. Five of the centers were purchased in September 2006 with Alafaya Square and the Marketplace at Dr. Phillips purchased in early October 2006. This acquisition added 1.3 million square feet to our portfolio, and represented a total investment of $325 million. All seven properties are located in highly desirable locations within Florida’s three largest metropolitan markets of South Florida, Orlando, and Tampa/St. Petersburg. The centers are leased to a diverse mix of strong national retailers as described in the table below:

Center Name	Square Feet of Property	Location	Anchors	Occupancy at Acquisition Date
Alafaya Square	176,000	Oviedo (Orlando), FL	Publix, Planet Fitness	100%
Marketplace at Dr. Phillips	328,000	Orlando, FL	Albertson’s, Stein Mart, HomeGoods, Office Depot	99%
East Lake Woodlands	145,000	Palm Harbor (Tampa), FL	Publix, Walgreens	91%
International Drive Value	186,000	Orlando, FL	Bed Bath & Beyond,	100%

Center			Ross, TJ Maxx		
Kendall Corners	96,000	Miami, FL	Ashley Furniture		100%
Palm Lakes Plaza	114,000	Maragate (Ft. Lauderdale), FL	Publix, CVS		99%
South Dade Shopping Center	220,000	Miami, FL	Publix, Bed Bath & Beyond, PETCO		100%

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In November 2006, 80% of the Woolbright Properties Portfolio was sold as part of a joint venture arrangement with TIAA-CREF Global Real Estate.

In November 2006 we purchased six properties, four in Washington and two in Oregon through a 20%-owned unconsolidated joint venture. The centers are leased to a diverse mix of strong national retailers as described in the table below:

Center Name	Square Feet of Property	Location	Anchors	Occupancy at Acquisition Date
Mukilteo Speedway Center	90,000	Lynnwood (Seattle), WA	Food Emporium, Bartell Drug	96%
Meridian Town Center	143,000	Puyallup (Tacoma), WA	Safeway, JoAnn's	100%
Rainier Valley Square	107,000	Seattle, WA	Safeway, Long Drugs	100%
South Hill Center	134,000	Puyallup (Tacoma), WA	Best Buy, Bed Bath & Beyond and Ross	99%
Clackamas Square	137,000	Portland, OR	TJ Maxx	100%
Raleigh Hills Plaza	40,000	Portland, OR	Walgreen, New Season Market	100%

In December 2006 we acquired Galleria Shopping Center in Charlotte, North Carolina and Charleston Commons in Las Vegas, Nevada. Galleria is a 316,000 square foot shopping center anchored by Cato Corporation and Dollar Tree. Charleston Commons, a 338,000 square foot shopping center, is anchored by Walmart, Office Max, Ross and PetSmart. We also acquired our partner's share of Heritage Station, which is located in Wake Forest, North Carolina. Heritage Station is a 62,000 square foot shopping center that is anchored by Harris Teeter.

In 2006 we sold 19 wholly-owned shopping centers totaling 2.9 million square feet of building area. We also sold two joint venture properties totaling 97,000 square feet. Sales proceeds from these dispositions totaled $300 million and generated gains of $145 million.

Industrial Properties. At December 31, 2006, we owned, either directly or through our interest in joint ventures or partnerships, 67 industrial projects with approximately 50.6 million square feet of building area. We have approximately 690 tenants and 749 leases. Our industrial properties consist of bulk warehouse, business distribution and office-service center assets ranging in size from 27,000 to 616,000 square feet. Similar to our shopping centers, these properties are customarily constructed of masonry, steel and glass, and have lighted, concrete parking areas and are well landscaped. The national and regional tenants in our industrial centers include Hitachi Transport Systems, Sears Logistics, Publix, Shell, Rooms to Go, UPS Supply Chain Solutions, Sanderson Industries, Stone Container, General Electric Company, G.E. Polymershapes, Inc., Interline Brands, Inc., Constar International, Inc., Rooftop Systems Inc., Wells Fargo Bank, and Iron Mountain. Its properties are located in California, Florida, Georgia, Tennessee and Texas. During 2006 we invested approximately $82 million in the acquisition of seven industrial properties totaling 1.4 million square feet.

In February 2006 we acquired the McGraw Hill Distribution Center, a single tenant warehouse of 418,000 square feet located in De Soto, Texas.

In June 2006 we acquired two vacant industrial warehouse buildings in San Diego, California at 1725 and 1855 Dornoch Court. These state-of-the-art buildings, aggregating 317,000 square feet, are located within one and a half

miles of our Siempre Viva Business Park. Based on the high demand for top quality space in this area, we anticipate leasing both newly acquired buildings within the next year.

In October 2006 we acquired Midpoint I-20 Distribution Center, a 253,000 square foot property located in Arlington, Texas.

In November 2006 we acquired Hopewell Industrial Center in Tampa, Florida and Freeport Commerce Center located in Irving, Texas. These centers aggregate 224,000 and 51,000 square feet, respectively.

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In December 2006 we acquired 1919 North Loop West, an office building adjacent to our corporate headquarters in Houston, Texas where we intend to relocate some of our administrative operations. The building contains 140,000 square feet.

During 2006 we sold four industrial properties totaling 616,000 square feet. We also formed an industrial joint venture where five properties totaling 2.1 million square feet were contributed to a joint venture, and we retained a 20% interest. Sales proceeds from these dispositions totaled $115 million and generated gains of $26 million.

Other. In 2005 we began development of a 224-unit apartment complex within a multi-use master planned project. This represents Phase II of a project where the initial phase was completed in 2001 and sold in 2002. We anticipate completing the project in 2007.

Unimproved Land. At December 31, 2006, we owned 15 parcels of unimproved land consisting of approximately 5.7 million square feet of land area located in Texas, Louisiana and North Carolina. These properties include approximately 2.8 million square feet of land adjacent to certain of our existing developed properties, which may be used for expansion of these developments, as well as approximately 2.9 million square feet of land, which may be used for new development. Almost all of these unimproved properties are served by roads and utilities and are ready for development. Most of these parcels are suitable for development as shopping centers or industrial projects, and we intend to emphasize the development of these parcels for such purpose.

New Development Properties. At December 31, 2006, we had 26 projects under construction or in preconstruction stages. The total square footage is approximately 7.6 million.

ITEM 3. Legal Proceedings

We are involved in various matters of litigation arising in the normal course of business. While we are unable to predict with certainty the amounts involved, our management and counsel believe that when such litigation is resolved, our resulting liability, if any, will not have a material adverse effect on our consolidated financial statements.

ITEM 4. Submission of Matters to a Vote of Shareholders

None.

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PART II

ITEM 5. ***Market for Registrant's Common Shares of Beneficial Interest, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Our common shares are listed and traded on the New York Stock Exchange under the symbol "WRI." The number of holders of record of our common shares as of January 31, 2007 was 3,317. The closing high and low sale prices per common share as reported on the New York Stock Exchange, and dividends per share paid for the fiscal quarters indicated were as follows:

	High	Low	Dividends
2006:			
Fourth	$ 47.83	$ 42.72	$ .465
Third	43.26	38.19	.465
Second	40.56	37.10	.465
First	41.76	38.66	.465
2005:			
Fourth	$ 38.98	$ 33.99	$ .44
Third	40.50	36.83	.44
Second	39.32	34.08	.44
First	39.97	33.49	.44

In February 2006 our board of trust managers authorized up to $100 million for the purchase of outstanding common shares of beneficial interest in 2006. Share repurchases may be made in the open market or in privately negotiated transactions. In July 2006 our board of trust managers revised the authorized repurchase amount of our common shares of beneficial interest to a total of $207 million, and we used $167.6 million of the net proceeds from the $575 million debt offering to purchase 4.3 million common shares of beneficial interest at $39.26 per share.

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Performance Graph

The graph below provides an indicator of cumulative total shareholder returns for us as compared with the S&P 500 Stock Index and the NAREIT All Equity Index, weighted by market value at each measurement point. The graph assumes that $100 was invested on December 31, 2001 in our common shares and that all dividends were reinvested by the shareholder.

Comparison of Five Year Cumulative Return

	2002	2003	2004	2005	2006
Weingarten	122.54	155.85	221.88	219.11	279.34
S&P 500 Index	77.90	100.24	111.15	116.61	135.03
The NAREIT All Equity Index	103.82	142.37	187.33	210.12	283.78

There can be no assurance that our share performance will continue into the future with the same or similar trends depicted in the graph above. We will not make or endorse any predications as to future share performance.

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ITEM 6. *Selected Financial Data*

The following table sets forth our selected consolidated financial data and should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and accompanying Notes in "Item 8. Financial Statements and Supplementary Data" and the financial schedules included elsewhere in this Form 10-K.

	(Amounts in thousands, except per share amounts) Year Ended December 31,				
	2006	2005	2004	2003	2002
Revenues (primarily real estate rentals)	$ 561,380	$ 510,401	$ 460,914	$ 372,016	$ 317,119
Expenses:					
Depreciation and amortization	127,613	117,062	103,870	80,776	65,803
Other	180,751	152,932	143,178	113,128	97,253
Total	308,364	269,994	247,048	193,904	163,056
Operating income	253,016	240,407	213,866	178,112	154,063
Interest expense	(146,943)	(130,761)	(117,096)	(90,269)	(67,171)
Interest and other income	9,045	2,867	1,390	1,563	1,053
Loss on redemption of preferred shares			(3,566)	(2,739)	
Equity in earnings of joint ventures, net	14,655	6,610	5,384	4,681	3,930
Income allocated to minority interests	(6,414)	(6,060)	(4,928)	(2,723)	(3,553)
Gain on land and merchant development sales	7,166	804			
Gain on sale of properties	22,467	22,306	1,562	665	188
Provision for Income Taxes	(1,366)				
Income from continuing operations	151,626	136,173	96,612	89,290	88,510
Income from discontinued operations (1)	153,384	83,480	44,769	26,990	43,357
Net income	$ 305,010	$ 219,653	$ 141,381	$ 116,280	$ 131,867
Net income available to common shareholders	$ 294,909	$ 209,552	$ 133,911	$ 97,880	$ 112,111
Per share data - basic:					
Income from continuing operations	$ 1.61	$ 1.41	$ 1.04	$ .92	$ .89
Net income	$ 3.36	$ 2.35	$ 1.55	$ 1.24	$ 1.44
Weighted average number of shares	87,719	89,224	86,171	78,800	77,866
Per share data - diluted:					
Income from continuing operations	$ 1.60	$ 1.41	$ 1.04	$ .92	$ .89
Net income	$ 3.27	$ 2.31	$ 1.54	$ 1.24	$ 1.43
	91,779	93,166	89,511	81,574	80,041

Weighted average number of shares										
Property (at cost)	$	4,445,888	$	4,033,579	$	3,751,607	$	3,200,091	$	2,695,286
Total assets	$	4,375,540	$	3,737,741	$	3,470,318	$	2,923,094	$	2,423,241
Debt	$	2,900,952	$	2,299,855	$	2,105,948	$	1,810,706	$	1,330,369
Other data:										
Cash flows from operating activities	$	242,592	$	200,525	$	203,886	$	162,316	$	167,095
Cash flows from investing activities	$	(314,686)	$	(105,459)	$	(349,654)	$	(331,503)	$	(182,161)
Cash flows from financing activities	$	100,407	$	(97,791)	$	170,928	$	168,623	$	23,451
Cash dividends per common share	$	1.86	$	1.76	$	1.66	$	1.56	$	1.48
Funds from operations: (2)										
Net income available to common shareholders	$	294,909	$	209,552	$	133,911	$	97,880	$	112,111
Depreciation and amortization		131,792		125,742		114,342		90,367		78,111
Gain on sale of properties		(172,056)		(87,561)		(26,316)		(7,273)		(18,614)
Total	$	254,645	$	247,733	$	221,937	$	180,974	$	171,608

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(1) SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" requires the operating results and gain (loss) on the sale of operating properties to be reported as discontinued operations.

(2) The National Association of Real Estate Investment Trusts defines funds from operations as net income (loss) available to common shareholders computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of operating properties and extraordinary items, plus depreciation and amortization of real estate assets, including our share of unconsolidated partnerships and joint ventures. We calculate FFO in a manner consistent with the NAREIT definition. We believe FFO is an appropriate supplemental measure of operating performance because it helps investors compare our operating performance relative to other REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. Our results of operations and financial condition, as reflected in the accompanying financial statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors which could affect the ongoing viability of our tenants.

Executive Overview

Weingarten Realty Investors is a real estate investment trust organized under the Texas Real Estate Investment Trust Act. We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping and industrial centers we own or lease. We also manage centers for joint ventures in which we are partners or for other outside owners for which we charge fees.

We operate a portfolio of properties includes neighborhood and community shopping centers and industrial properties of approximately 65 million square feet. We have a diversified tenant base with our largest tenant comprising only 3% of total rental revenues during 2006.

We focus on increasing Funds from Operations and growing dividend payments to our common shareholders. We do this through hands-on leasing, management and selected redevelopment of the existing portfolio of properties, through disciplined growth from selective acquisitions and new developments, and through the disposition of assets that no longer meet our ownership criteria. We do this while remaining committed to maintaining a conservative balance sheet, a well-staggered debt maturity schedule and strong credit agency ratings.

We continue to maintain a strong, conservative capital structure, which provides ready access to a variety of attractive capital sources. We carefully balance obtaining low cost financing with minimizing exposure to interest rate movements and matching long-term liabilities with the long-term assets acquired or developed.

At December 31, 2006, we owned or operated under long-term leases, either directly or through our interest in joint ventures or partnerships, a total of 363 developed income-producing properties and 26 properties under various stages of construction and development. The total number of centers includes 322 neighborhood and community shopping

centers located in Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maine, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Texas, and Washington. We also owned 67 industrial projects located in California, Florida, Georgia, Tennessee and Texas.

We also owned interests in 15 parcels of unimproved land held for future development that totaled approximately 5.7 million square feet.

We have approximately 7,400 leases with 5,500 different tenants at December 31, 2006.

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Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Rental revenues generally include minimum lease payments, which often increase over the lease term, reimbursements of property operating expenses, including ad valorem taxes, and additional rent payments based on a percentage of the tenants' sales. The majority of our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. We believe stability of our anchor tenants, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should ensure the long-term success of our merchants and the viability of our portfolio.

In assessing the performance of our properties, management carefully tracks the occupancy of the portfolio. Occupancy for the total portfolio was 94.1% at December 31, 2006 compared to 94.2% at December 31, 2005. We expect occupancy to remain at this high level or improve slightly in 2007. Another important indicator of performance is the spread in rental rates on a same-space basis as we complete new leases and renew existing leases. We completed 1,264 new leases or renewals during 2006 totaling 6.1 million square feet, increasing rental rates an average of 7.5% on a cash basis.

In the first quarter of 2006, we articulated a new long-term growth strategy with a planned three-year implementation. The key elements of this strategy are as follows:

- A much greater focus on new development, including merchant development, with $300 million in annual new development completions beginning in 2009.

- Increased use of joint ventures for acquisitions including the recapitalization (or partial sale) of existing assets, which provide the opportunity to further increase returns on investment through the generation of fee income from leasing and management services we will provide to the venture.

- Further recycling capital through the active disposition of non-core properties and reinvesting the proceeds into properties with barriers to entry within high growth metropolitan markets. This, combined with our continuous focus on our assets, produces a higher quality portfolio with higher occupancy rates and much stronger internal revenue growth.

During 2006, we made excellent progress in the execution of this long-term growth strategy as described in the following sections on new development, acquisitions and joint ventures, and dispositions.

New Development

At December 31, 2006, we had 26 properties in various stages of development, up from 10 properties under development at the end of 2005. We have invested $204 million to-date on these projects and, at completion, we estimate our total investment to be $485 million. These properties are slated to open over the next two years with a projected return on investment of approximately 9% when completed.

In addition to these projects, we have significantly increased our development pipeline with nine development sites under contract, which will represent an investment of approximately $218 million. In addition to the nine development sites under contract, we have another 22 development sites under preliminary pursuit.

Merchant development is a new program in which we develop a project with the objective of selling all or part of it, instead of retaining it in our portfolio on a long-term basis. We generated $6.9 million (after-tax) from this program in 2006 adding $0.08 of earnings and FFO per share.

We are making excellent progress in new development including merchant development activities. During 2006, we almost tripled the number of properties under development and invested $167 million in our new development

program.

Acquisitions and Joint Ventures

In 2006, we completed a record $1 billion of acquisitions, including $194 million bought on behalf of joint venture partners. Properties acquired in 2006 included 34 shopping centers and seven industrial properties that added a total of 4.0 million square feet under management. During 2006, just over half of our acquisitions were with institutional joint ventures.

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We formed the following new joint venture partnerships in 2006:

· We acquired seven neighborhood/community shopping centers in South Florida in a new joint venture with TIAA-CREF Global Real Estate;

· In partnership with AEW Capital Management, on behalf of its institutional client, we acquired four grocery-anchored centers and two power centers in Oregon and Washington, marking our entry into two desirable markets - Portland, Oregon and Seattle/Tacoma, Washington;

· We also formed a joint venture with Mercantile Real Estate Advisors and its client, the AFL-CIO Building Investment Trust, to acquire and operate industrial properties within target markets across the United States. We sold $123 million of our existing assets to the joint venture upon formation. Including the $123 million, the partners plan to invest up to $500 million in total capital over the next two years.

Acquisitions are critical to our growth and a key component of our strategy. However, intense competition for good quality assets has driven asset prices up and returns down. Partnering with institutional investors through joint ventures enables us to acquire high quality assets in our target markets while also meeting our financial return objectives. We benefit from access to lower-cost capital as well as leveraging our expertise to provide fee-based services, such as the acquisition, leasing, and management of properties, to the joint ventures.

Dispositions

During 2006, we sold 21 shopping centers and four industrial projects representing 3.6 million square feet from our share of the portfolio. Sale proceeds from these dispositions totaled $316 million and generated gains of $150 million. We also sold an 80% interest in two property portfolios to two joint ventures totaling $358 million. The proceeds from these dispositions, combined with the joint venture program, provided more than 70% of the capital required for the 2006 acquisitions and reduced the need to issue additional common equity or incur additional debt.

Capitalizing on strong demand and favorable prices for real estate assets during 2006, we completed a record level of asset sales. Dispositions are part of an on-going portfolio management process where we prune our portfolio of properties that do not meet our geographic or growth targets and provide capital to recycle into properties that have barrier-to-entry locations within high growth metropolitan markets. Over time we expect this to produce a portfolio with higher occupancy rates and much stronger internal revenue growth.

Summary of Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Rental revenue is generally recognized on a straight-line basis over the life of the lease, which begins the date the leasehold improvements are substantially complete, if owned by us, or the date the tenant takes control of the space, if

the leasehold improvements are owned by the tenant. Revenue from tenant reimbursements of taxes, maintenance expenses and insurance is recognized in the period the related expense is recorded. Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint.

Partially Owned Joint Ventures and Partnerships
To determine the method of accounting for partially owned joint ventures or partnerships, we first apply the guidelines set forth in FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." Based upon our analysis, we have determined that we have no variable interest entities.

Partially owned joint ventures or partnerships over which we exercise financial and operating control are consolidated in our financial statements. In determining if we exercise financial and operating control, we consider factors such as ownership interest, authority to make decisions, kick-out rights and substantive participating rights. Partially owned joint ventures and partnerships where we have the ability to exercise significant influence, but do not exercise financial and operating control, are accounted for using the equity method.

Property
Real estate assets are stated at cost less accumulated depreciation, which, in the opinion of management, is not in excess of the individual property's estimated undiscounted future cash flows, including estimated proceeds from disposition. Depreciation is computed using the straight-line method, generally over estimated useful lives of 18-40 years for buildings and 10-20 years for parking lot surfacing and equipment. Major replacements where the betterment extends the useful life of the asset are capitalized and the replaced asset and corresponding accumulated depreciation are removed from the accounts. All other maintenance and repair items are charged to expense as incurred.

Acquisitions of properties are accounted for utilizing the purchase method and, accordingly, the results of operations of an acquired property are included in our results of operations from the respective dates of acquisition. We have used estimates of future cash flows and other valuation techniques to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, and other identifiable intangibles. Other identifiable intangible assets and liabilities include the effect of out-of-market leases, the value of having leases in place (lease origination and absorption costs), out-of-market assumed mortgages and tenant relationships.

Property also includes costs incurred in the development of new operating properties and properties in our merchant development program. These properties are carried at costs and no depreciation is recorded on these assets. These costs include preacquisition costs directly identifiable with the specific project, development and construction costs, interest and real estate taxes. Indirect development costs, including salaries and benefits, travel and other related costs that are clearly attributable to the development of the property, are also capitalized. The capitalization of such costs ceases at the earlier of one year from the completion of major construction or when the property, or any completed portion, becomes available for occupancy.

Property also includes costs for tenant improvements paid by us, including reimbursements to tenants for improvements that are owned by us and will remain our property after the lease expires.

Our properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of either the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis or the estimated net sales price to the carrying amount of such property. Such carrying amount is adjusted, if necessary, to the estimated fair value to reflect an impairment in the value of the asset.

Some of our properties are held in single purpose entities. A single purpose entity is a legal entity typically established at the request of a lender solely for the purpose of owning a property or group of properties subject to a mortgage. There may be restrictions limiting the entity’s ability to engage in an activity other than owning or operating the property, assume or guaranty the debt of any other entity, or dissolve itself or declare bankruptcy before the debt has been repaid. Most of our single purpose entities are 100% owned by us and are consolidated in our financial statements.

Interest Capitalization

Interest is capitalized on land under development and buildings under construction based on rates applicable to borrowings outstanding during the period and the weighted average balance of qualified assets under development/construction during the period.

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Deferred Charges
Debt and lease costs are amortized primarily on a straight-line basis, which approximates the effective interest method, over the terms of the debt and over the lives of leases, respectively. Lease costs represent the initial direct costs incurred in origination, negotiation and processing of a lease agreement. Such costs include outside broker commissions and other independent third party costs as well as salaries and benefits, travel and other related internal costs incurred in completing the leases. Costs related to supervision, administration, unsuccessful origination efforts and other activities not directly related to completed lease agreements are charged to expense as incurred.

Sales of Real Estate
Sales of real estate include the sale of shopping center pads, property adjacent to shopping centers, shopping center properties, merchant development properties and investments in real estate ventures.

We recognize profit on sales of real estate, including merchant development sales, in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." Profits are not recognized until (a) a sale is consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay; (c) the seller's receivable is not subject to future subordination; and (d) we have transferred to the buyer the usual risks and rewards of ownership in the transaction, and we do not have a substantial continuing involvement with the property.

We recognize gains on the sale of real estate to joint ventures in which we participate to the extent we receive cash from the joint venture.

Accrued Rent and Accounts Receivable
Receivable balances outstanding include base rents, tenant reimbursements and receivables attributable to the straight-lining of rental commitments. An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon an analysis of balances outstanding, historical bad debt levels, tenant credit worthiness and current economic trends.

Income Taxes
We have elected to be treated as a Real Estate Investment Trust (REIT) under the Internal Revenue Code of 1986, as amended. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income we distribute to our shareholders. To be taxed as a REIT we must meet a number of requirements including meeting defined percentage tests concerning the amount of our assets and revenues that come from, or are attributable to, real estate operations. As long as we distribute at least 90% of the taxable income of the REIT to our shareholders as dividends, we will not be taxed on the portion of our income we distribute as dividends unless we have ineligible transactions.

The Tax Relief Extension Act of 1999 gave REITs the ability to conduct activities which a REIT was previously precluded from doing as long as they are performed in entities which have elected to be treated as taxable REIT subsidiaries under the IRS code. These activities include buying or developing properties with the express purpose of selling them. We conduct certain of these activities in taxable REIT subsidiaries that we have created. We calculate and record income taxes in our financial statements based on the activities in those entities. We also record deferred taxes for the temporary tax differences that have resulted from those activities as required under SFAS No. 109, "Accounting for Income Taxes."

Results of Operations
Comparison of the Year Ended December 31, 2006 to the Year Ended December 31, 2005

Revenues

Total revenues were $561.4 million for the year ended 2006 versus $510.4 million for the year ended 2005, an increase of $51.0 million or 10%. This increase resulted primarily from an increase in rental revenues of $50.4 million.

Property acquisitions and new development activity contributed $35.6 million of the rental income increase. The remaining increase of $14.8 million resulted from 1,264 renewals and new leases, comprising 6.1 million square feet at an average rental rate increase of 7.5%.

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Occupancy (leased space) of the portfolio as compared to the prior year was as follows:

	December 31, 2006	2005
Shopping Centers	95.0%	94.6%
Industrial	91.2%	93.1%
Total	94.1%	94.2%

Expenses
Total expenses for 2006 were $308.4 million versus $270.0 million in 2005, an increase of $38.4 million or 14.2%.

The increases in 2006 for depreciation and amortization expense ($10.5 million), operating expenses ($14.8 million), ad valorem taxes ($6.6 million) and general and administrative expenses ($6.4 million) were primarily a result of the properties acquired and developed during the year, an increase in property insurance expenses as a result of the hurricanes experienced in 2005, and increases associated with headcount increases related to the growth of the portfolio. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues were 28% in 2006 and 27% in 2005.

Interest Expense
Interest expense totaled $146.9 million for 2006, up $16.1 million or 12.3% from 2005. The components of interest expense were as follows (in thousands):

	Year Ended December 31, 2006	2005
Gross interest expense	$ 161,894	$ 140,317
Over-market mortgage adjustment of acquired properties	(7,335)	(6,927)
Capitalized interest	(7,616)	(2,629)
Total	$ 146,943	$ 130,761

Gross interest expense totaled $161.9 million in 2006, up $21.6 million or 15.4% from 2005. The increase in gross interest expense was due to an increase in the average debt outstanding from $2.2 billion in 2005 to $2.5 billion in 2006 at a weighted average interest rate of 6.0% in 2006 and 6.1% for 2005. Capitalized interest increased $5.0 million due to an increase in new development activity, and the over-market mortgage adjustment increased by $.4 million.

Interest and Other Income
Interest and other income was $9.0 million in 2006 versus $2.9 million in 2005, an increase of $6.1 million or 210%. This increase was attributable to interest earned from a qualified escrow account for the purposes of completing like-kind exchanges, construction loans associated with our new development activities, excess proceeds from our $575 million Convertible Debt Offering and assets held in a grantor trust related to our deferred compensation plan.

Equity in Earnings of Joint Ventures
Our equity in earnings of joint ventures was $14.7 million in 2006 versus $6.6 million in 2005, an increase of $8.1 million or 123%. This increase was attributable primarily to our share of the gains generated from the disposition of two shopping centers in Texas totaling $4.0 million, a gain of $1.1 million associated with land and merchant development activities in Texas and Washington and incremental income from our investments in newly formed joint

ventures in 2005 and 2006 for the acquisition and development of retail and industrial properties.

Gain on Sale of Properties

The gain of $22.5 million and $22.3 million in 2006 and 2005, respectively, resulted primarily from the sale of an 80% interest in five industrial properties in the San Diego, Memphis and Atlanta markets and two retail centers in Louisiana, respectively, in which we retained a continuing 20% operating interest.

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Gain on Land and Merchant Development Sales
Gain on land and merchant development sales of $7.1 million in 2006 resulted from the gain from the sale of the Timber Springs shopping center in Orlando, Florida and the sale of three parcels of land in Arizona (1) and Texas (2). The activity in 2005 resulted from the sale of a parcel of land in Orlando, Florida.

Provision for Income Taxes
The amount reported in 2006 includes the tax expense in our taxable REIT subsidiary and the deferred tax impact attributable to the Texas margin tax enacted in the second quarter of 2006.

Income from Discontinued Operations
Income from discontinued operations was $153.4 million in 2006 versus $83.5 million in 2005, an increase of $69.9 million or 83.7%. This increase was due to the disposition of 23 properties totaling 3.5 million square feet that provided sales proceeds of $308.2 million and generated gains of $145.5 million. The 2005 caption includes the operating results of properties disposed in 2006 and 2005 as well as the gain from the disposition of 16 properties and a vacant building totaling 1.3 million square feet that provided sales proceeds of $133.8 million and generated gains of $65.5 million.

Results of Operations
Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004

Revenues
Total revenues increased by $49.5 million or 10.7% in 2005 ($510.4 million in 2005 versus $460.9 million in 2004). This increase resulted primarily from the increase in rental revenues of $51.4 million and a decrease in other income of $1.9 million. Property acquisitions and new development activity contributed $41.3 million of the rental income increase with $14.2 million resulting from our existing properties, based on the occupancy and average rental rate factors described below. Offsetting these rental income increases was a decrease of $4.1 million, which resulted from the sale of an 80% interest in two retail centers in Louisiana.

Occupancy (leased space) of the portfolio as compared to the prior year was as follows:

	December 31,	
	2005	2004
Shopping Centers	94.6%	94.8%
Industrial	93.1%	92.6%
Total	94.2%	94.3%

In 2005 we completed 1,298 renewals and new leases comprising 6.8 million square feet at an average rental rate increase of 7.0%.

Other income decreased by $1.9 million or 22.9% in 2005 ($6.4 million in 2005 versus $8.3 million in 2004). This decrease was due primarily to a decrease in lease cancellation payments from various tenants.

Expenses
Total expenses increased by $23.0 million or 9.3% in 2005 ($270.0 million in 2005 versus $247.0 million in 2004).

The increases in 2005 for depreciation and amortization expense ($13.2 million), operating expenses ($5.1 million) and ad valorem taxes ($6.9 million) were primarily a result of the properties acquired and developed during the year. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a

percentage of rental revenues were 27% in both 2005 and 2004.

General and administrative expenses increased by $1.3 million or 8.1% in 2005 ($17.4 million in 2005 versus $16.1 million in 2004). This increase resulted primarily from normal compensation increases as well as increases in staffing necessitated by the growth in the portfolio. General and administrative expense as a percentage of rental revenues was 3% in 2005 and 4% in 2004.

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Impairment loss of $3.6 million in 2004 related to a parcel of land held for development in Houston, Texas, which was sold in December 2004, and one retail property in Houston and one retail property in Port Arthur, Texas.

Interest Expense
Interest expense increased by $13.7 million or 11.7% in 2005 ($130.8 million in 2005 versus $117.1 million in 2004). The components of interest expense were as follows (in thousands):

	Year Ended December 31,	
	2005	2004
Gross interest expense	$ 140,317	$ 125,069
Interest on preferred shares subject to mandatory redemption		2,007
Over-market mortgage adjustment of acquired properties	(6,927)	(4,988)
Capitalized interest	(2,629)	(4,992)
Total	$ 130,761	$ 117,096

Gross interest expense increased $15.2 million ($140.3 million in 2005 versus $125.1 million in 2004) due to an increase in the average debt outstanding from $2.0 billion in 2004 to $2.2 billion in 2005 and an increase in the weighted average interest rate between the two periods from 5.9% in 2004 to 6.1% in 2005. The increase in the over-market mortgage adjustment of $1.9 million resulted from our property acquisitions. Capitalized interest decreased $2.4 million due to completion of new development projects in 2004.

Loss on Redemption of Preferred Shares
Loss on redemption of preferred shares of $3.6 million in 2004 represents the unamortized original issuance costs related to the Series C Cumulative Preferred Shares redeemed in April 2004.

Equity in Earnings of Joint Ventures
Equity in earnings of joint ventures increased by $1.2 million or 22.2% in 2005 ($6.6 million in 2005 versus $5.4 million in 2004). This increase is due primarily to the acquisition of three retail properties in two newly formed unconsolidated joint ventures during 2005 and a gain from the disposition of an unimproved land tract. Also contributing to this increase is the sale of an 80% interest in two retail properties during 2005, which are held in tenancy-in-common arrangements in which we retained a 20% interest, and the acquisitions of five retail properties in 2004, each through a 50% unconsolidated joint venture.

Income Allocated to Minority Interests
Income allocated to minority interests increased by $1.2 million or 24.5% in 2005 ($6.1 million in 2005 versus $4.9 million in 2004). This increase resulted primarily from the acquisition of five retail properties during 2004 and three retail properties in June 2005 through limited partnerships utilizing the DownREIT structure. These limited partnerships are consolidated in our consolidated financial statements because we exercise financial and operating control.

Gain on Sale of Properties
Gain on sale of properties increased by $20.8 million in 2005 ($22.3 million in 2005 versus $1.5 million in 2004). The increase was due primarily to the sale of an 80% interest in two shopping centers in Lafayette and Shreveport, Louisiana totaling 295,000 square feet. Due to our continuing involvement with the leasing and managing of operations for both properties, the operating results of these properties have not been reclassified and reported as discontinued operations. The gain on the sale of our 80% interest in these two properties totaled $21.7 million.

Gain on Land and Merchant Development Sales

Gain on land sales of $.8 million represents the gain from the sale of an unimproved land tract in Orlando, Florida.

Income from Discontinued Operations
Income from discontinued operations increased by $38.7 million ($83.5 million in 2005 versus $44.8 million in 2004). Included in this caption for 2005 are the operating results of properties disposed in 2006 and the disposition of 16 properties and a vacant building totaling 1.3 million square feet that provided sales proceeds of $133.8 million and generated gains of $65.5 million. Included in this caption for 2004 are the operating results of properties disposed in 2006 and 2005 plus the disposition of five properties and one free-standing building totaling .7 million square feet in 2004. The 2004 dispositions provided sales proceeds of $49.9 million and generated gains of $24.9 million.

Effects of Inflation

We have structured our leases in such a way as to remain largely unaffected should significant inflation occur. Most of the leases contain percentage rent provisions whereby we receive increased rentals based on the tenants' gross sales. Many leases provide for increasing minimum rentals during the terms of the leases through escalation provisions. In addition, many of our leases are for terms of less than ten years, which allow us to adjust rental rates to changing market conditions when the leases expire. Most of our leases also require the tenants to pay their proportionate share of operating expenses and ad valorem taxes. As a result of these lease provisions, increases due to inflation, as well as ad valorem tax rate increases, generally do not have a significant adverse effect upon our operating results as they are absorbed by our tenants.

Capital Resources and Liquidity

Our primary liquidity needs are payment of our common and preferred dividends, maintaining and operating our existing properties, payment of our debt service costs, and funding planned growth. We anticipate that cash flows from operating activities will continue to provide adequate capital for all common and preferred dividend payments and debt service costs, as well as the capital necessary to maintain and operate our existing properties.

Primary sources of capital for funding our acquisitions and new development programs are our $400 million revolving credit facility, cash generated from sales of properties that no longer meet our investment criteria, cash flow generated by our operating properties and proceeds from capital issuances as needed. Amounts outstanding under the revolving credit agreement are retired as needed with proceeds from the issuance of long-term unsecured debt, common and preferred equity, cash generated from dispositions of properties, and cash flow generated by our operating properties. As of December 31, 2006 the balance outstanding on our $400 million revolving credit facility was $18.0 million, and there were no borrowings under our $20 million credit facility, which we use for cash management purposes.

Our capital structure also includes nonrecourse secured debt that we assume in conjunction with our acquisitions program. We also have nonrecourse debt secured by acquired or developed properties held in several of our joint ventures. We hedge the future cash flows of certain debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate swaps with major financial institutions. We generally have the right to sell or otherwise dispose of our assets except in certain cases where we are required to obtain a third party consent, such as assets held in entities in which we have less than 100% ownership.

Investing Activities:

Acquisitions
Retail Properties. During 2006 we invested approximately $781 million in the acquisition of operating retail properties. Approximately $402 million was invested in 17 shopping centers and $54 million was invested in two unconsolidated joint ventures to acquire 11 retail properties. We also invested $325 million in the Woolbright properties portfolio, 80% of which was subsequently bought from us as part of a joint venture arrangement with TIAA-CREF Global Real Estate. These combined acquisitions added 4.0 million square feet to our share of the

portfolio.

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In March 2006 we acquired Fresh Market Shoppes Shopping Center, an 87,000 square foot shopping center located in Hilton Head, South Carolina. Fresh Market and Bonefish Grill anchor this specialty retail center. We also acquired The Shoppes at Paradise Isle, a 172,000 shopping center located in Destin, Florida. Best Buy, Linens-N-Things, PetsMart and Office Depot anchor this property. Both of these shopping centers were acquired through a 25%-owned unconsolidated joint venture.

In April 2006 Valley Shopping Center, a 103,000 square foot shopping center anchored by Raley's Supermarket was acquired. The center has below-market rents providing strong growth opportunities and is in close proximity to our regional office in Sacramento.

In May 2006 Brownsville Commons, an 82,000 square foot shopping center including a 54,000 square foot (corporate owned) Kroger supermarket, was acquired in Powder Springs, Georgia, a suburb of Atlanta. The Shoppes of Parkland, was also acquired, which is a 146,000 square foot shopping center located in Parkland, Florida and is anchored by BJ's Wholesale. This center services two upper income neighborhoods, Parkland and Boca Raton.

In June 2006 we purchased a property in California and acquired a shopping center in Florida through a 25%-owned unconsolidated joint venture. Freedom Centre, anchored by Ralph's and Rite Aid, is a 151,000 square foot shopping center located in Freedom, California. Indian Harbour Place is a 164,000 square foot shopping center located in Melbourne, Florida and is anchored by Publix.

In July 2006 we acquired Mendenhall Commons, an 80,000 square foot grocery-anchored neighborhood shopping center located in the affluent East Memphis submarket of Memphis, Tennessee. Kroger anchors the center. We also acquired the Regency Shopping Center, located in Lexington, Kentucky, and Little Brier Creek Lane in Raleigh, North Carolina. Regency Shopping Center is a 136,000 square foot shopping center, which is anchored by Kroger (corporate owned), Michael's and TJ Maxx. Little Brier Creek Lane is a 63,000 square foot shopping center anchored by Pei Wei.

Quesada Commons, a 59,000 square foot shopping center, and Shoppes of Port Charlotte, a 41,000 square foot shopping center, were acquired through a 25%-owned unconsolidated joint venture in July 2006. Both centers are located in Port Charlotte, Florida and are recently constructed shopping centers. Publix, Florida's dominant supermarket chain, anchors Quesada Commons, and Petco and Panera Bread anchor the Shoppes of Port Charlotte.

In August 2006 we acquired the North American Properties portfolio consisting of five retail properties, including four properties in metropolitan Atlanta, Georgia and one in Sanford, Florida, a suburb north of Orlando. The properties are all new construction and are anchored by strong national tenants as described in the below table:

Center Name	Square Feet of Property*	Location	Anchors	Occupancy at Acquisition Date
Brookwood Marketplace	253,000	Suwannee (Atlanta), GA	SuperTarget*, Home Depot, OfficeMax	96%
Camp Creek Phase II	196,000	Atlanta, GA	SuperTarget*, Circuit City	99%
Lakeside Marketplace	322,000	Acworth (Atlanta), GA	SuperTarget*, Circuit City, Ross Dress for Less, PETCO, OfficeMax	100%
Publix at Princeton Lakes	68,000	Atlanta, GA	Publix	100%

Marketplace at Seminole Towne Center	494,000		Sanford (Orlando), FL	SuperTarget*, Circuit City, Linens ‘n Things, Marshalls, PETCO		99%

* Target owns its own property and is not part of the transaction.

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The purchase agreement allows for the subsequent development and leasing of an additional phase of Brookwood Marketplace by the property seller. If the terms of the purchase agreement are met by the seller, the purchase price would be increased by approximately $6.9 million. This agreement expires in August 2008.

In September 2006 Dallas Commons and Reynolds Crossing were acquired in Atlanta, Georgia. Dallas Commons is a 95,000 square foot shopping center and Reynolds Crossing is an 116,000 square foot shopping center. Both centers are anchored by a 70,000 square foot (corporate owned) Kroger supermarket.

The Woolbright Properties Portfolio was acquired, which consisted of seven neighborhood/community anchored retail shopping centers. Five of the centers were purchased in September 2006 with Alafaya Square and the Marketplace at Dr. Phillips purchased in early October 2006. This acquisition added 1.3 million square feet to our portfolio, and represented a total investment of $325 million. All seven properties are located in highly desirable locations within Florida's three largest metropolitan markets of South Florida, Orlando, and Tampa/St. Petersburg. The centers are leased to a diverse mix of strong national retailers as described in the table below:

Center Name	Square Feet of Property	Location	Anchors	Occupancy at Acquisition Date
Alafaya Square	176,000	Oviedo (Orlando), FL	Publix, Planet Fitness	100%
Marketplace at Dr. Phillips	328,000	Orlando, FL	Albertson's, Stein Mart, HomeGoods, Office Depot	99%
East Lake Woodlands	145,000	Palm Harbor (Tampa), FL	Publix, Walgreens	91%
International Drive Value Center	186,000	Orlando, FL	Bed Bath & Beyond, Ross, TJ Maxx	100%
Kendall Corners	96,000	Miami, FL	Ashley Furniture	100%
Palm Lakes Plaza	114,000	Maragate (Ft. Lauderdale), FL	Publix, CVS	99%
South Dade Shopping Center	220,000	Miami, FL	Publix, Bed Bath & Beyond, PETCO	100%

In November 2006, 80% of the Woolbright Properties Portfolio was sold as part of a joint venture arrangement with TIAA-CREF Global Real Estate.

In November 2006 we purchased six properties, four in Washington and two in Oregon through a 20%-owned unconsolidated joint venture. The centers are leased to a diverse mix of strong national retailers as described in the table below:

Center Name	Square Feet of Property	Location	Anchors	Occupancy at Acquisition Date
Mukilteo Speedway Center	90,000	Lynnwood (Seattle), WA	Food Emporium, Bartell Drug	96%
Meridian Town Center	143,000	Puyallup	Safeway, JoAnn's	100%

		(Tacoma), WA			
Rainier Valley Square	107,000	Seattle, WA	Safeway, Long Drugs		100%
South Hill Center	134,000	Puyallup (Tacoma), WA	Best Buy, Bed Bath & Beyond and Ross		99%
Clackamas Square	137,000	Portland, OR	TJ Maxx		100%
Raleigh Hills Plaza	40,000	Portland, OR	Walgreen, New Season Market		100%

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In December 2006 we acquired Galleria Shopping Center in Charlotte, North Carolina and Charleston Commons in Las Vegas, Nevada. Galleria is a 316,000 square foot shopping center anchored by Cato Corporation and Dollar Tree. Charleston Commons, a 338,000 square foot shopping center, is anchored by Walmart, Office Max, Ross and PetSmart. We also acquired our partner's share of Heritage Station, which is located in Wake Forest, North Carolina. Heritage Station is a 62,000 square foot shopping center that is anchored by Harris Teeter.

Industrial Properties. During 2006 we invested approximately $82 million in the acquisition of seven industrial properties totaling 1.4 million square feet.

In February 2006 we acquired the McGraw Hill Distribution Center, a single tenant warehouse of 418,000 square feet located in De Soto, Texas.

In June 2006 we acquired two vacant industrial warehouse buildings in San Diego, California at 1725 and 1855 Dornoch Court. These state-of-the-art buildings, aggregating 317,000 square feet, are located within one and a half miles of our Siempre Viva Business Park. Based on the high demand for top quality space in this area, we anticipate leasing both newly acquired buildings within the next year.

In October 2006 we acquired Midpoint I-20 Distribution Center, a 253,000 square foot property located in Arlington, Texas.

In November 2006 we acquired Hopewell Industrial Center in Tampa, Florida and Freeport Commerce Center located in Irving, Texas. These centers aggregate 224,000 and 51,000 square feet, respectively.

In December 2006 we acquired 1919 North Loop West, an office building adjacent to our corporate headquarters in Houston, Texas where we intend to relocate some of our administrative operations. The building contains 140,000 square feet.

The cash requirements for these acquisitions were initially financed under our revolving credit facilities, using available cash generated from dispositions of properties or using cash flow generated by our operating properties.

Dispositions

Retail Properties. In 2006 we sold 19 wholly-owned shopping centers totaling 2.9 million square feet of building area. Sales proceeds from these retail dispositions totaled $292 million and generated gains of $141 million. We also sold two joint venture properties totaling 97,000 square feet, and sales proceeds totaled $8 million and generated gains of $4 million.

Industrial Properties. During 2006 we sold four industrial properties totaling 616,000 square feet. We also formed an industrial joint venture where five properties totaling 2.1 million square feet were contributed to a joint venture, and we retained a 20% interest. Sales proceeds from these dispositions totaled $115 million and generated gains of $26 million.

New Development and Capital Expenditures

At December 31, 2006, we had 26 projects under construction or in preconstruction stages. The total square footage is approximately 7.6 million. These properties are slated to open over the next two years.

Our new development projects are financed initially under our revolving credit facilities, using available cash generated from dispositions of properties or using cash flow generated by our operating properties.

Capital expenditures for additions to the existing portfolio, acquisitions, new development and our share of investments in unconsolidated joint ventures totaled $1.1 billion in 2006 and $455.1 million in 2005.

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Financing Activities:

Debt

Total debt outstanding increased to $2.9 billion at December 31, 2006 from $2.3 billion at December 31, 2005, due primarily to funding of acquisitions and new development activity. Total debt at December 31, 2006 includes $2.8 billion of which interest rates are fixed and $115 million, which bears interest at variable rates, including the effect of $75 million of interest rate swaps. Additionally, debt totaling $1 billion was secured by operating properties while the remaining $1.9 billion was unsecured.

In February 2006 we amended and restated our $400 million unsecured revolving credit facility held by a syndicate of banks. This amended facility has an initial four-year term and provides a one-year extension option available at our request. Borrowing rates under this facility float at a margin over LIBOR, plus a facility fee. The borrowing margin and facility fee, which are currently 37.5 and 12.5 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit rating. This facility includes a competitive bid feature where we are allowed to request bids for borrowings up to $200 million from the syndicate banks. Additionally, the facility contains an accordion feature, which allows us to increase the facility amount up to $600 million. The available balance under our revolving credit agreement was $371.9 million and $175.1 million at December 31, 2006 and 2005, respectively. As of February 15, 2007, there was no outstanding balance under this facility. We also maintain a $20 million unsecured and uncommitted overnight facility that is used for cash management purposes and as of February 15, 2007 there were no borrowings under this facility. We are in full compliance with the covenants of our $400 million unsecured revolving credit facility.

In August 2006 we issued $575 million of 3.95% convertible senior notes due 2026. The net proceeds from the sale of the debentures were used for general business purposes including the repurchase of 4.3 million of our common shares of beneficial interest and to reduce amounts outstanding under our revolving credit facilities. The debentures are convertible under certain circumstances for our common shares of beneficial interest at an initial conversion rate of 20.3770 common shares per $1,000 of principal amount of debentures (an initial conversion price of $49.075). Upon the conversion of notes, we will deliver cash for the principal return, as defined, and cash or common shares, at our option, for the excess of the conversion value, as defined, over the principal return. The debentures are redeemable for cash at our option beginning in 2011 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures for cash equal to the principal of the notes plus accrued and unpaid interest in 2011, 2016 and 2021 and in the event of a change in control.

In December 2006 we issued $75 million of ten year unsecured fixed rate medium term notes at 6.1% including the effect of an interest rate swap that hedged the transaction. Proceeds from this issuance were used to repay balances under our revolving credit facilities, to cash settle a forward hedge and for general business purposes.

At December 31, 2006, we had five interest rate swap contracts designated as fair value hedges with an aggregate notional amount of $75 million that convert fixed rate interest payments at rates ranging from 4.2% to 6.8% to variable interest payments. Also, at December 31, 2006, we had two forward-starting interest rate swap contracts with an aggregate notional amount of $118.6 million. These contracts have been designated as cash flow hedges and mitigate the risk of increasing interest rates on forecasted long-term debt issuances over a maximum period of two years.

In May 2006 we entered into a forward-starting interest rate swap with a notional amount of $74.0 million. In December 2006 we terminated this rate swap in conjunction with the issuance of $75.0 million of medium term notes. The termination fee of $4.1 million is being amortized over the life of the medium term note.

In June 2006 a $5 million swap matured in conjunction with the maturity of the associated medium term note. This contract was designated as a fair value hedge.

The interest rate swaps increased interest expense and decreased net income by $.5 million, $1.3 million, and $3.5 million in 2006, 2005, and 2004, respectively, and increased the average interest rate of our debt by .02%, .1%, and .2% in 2006, 2005, and 2004, respectively. We could be exposed to credit losses in the event of nonperformance by the counter-party; however, management believes the likelihood of such nonperformance is remote.

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In conjunction with acquisitions completed during 2006 and 2005, we assumed $140.7 million and $135.3 million, respectively, of non-recourse debt secured by the related properties.

Equity

Common and preferred dividends increased to $173.0 million in 2006, compared to $167.2 million for 2005. The dividend rate for our common shares of beneficial interest for each quarter of 2006 was $.465 compared to $.44 for the same periods in 2005. Our dividend payout ratio on common equity for 2006, 2005 and 2004 approximated 64.0%, 63.4% and 65.3%, respectively, based on basic funds from operations for the respective periods.

In February 2006 our board of trust managers authorized up to $100 million for the purchase of outstanding common shares of beneficial interest in 2006. Share repurchases may be made in the open market or in privately negotiated transactions. In July 2006 our board of trust managers authorized the repurchase of our common shares of beneficial interest to a total of $207 million, and we used $167.6 million of the net proceeds from the $575 million debt offering to purchase 4.3 million common shares of beneficial interest at $39.26 per share.

On January 30, 2007, we issued $200 million of depositary shares. Each depositary share represents one-hundredth of a 6.5% Series F Cumulative Redeemable Preferred Share. The depositary shares are redeemable, in whole or in part, on or after January 30, 2012 at our option, at a redemption price of $25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any of our other property or securities. The Series F Preferred Shares pay a 6.5% annual dividend and have a liquidation value of $2,500 per share. Net proceeds of $194.4 million were used to repay amounts outstanding under our credit facilities and for general business purposes.

In September 2004 the SEC declared effective two additional shelf registration statements totaling $1.55 billion, of which $1.35 billion was available as of February 15, 2007. In addition, we have $85.4 million available as of February 15, 2007 under our $1 billion shelf registration statement, which became effective in April 2003. We will continue to closely monitor both the debt and equity markets and carefully consider our available financing alternatives, including both public and private placements.

Contractual Obligations

The following table summarizes our principal contractual obligations as of December 31, 2006 (in thousands):

	2007	2008	2009	2010	2011	Thereafter	Total
Mortgages and Notes Payable:[1]							
Unsecured Debt	$ 196,651	$ 154,680	$ 121,802	$ 138,090	$ 665,301	$ 1,207,200	$ 2,483,724
Secured Debt	93,857	246,031	129,297	111,517	136,720	626,882	1,344,304
Ground Lease Payments	1,876	1,782	1,737	1,691	1,626	39,459	48,171
Obligations to Acquire Projects	218,322						218,322
Obligations to Develop Projects	149,614	71,312	37,891	22,796			281,613
	$ 660,320	$ 473,805	$ 290,727	$ 274,094	$ 803,647	$ 1,873,541	$ 4,376,134

Total Contractual Obligations

[1] Includes principal and interest with interest on variable-rate debt calculated using rates at December 31, 2006 excluding the effect of interest rate swaps.

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As of December 31, 2006 and December 31, 2005, we did not have any off-balance sheet arrangements that would materially affect our liquidity or availability of, or requirement for, our capital resources. We have not guaranteed the debt of any of our joint ventures in which we own an interest.

Funds from Operations

The National Association of Real Estate Investment Trusts defines funds from operations as net income (loss) available to common shareholders computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of real estate assets and extraordinary items, plus depreciation and amortization of operating properties, including our share of unconsolidated partnerships and joint ventures. We calculate FFO in a manner consistent with the NAREIT definition.

We believe FFO is an appropriate supplemental measure of operating performance because it helps investors compare our operating performance relative to other REITs. Management also uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that uses historical cost accounting is insufficient by itself. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

Funds from operations is calculated as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Net income available to common shareholders	$ 294,909	$ 209,552	$ 133,911
Depreciation and amortization	126,713	122,203	111,211
Depreciation and amortization of unconsolidated joint ventures	5,079	3,539	3,131
Gain on sale of properties	(168,004)	(87,569)	(26,403)
(Gain) loss on sale of properties of unconsolidated joint ventures	(4,052)	8	87
Funds from operations	254,645	247,733	221,937
Funds from operations attributable to operating partnership units	5,453	5,218	3,798
Funds from operations assuming conversion of OP units	$ 260,098	$ 252,951	$ 225,735
Weighted average shares outstanding - basic	87,719	89,224	86,171
Effect of dilutive securities:			
Share options and awards	926	860	827
Operating partnership units	3,134	3,082	2,513
Weighted average shares outstanding - diluted	91,779	93,166	89,511

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Newly Adopted Accounting Pronouncements

In December 2004 the FASB issued SFAS No. 123(R), "Share-Based Payment," which establishes accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. This accounting standard focuses primarily on equity transactions with employees. On January 1, 2006, we adopted SFAS No. 123(R) using the modified prospective application method, and accordingly, prior period amounts have not been restated. We began recording compensation expense on any unvested awards granted prior to January 1, 2003 during the remaining vesting periods. Through December 31, 2005, we recorded compensation expense over the vesting period on awards granted since January 1, 2003. Compensation expense was not recorded on awards granted prior to January 1, 2003, but its pro forma impact on net income was disclosed.

The impact in 2006 from the adoption of SFAS No. 123(R) was an additional expense of $2.1 million, which decreased both Income from Continuing Operations and Net Income and decreased both Net Income per Common Share - Basic and Net Income per Common Share - Diluted by $.02.

The following table illustrates the effect on Net Income Available to Common Shareholders and Net Income per Common Share if the fair value-based method had been applied to all outstanding and unvested share option awards for the period prior to the adoption of SFAS No. 123(R) (in thousands, except per share amounts):

	Year Ended December 31,	
	2005	**2004**
Net income available to common shareholders	$ 209,552	$ 133,911
Stock-based employee compensation included in net income available to common shareholders	434	193
Stock-based employee compensation determined under the fair value-based method for all awards	(849)	(567)
Pro forma net income available to common shareholders	$ 209,137	$ 133,537
Net income per common share:		
Basic - as reported	$ 2.35	$ 1.55
Basic - pro forma	$ 2.34	$ 1.55
Net income per common share:		
Diluted - as reported	$ 2.31	$ 1.54
Diluted - pro forma	$ 2.30	$ 1.53

In May 2005 the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring retrospective application to prior periods' financial statements of the change in accounting principle, unless it is impracticable to do so. This statement also redefines "restatement" as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on our financial position, results of operations or cash flows.

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In June 2005 the FASB ratified the consensus in EITF Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." EITF Issue No. 04-5 expands the definition of when a general partner, or general partners as a group, controls a limited partnership or similar entity. In July 2005 the FASB issued FSP No. SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5." FSP No. SOP 78-9-1 eliminates the concept of "important rights" and replaces it with concepts of "kick-out rights" and "substantive participating rights" as defined in EITF Issue No. 04-5. FSP No. SOP 78-9-1 and EITF Issue No. 04-5 are effective for all general partners of partnerships formed or modified after June 29, 2005, and for all other partnerships the first reporting period beginning after December 15, 2005. We have applied FSP No. SOP 78-9-1 and EITF Issue No. 04-5 to our joint ventures and concluded that these pronouncements did not require consolidation of additional entities.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken, or expected to be taken, in a tax return. A tax position may only be recognized in the financial statements if it is more likely than not that the tax position will be sustained upon examination. There are also several disclosure requirements. The interpretation is effective for fiscal years beginning after December 15, 2006. We have assessed the potential impact of FIN 48 and have concluded that the adoption of this interpretation will not have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The key changes to current practice are (1) the definition of fair value, which focuses on an exit price rather than an entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions and credit standing and (3) the expanded disclosures about fair value measurements. This Statement does not require any new fair value measurements.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are required to adopt SFAS No. 157 in the first quarter of 2008, and we are currently evaluating the impact that this Statement will have on our financial financial position, results of operations or cash flows.

In September 2006, the FASB issued FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132R." This new standard requires an employer to: (a) recognize in its statement of financial position an asset for a plan's over funded status or a liability for a plan's under funded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. These changes will be reported in comprehensive income of a business entity. The requirement to recognize the funded status of a benefit plan and the disclosure requirements (the "Recognition Provision") are effective as of the end of the fiscal year ending after December 15, 2006. We recognized an additional liability of $803 thousand as a result of the adoption of the Recognition Provision of SFAS No. 158. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position (the "Measurement Provision") is effective for fiscal years ending after December 15, 2008. We have assessed the potential impact of SFAS No. 158 and concluded that the adoption of the Measurement Provision of SFAS No. 158 will not have a material effect on our financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB 108"), which becomes effective for the first fiscal period ending after November 15, 2006. SAB 108 provides guidance on the consideration of the effects of prior period misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 provides for the quantification of the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The adoption of SAB 108 on December 31, 2006 did not have a material effect on our financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. We have not decided if we will early adopt SFAS No. 159 or if we will choose to measure any eligible financial assets and liabilities at fair value.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We use fixed and floating-rate debt to finance our capital requirements. These transactions expose us to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate swap agreements with major financial institutions. These swap agreements expose us to credit risk in the event of non-performance by the counter-parties to the swaps. We do not engage in the trading of derivative financial instruments in the normal course of business. At December 31, 2006, we had fixed-rate debt of $2.8 billion and variable-rate debt of $115.4 million, after adjusting for the net effect of $75 million notional amount of interest rate swaps. At December 31, 2005, we had fixed-rate debt of $2.0 billion and variable-rate debt of $313.8 million, after adjusting for the net effect of $80.0 million notional amount of interest rate swaps. In the event interest rates were to increase 100 basis points, net income and future cash flows would decrease by $1.2 million and $3.1 million based upon the variable-rate debt and notes receivable outstanding at December 31, 2006 and 2005, respectively, and the fair value of fixed-rate debt at December 31, 2006 and 2005 would decrease by $200.7 million and $129.6 million, respectively.

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ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trust Managers and Shareholders of
Weingarten Realty Investors

We have audited the accompanying consolidated balance sheets of Weingarten Realty Investors and subsidiaries (the “Company”) as of December 31, 2006 and 2005, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Weingarten Realty Investors and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Houston, Texas
March 1, 2007

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STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Year Ended December 31, 2006	2005	2004
Revenues:			
Rentals	$ 554,361	$ 504,034	$ 452,567
Other	7,019	6,367	8,347
Total	561,380	510,401	460,914
Expenses:			
Depreciation and amortization	127,613	117,062	103,870
Operating	91,422	76,630	71,540
Ad valorem taxes	65,528		