

WEINGARTEN REALTY INVESTORS /TX/
Form 10-K
March 02, 2009

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)

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

For the fiscal year ended December 31, 2008

ON

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 value	New York Stock Exchange

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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 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 .

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 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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

The aggregate market value of the common shares of beneficial interest held by non-affiliates on June 30, 2008 (based upon the closing sale price on the New York Stock Exchange of \$30.32) was \$2,136,339,711. As of June 30, 2008, there were 83,992,905 common shares of beneficial interest, \$.03 par value, outstanding.

As of January 31, 2009, there were 87,132,356 common shares of beneficial interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Shareholders to be held May 1, 2009 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,” “estimate,” “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, (vii) changes in expected development activity, (viii) increases in operating costs, (ix) tax matters, including failure to qualify as a real estate investment trust, could have adverse consequences, (x) investments through real estate joint ventures and partnerships involve risks not present in investments in which we are the sole investor and (xi) changes in merchant development activity. Accordingly, there is no assurance that our expectations will be realized. For further discussion of the factors that could materially affect the outcome of our forward-looking statements and our future results and financial condition, see “Item 1A. Risk Factors.”

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 herein 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 (“REIT”) 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, 2008, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 379 developed income-producing properties and 25 properties under various stages of construction and development. The total number of centers includes 323 neighborhood and community shopping centers located in 22 states spanning the country from coast to coast. We also owned 78 industrial projects located in California, Florida, Georgia, Tennessee, Texas and Virginia and three other operating properties located in Arizona and Texas. The portfolio of properties is approximately 73.0 million square feet.

We also owned interests in 31 parcels of land held for development that totaled approximately 29.8 million square feet.

At December 31, 2008, we employed 404 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 nine regional offices located in various parts of the United States.

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Investment and Operating Strategy. Our long-term 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. Based on current market conditions, we anticipate acquisition volumes and investments in additional new development projects will be minimal. Our estimated gross investment in the 25 properties under construction or in preconstruction stages and five properties that stabilized in 2008 is \$560.2 million.

To improve the quality of the portfolio, we pursue the disposition of selective non-core assets as circumstances warrant.

At December 31, 2008, neighborhood and community shopping centers generated 89.2% of total revenue and industrial properties accounted for 9.4%. We expect to continue to focus the future growth of the portfolio in neighborhood and community centers and bulk 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 alternative uses of our available capital.

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 have traditionally invested in first mortgages to real estate 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 approximately 35.0% 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 2.7% and 1.6%, respectively, of our total rental revenues for the year ended December 31, 2008. No other tenant accounted for more than 1.6% of our total rental revenues.

We finance our growth and working capital needs in a conservative manner. Our credit ratings were BBB and BBB+ from Standard & Poors and Baa2 and Baa1 from Moody's Investor Services as of December 31, 2008 and 2007, respectively. 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, 2008, our ratio of earnings to combined fixed charges and preferred dividends as defined by the Securities and Exchange Commission, not based on funds from operations, was 1.1 to 1 and our debt to total market capitalization was 57.5%.

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 23 states, primarily throughout the southern half of the country. As of December 31, 2008, of our 404 properties, which were owned or operated under long-term leases either directly or through our interest in real estate joint ventures or partnerships, 90 are located in Houston and its surrounding areas, and an additional 73 properties are located in other parts of Texas. We also have 31 parcels of land held for development, 12 of which are located in Houston and its surrounding areas and six of which are located in other parts of Texas. Because of our investments in Houston and its surrounding areas, as well as in other parts of Texas, the Houston and Texas economies affect, to a large degree, our business and operations.

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Economic Factors. As expected, the national economy continued to soften in 2008. The residential mortgage and capital markets were under extreme stress, primarily in the form of escalating default rates on sub-prime mortgages and declining residential housing prices nationwide. This “credit” crisis expanded to the broader commercial credit markets and has generally reduced the availability of financing and widened spreads. These factors, coupled with a slowing economy, negatively impacted the volume of real estate transactions and capitalization rates, which, in turn, negatively impacted stock price performance of public real estate companies, including ours. Due to our analysis of current economic considerations, including the effects of tenant bankruptcies, lack of available funding and halt of tenant expansion plans for new development projects and declines in the real estate values, plans related to our new development properties including land held for development changed, and the use of these assets was no longer certain which brought about an impairment charge. Impairments, primarily related to our new development properties, of \$52.5 million were recognized for the year ended December 31, 2008. While the decline in the housing market has affected consumer spending, 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 cycles. Furthermore, our portfolio is strategically positioned in geographic markets that are forecasted to exceed the national average according to many economic measures. Many of our operating areas throughout the United States continue to show stable employment growth and higher than average rent growth among larger metropolitan areas. However, if weaker economic conditions persist in 2009 and beyond, our real estate portfolio may experience lower occupancy and effective rents, which would result in a corresponding decrease in net income, funds from operations and cash flows. In addition, the value of our investment in real estate joint ventures and partnerships and notes receivable from real estate joint ventures and partnerships may also decline.

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 any amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding our officers, trust managers or 10% beneficial owners, 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 (“SEC”). 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 or the SEC’s Internet site at www.sec.gov. Materials on our website are not part of our Annual Report on Form 10-K.

Financial Information. Additional financial information concerning us is included in the Consolidated Financial Statements located on pages 50 through 85 herein.

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ITEM 1A. Risk Factors

Recent disruptions in the financial markets could affect our liquidity and have other adverse effects on us and the market price of our common shares of beneficial interest.

The United States and global equity and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the unavailability of certain types of financing. Continued uncertainty in the equity and credit markets may negatively impact our ability to access additional financing at reasonable terms or at all, which may negatively affect our ability to complete dispositions, form joint ventures or refinance our debt. A prolonged downturn in the equity or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events in the equity and credit markets may make it more difficult or costly for us to raise capital through the issuance of our common shares of beneficial interest or preferred shares. These disruptions in the financial markets also may have a material adverse effect on the market value of our common shares of beneficial interest and preferred shares and other adverse effects on us or the economy generally. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of equity or credit financing.

Among the market conditions that may affect the value of our common shares of beneficial interest and preferred shares are the following:

- § The attractiveness of REIT securities as compared to other securities, including securities issued by other real estate companies, fixed income equity securities and debt securities;
 - § The degree of interest held by institutional investors;
 - § Our operating performance and financial situation; and
 - § General economic conditions.

The current volatility in the stock market has created price and volume fluctuations that have not necessarily been comparable to operating performance.

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;
 - § The expense of periodically renovating, repairing and releasing spaces;
- § Consequence of any armed conflict involving, or terrorist attack against, the United States;

- § Our ability to secure adequate insurance;
- § Fluctuations in interest rates;
- § Changes in real estate taxes and other expenses; and
- § Availability of financing on acceptable terms or at all.

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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 retail 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.

Turmoil in capital markets could adversely impact acquisition activities and pricing of real estate assets.

Volatility in capital markets could adversely affect acquisition activities by impacting certain factors including the tightening of underwriting standards by lenders and credit rating agencies and the significant inventory of unsold Collateralized Mortgage Backed Securities in the market. These factors directly affect a lender's ability to provide debt financing as well as increase the cost of available debt financing. As a result, we may not be able to obtain favorable debt financing in the future or at all. This may result in future acquisitions generating lower overall economic returns, which may adversely affect our results of operations and distributions to shareholders. Furthermore, any turmoil in the capital markets could adversely impact the overall amount of capital available to invest in real estate, which may result in price or value decreases of real estate assets.

Our dependence on rental income may adversely affect our profitability, our ability to meet our debt obligations and our ability to 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.

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Any of these actions could result in the termination of the tenants' lease and the loss of rental income attributable to the terminated leases. In addition, 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 these events, 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, particularly in the case of a substantial tenant with leases in multiple locations, may adversely affect our profitability, our ability to meet debt and other financial obligations and our ability to make distributions to the shareholders. Through the twelve months ended December 31, 2008, we had 106 tenants that either closed stores due to bankruptcy or declared bankruptcy. Such closings and bankruptcies represent 2.9% of leasable space in our portfolio.

We may be unable to collect balances due from tenants in bankruptcy.

A tenant that files for bankruptcy protection may not continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar all efforts by us to collect pre-bankruptcy debts from the tenant or the lease guarantor, or their property, unless the bankruptcy court permits us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. As a result, it is likely that we would recover substantially less than the full value of any unsecured claims it holds, if at all.

Our development and construction activities could adversely 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.

Our merchant development program could adversely affect our operating results.

Through our merchant development program, we develop primarily neighborhood and community shopping centers, with the objective of selling the properties (or interests therein) to third parties, as opposed to retaining the properties in our portfolio on a long-term basis. Due to the inherent uncertainty associated with our merchant development program, our operating results and financial indicators, such as funds from operations ("FFO"), will fluctuate from time

to time. Accordingly, fluctuations in the results of our merchant development program could cause us to be unable to meet, or to exceed, our publicly disclosed financial performance outlook, as well as FFO per share estimates of security analysts for any given period. Our expectations with respect to sales in our merchant development program are based on currently available information, and no assurance can be given regarding the timing, terms or consummation of any sale. Furthermore, market conditions can impact our ability to sell these properties as potential funding may not be readily available to prospective buyers. Failure to meet our publicly disclosed financial performance outlook or security analyst estimates could have a material adverse effect on the trading price of our common shares of beneficial interest.

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There is a lack of operating history with respect to our recent acquisitions and development of properties, and we may not succeed in the integration or management of additional properties.

These properties may have characteristics or deficiencies currently unknown to us that affect their value or revenue potential. It is also possible that the operating performance of these properties may decline under our management. As we acquire additional properties, we will be subject to risks associated with managing new properties, including lease-up and tenant retention. In addition, our ability to manage our growth effectively will require us to successfully integrate our new acquisitions into our existing management structure. We may not succeed with this integration or effectively manage additional properties. Also, newly acquired properties may not perform as expected.

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 capital investment;
- § 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.

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

Real estate 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.

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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, restrictions on our ability to 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.

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.

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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 2009). 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 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.

Loss of our key personnel could adversely affect the value of our common shares of beneficial interest and operations.

We are dependent on the efforts of our key executive personnel. Although we believe qualified replacements could be found for these key executives, the loss of their services could adversely affect the value of our common shares of beneficial interest and operations.

Policies may be changed without obtaining the approval of our shareholders.

Our shareholders do not control any policies with respect to our operating and financial policies, including our policies regarding acquisitions, dispositions, indebtedness, operations, capitalization and dividends, which are determined by our Board of Trust Managers and management.

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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, 2008, our real estate properties consisted of 404 locations in 23 states. A complete listing of these properties, including the name, location, building area and land area, is as follows (in square feet):

Center and Location	Building Area	Land Area
Retail		
Arizona		
Arrowhead Festival S.C., 75th Ave. at W. Bell Rd., Glendale	176,458	157,000
Basha's Valley Plaza, S. McClintock at E. Southern, Tempe	145,104	570,000
Broadway Marketplace, Broadway at Rural, Tempe	82,757	347,000
Camelback Village Square, Camelback at 7th Avenue, Phoenix	234,494	543,000
Entrada de Oro, Magee Road and Oracle Road, Tucson	109,091	572,000
Fountain Plaza, 77th St. at McDowell, Scottsdale	267,271	445,000
Fry's Ellsworth Plaza, Broadway Rd. at Ellsworth Rd., Mesa	73,608	58,000
Laveen Village Market, Baseline Rd. at 51st St., Phoenix	111,644	372,274
Madera Village, Tanque Verde Rd. and Catalina Hwy, Tucson	107,326	419,000
Mohave Crossroads, Bullhead Parkway at State Route 95, Bullhead City	(2) 346,227	1,363,208
Monte Vista Village Center, Baseline Rd. at Ellsworth Rd., Mesa	104,151	353,000
Oracle Crossings, Oracle Highway and Magee Road, Tucson	253,625	1,307,000
Oracle Wetmore, Wetmore Road and Oracle Highway, Tucson	256,093	1,181,000
Palmilla Center, Dysart Rd. at McDowell Rd., Avondale	169,142	264,000
Pueblo Anozira, McClintock Dr. at Guadalupe Rd., Tempe	157,309	769,000
Raintree Ranch, Ray Road at Price Road, Chandler	(2) 136,230	714,813
Rancho Encanto, 35th Avenue at Greenway Rd., Phoenix	66,837	246,440
Red Mountain Gateway, Power Rd. at McKellips Rd., Mesa	205,568	353,000
Scottsdale Horizon, Frank Lloyd Wright Blvd and Thompson Peak Parkway, Scottsdale	10,337	61,000
Shoppes at Bears Path, Tanque Verde Rd. and Bear Canyon Rd., Tucson	65,779	362,000
Squaw Peak Plaza, 16th Street at Glendale Ave., Phoenix	61,060	220,000
The Shoppes at Parkwood Ranch, Southern Avenue and Signal Butte Road, Mesa	(2) 72,184	633,302
University Plaza, Plaza Way at Milton Rd., Flagstaff	165,621	919,000
Val Vista Towne Center, Warner at Val Vista Rd., Gilbert	216,372	366,000
Arizona, Total	3,594,288	12,596,037
Arkansas		
Markham Square, W. Markham at John Barrow, Little Rock	126,904	514,000
Markham West, 11400 W. Markham, Little Rock	178,210	769,000
Westgate, Cantrell at Bryant, Little Rock	52,626	206,000
Arkansas, Total	357,740	1,489,000

California

580 Market Place, E. Castro Valley at Hwy. I-580, Castro Valley		100,165	444,000
Arcade Square, Watt Ave. at Whitney Ave., Sacramento		76,497	234,000
Buena Vista Marketplace, Huntington Dr. at Buena Vista St., Duarte		90,805	322,000
Centerwood Plaza, Lakewood Blvd. at Alondra Dr., Bellflower		75,500	333,000
Chino Hills Marketplace, Chino Hills Pkwy. at Pipeline Ave., Chino Hills		309,098	1,187,000
Creekside Center, Alamo Dr. at Nut Creek Rd., Vacaville		116,229	400,000
Discovery Plaza, W. El Camino Ave. at Truxel Rd., Sacramento		93,398	417,000
El Camino Promenade, El Camino Real at Via Molena, Encinitas		129,753	451,000
Freedom Centre, Freedom Blvd. At Airport Blvd., Watsonville		150,241	543,000
Fremont Gateway Plaza, Paseo Padre Pkwy. at Walnut Ave., Fremont		194,601	650,000
Greenhouse Marketplace, Lewelling Blvd. at Washington Ave., San Leandro		238,664	578,000
Hallmark Town Center, W. Cleveland Ave. at Stephanie Ln., Madera		85,066	365,000
Jess Ranch Marketplace, Bear Valley Road at Jess Ranch Parkway, Apple Valley	(1)(2)(3)	292,038	-
Jess Ranch Phase III, Bear Valley Road at Jess Ranch Parkway, Apple Valley	(1)(2)(3)	149,632	794,664
Marshalls Plaza, McHenry at Sylvan Ave., Modesto		78,752	218,000
Menifee Town Center, Antelope Rd. at Newport Rd., Menifee		248,494	658,000
Prospectors Plaza, Missouri Flat Rd. at US Hwy. 50, Placerville		228,345	866,684
Rancho San Marcos Village, San Marcos Blvd. at Rancho Santa Fe Rd., San Marcos		120,829	541,000

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Center and Location		Building Area	Land Area
San Marcos Plaza, San Marcos Blvd. at Rancho Santa Fe Rd., San Marcos		81,086	116,000
Shasta Crossroads, Churn Creek Rd. at Dana Dr., Redding		252,802	520,000
Silver Creek Plaza, E. Capital Expressway at Silver Creek Blvd., San Jose		199,179	573,000
Southampton Center, IH-780 at Southampton Rd., Benecia		162,390	596,000
Stony Point Plaza, Stony Point Rd. at Hwy. 12, Santa Rosa		198,528	619,000
Summerhill Plaza, Antelope Rd. at Lichen Dr., Sacramento		133,614	704,000
Sunset Center, Sunset Ave. at State Hwy. 12, Suisun City		85,238	359,000
Tully Corners Shopping Center, Tully Rd at Quimby Rd, San Jose	(1)(3)	115,992	430,891
Valley, Franklin Boulevard and Mack Road, Sacramento		103,605	580,000
Westminster Center, Westminster Blvd. at Golden West St., Westminster		417,870	1,739,000
California, Total		4,528,411	15,239,239
Colorado			
Academy Place, Academy Blvd. at Union Blvd., Colorado Springs		261,419	404,000
Aurora City Place, E. Alameda at I225, Aurora	(1)(3)	547,283	2,260,000
CityCenter Englewood, S. Santa Fe at Hampden Ave., Englewood	(1)(3)	360,543	452,941
Crossing at Stonegate, Jordon Rd. at Lincoln Ave., Parker	(1)(3)	109,058	870,588
Glenwood Meadows, Midland Ave. at W. Meadows, Glenwood Springs	(1)(3)	395,760	1,287,805
Green Valley Ranch Towne Center, Tower Rd. at 48th Ave., Denver	(1)(3)	113,006	276,000
Lowry Town Center, 2nd Ave. at Lowry Ave., Denver	(1)(3)	129,439	246,000
River Point at Sheridan, Highway 77 and Highway 88, Sheridan	(1)(2)(3)	414,844	4,270,000
The Gardens on Havana, Mississippi at Havana, Aurora	(1)(2)(3)	515,830	-
Thorncreek Crossing, Washington St. at 120th St., Thornton	(1)(3)	386,130	1,156,863
Uintah Gardens, NEC 19th St. at West Uintah, Colorado Springs		212,638	677,000
Westminster Plaza, North Federal Blvd. at 72nd Ave., Westminster	(1)	153,169	636,000
Colorado, Total		3,599,119	12,537,197
Florida			
Alafaya Square, Alafaya Trail, Oviedo	(1)(3)	176,486	915,000
Argyle Village, Blanding at Argyle Forest Blvd., Jacksonville		312,447	1,329,000
Boca Lyons, Glades Rd. at Lyons Rd., Boca Raton		113,689	545,000
Clermont Landing, U.S. 27 & Steve's Road	(1)(2)(3)	223,962	2,119,194
Colonial Landing, East Colonial Dr. at Maguire Boulevard, Orlando	(1)(2)	263,267	980,000
Colonial Plaza, E. Colonial Dr. at Primrose Dr., Orlando		496,751	2,009,000
Countryside Centre, US Highway 19 at Countryside Boulevard		242,123	906,440
East Lake Woodlands, East Lake Road and Tampa Road, Palm Harbor	(1)(3)	140,103	730,000
Embassy Lakes, Sheraton St. at Hiatus Rd., Cooper City		176,114	618,000
Epic Village - St. Augustine, SR 207 at Rolling Hills Dr	(1)(2)	53,625	1,001,880
Flamingo Pines, Pines Blvd. at Flamingo Rd., Pembroke Pines		368,111	1,447,000
Hollywood Hills Plaza, Hollywood Blvd. at North Park Rd., Hollywood		364,714	1,429,000
Indian Harbour Place, East Eau Gallie Boulevard, Indian Harbour Beach	(1)(3)	163,521	636,000
International Drive Value Center, International Drive and Touchstone Drive, Orlando	(1)(3)	185,664	985,000
Kendall Corners, Kendall Drive and SW 127th Avenue, Miami	(1)(3)	96,515	365,000
Lake Washington Crossing, Wickham Rd. at Lake Washington Rd., Melbourne	(1)(3)	118,828	580,000

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Lake Washington Square, Wickham Rd. at Lake Washington Rd., Melbourne		111,811	688,000
Largo Mall, Ulmerton Rd. at Seminole Ave., Largo		571,638	1,888,000
Market at Southside, Michigan Ave. at Delaney Ave., Orlando		156,955	349,000
Marketplace at Seminole Towne Center, Central Florida Greenway and Rinehart Road, Sanford		493,751	1,743,000
Northridge, E. Commercial Blvd. at Dixie Hwy., Oakland Park		236,170	901,000
Palm Coast Center, State Road 100 & Belle Terre Parkway, Palm Coast	(1)(2)(3)	331,671	1,319,873
Palm Lakes Plaza, Atlantic Boulevard and Rock Island Road, Maragate	(1)(3)	113,752	550,000
Paradise Key at Kelly Plantation, US Highway 98 and Mid Bay Bridge Rd, Destin	(1)(3)	271,777	1,247,123
Pembroke Commons, University at Pines Blvd., Pembroke Pines		314,401	1,394,000
Phillips Crossing, Interstate 4 and Sand Lake Road, Orlando	(2)	126,808	697,000
Phillips Landing, Turkey Lake Rd., Orlando	(2)	266,725	311,000
Pineapple Commons, Us Highway 1 and Britt Rd., Stuart	(1)(3)	249,014	762,736
Publix at Laguna Isles, Sheridan St. at SW 196th Ave., Pembroke Pines		69,475	400,000
Quesada Commons, Quesada Avenue and Toledo Blade Boulevard, Port Charlotte	(1)(3)	58,890	312,000
Shoppes at Paradise Isle, 34940 Emerald Coast Pkwy, Destin	(1)(3)	171,837	764,000

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Center and Location		Building Area	Land Area
Shoppes at Parkland, Hillsboro Boulevard at State Road #7, Parkland		152,052	905,000
Shoppes of Port Charlotte, Toledo Blade Boulevard and Tamiami Trail, Port Charlotte	(1)(3)	3,912	176,720
Shoppes of Port Charlotte, Toledo Blade Boulevard and Tamiami Trail, Port Charlotte	(1)(3)	41,011	276,000
South Dade, South Dixie Highway and Eureka Drive, Miami	(1)(3)	219,412	1,230,000
Sunrise West Shopping Center, West Commercial Drive and NW 91st Avenue, Sunrise	(1)(3)	76,321	540,000
Sunset 19, US Hwy. 19 at Sunset Pointe Rd., Clearwater		275,910	1,078,000
Tamiami Trail Shops, S.W. 8th St. at S.W. 137th Ave., Miami		110,867	515,000
The Marketplace at Dr. Phillips, Dr. Phillips Boulevard and Sand Lake Road, Orlando	(1)(3)	326,250	1,495,000
The Shoppes at South Semoran, Semoran Blvd. at Pershing Ave.		101,535	451,282
TJ Maxx Plaza, 117th Avenue at Sunset Blvd., Kendall		161,572	540,000
University Palms, Alafaya Trail at McCullough Rd., Oviedo	(1)	99,172	522,000
Venice Pines, Center Rd. at Jacaranda Blvd., Venice		97,303	525,000
Vizcaya Square, Nob Hill Rd. at Cleary Blvd., Plantation		112,410	521,000
Westland Terrace Plaza, SR 50 at Apopka Vineland Rd., Orlando		260,521	361,000
Winter Park Corners, Aloma Ave. at Lakemont Ave., Winter Park Florida, Total		9,181,240	39,458,248
Georgia			
Brookwood Marketplace, Peachtree Parkway at Mathis Airport Rd., Suwannee		370,134	1,459,000
Brookwood Square, East-West Connector at Austell Rd., Austell		253,448	971,000
Brownsville Commons, Brownsville Road and Hiram-Lithia Springs Road, Powder Springs		81,886	205,000
Camp Creek Marketplace II, Camp Creek Parkway and Carmila Drive, Atlanta		196,283	724,000
Cherokee Plaza, Peachtree Road and Colonial Drive, Atlanta	(1)	98,553	336,000
Dallas Commons, US Highway 278 and Nathan Dean Boulevard, Dallas		95,262	244,000
Grayson Commons, Grayson Hwy at Rosebud Rd., Grayson		76,611	507,383
Lakeside Marketplace, Cobb Parkway (US Hwy 41), Acworth		321,688	736,000
Mansell Crossing, North Point Parkway at Mansell Rd	(1)(3)	102,931	582,833
Perimeter Village, Ashford-Dunwoody Rd		387,755	1,803,820
Publix at Princeton Lakes, Carmia Drive and Camp Creek Drive, Atlanta		68,407	336,000
Reynolds Crossing, Steve Reynolds and Old North Cross Rd., Duluth		115,983	407,000
Roswell Corners, Woodstock Rd. at Hardscrabble Rd., Roswell		318,499	784,000
Sandy Plains Exchange, Sandy Plains at Scufflegrit, Marietta		72,784	452,000
Thompson Bridge Commons, Thompson Bridge Rd. at Mt. Vernon Rd., Gainesville		92,587	540,000
Georgia, Total		2,652,811	10,088,036
Illinois			
Burbank Station, S. Cicero Ave. at W. 78th St.		303,566	1,013,380

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Illinois, Total	303,566	1,013,380
Kansas		
Kohl's, Wanamaker Rd. at S.W. 17th St., Topeka	115,716	444,000
Shawnee Village, Shawnee Mission Pkwy. at Quivera Rd., Shawnee	135,139	10,000
Kansas, Total	250,855	454,000
Kentucky		
Festival at Jefferson Court, Outer Loop at Jefferson Blvd., Louisville	218,396	1,153,000
Millpond Center, Boston at Man O' War, Lexington	151,567	773,000
Regency Shopping Centre, Nicholasville Rd.& West Lowry Lane, Lexington	170,530	590,000
Tates Creek, Bates Creek at Man O' War, Lexington	179,450	660,000
Kentucky, Total	719,943	3,176,000
Louisiana		
14/Park Plaza, Hwy. 14 at General Doolittle, Lake Charles	172,068	535,000
Ambassador Plaza, Ambassador Caffery at W. Congress, Lafayette	101,950	34,915
Danville Plaza, Louisville at 19th, Monroe	141,380	539,000
K-Mart Plaza, Ryan St., Lake Charles	(1)(3) 215,948	126,000
Manhattan Place, Manhattan Blvd. at Gretna Blvd., Harvey	281,615	894,000
Orleans Station, Paris, Robert E. Lee at Chatham, New Orleans	-	31,000
Prien Lake Plaza, Prien Lake Rd. at Nelson Rd., Lake Charles	213,118	64,950
River Marketplace, Ambassador Caffery at Kaliste Saloom, Lafayette	(1)(3) 334,942	1,029,415
Southgate, Ryan at Eddy, Lake Charles	170,588	511,000

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Center and Location		Building Area	Land Area
Town & Country Plaza, U.S. Hwy. 190 West, Hammond		226,102	645,000
University Place, 70th St. at Youree Dr., Shreveport	(1)(3)	401,154	1,078,431
Westwood Village, W. Congress at Bertrand, Lafayette		141,346	942,000
Louisiana, Total		2,400,211	6,430,711
Maine			
The Promenade, Essex at Summit, Lewiston	(1)	197,845	962,667
Maine, Total		197,845	962,667
Missouri			
Ballwin Plaza, Manchester Rd. at Vlasis Dr., Ballwin		200,915	653,000
Western Plaza, Hwy 141 at Hwy 30, Fenton	(1)(3)	56,634	654,000
Missouri, Total		257,549	1,307,000
Nevada			
Best in the West, Rainbow at Lake Mead Rd., Las Vegas		436,814	1,516,000
Charleston Commons, Charleston and Nellis, Las Vegas		338,378	1,314,791
College Park S.C., E. Lake Mead Blvd. at Civic Ctr. Dr., North Las Vegas		167,654	721,000
Eastern Horizon, Eastern Ave. at Horizon Ridge Pkwy., Henderson		210,287	478,000
Francisco Centre, E. Desert Inn Rd. at S. Eastern Ave., Las Vegas		148,815	639,000
Mission Center, Flamingo Rd. at Maryland Pkwy, Las Vegas		208,220	570,000
Paradise Marketplace, Flamingo Rd. at Sandhill, Las Vegas		148,713	537,000
Rainbow Plaza, Phase I, Rainbow Blvd. at Charleston Blvd., Las Vegas		136,369	514,518
Rainbow Plaza, Rainbow Blvd. at Charleston Blvd., Las Vegas		278,416	1,033,482
Rancho Towne & Country, Rainbow Blvd. at Charleston Blvd., Las Vegas		87,367	350,000
Tropicana Beltway, Tropicana Beltway at Fort Apache Rd., Las Vegas		640,749	1,466,000
Tropicana Marketplace, Tropicana at Jones Blvd., Las Vegas		142,728	519,000
Westland Fair North, Charleston Blvd. At Decatur Blvd., Las Vegas		576,202	2,342,061
Nevada, Total		3,520,712	12,000,852
New Mexico			
De Vargas, N. Guadalupe at Paseo de Peralta, Santa Fe		312,421	795,000
Estdale, Candelaria Rd. at Eubank Blvd., Albuquerque		117,623	601,000
North Towne Plaza, Academy Rd. at Wyoming Blvd., Albuquerque		104,034	607,000
Pavillions at San Mateo, I-40 at San Mateo, Albuquerque		195,944	791,000
Plaza at Cottonwood, Coors Bypass Blvd. at Seven Bar Loop Rd., Albuquerque		418,322	386,000
Wyoming Mall, Academy Rd. at Northeastern, Albuquerque		267,886	1,309,000
New Mexico, Total		1,416,230	4,489,000
North Carolina			
Avent Ferry, Avent Ferry Rd. at Gorman St., Raleigh		111,650	669,000
Bull City Market, Broad St. at West Main St., Durham		42,517	112,000
Capital Square, Capital Blvd. at Huntleigh Dr., Cary		143,063	607,000
Chatham Crossing, US 15/501 at Plaza Dr., Chapel Hill	(1)(3)	96,155	424,000

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Cole Park Plaza, US 15/501 and Plaza Dr., Chapel Hill	(1)(3)	82,258	380,000
Durham Festival, Hillsborough Rd. at LaSalle St., Durham		134,295	487,000
Falls Pointe, Neuce Rd. at Durant Rd., Raleigh		193,331	659,000
Galleria, Galleria Boulevard and Sardis Road, Charlotte		328,144	799,000
Harrison Pointe, Harrison Ave. at Maynard Rd., Cary		130,934	1,297,306
Heritage Station, Forestville Rd. at Rogers Rd., Wake Forest		68,778	392,000
High House Crossing, NC Hwy 55 at Green Level W. Rd., Cary		89,997	606,000
Johnston Road Plaza, Johnston Rd. at McMullen Creek Pkwy., Charlotte		79,508	466,000
Leesville Town Centre, Leesville Rd. at Leesville Church Rd., Raleigh		112,576	904,000
Little Brier Creek, Little Brier Creek Lane and Brier Leaf Lane, Raleigh		63,011	90,000
Lynnwood Collection, Creedmoor Rd at Lynn Road, Raleigh		86,362	429,000
Mineral Springs Village, Mineral Springs Rd. at Wake Forest Rd., Durham		59,859	572,000
Northwoods Market, Maynard Rd. at Harrison Ave., Cary		77,802	431,000
Parkway Pointe, Cory Parkway at S. R. 1011, Cary		80,061	461,000
Pinecrest Plaza, Hwy. 15-501 at Morganton Rd., Pinehurst		250,140	1,438,000
Ravenstone Commons, Hwy 98 at Sherron Rd., Durham		60,424	374,000
Six Forks Station, Six Forks Rd. at Strickland Rd., Raleigh		467,270	1,843,000

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Center and Location		Building Area	Land Area
Steele Creek Crossing, York Rd. at Steele Creek Rd., Charlotte		77,301	491,000
Stonehenge Market, Creedmoor Rd. at Bridgeport Dr., Raleigh		188,521	669,000
Surf City Crossing, Highway 17 and Highway 210, Surf City	(1)(2)	48,756	1,714,109
Waterford Village, US Hwy 17 & US Hwy 74/76, Leland	(1)(2)	69,701	830,447
Whitehall Commons, NWC of Hwy. 49 at I-485, Charlotte		444,496	360,000
North Carolina, Total		3,586,910	17,504,862
Oklahoma			
Market Boulevard , E. Reno Ave. at N. Douglas Ave., Midwest City		35,765	142,000
Town and Country, Reno Ave at North Air Depot, Midwest City		135,892	540,000
Oklahoma, Total		171,657	682,000
Oregon			
Clackamas Square, SE 82nd Avenue and SE Causey Avenue, Portland	(1)(3)	136,739	215,000
Oak Grove Market Center, SE Mcloughlin Blvd & Oak Grove Ave		97,207	292,288
Raleigh Hills Plaza, SW Beaverton-Hillsdale Hwy and SW Scholls Ferry Road, Portland	(1)(3)	39,520	165,000
Oregon, Total		273,466	672,288
South Carolina			
Fresh Market Shoppes, 890 William Hilton Head Pkwy, Hilton Head	(1)(3)	86,120	436,000
South Carolina, Total		86,120	436,000
Tennessee			
Bartlett Towne Center, Bartlett Blvd. at Stage Rd., Bartlett		179,364	774,000
Commons at Dexter Lake Phase II, Dexter at N. Germantown, Memphis	(1)	61,538	272,792
Commons at Dexter Lake, Dexter at N. Germantown, Memphis	(1)	166,958	740,208
Highland Square, Summer at Highland, Memphis		14,490	84,000
Mendenhall Commons, South Mendenahall Rd. and Sanderlin Avenue, Memphis	(1)	79,871	250,000
Ridgeway Trace, Memphis	(2)	209,327	275,915
Summer Center, Summer Ave. at Waring Rd., Memphis		148,581	560,000
Tennessee, Total		860,129	2,956,915
Texas			
10/Federal, I-10 at Federal	(1)	132,472	474,000
Alabama-Shepherd, S. Shepherd at W. Alabama		56,110	176,000
Angelina Village, Hwy. 59 at Loop 287, Lufkin		248,199	1,835,000
Bayshore Plaza, Spencer Hwy. at Burke Rd.		121,966	196,000
Bell Plaza, 45th Ave. at Bell St., Amarillo	(1)	130,529	682,000
Bellaire Boulevard, Bellaire at S. Rice	(1)	35,081	137,000
Boswell Towne Center, Highway 287 at Bailey Boswell Rd., Saginaw		87,835	137,000
Braeswood Square, N. Braeswood at Chimney Rock		103,336	422,000
Broadway , Broadway at 59th St., Galveston	(1)	74,477	220,000
Broadway, S. Broadway at W. 9th St., Tyler		60,400	259,000

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Calder, Calder at 24th St., Beaumont		34,641	95,000
Cedar Bayou, Bayou Rd., La Marque		45,561	51,000
Central Plaza, Loop 289 at Slide Rd., Lubbock		151,196	529,000
Centre at Post Oak, Westheimer at Post Oak Blvd.		182,070	505,000
Champions Village, F.M. 1960 at Champions Forest Dr.	(1)	383,779	1,391,000
Coronado, 34th St. at Wimberly Dr., Amarillo		46,829	201,000
Crossroads, I-10 at N. Main, Vidor		115,692	484,000
Cullen Place, Cullen at Reed		7,316	30,000
Cullen Plaza, Cullen at Wilmington	(1)	84,517	318,000
Custer Park, SWC Custer Road at Parker Road, Plano		180,568	376,000
Cypress Pointe, F.M. 1960 at Cypress Station		287,364	737,000
Eastpark, Mesa Rd. at Tidwell		1,576	85,262
Edgebrook, Edgebrook at Gulf Fwy.	(1)	78,324	360,000
Fiesta Trails, I-10 at DeZavala Rd., San Antonio		488,370	1,589,000
Fiesta Village, Quitman at Fulton	(1)	30,249	80,000
Fondren/West Airport, Fondren at W. Airport		56,593	223,000
Food King Place, 25th St. at Avenue P, Galveston		28,062	78,000
Galveston Place, Central City Blvd. at 61st St., Galveston		210,187	828,000

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Center and Location		Building Area	Land Area
Gateway Station, I-35W and McAlister Rd., Burleson	(1)(2)	31,960	344,286
Gillham Circle, Gillham Circle at Thomas, Port Arthur		33,134	94,000
Glenbrook Square, Telephone Road	(1)	76,483	320,000
Griggs Road, Griggs at Cullen	(1)	80,114	382,000
Harrisburg Plaza, Harrisburg at Wayside	(1)	93,438	334,000
Heights Plaza, 20th St. at Yale		71,777	228,000
Horne Street Market, I-30 & Horne Street, Fort Worth	(2)	42,267	223,463
Humblewood Shopping Plaza, Eastex Fwy. at F.M. 1960		277,837	784,000
I-45/Telephone Rd. Center, I-45 at Maxwell Street	(1)	172,609	819,000
Independence Plaza, Town East Blvd., Mesquite		179,182	787,000
Island Market Place, 6th St. at 9th Ave., Texas City		27,277	90,000
Jacinto City, Market at Baca	(1)	49,138	134,000
Killeen Marketplace, 3200 E. Central Texas Expressway, Killeen		251,137	512,000
Kirby Strip Center, Kirby Dr, Houston		10,000	37,897
Lake Pointe Market Center, Dalrock Rd. at Lakeview Pkwy., Rowlett		124,036	218,158
Las Tiendas Plaza, Expressway 83 at McColl Rd., McAllen	(1)(3)	530,067	910,000
Lawndale, Lawndale at 75th St.	(1)	52,127	177,000
League City Plaza, I-45 at F.M. 518, League City	(1)	126,990	680,000
Little York Plaza, Little York at E. Hardy	(1)	117,353	483,000
Lone Star Pavilions, Texas at Lincoln Ave., College Station		106,907	439,000
Lyons Avenue, Lyons at Shotwell	(1)	67,629	178,000
Market at Nolana, Nolana Ave and 29th St., McAllen	(1)(2)(3)	230,261	508,000
Market at Sharyland Place, U.S. Expressway 83 and Shary Road, Mission	(1)(2)(3)	415,912	543,000
Market at Town Center, Town Center Blvd., Sugar Land		375,820	1,733,000
Market at Westchase, Westheimer at Wilcrest		84,084	318,000
Montgomery Plaza, Loop 336 West at I-45, Conroe		296,837	1,179,000
Moore Plaza, S. Padre Island Dr. at Staples, Corpus Christi		533,577	1,491,000
New Boston Road, New Boston at Summerhill, Texarkana		97,000	335,000
North Creek Plaza, Del Mar Blvd. at Hwy. I-35, Laredo		448,756	1,251,000
North Main Square, Pecore at N. Main		18,515	64,000
North Oaks, F.M. 1960 at Veterans Memorial	(1)	404,733	1,646,000
North Park Plaza, Eastex Fwy. at Dowlen, Beaumont	(1)(3)	281,401	636,000
North Towne Plaza, U.S. 77 and 83 at SHFM 802, Brownsville	(1)(2)	117,000	1,258,551
North Triangle , I-45 at F.M. 1960		16,060	113,000
Northbrook Center, Northwest Fwy. at W. 34th		172,479	655,000
Northcross, N. 10th St. at Nolana Loop, McAllen	(1)(3)	76,391	218,000
Northwest Crossing, N.W. Fwy. at Hollister	(1)(3)	304,064	884,000
Oak Forest, W. 43rd at Oak Forest		147,674	541,000
Oak Park Village, Nacogdoches at New Braunfels, San Antonio	(1)	64,287	221,000
Old Navy Building, 1815 10th Street, McAllen	(1)(3)	15,000	62,000
Orchard Green, Gulfton at Renwick		74,983	273,000
Overton Park Plaza, SW Loop 820/Interstate 20 at South Hulen St., Ft. Worth		463,302	1,636,000
Palmer Plaza, F.M. 1764 at 34th St., Texas City		196,506	367,000
Parliament Square II, W. Ave. at Blanco, San Antonio		54,541	220,919

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Parliament Square, W. Ave. at Blanco, San Antonio		64,950	263,081
Phelan West, Phelan at 23rd St., Beaumont	(1)(3)	82,221	88,509
Phelan, Phelan at 23rd St, Beaumont		12,000	63,000
Pitman Corners, Custer Road at West 15th, Plano		192,283	699,000
Plantation Centre, Del Mar Blvd. at McPherson Rd., Laredo		134,919	596,000
Portairs, Ayers St. at Horne Rd., Corpus Christi		118,233	416,000
Preston Shepard Place, Preston Rd. at Park Blvd.	(1)(3)	363,337	1,359,072
Randall's /Cypress Station, F.M. 1960 at I-45		138,974	618,000
Randall's /Kings Crossing, Kingwood Dr. at Lake Houston Pkwy.	(1)	126,397	624,000
Randall's /Norchester, Grant at Jones		107,200	475,000
Richmond Square, Richmond Ave. at W. Loop 610		93,870	135,000
River Oaks East, W. Gray at Woodhead		71,265	206,000
River Oaks West, W. Gray at S. Shepherd		255,978	609,000
Rockwall, I-30 at Market Center Street, Rockwall		209,051	933,000
Rose-Rich, U.S. Hwy. 90A at Lane Dr., Rosenberg		103,385	386,000

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Center and Location		Building Area	Land Area
Sharyland Towne Crossing, Shary Rd. at Hwy. 83, Mission	(1)(2)(3)	476,376	2,008,000
Sheldon Forest North , North, I-10 at Sheldon		22,040	131,000
Sheldon Forest South , North, I-10 at Sheldon	(1)	75,340	328,000
Shops at Three Corners, S. Main at Old Spanish Trail	(1)	247,129	1,007,143
South 10th St. HEB, S. 10th St. at Houston St., McAllen	(1)(3)	103,702	368,000
Southgate, Calder Ave. at 6th St., Beaumont		33,555	118,000
Southgate, W. Fuqua at Hiram Clark	(1)	124,634	533,000
Spring Plaza, Hammerly at Campbell	(1)	59,266	202,000
Starr Plaza, U.S. Hwy. 83 at Bridge St., Rio Grande City	(1)(3)	176,812	742,000
Steeplechase, Jones Rd. at F.M. 1960		294,501	849,000
Stella Link , Stella Link at S. Braeswood		96,396	423,588
Studemont, Studewood at E. 14th St		28,466	91,000
Ten Blalock Square, I-10 at Blalock		97,217	321,000
The Shoppes at Wilderness Oaks, US Hwy 281 at Wilderness Oaks	(2)	-	1,269,730
Thousand Oaks, Thousand Oaks Dr. at Jones Maltsberger Rd., San Antonio	(1)	162,882	730,000
Tomball Marketplace, FM 2920 and Future 249, Tomball	(2)	122,189	2,067,056
Town and Country, 4th St. at University, Lubbock		30,743	339,000
Valley View, West Ave. at Blanco Rd., San Antonio		89,859	341,000
Village Arcade, University at Kirby		57,219	276,503
Village Arcade-Phase II, University at Kirby		28,371	60,099
Village Arcade-Phase III, University at Kirby		106,879	231,156
Westchase Center, Westheimer at Wilcrest		332,544	754,000
Westhill Village, Westheimer at Hillcroft		130,562	479,000
Westmont, Dowlen at Phelan, Beaumont		98,071	507,000
Westover Square, 151 and Ingram, San Antonio	(1)(2)	-	369,741
Westwood Center, Culebra Road and Westwood Loop, San Antonio	(2)	5,500	782,151
Wolflin Village, Wolflin Ave. at Georgia St., Amarillo		153,084	421,000
Texas, Total		16,101,344	60,046,365
Utah			
300 West Retail Center, Paxton Ave and 400 West St	(1)(2)(3)	-	456,568
Alpine Valley Center, Main St. at State St., American Fork	(1)(3)	224,654	447,045
Taylorville Town Center, West 4700 South at Redwood Rd., Taylorville		134,214	399,000
West Jordan Town Center, West 7000 South at S. Redwood Rd., West Jordan		304,899	814,000
Utah, Total		663,767	2,116,613
Washington			
Meridian Town Center, Meridian Avenue East and 132nd Street East, Puyallup	(1)(3)	143,012	535,000
Mukilteo Speedway Center, Mukilteo Speedway, Lincoln Way, and Highway 99, Lynnwood	(1)(3)	90,273	355,000
Rainer Square Plaza, Rainer Avenue South and South Charleston Street, Seattle	(1)(3)	107,423	345,000

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South Hill Center, 43rd Avenue Southwest and Meridian Street South, Puyallup	(1)(3)	134,020	515,000
Village at Liberty Lake, E. Country Vista Dr. at N. Liberty Rd., Liberty Lake	(1)(2)(3)	132,874	56,044
Washington, Total		607,602	1,806,044

Industrial

California

Siempre Viva Business Park, Siempre Viva Rd. at Kerns St., San Diego	(1)(3)	726,766	1,760,000
California, Total		726,766	1,760,000

Florida

1801 Massaro, 1801 Massaro Blvd., Tampa		159,000	337,000
Hopewell Industrial Center, Old Hopewell Boulevard and U.S. Highway 301, Tampa		224,483	486,000
Lakeland Industrial Center, I-4 at County Rd., Lakeland		600,000	1,535,000
Lakeland Interestate Industrial Park I, Interstate Drive and Kathleen Rd., Lakeland		168,400	425,000
Tampa East Industrial Portfolio, 1841 Massaro Blvd., Tampa		512,923	1,342,000
Florida, Total		1,664,806	4,125,000

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Center and Location		Building Area	Land Area
Georgia			
6485 Crescent Drive, I-85 at Jimmy Carter Blvd., Norcross	(1)(3)	360,460	965,000
Atlanta Industrial Park, Atlanta Industrial Pkwy. at Atlanta Industrial Dr., Atlanta		120,200	381,918
Atlanta Industrial Park II & VI, Atlanta Industrial Pkwy. at Atlanta Industrial Dr., Atlanta		382,100	1,214,068
Atlanta Industrial Parkway, Atlanta Industrial Pkwy. at Atlanta Industrial Dr., Atlanta		50,000	159,014
Kennesaw 75, 3850-3900 Kennesaw Prkwy, Kennesaw		178,467	491,000
Riverview Distribution Center, Fulton Industrial Blvd. at Camp Creek Parkway		265,200	1,301,791
Sears Logistics, 3700 Southside Industrial Way, Atlanta	(1)(3)	402,554	890,000
SouthPark 3075, Anvil Block Rd and SouthPark Blvd, Atlanta		234,525	1,022,292
Southside Industrial Parkway, Southside Industrial Pkwy at Jonesboro Rd., Atlanta		72,000	242,000
Westlake 125, Camp Creek Parkway and Westlake Parkway, Atlanta		154,464	422,048
Georgia, Total		2,219,970	7,089,131
Tennessee			
Crowfarn Drive Warehouse, Crowfarn Dr. at Getwell Rd., Memphis	(1)(3)	158,849	315,000
Outland Business Center, Outland Center Dr., Memphis	(1)(3)	410,138	1,215,000
Southpoint I & II, Pleasant Hill Rd. at Shelby Dr., Memphis		570,940	1,127,000
Tennessee, Total		1,139,927	2,657,000
Texas			
1625 Diplomat Drive, SWC Diplomat Dr. at McDaniel Dr., Carrollton		106,140	199,000
610 and 11th St. Warehouse, Loop 610 at 11th St.	(1)(3)	243,642	540,000
610 and 11th St. Warehouse, Loop 610 at 11th St.		104,975	202,000
610/288 Business Park , Cannon Street	(1)(3)	295,426	480,000
Beltway 8 Business Park, Beltway 8 at Petersham Dr.		157,498	499,000
Blankenship Building, Kempwood Drive		59,729	175,000
Braker 2 Business Center, Kramer Ln. at Metric Blvd., Austin		27,359	93,000
Brookhollow Business Center, Dacoma at Directors Row		133,553	405,000
Central Park Northwest VI, Central Pkwy. at Dacoma		175,348	518,000
Central Park Northwest VII, Central Pkwy. at Dacoma		103,602	283,000
Central Plano Business Park, Klein Rd. at Plano Pkwy., Plano		137,785	415,000
Claywood Industrial Park, Clay at Hollister	(2)	390,891	1,761,000
Corporate Center Park I and II, Putnam Dr. at Research Blvd., Austin		119,452	326,000
Crestview, Bissonnet at Wilcrest		8,970	35,000
Crosspoint Warehouse, Crosspoint		72,505	179,000
Freeport Business Center, 13215 N. Promenade Blvd., Stafford		251,385	635,000
Freeport Commerce Center, Sterling Street and Statesman Drive, Irving		50,590	196,000
Houston Cold Storage Warehouse, 7080 Express Lane		128,752	345,189
Interwest Business Park, Alamo Downs Parkway, San Antonio		219,244	742,000

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Isom Business Park, 919-981 Isom Road, San Antonio		175,200	462,000
Jester Plaza Office Service Center, West T.C. Jester		100,605	244,000
Jupiter Service Center, Jupiter near Plano Pkwy., Plano		78,480	234,000
Kempwood Industrial, Kempwood Dr. at Blankenship Dr.	(1)(3)	219,489	530,000
Kempwood Industrial, Kempwood Dr. at Blankenship Dr.		113,218	327,000
Lathrop Warehouse, Lathrop St. at Larimer St.	(1)(3)	251,890	435,000
Manana Office Center, I-35 at Manana, Dallas		223,128	470,000
McGraw Hill Distribution Center, 420 E. Daniieldale Rd, DeSoto		417,938	888,000
Midpoint I-20 Distribution Center, New York Avenue and Arbrook Boulevard, Arlington		253,165	593,000
Midway Business Center, Midway at Boyington, Carrollton		141,246	309,000
Navigation Business Park, Navigation at N. York	(1)(3)	238,321	555,000
Newkirk Service Center, Newkirk near N.W. Hwy., Dallas		105,892	223,000
Northeast Crossing Office/Service Center, East N.W. Hwy. at Shiloh, Dallas		78,700	199,000
Northway Park II, Loop 610 East at Homestead	(1)(3)	303,483	745,000
Northwest Crossing Office/Service Center, N.W. Hwy. at Walton Walker, Dallas		126,984	290,000
Oak Hills Industrial Park, Industrial Oaks Blvd., Austin		89,858	340,000
O'Connor Road Business Park, O'Connor Road, San Antonio		150,091	459,000
Railwood F, Market at U.S. 90	(1)(3)	300,000	560,000
Railwood G, Mesa at U.S. 90	(1)(2)(3)	210,850	562,665
Railwood Industrial Park, Mesa at U.S. 90	(1)(3)	497,656	1,060,000
Railwood Industrial Park, Mesa at U.S. 90		402,680	1,141,764
Randol Mill Place, Randol Mill Road, Arlington		54,639	178,000

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Center and Location		Building Area	Land Area
Redbird Distribution Center, Joseph Hardin Drive, Dallas		110,839	233,000
Regal Distribution Center, Leston Avenue, Dallas		202,559	318,000
Rutland 10 Business Center, Metric Blvd. At Centimeter Circle, Austin		54,000	139,000
Sherman Plaza Business Park, Sherman at Phillips, Richardson		101,137	312,000
South Loop Business Park, S. Loop at Long Dr.	(1)(3)	92,450	206,000
Southpark A,B,C, East St. Elmo Rd. at Woodward St., Austin		78,276	238,000
Southpoint Service Center, Burleson at Promontory Point Dr., Austin		57,667	234,000
Southport Business Park 5, South Loop 610		160,653	358,000
Southwest Park II Service Center, Rockley Road		67,700	216,000
Space Center Industrial Park, Pulaski St. at Irving Blvd., Dallas		264,582	426,000
Stonecrest Business Center, Wilcrest at Fallstone		110,641	308,000
Town & Country Commerce Center, I-10 at Beltway 8		206,000	-
West 10 Business Center II, Wirt Rd. at I-10		82,658	147,000
West Loop Commerce Center, W. Loop N. at I-10		34,256	91,000
West-10 Business Center, Wirt Rd. at I-10		102,087	331,000
Westgate Service Center, Park Row Drive at Whiteback Dr.		119,786	499,000
Texas, Total		9,165,650	22,889,618
Virginia			
Enterchange at Meadowville, 2101 Bermuda Hundred Dr, Chester	(1)(3)	226,809	845,717
Enterchange at Northlake A, 11900-11998 North Lakeridge Parkway, Ashland		215,077	697,831
Enterchange at Northlake C, North Lakeridge Parkway & Northlake Park Dr, Ashland	(1)(3)	293,115	677,794
Enterchange at Walthall A & B, 1900-1998 Ruffin Mill Rd, Colonial Heights	(1)(3)	606,780	1,467,536
Enterchange at Walthall C, 1936-1962 Ruffin Mill Rd, Colonial Heights	(1)(3)	261,922	864,840
Enterchange at Walthall D, 1700-1798 Ruffin Mill Rd, Colonial Heights		243,782	752,020
Interport Business Center A, 4800-4890 Eubank Road, Richmond	(1)(3)	447,412	1,037,556
Interport Business Center B, 4700-4790 Eubank Road, Richmond	(1)(3)	118,000	277,477
Interport Business Center C, 5300-5390 Laburnum Ave, Richmond	(1)(3)	54,885	154,202
Virginia, Total		2,467,782	6,774,973
Other			
Arizona			
Arcadia Biltmore Plaza, Campbell Ave. at North 36th St., Phoenix		21,122	74,000
Arizona, Total		21,122	74,000
Texas			
1919 North Loop West, Hacket Drive at West Loop 610 North		139,449	157,000
Citadel Plaza, Citadel Plaza Dr.		121,000	170,931
Texas, Total		260,449	327,931

Land Held for Development

Arizona

Lon Adams Rd at Tangerine Farms Rd, Marana		464,785
Arizona, Total		464,785

California

Bear Valley Road at Jess Ranch Parkway Phase II, Apple Valley	(1)(3)	139,392
Bear Valley Road at Jess Ranch Parkway Phase III, Apple Valley	(1)(3)	448,668
California, Total		588,060

Colorado

Mississippi at Havana, Aurora	(1)(3)	418,717
Colorado, Total		418,717

Florida

Young Pines and Curry Ford Rd, Orange County		132,422
Florida, Total		132,422

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Center and Location	Building Area	Land Area
Georgia		
NWC South Fulton Parkway @ Hwy 92, Union City	(1)	3,554,000
Georgia, Total		3,554,000
Louisiana		
70th St. at Mansfield Rd., Shreveport		41,704
Louisiana, Total		41,704
Nevada		
SWC Highway 215 at Decatur, Las Vegas		1,103,810
Nevada, Total		1,103,810
North Carolina		
Creedmoor (Highway 50) and Crabtree Valley Avenue, Raleigh		576,000
Highway 17 and Highway 210, Surf City	(1)	1,590,811
U.S. 15-501 and Bruce Wood Rd, Southern Pines		1,047,000
U.S. Highway 1 at Caveness Farms Rd., Wake Forest		3,479,317
U.S. Hwy 17 and U.S. Hwy 74/76, Leland	(1)	362,419
North Carolina, Total		7,055,547
Texas		
9th Ave. at 25th St., Port Arthur		243,000
Bissonnet at Wilcrest, Houston		84,629
Citadel Plaza at 610 North Loop, Houston		137,000
Culebra Road and Westwood Loop, San Antonio		403,366
East Orem		122,000
FM 1957 (Potranco Road) and FM 211, San Antonio	(1)	8,656,243
FM 2920 and Highway 249, Tomball		363,944
Highway 3 at Highway 1765, Texas City		201,000
Kirkwood at Dashwood Drive, Houston		322,000
Leslie Rd. at Bandera Rd., Helotes		75,000
Mesa Road at Tidwell, Houston		35,898
Northwest Freeway at Gessner, Houston		213,292
River Pointe Drive at Interstate 45, Conroe		118,483
Rock Prairie Rd. at Hwy. 6, College Station		3,570,178
Shary Rd. at North Hwy. 83, Mission	(1)(3)	1,607,364
Shaver at Southmore, Pasadena		17,000
West Little York at Interstate 45, Houston		161,000
West Loop North at Interstate 10, Houston		145,000
Texas, Total		16,476,397

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as of December 31, 2008

ALL PROPERTIES BY STATE	Number of Properties	Building Total Square Feet	Land Total Square Feet
Arizona	25	3,615,410	13,134,822
Arkansas	3	357,740	1,489,000
California	29	5,255,177	17,587,299
Colorado	12	3,599,119	12,955,914
Florida	50	10,846,046	43,715,670
Georgia	23	4,872,781	20,731,167
Illinois	1	303,566	1,013,380
Kansas	2	250,855	454,000
Kentucky	4	719,943	3,176,000
Louisiana	12	2,400,211	6,472,415
Maine	1	197,845	962,667
Missouri	2	257,549	1,307,000
Nevada	12	3,520,712	13,104,662
New Mexico	6	1,416,230	4,489,000
North Carolina	26	3,586,910	24,560,409
Oklahoma	2	171,657	682,000
Oregon	3	273,466	672,288
South Carolina	1	86,120	436,000
Tennessee	9	2,000,056	5,613,915
Texas	163	25,527,443	99,740,311
Utah	4	663,767	2,116,613
Virginia	9	2,467,782	6,774,973
Washington	5	607,602	1,806,044
Grand Total	404	72,997,987	282,995,549
Total Retail	323	55,331,515	207,462,454
Total Industrial	78	17,384,901	45,295,722
Total Land Held for Development			29,835,442
Total Other	3	281,571	401,931

Total square footage includes 464,561 square feet of building area and 12,267,045 square feet of land leased from others.

Footnotes for detail property listing:

(1) Denotes partial ownership. The square feet figures represent our proportionate ownership of the property held by the joint venture or partnership.

- (2) Denotes property currently under development.
- (3) Denotes properties that are not consolidated under generally accepted accounting principles.

NOTE: Square feet are reflective of area available to be leased. Certain listed properties may have additional square feet that are not owned by us.

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General. In 2008, no single property accounted for more than 1.7% of our total assets or 1.5% of gross revenues. The five largest properties, in the aggregate, represented approximately 6.7% of our gross revenues for the year ended December 31, 2008; otherwise, none of the remaining properties accounted for more than 1.2% of our gross revenues during the same period. The weighted average occupancy rate for all of our improved properties as of December 31, 2008 was 92.6% compared to 94.4% as of December 31, 2007. The average effective annual rental per square foot was approximately \$13.16 in 2008, \$12.57 in 2007, \$12.12 in 2006, \$11.38 in 2005 and \$11.01 in 2004 for retail properties and \$4.98 in 2008, \$4.86 in 2007, \$4.91 in 2006, \$4.89 in 2005 and \$4.70 in 2004 for industrial properties.

The majority 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 real estate 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 69 real estate joint ventures or partnerships that hold 140 of our properties. Our ownership interest ranges from 7.8% 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 of beneficial interest at our discretion.

Shopping Centers. At December 31, 2008, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 299 developed income-producing properties and 24 properties under various stages of construction and development, which are located in 22 states spanning the USA from coast to coast.

Our shopping centers are primarily neighborhood and community shopping centers that typically range in size from 100,000 to 600,000 square feet of building area, as distinguished from large regional enclosed malls and small strip centers, which generally contain 5,000 to 25,000 square feet. 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 7,200 separate leases with 5,300 different tenants. Included among our top revenue-producing tenants are: The Kroger Co., T.J.X. Companies, Safeway, Ross Stores, Publix, Home Depot, Office Depot, Blockbuster Video, Petsmart and Gap. The diversity of our tenant base is also evidenced by the fact that our largest tenant accounted for only 2.7% of rental revenues during 2008.

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Lease expirations as of December 31, 2008 for the next ten years, assuming tenants do not exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases (000's)	Percentage of Leaseable Square Feet	Annual Net Rent of Expiring Leases	
				Total (000's)	Per Square Foot
2009	925	4,746	10.48%	\$ 49,223	\$ 10.37
2010	1,144	5,955	13.16%	70,667	11.87
2011	1,099	5,998	13.25%	73,830	12.31
2012	742	5,153	11.38%	61,072	11.85
2013	748	5,583	12.33%	62,148	11.13
2014	271	3,532	7.80%	32,720	9.26
2015	128	1,339	2.96%	15,168	11.33
2016	105	1,303	2.88%	15,596	11.97
2017	111	1,513	3.34%	20,505	13.55
2018	116	1,637	3.62%	18,904	11.55

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. While we believe the effect of this will not have a material impact on our financial position, results of operations, or liquidity due to the significant diversification of our tenant base, the uncertainty in the economy and commercial credit markets could result in a negative impact.

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.

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.

In January 2008, we acquired a 4,000 square foot pad building located in Florida through a 25%-owned unconsolidated joint venture.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate value of approximately \$227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds approximating \$216.1 million. We maintain a 15% ownership interest in this venture, which is consolidated in our financial statements.

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In May 2008, we acquired Kirby Strip Center, a 10,000 square foot building located in Texas.

In August 2008, we executed a real estate limited partnership with a foreign institutional investor to purchase up to \$250 million of retail properties in various states. Our ownership in this unconsolidated real estate limited partnership is 20.1%. As of December 31, 2008, no properties have been purchased.

In November 2008, we contributed eight neighborhood/community shopping centers with an aggregate value of approximately \$205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately \$121.8 million. We maintain a 30% ownership interest in this venture, which is consolidated in our financial statements.

During 2008, we sold nine shopping centers, of which five are located in Texas, one in California and three in Louisiana. Sales proceeds from these dispositions totaled \$138.4 million and generated gains of \$66.3 million.

Industrial Properties. At December 31, 2008, we owned, either directly or through our interest in real estate joint ventures or partnerships, 78 industrial projects and three other operating properties totaling approximately 17.7 million square feet of building area. Our industrial properties consist of bulk warehouse, business distribution and office-service center assets ranging in size from 9,000 to 727,000 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, General Electric Company, G.E. Polymershapes, Inc., Interline Brands, Inc., Rooftop Systems Inc., Wells Fargo Bank and Iron Mountain. Our properties are located in Arizona, California, Florida, Georgia, Tennessee, Texas and Virginia.

In 2008, we sold one industrial center totaling 59,000 square feet located in Texas. Sales proceeds from this disposition totaled \$5.6 million and generated a gain of \$2.4 million.

Land Held for Development. At December 31, 2008, we owned 31 parcels of unimproved land consisting of approximately 29.8 million square feet of land area located in Arizona, California, Colorado, Florida, Georgia, Louisiana, Nevada, North Carolina and Texas. These properties include approximately .2 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 29.6 million square feet of land, which may be used for new development. Most of the land held for development is served by roads and utilities and are suitable for development as shopping centers or industrial projects, and we intend to emphasize the development of these parcels for such purpose. Due to our analysis of current economic considerations, including the effects of tenant bankruptcies, lack of available funding and halt of tenant expansion plans for new development projects and declines in the real estate values, plans related to our new development properties including land held for development changed, and the use of these assets was no longer certain which brought about an impairment change. Impairments, primarily related to our new development properties, of \$52.5 million were recognized for the year ended December 31, 2008.

New Development Properties. At December 31, 2008, we had 25 projects under construction or in preconstruction stages with an estimated final square footage of approximately 6.5 million. These properties are slated to be completed over the next one to four years.

During 2008, we generated gains of \$8.3 million from the sale of 24 parcels of land located in Arizona, California, Colorado, Florida, Georgia, Nevada, North Carolina and Texas, and the recognition of a deferred gain from the sale of a land parcel in Nevada. In an unconsolidated real estate joint venture and partnership, two land parcels were sold in Colorado and Washington. Our share of the sales proceeds and the gain generated totaled \$.7 million and \$.4 million,

respectively.

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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.

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 of beneficial interest are listed and traded on the New York Stock Exchange under the symbol "WRI." The number of holders of record of our common shares of beneficial interest as of January 31, 2009 was 3,225. 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
2008:			
Fourth	\$ 35.08	\$ 10.10	\$.525
Third	40.00	27.38	.525
Second	38.71	30.32	.525
First	35.42	28.37	.525
2007:			
Fourth	\$ 44.82	\$ 31.44	\$.495
Third	42.15	36.34	.495
Second	49.00	40.84	.495
First	52.16	46.06	.495

The following table summarizes the equity compensation plans under which our common shares of beneficial interest may be issued as of December 31, 2008:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance
Equity compensation plans approved by shareholders	3,317,655	\$ 32.96	2,011,682

Equity compensation plans not approved by
shareholders

Total	3,317,655	\$	32.96	2,011,682
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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, 2003 in our common shares of beneficial interest and that all dividends were reinvested by the shareholder.

Comparison of Five Year Cumulative Return

	2004	2005	2006	2007	2008
Weingarten	142.37	140.59	179.24	128.19	91.88
S&P 500 Index	110.88	116.33	134.70	142.10	89.53
The NAREIT All Equity Index	131.58	147.58	199.32	168.05	104.65

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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In July 2007, our Board of Trust Managers authorized a common share repurchase program as part of our ongoing investment strategy. Under the terms of the program, we may purchase up to a maximum value of \$300 million of our common shares of beneficial interest during the following two years. Share repurchases may be made in the open market or in privately negotiated transactions at the discretion of management and as market conditions warrant. We anticipate funding the repurchase of shares primarily through the proceeds received from our property disposition program, as well as from general corporate funds.

The maximum dollar value of shares that may yet be purchased under the program is \$196.7 million.

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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,				
	2008	2007	2006	2005	2004
Revenues (primarily real estate rentals)	\$ 614,968	\$ 583,767	\$ 523,424	\$ 473,974	\$ 428,144
Expenses:					
Depreciation and amortization	155,912	128,061	117,443	106,949	95,219
Other	269,803	197,365	170,196	143,106	134,284
Total	425,715	325,426	287,639	250,055	229,503
Operating Income	189,253	258,341	235,785	223,919	198,641
Interest Expense	(148,475)	(148,829)	(145,374)	(129,160)	(116,142)
Interest and Other Income, net	4,334	8,486	9,044	2,854	1,389
Loss on Redemption of Preferred Shares					(3,566)
Gain on Redemption of Convertible Senior Unsecured Notes	10,658				
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	12,196	19,853	14,655	6,610	5,384
Income Allocated to Minority Interests	(8,943)	(10,237)	(6,414)	(6,060)	(4,928)
Gain on Land and Merchant Development Sales	8,342	16,385	7,166	804	
Gain on Sale of Properties	1,998	4,086	22,493	22,306	1,562
Benefit (Provision) for Income Taxes	10,148	(4,073)	(1,366)		
Income from Continuing Operations	79,511	144,012	135,989	121,273	82,340
Income from Discontinued Operations (1)	72,170	94,005	169,021	98,380	59,041
Net Income	\$ 151,681	\$ 238,017	\$ 305,010	\$ 219,653	\$ 141,381
Net Income Available to Common Shareholders	\$ 115,120	\$ 212,642	\$ 294,909	\$ 209,552	\$ 133,911
Per Share Data - Basic:					
Income from Continuing Operations	\$ 0.51	\$ 1.39	\$ 1.43	\$ 1.25	\$ 0.87
Net Income	\$ 1.36	\$ 2.49	\$ 3.36	\$ 2.35	\$ 1.55
Weighted Average Number of Shares	84,474	85,504	87,719	89,224	86,171
Per Share Data - Diluted:					
Income from Continuing Operations	\$ 0.51	\$ 1.38	\$ 1.43	\$ 1.25	\$ 0.87
Net Income	\$ 1.36	\$ 2.44	\$ 3.27	\$ 2.31	\$ 1.54
Weighted Average Number of Shares	84,917	88,893	91,779	93,166	89,511
Property (at cost)	\$ 4,915,472	\$ 4,972,344	\$ 4,445,888	\$ 4,033,579	\$ 3,751,607
Total Assets	\$ 5,114,699	\$ 4,993,343	\$ 4,373,887	\$ 3,737,741	\$ 3,470,318
Debt	\$ 3,171,537	\$ 3,165,059	\$ 2,941,039	\$ 2,348,504	\$ 2,138,842

Other Data:

Cash Flows from Operating Activities	\$ 220,150	\$ 223,309	\$ 242,592	\$ 200,525	\$ 203,886
Cash Flows from Investing Activities	\$ (115,391)	\$ (480,630)	\$ (314,686)	\$ (104,459)	\$ (349,654)
Cash Flows from Financing Activities	\$ (111,590)	\$ 252,095	\$ 100,407	\$ (97,791)	\$ 170,928
Cash Dividends per Common Share	\$ 2.10	\$ 1.98	\$ 1.86	\$ 1.76	\$ 1.66
Funds from Operations: (2)					
Net Income Available to Common Shareholders	\$ 115,120	\$ 212,642	\$ 294,909	\$ 209,552	\$ 133,911
Depreciation and Amortization	162,035	141,150	131,792	125,742	114,342
Gain on Sale of Properties	(70,068)	(86,076)	(172,056)	(87,561)	(26,316)
Total	\$ 207,087	\$ 267,716	\$ 254,645	\$ 247,733	\$ 221,937

- (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 for all periods presented.

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- (2) The National Association of Real Estate Investment Trusts (“NAREIT”) defines funds from operations (“FFO”) 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 real estate joint ventures and partnerships. We calculate FFO in a manner consistent with the NAREIT definition.

Management 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.

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 consolidated 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 (“REIT”) 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 rental properties which includes neighborhood and community shopping centers and industrial properties of approximately 73.0 million square feet. We have a diversified tenant base with our largest tenant comprising only 2.7% of total rental revenues during 2008.

Our long-term strategy is to focus on increasing funds from operations (“FFO”) 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. The depressed economic environment and capital markets have caused us to currently refocus our efforts on maintaining our operating properties at current levels and managing our capital resources to ensure adequate liquidity.

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We strive 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. The turmoil in the current capital markets has adversely affected both the pricing and the availability of both debt and equity capital. Our strategy for the upcoming year is focused on the sourcing of new capital whether it is in the form of proceeds from asset dispositions, joint venture relationships, new financings or new equity issuances.

At December 31, 2008, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 379 developed income-producing properties and 25 properties under various stages of construction and development. The total number of centers includes 323 neighborhood and community shopping centers, 78 industrial projects and three other operating properties located in 23 states spanning the country from coast to coast.

We also owned interests in 31 parcels of land held for development that totaled approximately 29.8 million square feet.

We had approximately 7,200 leases with 5,300 different tenants at December 31, 2008.

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. Through this challenging economic environment, 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. The weakened economy contributed to a drop in our occupancy from 94.4% at December 31, 2007 to 92.6% at December 31, 2008. While we will continue to monitor the economy and the effects on our retailers, we believe the significant diversification of our portfolio both geographically and by tenant base will allow us to maintain occupancy levels of above 90% as we move through the year, absent bankruptcies by multiple national or regional tenants. Another important indicator of performance is the increase in rental rates on a same-space basis as we complete new leases and renew existing leases. We completed 1,243 new leases or renewals during 2008 totaling 6.3 million square feet, increasing rental rates an average of 10.2% on a cash basis.

New Development

At December 31, 2008, we had 25 properties in various stages of development. We have invested \$366.1 million to-date on these projects and, at completion, we estimate our total investment to be \$470.7 million. These properties are slated to open over the next one to four years with a projected return on investment of approximately 8.1% when completed. Also, five additional properties have been stabilized during 2008 with a total investment of \$89.5 million and a projected return on investment of 9.1%.

In 2008, we had \$118.1 million in properties that were held for future development pending improvement in economic conditions. Due to current economic factors, obtaining new projects in 2008 proved challenging as potential retail anchors delayed or halted their expansion plans due to the deterioration of the economy. Due to our analysis of current economic considerations, including the effects of tenant bankruptcies, lack of available funding and halt of tenant expansion plans for new development projects and declines in the real estate values, plans related to our new development properties including land held for development changed, and the use of these assets was no longer

certain which brought about an impairment charge. Impairments, primarily related to our new development properties, of \$52.5 million were recognized for the year ended December 31, 2008. While we will continue to seek opportunities and monitor this market closely, we anticipate little if any investment in new projects in 2009.

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Merchant development is a program where we acquire or 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. Also, disposition of land parcels are included in this program. We generated gains of approximately \$8.3 million from this program during 2008. While our 2009 business plan calls for merchant development gains similar to those obtained in 2008, there is no assurance this will occur due to the depressed state of the commercial real estate markets.

Acquisitions and Joint Ventures

Acquisitions and joint venture arrangements are a key component of our strategy. However, the turmoil in the capital markets has significantly reduced transactions in the marketplace and, therefore, created uncertainty with respect to pricing. Partnering with institutional investors through real estate 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 asset management and the acquisition, leasing and management of properties, to the joint ventures.

During 2008, we acquired one shopping center and invested in a 25%-owned unconsolidated joint venture to acquire a 4,000 square foot pad building located in Florida for a purchase price of approximately \$2.7 million.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate value of approximately \$227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients. Financing totaling \$154.3 million was placed on the properties and guaranteed by us for tax planning purposes.

In August 2008, we executed a real estate limited partnership with a foreign institutional investor to purchase up to \$250 million of retail properties in various states. Our ownership in this unconsolidated real estate limited partnership is 20.1%. As of December 31, 2008, no properties had been purchased.

In November 2008, we contributed eight neighborhood/community shopping centers with an aggregate value of approximately \$205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC. Financing totaling \$100.0 million was placed on the properties and guaranteed by us for tax planning purposes.

Subsequent to December 31, 2008, we contributed two additional properties to the joint venture with Hines REIT Retail Holdings, LLC with an aggregate value of approximately \$23.3 million, and aggregating approximately .1 million square feet. These two shopping centers are located in Georgia and North Carolina, and we received proceeds of approximately \$6.9 million. Additionally, we have a commitment to contribute two additional properties to this joint venture in 2009.

Joint venture fee income for 2008 was approximately \$7.2 million or a decrease of \$1.0 million over the prior year. This decrease is a result of acquisition fees recognized in 2007 that did not occur in 2008.

Dispositions

During 2008, we sold nine shopping centers and one industrial property for \$144.0 million. Although the availability of debt financing for prospective acquirers has decreased in the current capital markets, we expect to continue to dispose of non-core properties during 2009 as opportunities present themselves. Dispositions are part of an ongoing 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 stronger

internal revenue growth.

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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 ongoing 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 recognized. Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint. In addition, in circumstances where we would provide a tenant improvement allowance for improvements that are owned by the tenant, we would recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease. Other revenue is income from contractual agreements with third parties, tenants or partially owned real estate joint ventures or partnerships, which is recognized as the related services are performed under the respective agreements.

Real Estate Joint Ventures and Partnerships

To determine the method of accounting for partially owned real estate joint ventures and partnerships, we first apply the guidelines set forth in Financial Accounting Standards Board ("FASB") Interpretation No. 46R ("FIN 46R"), "Consolidation of Variable Interest Entities." Entities identified as variable interest entities are consolidated if we are determined to be the primary beneficiary of the partially owned real estate joint venture or partnership.

Partially owned real estate joint ventures and 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. If there are changes in these factors, these reconsideration events are assessed to determine if the consolidation treatment remains appropriate. Management analyzes and assesses reconsideration events as soon as they become aware of them. Partially owned real estate 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. Decisions regarding consolidation of partially owned entities frequently require significant judgment by our management. Errors in the assessment of consolidation could result in material changes to our consolidated financial statements.

Our investments in partially owned real estate joint ventures and partnerships are reviewed for impairment, periodically, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our investments in partially owned real estate joint ventures and partnerships is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the value of an investment is other than temporary. This evaluation involves a considerable amount of judgment by our management. Our overall future plans for the investment, our investment partner's financial outlook and our views on current market and economic conditions may have a significant impact on the resulting factors analyzed for these purposes.

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Property

Real estate assets are stated at cost less accumulated depreciation. 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. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated.

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 date 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, tenant improvements and other identifiable intangibles. Current economic and operational property conditions, known trends and changes expected in current market conditions are considered in the estimates of future cash flows used for purchase price allocation purposes. Other identifiable intangible assets and liabilities include the effect of out-of-market leases, the value of having leases in place ("as is" versus "as if vacant" and absorption costs), out-of-market assumed mortgages and tenant relationships. Depreciation and amortization is computed using the straight-line method, generally over estimated useful lives of 40 years for buildings and over the lease term which includes bargain renewal options for other identifiable intangible assets. The impact of these estimates could result in significant differences related to the purchased assets, liabilities and resulting depreciation or amortization. Initial valuations are subject to change until such information is finalized, no later than 12 months from the acquisition date. The impact of incorrect estimates in connection with acquisition asset values and related estimated useful lives could be material to our consolidated financial statements.

Property also includes costs incurred in the development of new operating properties and properties in our merchant development program. 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. Also, disposition of land parcels and non-operating properties are included in this program. These properties are carried at cost and no depreciation is recorded on these assets until the commencement of rental revenue or no later than one year from the completion of major construction. These costs include pre-acquisition 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 directly 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. The impact of the estimates related to the allocation of indirect costs and interest could result in incorrect estimates in connection with determining the asset value which could be material to our consolidated financial statements.

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, including any identifiable intangible assets (including site costs and capitalized interest), may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. Fair values are also determined by obtaining third-party broker and appraisal estimates. In accordance with FASB's Statement of Financial Accounting Standards ("SFAS") No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," such carrying amount is adjusted, if necessary, to the estimated fair value to reflect an impairment in the value of the asset.

Due to our analysis of current economic considerations at each reporting period, including the effects of tenant bankruptcies, lack of available funding and halt of tenant expansion plans for new development projects and declines in the real estate values, plans related to our new development properties including land held for development changed, and the use of these assets was no longer certain which brought about an impairment charge in 2008. Determining whether a property is impaired and, if impaired, the amount of required write-down to fair value requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. If market conditions continue to deteriorate or managements' plans for certain properties change, additional write-downs could be required in the future.

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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. Differences in methodologies to calculate applicable interest rates and the cost of qualified assets can yield significant differences in the amounts capitalized and, as a result, the amount of depreciation recognized.

Deferred Charges

Debt financing costs are amortized primarily on a straight-line basis, which approximates the effective interest method, over the terms of the debt. 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 internal costs directly related to completing a lease and are amortized over the life of the lease on a straight-line basis. Costs related to supervision, administration, unsuccessful origination efforts and other activities not directly related to completed lease agreements are charged to expense as incurred. Differences in methodologies to calculate and defer these costs can yield differences in the amounts deferred and, accordingly, the amount of amortization recognized.

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, investments in real estate joint ventures and partnerships and partial sales to real estate joint ventures and partnerships in which we participate.

We recognize profit on sales of real estate, including merchant development sales, in accordance with FASB's SFAS No. 66 ("SFAS 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. A considerable amount of judgment by our management is used in this evaluation.

We recognize gains on the sale of real estate to joint ventures and partnerships in which we participate to the extent we receive cash from the joint venture or partnership, if it meets the sales criteria in accordance with SFAS 66, and we do not have a commitment to support the operations of the real estate joint venture or partnership to an extent greater than our proportionate interest in the real estate joint venture or partnership.

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. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy are considered in assessing the collectibility of the related receivables. As these factors change, the allowance is subject to revision and may impact our results of operations.

Income Taxes

We have elected to be treated as a 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 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 (without regard to capital gains or the dividends paid deduction) to our shareholders as dividends, we will not be taxed on the portion of our income we distribute as

dividends.

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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 such activities 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 consolidated 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." We use estimates in preparing our deferred tax amounts and if revised, these estimates could impact our results of operations.

Results of Operations

Comparison of the Year Ended December 31, 2008 to the Year Ended December 31, 2007

Revenues

Total revenues were \$615.0 million for the year ended 2008 versus \$583.8 million for the year ended 2007, an increase of \$31.2 million or 5.3%. This increase resulted primarily from an increase in rental revenues of \$30.4 million and other income of \$.8 million.

Property acquisitions and new development activity contributed \$26.7 million of the rental income increase with \$3.7 million resulting from 1,243 renewals and new leases, comprising 6.3 million square feet at an average rental rate increase of 10.2%.

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

	December 31,	
	2008	2007
Shopping Centers	93.0%	95.1%
Industrial	91.6%	92.0%
Total	92.6%	94.4%

Other income increased by \$.8 million from the prior year due from an increase in lease cancellation revenue from various tenants.

Expenses

Total expenses for 2008 were \$425.7 million versus \$325.4 million in 2007, an increase of \$100.3 million or 30.8%.

The increases in 2008 for depreciation and amortization expense (\$27.8 million), operating expenses (\$14.8 million) and ad valorem taxes (\$6.4 million) were primarily a result of the properties acquired and developed during the year. In addition, operating expenses increased as a result of Hurricane Ike in 2008 and depreciation expense increased as a result of redevelopment activities. In 2008, an impairment loss was recorded of \$52.5 million due to primarily our new development properties based on current economic conditions; including the lack of available funding, a halt in tenant expansion plans and declines in the real estate values. The decrease in general and administrative expenses of \$1.2 million results primarily from a reduction in our workforce. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues were 31.9% and 29.9% in 2008 and 2007, respectively.

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Interest Expense

Interest expense totaled \$148.5 million for 2008, down by \$.4 million or .2% from 2007. The components of interest expense were as follows (in thousands):

	Year Ended December 31,	
	2008	2007
Gross interest expense	\$ 176,772	\$ 180,612
Over-market mortgage adjustment of acquired properties	(8,007)	(6,758)
Capitalized interest	(20,290)	(25,025)
Total	\$ 148,475	\$ 148,829

Gross interest expense totaled \$176.8 million in 2008, down \$3.8 million or 2.1% from 2007. The decrease in gross interest expense results primarily from a net gain of \$2.8 million on the settlement of a forward starting swap in March 2008. Over-market mortgage adjustment increased \$1.2 million due primarily to a write-off of an intangible liability as a result of a loan pay off. Capitalized interest decreased \$4.7 million due to a decrease in the annualized average interest capitalization rate of 5.9% in 2008 compared to 8.4% in 2007.

Interest and Other Income

Interest and other income was \$4.3 million in 2008 versus \$8.5 million in 2007, a decrease of \$4.2 million or 49.4%. This decrease resulted from the fair value decline in the assets held in a grantor trust related to our deferred compensation plan and a reduction in interest earned from a qualified escrow account. Offsetting this \$7.0 million decrease is the interest earned on notes receivable from real estate joint ventures and partnerships for new development activities and other receivables.

Gain on Redemption of Convertible Senior Unsecured Notes

The gain results from the purchase and cancellation of \$37.8 million of our 3.95% convertible senior unsecured notes at a discount to par value.

Equity in Earnings of Real Estate Joint Ventures and Partnerships, net

Our equity in earnings of real estate joint ventures and partnerships was \$12.2 million in 2008 versus \$19.9 million in 2007, a decrease of \$7.7 million or 38.7%. The decrease results primarily from our share of the write-off of pre-development costs of \$4.6 million and impairment losses of \$3.3 million in 2008. No such activity is present in 2007.

Income Allocated to Minority Interests

Income allocated to minority interests was \$8.9 million in 2008 versus \$10.2 million in 2007, a decrease of \$1.3 million or 12.7%. This decrease resulted primarily from the 2007 gain on sale of three shopping centers that were each held in a 50%-owned consolidated entity. Offsetting this decrease of \$3.8 million is earnings related to our investment in two newly formed consolidated joint ventures in 2008.

Gain on Sale of Properties

Gain on sale of properties was \$2.0 million in 2008 versus \$4.1 million in 2007, a decrease of \$2.1 million or 51.2%. The gain in 2007 resulted primarily from gain deferrals and adjustments that did not recur in 2008.

Gain on Land and Merchant Development Sales

Gain on land and merchant development sales totaled \$8.3 million in 2008. We sold 24 land parcels, of which five each are located in Florida, North Carolina and Texas, three in Nevada, two each in Arizona and California and one

each in Colorado and Georgia. Also, in 2008 we realized a deferred gain of \$2.1 million associated with a land parcel sale in Nevada. The activity in 2007 of \$16.4 million resulted primarily from the sale of two vacant industrial buildings in California, the River Pointe apartments in Texas, a shopping center in Arizona and 17 parcels of land, of which 11 are located in Texas, three in Arizona and one each in Florida, Louisiana and Tennessee.

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Benefit (Provision) for Income Taxes

The decrease of \$14.2 million resulted primarily to the decrease in income at our taxable REIT subsidiary associated with a reduction in merchant development gains, write-off of pre-development costs and impairment charges.

Income from Discontinued Operations

Income from discontinued operations was \$72.2 million in 2008 versus \$94.0 million in 2007, a decrease of \$21.8 million or 23.2%. This decrease was due primarily to the decrease in gain on sale of 10 properties in 2008 as compared to the gain on sale of 18 properties in 2007. Also, the income from discontinued operations for 2007 includes the operating results of the properties disposed of in 2008.

Results of Operations

Comparison of the Year Ended December 31, 2007 to the Year Ended December 31, 2006

Revenues

Total revenues were \$583.8 million for the year ended 2007 versus \$523.4 million for the year ended 2006, an increase of \$60.4 million or 11.5%. This increase resulted primarily from an increase in rental revenues of \$53.9 million and other income of \$6.5 million.

Property acquisitions and new development activity contributed \$56.6 million of the rental income increase with \$4.8 million resulting from 1,261 renewals and new leases, comprising 7.0 million square feet at an average rental rate increase of 10.3%. Offsetting these rental income increases was a decrease of \$7.5 million, which resulted from the sale of an 80% interest in five industrial centers in the third quarter of 2006.

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

	December 31,	
	2007	2006
Shopping Centers	95.1%	95.0%
Industrial	92.0%	91.2%
Total	94.4%	94.1%

Other income increased by \$6.5 million from the prior year. This increase resulted primarily from the increase in joint venture fee income of \$5.7 million and miscellaneous tenant revenue of \$.8 million.

Expenses

Total expenses for 2007 were \$325.4 million versus \$287.6 million in 2006, an increase of \$37.8 million or 13.1%.

The increases in 2007 for depreciation and amortization expense (\$10.7 million), operating expenses (\$18.0 million), ad valorem taxes (\$5.9 million) and general and administrative expenses (\$3.2 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 additional headcount needed to achieve growth in 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 29.9% in 2007 and 28.3% in 2006.

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Interest Expense

Interest expense totaled \$148.8 million for 2007, up \$3.5 million or 2.4% from 2006. The components of interest expense were as follows (in thousands):

	Year Ended December 31,	
	2007	2006
Gross interest expense	\$ 180,612	\$ 160,454
Over-market mortgage adjustment of acquired properties	(6,758)	(7,464)
Capitalized interest	(25,025)	(7,616)
Total	\$ 148,829	\$ 145,374

Gross interest expense totaled \$180.6 million in 2007, up \$20.2 million or 12.6% from 2006. The increase in gross interest expense was due to an increase in the average debt outstanding from \$2.5 billion in 2006 to \$3.0 billion in 2007 at a weighted average interest rate of 5.9% in 2007 and 6.0% for 2006. Capitalized interest increased \$17.4 million due to an increase in new development activity, and the over-market mortgage adjustment decreased by \$.7 million.

Equity in Earnings of Real Estate Joint Ventures and Partnerships, net

Our equity in earnings of real estate joint ventures and partnerships was \$19.9 million in 2007 versus \$14.7 million in 2006, an increase of \$5.2 million or 35.4%. This increase was attributable primarily to our incremental income from our investments in newly formed joint ventures for the acquisition and development of retail and industrial properties.

Income Allocated to Minority Interests

Income allocated to minority interests was \$10.2 million in 2007 versus \$6.4 million in 2006, an increase of \$3.8 million or 59.4%. This increase resulted primarily from the gain on sale of three shopping centers that were each held in a 50% consolidated joint venture.

Gain on Sale of Properties

The decrease in gain on sale of properties of \$18.4 million resulted primarily from the sale of an 80% interest in five industrial properties in the San Diego, Memphis and Atlanta markets in 2006.

Gain on Land and Merchant Development Sales

Gain on land and merchant development sales totaled \$16.4 million in 2007. We sold two vacant industrial buildings in San Diego, California; one shopping center in Phoenix, Arizona, the River Pointe apartments in Conroe, Texas and 17 parcels of land, of which 11 are located in Texas, three in Arizona, and one each in Florida, Louisiana, Tennessee. The activity in 2006 of \$7.1 million resulted from the disposition of the Timber Springs shopping center in Orlando, Florida and the sale of three parcels of land in Arizona (1) and Texas (2).

Provision for Income Taxes

The increase is attributable to an increase of \$1.9 million in the Texas franchise tax, which was enacted in the second quarter of 2006 and an increase of \$.8 million at our taxable REIT subsidiary.

Income from Discontinued Operations

Income from discontinued operations was \$94.0 million in 2007 versus \$169.0 million in 2006, a decrease of \$75.0 million or 44.4%. This decrease was due primarily to the decrease in gain on sale of 18 properties in 2007 as compared to the gain on sale of 23 properties in 2006. Also, the income from discontinued operations for 2006 includes the operating results of the properties disposed of in 2008 and 2007.

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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 10 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. Although we anticipate that cash flows from operating activities primarily in the form of rental revenues will decline due to tenant bankruptcies and store closings, we believe operating activities will continue to provide adequate capital for common and preferred dividends, debt service costs and the capital necessary to maintain and operate our existing properties. While we project our occupancy could drop to the 90% level by mid-year 2009, the operating cash flow generated at that occupancy should remain adequate to provide capital for these liquidity needs.

While planned acquisitions are minimal, the primary sources of capital for funding any acquisitions and the new development program are our revolving credit facilities, cash generated from sale of properties and the formation of joint ventures, cash flow generated by our operating properties and proceeds from capital issuances, both debt and equity. Amounts outstanding under the revolving credit agreement are retired as needed with proceeds from the issuance of long-term debt, common and preferred equity, cash generated from disposition of properties and cash flow generated by our operating properties. As of December 31, 2008, the balance outstanding under our \$575 million revolving credit facility was \$383.0 million, and no amount was outstanding under our \$30 million credit facility, which we use for cash management purposes.

The current credit market turmoil has significantly affected our ability to obtain additional capital; however, we have been able to complete some transactions and continue to pursue additional sources of capital. As described under Investing Activities and Financing Activities below, we completed have completed in the fourth quarter of 2008 1) a \$98 million common shares of beneficial interest equity offering, 2) a joint venture that has provided \$121.8 million in cash, and 3) a new \$100 million secured loan with a major life insurance company at a consolidated real estate joint venture. We currently have two transactions in process including a \$106 million industrial joint venture and a \$200 million to \$300 million retail joint venture. We have term sheets for a \$100 million secured loan with a major life insurance company and an unsecured term loan ranging from \$100 million to \$200 million. We presently have \$78 million of dispositions under contract, none of which were deemed to be held for sale at December 31, 2008, and another \$33 million under letters of intent. Additionally, we have more than \$300 million of individual properties currently being marketed for sale. There can be no assurance that these transactions can be completed as planned. With \$2.7 billion in unencumbered properties, we have adequate assets to leverage or sell, to raise new capital.

Our business plan reflects cost reductions, cutbacks in new development expenditures and no operational growth, it also is capable of fully funding all new development and other capital needs including the \$97 million of principal debt payments due in 2009. However, if unexpected events result in the need for additional capital, we have discretionary capital expenditures that could be deferred, if necessary. In the event additional unexpected capital needs arise, we also have the ability to pay up to 90% of our common share dividend in our common shares of

beneficial interest, which would provide up to \$42 million of cash savings per quarter. Accordingly, we currently anticipate that our available cash resources and credit will be sufficient to meet our anticipated working capital, debt maturities and new development expenditures in 2009.

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If market conditions continue to deteriorate, we have the ability to delay the funding of discretionary capital expenditures. Also, without the availability of additional funds over the long-term, we may not be able to respond to competitive pressures, or take advantage of unanticipated opportunities. We believe we are currently in compliance with our debt covenants. Our most restrictive debt covenants including debt to assets, fixed charge and unencumbered interest coverage ratios, limit the amount of additional leverage we can add; however, we believe the sources of capital described above are adequate to execute our current business plan and remain in compliance with our debt covenants.

Our capital structure also includes non-recourse secured debt that we assume in conjunction with our acquisitions program. We also have non-recourse debt secured by acquired or developed properties held in several of our real estate joint ventures and partnerships. 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 our joint venture partners' consent or a third party consent for assets held in special purpose entities, which are 100% owned by us.

Investing Activities:

Acquisitions and Joint Ventures

Retail Properties.

In January 2008, we acquired a 4,000 square foot pad building located in Florida through a 25%-owned unconsolidated joint venture.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate value of approximately \$227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds approximating \$216.1 million. We maintain a 15% ownership interest in this venture, which is consolidated in our financial statements.

In May 2008, we acquired Kirby Strip Center, a 10,000 square foot building located in Texas.

In August 2008, we executed a real estate limited partnership with a foreign institutional investor to purchase up to \$250 million of retail properties in various states. Our ownership in this unconsolidated real estate limited partnership is 20.1%. As of December 31, 2008, no properties have been purchased.

In November 2008, we contributed eight neighborhood/community shopping centers with an aggregate value of approximately \$205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately \$121.8 million. We maintain a 30% ownership interest in this venture, which is consolidated in our financial statements.

Subsequent to December 31, 2008, we contributed two additional properties to the joint venture with Hines REIT Retail Holdings, LLC with an aggregate value of approximately \$23.3 million, and aggregating approximately .1 million square feet. These two shopping centers are located in Georgia and North Carolina, and we received proceeds of approximately \$6.9 million. Additionally, we have a commitment to contribute two additional properties to this joint venture in 2009.

Industrial Properties.

There were no acquisitions of industrial properties during 2008.

Dispositions

Retail Properties.

During 2008, we sold nine shopping centers, of which five are located in Texas, one in California and three in Louisiana. Sales proceeds from these dispositions totaled \$138.4 million and generated gains of \$66.3 million.

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Industrial Properties.

During 2008, we sold one industrial center located in Texas. Sales proceeds from this disposition totaled \$5.6 million and generated a gain of \$2.4 million.

New Development and Capital Expenditures

At December 31, 2008, we had 25 projects under construction or in preconstruction stages with a total square footage of approximately 6.5 million. These properties are slated to be completed over the next one to four years.

Merchant Development Properties.

During 2008, we generated gains of \$8.3 million from the sale of 24 parcels of land located in Arizona, California, Colorado, Florida, Georgia, Nevada, North Carolina and Texas, and the recognition of a deferred gain from the sale of a land parcel in Nevada. In an unconsolidated real estate joint venture and partnership, two land parcels were sold in Colorado and Washington. Our share of the sales proceeds and the gain generated totaled \$.7 million and \$.4 million, respectively.

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

Capital expenditures for additions to the existing portfolio, acquisitions, new development and our share of investments in unconsolidated real estate joint ventures and partnerships totaled \$437.7 million in 2008 and \$1.1 billion in both 2007 and 2006. We have entered into commitments aggregating \$102.4 million comprised principally of construction contracts which are generally due in 12 to 36 months. We expect to invest a total of \$470.7 million to complete construction of properties under various stages of development over the next one to four years.

Financing Activities:

Debt

Total debt outstanding was \$3.2 billion at both December 31, 2008 and 2007. Total debt at December 31, 2008 included \$2.7 billion of which interest rates are fixed and \$449.0 million, including the effect of \$50 million of interest rate swaps, that bears interest at variable rates. Additionally, debt totaling \$1.0 billion was secured by operating properties while the remaining \$2.1 billion was unsecured.

We have a \$575 million unsecured revolving credit facility held by a syndicate of banks. This unsecured revolving facility expires in February 2010 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 60.0 and 15.0 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 \$287.5 million from the syndicate banks. As of February 17, 2009, there was \$393.0 million outstanding under this facility. We also maintain a \$30 million unsecured and uncommitted overnight facility that is used for cash management purposes, and as of February 17, 2009, there was no outstanding balance under this facility. The available balance under our revolving credit agreement was \$171.9 million at February 17, 2009, which is reduced by amounts outstanding for letters of credit.

We believe we were in full compliance with all our covenants as of December 31, 2008. Our three most restrictive covenants include debt to assets, fixed charge and unencumbered interest coverage ratios. These ratios as defined in our agreements were as follows at December 31, 2008:

Covenant	Restriction	Actual
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Debt to Asset Ratio	Less than 60.0%	54.55%
Fixed Charge Ratio	Greater than 1.5	2.15
Unencumbered Interest Ratio	Greater than 2.0	2.56

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In November 2008, we elected to repurchase a portion of the 3.95% convertible senior unsecured notes due 2026 in the open market. We purchased and subsequently retired a face value of \$37.8 million for \$26.7 million resulting in a net gain of \$10.7 million in 2008. We originally issued \$575 million notes in 2006 and the net proceeds from the sale of the debentures, after repurchasing 4.3 million of our common shares of beneficial interest, were used for general business purposes and to reduce amounts outstanding under our revolving credit facility. The debentures are convertible under certain circumstances for our common shares of beneficial interest at an initial conversion rate of 20.3770 common shares of beneficial interest per \$1,000 of principal amount of debentures (an initial conversion price of \$49.075). Upon the conversion of debentures, we will deliver cash for the principal return, as defined, and cash or common shares of beneficial interest, 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 debentures plus accrued and unpaid interest in 2011, 2016 and 2021 and in the event of a change in control.

In November 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued \$100.0 million of fixed-rate long-term debt with a five year term at a rate of 6.0% that we guaranteed for tax planning purposes. The net proceeds received from the issuance of this debt were used to reduce amounts outstanding under our \$575 million revolving credit facility.

In March 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued \$154.3 million of fixed-rate long-term debt with an average life of 7.3 years at an average rate of 5.4% that we guaranteed for tax planning purposes. The net proceeds received from the issuance of this debt were used to reduce amounts outstanding under our \$575 million revolving credit facility.

In January 2008, we elected to repay at par a fixed rate 8.33% mortgage totaling \$121.8 million that was secured by 19 supermarket-anchored shopping centers in California originally acquired in April 2001.

During the year ended December 31, 2008, no debt or capital lease obligations were assumed in conjunction with acquisitions.

As of December 31, 2008 and 2007, we had two interest rate swap contracts designated as fair value hedges with an aggregate notional amount of \$50.0 million that convert fixed interest payments at rates of 4.2% to variable interest payments of 2.0% and 5.0% at December 31, 2008 and 2007, respectively. We could be exposed to losses in the event of nonperformance by the counter-parties; however, management believes the likelihood of such nonperformance is unlikely.

During the year ended December 31, 2007, the balance of secured debt that was assumed in conjunction with 2007 acquisitions was \$99.4 million. A capital lease obligation totaling \$12.9 million was assumed and subsequently settled in 2007.

At December 31, 2007, we had two forward-starting interest rate swap contracts with an aggregate notional amount of \$118.6 million to mitigate the risk of future fluctuations in interest rates on forecasted issuances of long-term debt. These contracts were settled shortly after we contributed assets to a joint venture with an institutional investor and concurrently issued \$154.3 million of fixed-rate long-term debt that we guaranteed.

In July, November and December 2007, swaps of \$10 million, \$5 million and \$10 million, respectively, matured in conjunction with the maturity of the associated medium term notes. These hedge contracts were designated as a fair value hedges.

In conjunction with the disposition of properties completed during 2007, we incurred a net loss of \$.4 million on the early extinguishment of three loans totaling \$22.2 million.

Equity

Common and preferred dividends increased to \$213.6 million in 2008, compared to \$194.5 million in 2007. The dividend rate for our common shares of beneficial interest increased for each quarter of 2008 to \$.525 compared to \$.495 for the same period of 2007. Our dividend payout ratio on common equity for 2008, 2007 and 2006 approximated 85.9%, 63.2% and 64.0%, respectively, based on basic funds from operations for the respective periods.

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In June and July of 2008, we redeemed \$120 million and \$80 million of depositary shares, respectively, retiring all of the Series G Cumulative Redeemable Preferred Shares. Each depositary share represented one-hundredth of a Series G Cumulative Redeemable Preferred Share. These depositary shares were redeemed, at our option, at a redemption price of \$25 multiplied by a graded rate per depositary share based on the date of redemption plus any accrued and unpaid dividends thereon. Upon the redemption of these shares, the related original issuance costs of \$1.9 million were reported as a deduction in arriving at net income available to common shareholders. In September 2007, these depositary shares were issued through a private placement, and net proceeds of \$193.6 million were used to repay amounts outstanding under our credit facilities. The Series G Preferred Shares paid a variable-rate quarterly dividend through July 2008 and had a liquidation preference of \$2,500 per share. The variable-rate dividend was calculated on the period's three-month LIBOR rate plus a percentage determined by the number of days outstanding.

We issued \$150 million and \$200 million of depositary shares on June 6, 2008 and January 30, 2007, respectively. Each depositary share represents one-hundredth of a 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. Series F Preferred Shares issued in June 2008 were issued at a discount, resulting in an effective rate of 8.25%. Net proceeds of \$117.8 million and \$194.0 million from the issuance in June 2008 and January 2007, respectively, were used to repay amounts outstanding under our revolving credit facilities and for general business purposes. Subsequent to the 2008 issuance, our revolving credit facilities were used to finance the partial redemption of the Series G Cumulative Redeemable Preferred Shares as described above.

In October 2008, we issued 3.0 million common shares of beneficial interest at \$34.20 per share. Net proceeds from this offering were \$98.1 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

In July 2007, our Board of Trust Managers authorized a common share repurchase program as part of our ongoing investment strategy. Under the terms of the program, we may purchase up to a maximum value of \$300 million of our common shares of beneficial interest during the following two years. Share repurchases may be made in the open market or in privately negotiated transactions at the discretion of management and as market conditions warrant. We anticipate funding the repurchase of shares primarily through the proceeds received from our property disposition program, as well as from general corporate funds.

During 2007, we repurchased 2.8 million common shares of beneficial interest at an average share price of \$37.12 and cancelled 1.4 million common shares of beneficial interest in both 2008 and 2007. As of December 31, 2008, the remaining value of common shares of beneficial interest available to be repurchased is \$196.7 million.

In December 2008, we filed a universal shelf registration which is effective for the next three years. 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.

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Contractual Obligations

We have debt obligations related to our mortgage loans and unsecured debt, including our credit facilities. We have shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to us to construct and/or operate a shopping center. In addition, we have non-cancelable operating leases pertaining to office space from which we conduct our business. The table below excludes obligations related to a lawsuit in which we have recorded a \$41 million contingent liability as discussed in Off-Balance Sheet Arrangements and our new development projects. We have entered into commitments aggregating \$102.4 million comprised principally of construction contracts which are generally due in 12 to 36 months. The following table summarizes our primary contractual obligations as of December 31, 2008 (in thousands):

	2009	2010	2011	2012	2013	Thereafter	Total
Mortgages and Notes Payable: (1)							
Unsecured Debt (2)	\$ 123,652	\$ 531,719	\$ 293,856	\$ 263,723	\$ 230,175	\$ 1,392,677	\$ 2,835,802
Secured Debt	123,842	125,272	139,640	179,505	172,245	588,034	1,328,538
Ground Lease Payments	3,568	3,528	3,439	3,251	3,222	129,400	146,408
Other Obligations (3)	40,701						40,701
Total Contractual Obligations	\$ 291,763	\$ 660,519	\$ 436,935	\$ 446,479	\$ 405,642	\$ 2,110,111	\$ 4,351,449

(1) Includes principal and interest with interest on variable-rate debt calculated using rates at December 31, 2008 excluding the effect of interest rate swaps, as they are currently in a net receivable position.

(2) Unsecured debt in 2010 includes the maturity of our revolving credit facility of \$383.0 million at December 31, 2008, which we have the option to extend for a one-year period.

(3) Other obligations include income and ad valorem tax payments, contributions to our retirement plan and other employee payments. Severance and change in control agreements have not been included as the amounts and payouts are unknown.

Off Balance Sheet Arrangements

As of December 31, 2008, none of our off-balance sheet arrangements had a material effect on our liquidity or availability of, or requirement for, our capital resources. Letters of credit totaling \$10.1 million and \$9.2 million were outstanding under the revolving credit facility at December 31, 2008 and 2007, respectively.

In accordance with SFAS No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," our 3.95% convertible senior unsecured notes totaling \$537.2 million, as of December 31, 2008, which are due 2026, meet the scope exception requirements; whereby the notes' embedded features are not considered and treated as a derivative instrument. We currently anticipate that the scope exception in SFAS 133 will continue to be available for these instruments. Although we have not determined the financial impact, we believe there may be a material impact on our consolidated financial statements if these instruments were recorded.

We have entered into several unconsolidated real estate joint ventures and partnerships. Under many of these agreements, we and our joint venture partners are required to fund operating capital upon shortfalls in working capital. We have also committed to funding the capital requirements of several new development joint ventures. As operating manager of most of these entities, we have considered these funding requirements in our business plan.

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Reconsideration events could cause us to consolidate these joint ventures and partnerships. We evaluate reconsideration events as we become aware of them. Some triggers to be considered are additional contributions required by each partner and each partners' ability to make those contributions. Under certain of these circumstances, we may purchase our partner's interest. Many of our material unconsolidated real estate joint ventures are with entities which appear sufficiently stable to weather the current market crisis; however, if market conditions continue to deteriorate and our partners are unable to meet their commitments, there is a possibility we may have to consolidate these entities. If we were to consolidate all of our unconsolidated real estate joint ventures, we would still be in compliance with our debt covenants, and we believe there would not be a material change in our credit ratings.

Related to our investment in a redevelopment project in Sheridan, Colorado that is held in an unconsolidated real estate joint venture, we, our joint venture partner and the joint venture have each provided a guaranty for the payment of any debt service shortfalls on bonds issued in connection with the project. The Sheridan Redevelopment Agency issued \$97 million of Series A bonds used for an urban renewal project. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee ("PIF") to be assessed on current and future retail sales. The incremental taxes and PIF are to remain intact until the bond liability has been paid in full, including any amounts we may have to provide. At inception on February 27, 2007, we evaluated and determined that the fair value of the guaranty is nominal to us as the guarantor. However, a liability has been recorded by the joint venture equal to amounts funded under the bonds.

In connection with the above project, we and our joint venture partner are also signatories to a completion guaranty that requires, among other things, certain infrastructure to be substantially completed and occupants of 75% of the retail space to be open for regular business as of December 31, 2008. Under specified circumstances, the completion guaranty allows for extension of the completion date until June 30, 2009. At inception on February 27, 2007, we evaluated the guaranty and determined that its then fair value was nominal. By a letter dated December 1, 2008, the guarantors requested extension of the completion date pursuant to the terms of the guaranty. On December 16, 2008, one of the parties benefited by the guaranty filed a lawsuit against us alleging that we were not entitled to the extension and is seeking \$97 million in liquidated damages together with other relief. On February 5, 2009, we filed an answer and counterclaim in which we asserted, among other things, that we were entitled to the extension. We have recorded a contingent liability of \$41 million as of December 31, 2008 based on our belief that we were entitled to the requested extension in December of 2008, but that since completion under the guaranty is not anticipated to be achieved by June 30, 2009, a provision of the guaranty requiring redemption of a certain portion of the outstanding bonds may be triggered. The contingent liability of \$41 million is based on a weighted probability analysis of potential outcomes.

Since the \$41 million contingent liability would be funded through the joint venture and the joint venture would purchase the bonds, it has been recorded as an increase in our investment in real estate joint ventures and partnerships. The increased basis in our investment did not result in an impairment to our investment in accordance to the Accounting Principles Board's APB 18, "The Equity Method of Accounting for Investments in Common Stock."

Also in connection with the Sheridan, Colorado joint venture and the issuance of the related Series A bonds, we, our joint venture partner and the joint venture have also provided a performance guaranty on behalf of the Sheridan Redevelopment Agency for the satisfaction of all obligations arising from two interest rate swap agreements for the combined notional amount of \$97.0 million that matures in December 2029. We evaluated and determined that the fair value of the guaranty both at inception and December 31, 2008 was nominal.

In July 2008, a 47.75%-owned unconsolidated real estate joint venture acquired an 83.34% interest in a joint venture owning a 919,000 square foot new development to be constructed in Aurora, Colorado. The acquired joint venture is a variable interest entity to the unconsolidated joint venture since it provided a guaranty on debt obtained by the acquired joint venture which was approximately \$28.3 million at December 31, 2008. We have evaluated and

determined that the fair value of the guaranty both at inception and December 31, 2008 was nominal.

In August 2008, we executed a real estate limited partnership with a foreign institutional investor to purchase up to \$250 million of retail properties in various states. Our ownership in this unconsolidated real estate limited partnership is 20.1%. As of December 31, 2008, no properties had been purchased.

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Funds from Operations

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

Management 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.

FFO is calculated as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Net income available to common shareholders	\$ 115,120	\$ 212,642	\$ 294,909
Depreciation and amortization	150,137	129,946	126,713
Depreciation and amortization of unconsolidated real estate joint ventures and partnerships	11,898	11,204	5,079
Gain on sale of properties	(70,066)	(83,907)	(168,004)
Gain on sale of properties of unconsolidated real estate joint ventures and partnerships	(2)	(2,169)	(4,052)
Funds from operations	207,087	267,716	254,645
Funds from operations attributable to operating partnership units		4,407	5,453
Funds from operations assuming conversion of operating partnership units	\$ 207,087	\$ 272,123	\$ 260,098
Weighted average shares outstanding - basic	84,474	85,504	87,719
Effect of dilutive securities:			
Share options and awards	443	891	926
Operating partnership units		2,498	3,134
Weighted average shares outstanding - diluted	84,917	88,893	91,779

Newly Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 (“SFAS 157”), “Fair Value Measurements.” This statement defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. 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.

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We adopted SFAS 157 in the first quarter of 2008 regarding our financial assets and liabilities currently recorded or disclosed at fair value. The FASB has issued FASB Staff Position No. FAS 157-2, “Effective Date of FASB Statement No. 157” which defers the provisions of SFAS 157 relating to nonfinancial assets and liabilities, and delays implementation by us until January 1, 2009. SFAS 157 has not and is not expected to materially affect how we determine fair value, but it has resulted in certain additional disclosures.

In October 2008, the FASB issued FASB Staff Position (“FSP”) No. FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active,” to clarify the provisions of SFAS 157 relating to valuing a financial asset when the market for that asset is not active. This FSP was effective upon issuance and has not had a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158 (“SFAS 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 overfunded status or a liability for a plan’s underfunded 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. The requirement to recognize the funded status of a benefit plan and the disclosure requirements were effective for us as of December 31, 2006, and as a result we recognized an additional liability of \$803,000. The requirement to measure plan assets and benefit obligations as of the date of the employer’s fiscal year-end statement of financial position is effective for us on December 31, 2008. The adoption of the measurement provision of SFAS 158 has not had a material effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 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 was effective for us on January 1, 2008, and we elected not to measure any of our current eligible financial assets or liabilities at fair value upon adoption; however, we do have the option to elect to measure eligible financial assets or liabilities acquired in the future at fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (“SFAS 141R”), “Business Combinations.” SFAS 141R expands the original guidance’s definition of a business. It broadens the fair value measurement and recognition to all assets acquired, liabilities assumed and interests transferred as a result of business combinations. SFAS 141R requires expanded disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for us for business combinations made on or after January 1, 2009. Due to current economic conditions, we do not plan any significant acquisitions in the upcoming year, thereby upon adoption, no material effect is anticipated. However SFAS 141R could have a material effect on our accounting for future acquisition of properties.

In December 2007, the FASB issued SFAS No. 160 (“SFAS 160”), “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.” SFAS 160 requires that a noncontrolling interest in an unconsolidated entity be reported as equity and any losses in excess of an unconsolidated entity’s equity interest be recorded to the noncontrolling interest. The statement requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 is effective for us on January 1, 2009 and many provisions will be applied retrospectively. SFAS 160 may materially increase our shareholders’ equity, however due to the complexities and number of entities included in our minority interest, we have not yet been able to formalize the impact on our consolidated financial statements. Future changes to noncontrolling interests could materially affect shareholders’ equity. Also upon adoption, net income will no longer include income allocated to minority interests which may result in a material increase in net income. However, income available to common shareholders should not be

affected.

In March 2008, the FASB issued SFAS No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133.” SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities. SFAS 161 is effective for us on January 1, 2009. Implementation of SFAS 161 will result in certain additional disclosures to be included in our consolidated financial statements.

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In May 2008, the FASB issued FASB Staff Position No. APB 14-1 (“FSP APB 14-1”), “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” FSP APB 14-1 will require that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component in a manner that will reflect our effective nonconvertible borrowing rate. The resulting debt discount would be amortized using the effective interest method over the period the debt is expected to be outstanding as additional interest expense. FSP APB 14-1 is effective for us on January 1, 2009 and requires retroactive application. Upon the adoption of FSP APB 14-1, the unamortized debt discount as of December 31, 2008 of approximately \$22.9 million will be included as a reduction of debt and approximately \$41.5 million will be included as accumulated additional paid-in capital on our consolidated balance sheet. Incremental interest expense will be approximately \$8.3 million, \$7.9 million and \$3.2 million for the year ended December 31, 2008, 2007 and 2006, respectively. Additionally, our gain on the redemption of convertible unsecured notes will approximate \$12.9 million for the year ended December 31, 2008.

In June 2008, the FASB’s Emerging Issues Task Force (“EITF”) issued EITF Issue 07-5 (“EITF 07-5”), “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock.” EITF 07-5 proposes a two step method in determining if an instrument previously qualifying for the scope exception of FASB Statement 133 will continue to qualify as an instrument indexed to the entity’s stock. EITF 07-5 is effective for us on January 1, 2009. We believe that the adoption of this standard on its effective date will not effect our consolidated financial statements.

In November 2008, the FASB’s EITF issued EITF Issue 08-6 (“EITF 08-6”), “Equity Method Investments Accounting Considerations.” EITF 08-6 requires an investment accounted for under the equity method to be evaluated and recorded in accordance with SFAS 141R business combinations definition and modeling. EITF 08-6 is effective for us for equity method investments made on or after January 1, 2009. We believe that the adoption of this standard on its effective date will not have a material effect our consolidated financial statements.

In December 2008, the FASB issued FASB Staff Position No. FAS 140-4 and FIN 46(R)-8 (“FSP FAS 140-4”), “Disclosures by Public Entities (enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.” FSP FAS 140-4 requires additional disclosures about transfers of financial assets under FASB Statement 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” and their involvement with variable interest entities under FIN 46R. The disclosures required by FSP FAS 140-4 are intended to provide greater transparency to financial statement users. FSP FAS 140-4 is effective for us on December 31, 2008. FSP FAS 140-4 has resulted in certain additional footnote disclosures.

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, 2008, we had fixed-rate debt of \$2.7 billion and variable-rate debt of \$449.0 million, after adjusting for the net effect of \$50 million notional amount of interest rate swaps. At December 31, 2007, we had fixed-rate debt of \$2.8 billion and variable-rate debt of \$321.7 million, after adjusting for the net effect of \$50 million notional amount of interest rate swaps. In the event interest rates were to increase 100 basis points, annual net income and cash flows would decrease by approximately \$10.2 million and \$3.2 million based upon the variable-rate debt and notes receivable outstanding at December 31, 2008 and 2007, respectively, and the fair value of fixed-rate debt at December 31, 2008 and 2007 would decrease by \$143.3

million and \$204.5 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
Houston, Texas

We have audited the accompanying consolidated balance sheets of Weingarten Realty Investors and subsidiaries (the "Company") as of December 31, 2008 and 2007, 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, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, 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 2, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/Deloitte & Touche LLP

Houston, Texas

March 2, 2009

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STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Rentals	\$ 600,918	\$ 570,487	\$ 516,669
Other	14,050	13,280	6,755
Total	614,968	583,767	523,424
Expenses:			
Depreciation and amortization	155,912	128,061	117,443
Operating	118,477	103,737	85,722
Ad valorem taxes	73,026	66,649	60,673
General and administrative	25,761	26,979	23,801
Impairment loss	52,539		
Total	425,715	325,426	287,639
Operating Income	189,253	258,341	235,785
Interest Expense	(148,475)	(148,829)	(145,374)
Interest and Other Income, net	4,334	8,486	9,044
Gain on Redemption of Convertible Senior Unsecured Notes	10,658		
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	12,196	19,853	14,655
Income Allocated to Minority Interests	(8,943)	(10,237)	(6,414)
Gain on Sale of Properties	1,998	4,086	22,493
Gain on Land and Merchant Development Sales	8,342	16,385	7,166
Benefit (Provision) for Income Taxes	10,148	(4,073)	(1,366)
Income from Continuing Operations	79,511	144,012	135,989
Operating Income from Discontinued Operations	3,448	10,346	23,527
Gain on Sale of Properties from Discontinued Operations	68,722	83,659	145,494
Income from Discontinued Operations	72,170	94,005	169,021
Net Income	151,681	238,017	305,010
Dividends on Preferred Shares	(34,711)	(25,375)	(10,101)
Redemption Costs of Preferred Shares	(1,850)		
Net Income Available to Common Shareholders	\$ 115,120	\$ 212,642	\$ 294,909
Net Income Per Common Share - Basic:			
Income from Continuing Operations	\$.51	\$ 1.39	\$ 1.43
Income from Discontinued Operations	.85	1.10	1.93
Net Income	\$ 1.36	\$ 2.49	\$ 3.36
Net Income Per Common Share - Diluted:			
Income from Continuing Operations	\$.51	\$ 1.38	\$ 1.43
Income from Discontinued Operations	.85	1.06	1.84
Net Income	\$ 1.36	\$ 2.44	\$ 3.27

Comprehensive Income:			
Net Income	\$ 151,681	\$ 238,017	\$ 305,010
Other Comprehensive Loss:			
Unrealized loss on derivatives		(5,014)	(2,861)
Loss on derivatives	(7,204)		
Amortization of loss on derivatives	2,095	878	364
Minimum pension liability adjustment	(9,092)	1,161	(1,150)
Other Comprehensive Loss	(14,201)	(2,975)	(3,647)
Comprehensive Income	\$ 137,480	\$ 235,042	\$ 301,363

See Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31, 2008	December 31, 2007
ASSETS		
Property	\$ 4,915,472	\$ 4,972,344
Accumulated Depreciation	(812,323)	(774,321)
Property, net	4,103,149	4,198,023
Investment in Real Estate Joint Ventures and Partnerships	357,634	300,756
Total	4,460,783	4,498,779
Notes Receivable from Real Estate Joint Ventures and Partnerships	232,544	81,818
Unamortized Debt and Lease Costs	119,951	114,969
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$12,412 in 2008 and \$8,721 in 2007)	103,873	94,607
Cash and Cash Equivalents	58,946	65,777
Restricted Deposits and Mortgage Escrows	33,252	38,884
Other	105,350	98,509
Total	\$ 5,114,699	\$ 4,993,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt	\$ 3,171,537	\$ 3,165,059
Accounts Payable and Accrued Expenses	179,432	155,137
Other	90,461	104,439
Total	3,441,430	3,424,635
Commitments and Contingencies	41,000	
Minority Interest	204,031	96,885
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding in 2008 and 2007; liquidation preference \$75,000	3	3
6.95% Series E cumulative redeemable preferred shares of beneficial interest; 29 shares issued and outstanding in 2008 and 2007; liquidation preference \$72,500	1	1
6.5% Series F cumulative redeemable preferred shares of beneficial interest, 140 shares issued; 140 and 80 shares outstanding in 2008 and 2007, respectively; liquidation preference \$350,000 in 2008	4	2

and \$200,000 in 2007		
Variable-rate Series G cumulative redeemable preferred shares of beneficial interest, 80 shares issued; none in 2008 and 80 shares outstanding in 2007; liquidation preference \$200,000 in 2007		2
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 150,000; shares issued and outstanding:		
87,102 in 2008 and 85,146 in 2007	2,625	2,565
Treasury Shares of Beneficial Interest - par value, \$.03 per share; none in 2008 and 1,370 shares in 2007		(41)
Accumulated Additional Paid-In Capital	1,475,397	1,442,027
Net Income in Excess of (Less Than) Accumulated Dividends	(20,116)	42,739
Accumulated Other Comprehensive Loss	(29,676)	(15,475)
Shareholders' Equity	1,428,238	1,471,823
Total	\$ 5,114,699	\$ 4,993,343

See Notes to Consolidated Financial Statements.

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STATEMENTS OF CONSOLIDATED CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash Flows from Operating Activities:			
Net Income	\$ 151,681	\$ 238,017	\$ 305,010
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	157,894	134,676	131,992
Write-off of pre-development/acquisition costs	11,724		
Impairment loss	52,539		
Equity in earnings of real estate joint ventures and partnerships, net	(12,196)	(19,853)	(14,655)
Income allocated to minority interests	8,943	10,237	6,414
Gain on land and merchant development sales	(8,342)	(16,385)	(7,166)
Gain on sale of properties	(70,720)	(87,745)	(167,987)
Gain on redemption of convertible senior unsecured notes	(10,658)		
Distributions of income from unconsolidated real estate joint ventures and partnerships	3,602	6,251	2,524
Changes in accrued rent and accounts receivable	(11,255)	(22,276)	(18,056)
Changes in other assets	(24,505)	(26,813)	(37,607)
Changes in accounts payable and accrued expenses	(36,397)	4,852	43,641
Other, net	7,840	2,348	(1,518)
Net cash provided by operating activities	220,150	223,309	242,592
Cash Flows from Investing Activities:			
Investment in property	(294,886)	(753,462)	(880,471)
Proceeds from sale and disposition of properties, net	265,421	341,383	661,175
Change in restricted deposits and mortgage escrows	2,688	56,331	(79,737)
Notes receivable from real estate joint ventures and partnerships and other receivables:			
Advances	(150,064)	(145,735)	(54,800)
Collections	46,254	82,852	47,617
Real estate joint ventures and partnerships:			
Investments	(4,759)	(78,794)	(21,547)
Distributions of capital	19,955	16,795	13,077
Net cash used in investing activities	(115,391)	(480,630)	(314,686)

Cash Flows from Financing Activities:			
Proceeds from issuance of:			
Debt	486,060	270,092	780,782
Common shares of beneficial interest, net	101,016	4,010	4,570
Preferred shares of beneficial interest, net	117,891	387,678	
Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable		(22,536)	
Repurchase of preferred shares of beneficial interest, net	(195,824)		
Repurchase of common shares of beneficial interest, net		(103,366)	(167,573)
Principal payments of debt	(396,902)	(89,419)	(327,601)
Common and preferred dividends paid	(213,569)	(194,492)	(173,010)
Debt issuance costs paid	(6,822)	(1,451)	(13,681)
Other, net	(3,440)	1,579	(3,080)
Net cash (used in) provided by financing activities	(111,590)	252,095	100,407
Net (decrease) increase in cash and cash equivalents			
	(6,831)	(5,226)	28,313
Cash and cash equivalents at January 1	65,777	71,003	42,690
Cash and cash equivalents at December 31	\$ 58,946	\$ 65,777	\$ 71,003

See Notes to Consolidated Financial Statements.

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STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(In thousands, except per share amounts)

Year Ended December 31, 2008, 2007 and 2006

	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Treasury Shares of Beneficial Interest	Accumulated Additional Paid-In Capital	Net Income in Excess of (Less Than) Accumulated Dividends	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2006	\$ 4	\$ 2,686		\$ 1,288,432	\$ (132,786)	\$ (8,050)	\$ 1,150,286
Net income					305,010		305,010
Shares issued in exchange for interests in limited partnerships		7		7,988			7,995
Shares cancelled		(128)		(167,445)			(167,573)
Shares issued under benefit plans		17		7,506			7,523
Dividends declared – common shares (1)					(162,909)		(162,909)
Dividends declared – preferred shares (2)					(10,101)		(10,101)
Adjustment to initially apply FASB Statement No. 158						(803)	(803)
Other comprehensive loss						(3,647)	(3,647)
Balance, December 31, 2006	4	2,582		1,136,481	(786)	(12,500)	1,125,781
Net income					238,017		238,017
Issuance of Series F preferred shares	2			193,972			193,974
Issuance of Series G preferred shares	2			193,548			193,550
Shares issued in exchange for interests in limited partnerships		17		13,562			13,579
Shares repurchased (5)			\$ (41)	(49,966)			(50,007)
Shares repurchased and cancelled		(42)		(53,317)			(53,359)
Shares issued under benefit plans		8		7,747			7,755
Dividends declared – common shares (1)					(169,117)		(169,117)
Dividends declared – preferred shares (3)					(25,375)		(25,375)
Other comprehensive loss						(2,975)	(2,975)
Balance, December 31, 2007	8	2,565	(41)	1,442,027	42,739	(15,475)	1,471,823

Net income					151,681				151,681
Issuance of Series F preferred shares	2			116,949	883				117,834
Redemption of Series G preferred shares	(2)			(193,548)	(1,850)				(195,400)
Issuance of common shares		90		97,971					98,061
Shares issued in exchange for interests in limited partnerships		2		3,295					3,297
Treasury shares cancelled (5)		(41)	41						-
Shares issued under benefit plans		9		8,703					8,712
Dividends declared – common shares (1)					(177,975)				(177,975)
Dividends declared – preferred shares (4)					(35,594)				(35,594)
Other comprehensive loss							(14,201)		(14,201)
Balance, December 31, 2008	\$ 8	\$ 2,625	\$ -	\$ 1,475,397	\$ (20,116)	\$ (29,676)	\$ 1,428,238		

- (1) Common dividends per share were \$2.10, \$1.98 and \$1.86 for the year ended December 31, 2008, 2007 and 2006, respectively.
- (2) Series D and Series E preferred dividends per share were \$50.63 and \$173.75, respectively, for the year ended December 31, 2006.
- (3) Series D, E, F and G preferred dividends per share were \$50.63, \$173.75, \$142.64 and \$34.88, respectively, for the year ended December 31, 2007.
- (4) Series D, E, F and G preferred dividends per share were \$50.63, \$173.75, \$162.50 and \$73.73, respectively, for the year ended December 31, 2008.
- (5) A total of 1.4 million common shares of beneficial interest were purchased in 2007 and subsequently retired on January 11, 2008.

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Business

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 that include neighborhood and community shopping centers and industrial properties of approximately 73.0 million square feet. We have a diversified tenant base with our largest tenant comprising only 2.7% of total rental revenues during 2008.

We currently operate, and intend to operate in the future, as a real estate investment trust (“REIT”).

Basis of Presentation

Our consolidated financial statements include the accounts of our subsidiaries and certain partially owned real estate joint ventures or partnerships which meet the guidelines for consolidation. All intercompany balances and transactions have been eliminated.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. Such statements require management to make estimates and assumptions that affect the reported amounts on our consolidated financial statements. Actual results could differ from these estimates.

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 recognized. Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease. Other revenue is income from contractual agreements with third parties, tenants or partially owned real estate joint ventures or partnerships, which is recognized as the related services are performed under the respective agreements.

Real Estate Joint Ventures and Partnerships

To determine the method of accounting for partially owned real estate joint ventures and partnerships, we first apply the guidelines set forth in Financial Accounting Standards Board (“FASB”) Interpretation No. 46R, “Consolidation of Variable Interest Entities” (“FIN 46R”). Entities identified as variable interest entities are consolidated if we are determined to be the primary beneficiary of the partially owned real estate joint venture or partnership.

Partially owned real estate joint ventures and 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 real estate 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.

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Our investments in partially owned real estate joint ventures and partnerships are reviewed for impairment, periodically, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our investments in partially owned real estate joint ventures and partnerships is dependent on a number of factors, including the performance of each investment and market conditions. In accordance with the Accounting Principles Board's APB 18, "The Equity Method of Accounting for Investments in Common Stock," we will record an impairment charge if we determine that a decline in the value of an investment is other than temporary. Based on our analysis of the facts and circumstances at each reporting period, no impairment was recorded for the year ended December 31, 2008, 2007 and 2006. However, due to the current credit and real estate market conditions, there is no certainty that impairments would not occur in the future.

Property

Real estate assets are stated at cost less accumulated depreciation. 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 date 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, tenant improvements 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 ("as is" versus "as vacant" basis and absorption costs), out-of-market assumed mortgages and tenant relationships. Depreciation and amortization is computed using the straight-line method, generally over estimated useful lives of 40 years for buildings and over the lease term which includes bargain renewal options for other identifiable intangible assets. Initial valuations are subject to change until such information is finalized, no later than 12 months from the acquisition date.

Property also includes costs incurred in the development of new operating properties and properties in our merchant development program. 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. Also, disposition of land parcels and non-operating properties are included in this program. These properties are carried at cost and no depreciation is recorded on these assets until the commencement of rental revenue or no later than one year from the completion of major construction. 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 directly 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, including any identifiable intangible assets (including site costs and capitalized interest), may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. Fair values are also determined by obtaining third-party broker and appraisal estimates. In accordance with FASB's Statement of Financial Accounting Standards ("SFAS") No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," such carrying amount is adjusted, if necessary, to the estimated fair value to reflect an impairment

in the value of the asset.

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Due to our analysis of current economic considerations at each reporting period, including the effects of tenant bankruptcies, lack of available funding and halt of tenant expansion plans for new development projects and declines in the real estate values, plans related to our new development properties including land held for development changed, and the use of these assets was no longer certain which brought about an impairment charge. Impairments, primarily related to our new development properties, of \$52.5 million were recognized for the year ended December 31, 2008. No impairment was recorded for the year ended December 31, 2007 and 2006. Determining whether a property is impaired and, if impaired, the amount of required write-down to fair value requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. If market conditions continue to deteriorate or managements' plans for certain properties change, additional write-downs could be required in the future.

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, assuming or guaranteeing the debt of any other entity, or dissolving itself or declaring 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.

Deferred Charges

Debt financing costs are amortized primarily on a straight-line basis, which approximates the effective interest method, over the terms of the debt. 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 internal costs directly related to completing a lease and are amortized over the life of the lease on a straight-line basis. 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, investments in real estate joint ventures and partnerships and partial sales to real estate joint ventures and partnerships in which we participate.

We recognize profit on sales of real estate, including merchant development sales, in accordance with FASB's SFAS No. 66 ("SFAS 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 and partnerships in which we participate to the extent we receive cash from the joint venture or partnership, if it meets the sales criteria in accordance with SFAS 66 and we do not have a commitment to support the operations of the real estate joint venture or partnership to an extent greater than our proportionate interest in the real estate joint venture or partnership.

Accrued Rent and Accounts Receivable, net

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. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy are considered in assessing the collectibility of the related receivables.

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Restricted Deposits and Mortgage Escrows

Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions. At December 31, 2008 and December 31, 2007, we had \$22.5 million and \$21.3 million of restricted cash, respectively, and \$10.8 million and \$17.6 million held in escrow related to our mortgages, respectively.

Other Assets

Other assets in our consolidated financial statements include investments held in grantor trusts, prepaid expenses, the value of above-market leases and the related accumulated amortization, deferred tax assets and other miscellaneous receivables. Investments held in grantor trusts are adjusted to fair value at each period end with changes included in our Statements of Consolidated Income and Comprehensive Income. Above-market leases are amortized over terms of the acquired leases.

Per Share Data

Net income per common share - basic is computed using net income available to common shareholders and the weighted average shares outstanding. Net income per common share - diluted includes the effect of potentially dilutive securities for the periods indicated as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Numerator:			
Net income available to common shareholders – basic	\$ 115,120	\$ 212,642	\$ 294,909
Income attributable to operating partnership units		4,407	5,453
Net income available to common shareholders – diluted	\$ 115,120	\$ 217,049	\$ 300,362
Denominator:			
Weighted average shares outstanding – basic	84,474	85,504	87,719
Effect of dilutive securities:			
Share options and awards	443	891	926
Operating partnership units		2,498	3,134
Weighted average shares outstanding – diluted	84,917	88,893	91,779

Options to purchase common shares of beneficial interest of 2.4 million in 2008 and .5 million in both 2007 and 2006, respectively, were not included in the calculation of net income per common share - diluted as the exercise prices were greater than the average market price for the year. For the year ended December 31, 2008, 2.4 million of operating partnership units was not included in the calculation of net income per common share – diluted because these units had an anti-dilutive effect.

Income Taxes

We have elected to be treated as a 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 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 such activities 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 consolidated 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."

Table of Contents**Cash and Cash Equivalents**

All highly liquid investments with original maturities of three months or less are considered cash equivalents. Cash and cash equivalents are primarily held at major financial institutions in the United States. At December 31, 2008 and 2007, we had cash and cash equivalents in certain financial institutions in excess of federally insured levels. We have diversified our cash and cash equivalents amongst several banking institutions in an attempt to minimize exposure to any one of these entities. We believe we are not exposed to any significant credit risk and regularly monitor the financial stability of these financial institutions. The Federal Deposit Insurance Corporation, or "FDIC," generally only insures limited amounts per depositor per insured bank. Beginning October 3, 2008 through December 31, 2009, the FDIC will insure up to \$250,000 per depositor per insured bank; on January 1, 2010, the standard coverage limit will return to \$100,000 for most deposit categories. Unlimited deposit insurance coverage will be available to our non-interest bearing transaction accounts held at those institutions participating in FDIC's Temporary Liquidity Guaranty program through December 31, 2009.

Cash Flow Information

We issued common shares of beneficial interest valued at \$2.3 million, \$13.6 million and \$8.0 million during 2008, 2007 and 2006, respectively, in exchange for interests in real estate joint ventures and partnerships, which had been formed to acquire properties. We also accrued \$25.8 million, \$15.5 million and \$6.5 million during 2008, 2007 and 2006, respectively, associated with the construction of property. Cash payments for interest on debt, net of amounts capitalized, of \$154.8 million, \$153.2 million and \$139.1 million were made during 2008, 2007 and 2006, respectively. A cash payment of \$5.1 million, \$.8 million and \$.6 million for income taxes was made during 2008, 2007 and 2006, respectively.

In association with property acquisitions and investments in unconsolidated real estate joint ventures, items assumed were as follows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Debt	\$ -	\$ 99,428	\$ 140,740
Obligations Under Capital Leases	-	12,888	-
Minority Interest	634	27,932	15,816
Net Assets and Liabilities	8,450	14,322	21,597

In connection with the sale of improved properties, we received notes receivable totaling \$6.0 million during 2008. Net assets and liabilities were reduced by \$68.3 million during 2008 from the reorganization of four joint ventures, which were previously consolidated. In addition, we recorded a \$41 million non-cash contingent liability as an increase to our investment in real estate joint ventures and partnerships and accrued \$8.5 million associated with Hurricane Ike.

In conjunction with the disposition of properties completed during 2007, we defeased three mortgage loans totaling \$22.2 million and transferred marketable securities totaling \$22.5 million in connection with the legal defeasance of these three loans. Also, we settled a \$12.9 million capital lease obligation. Net assets and liabilities were reduced by \$59.8 million during 2007 from the reorganization of three joint ventures, two of which were previously consolidated, to tenancy-in-common arrangements where we have a 50% interest. This net reduction from the reorganization of three joint ventures was offset by the assumption of debt totaling \$33.2 million.

In connection with the sale of an 80% interest in 12 properties in 2006, we retained a 20% unconsolidated investment of \$90.6 million. In connection with the sale of improved properties, we received notes receivable totaling \$2.6 million in 2006.

Accumulated Other Comprehensive Loss

As of December 31, 2008, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was \$16.9 million and \$12.8 million, respectively. As of December 31, 2007, the balance in accumulated other comprehensive loss relating to derivatives and our retirement liability was \$11.8 million and \$3.7 million, respectively.

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Reclassifications

The reclassification of prior years' operating results for certain properties to discontinued operations was made to conform to the current year presentation. This reclassification had no impact on previously reported net income, net income per share, shareholders' equity or cash flows.

Note 2. Newly Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." This statement defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. 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.

We adopted SFAS 157 in the first quarter of 2008 regarding our financial assets and liabilities currently recorded or disclosed at fair value. The FASB has issued FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157" which defers the provisions of SFAS 157 relating to nonfinancial assets and liabilities, and delays implementation by us until January 1, 2009. SFAS 157 has not and is not expected to materially affect how we determine fair value, but it has resulted in certain additional disclosures (see Note 18).

In October 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active," to clarify the provisions of SFAS 157 relating to valuing a financial asset when the market for that asset is not active. This FSP was effective upon issuance and has not had a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158 ("SFAS 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 overfunded status or a liability for a plan's underfunded 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. The requirement to recognize the funded status of a benefit plan and the disclosure requirements were effective for us as of December 31, 2006, and as a result we recognized an additional liability of \$803,000. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for us on December 31, 2008. The adoption of the measurement provision of SFAS 158 has not had a material effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 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 was effective for us on January 1, 2008, and we elected not to measure any of our current eligible financial assets or liabilities at fair value upon adoption; however, we do have the option to elect to measure eligible financial assets or liabilities acquired in the future at fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141R"), "Business Combinations." SFAS 141R expands the original guidance's definition of a business. It broadens the fair value measurement and recognition to all assets acquired, liabilities assumed and interests transferred as a result of business combinations. SFAS 141R requires expanded disclosures to improve the ability to evaluate the nature and financial effects of business

combinations. SFAS 141R is effective for us for business combinations made on or after January 1, 2009. Due to current economic conditions, we do not plan any significant acquisitions in the upcoming year, thereby upon adoption, no material effect is anticipated. However SFAS 141R could have a material effect on our accounting for future acquisition of properties.

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In December 2007, the FASB issued SFAS No. 160 (“SFAS 160”), “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.” SFAS 160 requires that a noncontrolling interest in an unconsolidated entity be reported as equity and any losses in excess of an unconsolidated entity’s equity interest be recorded to the noncontrolling interest. The statement requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 is effective for us on January 1, 2009 and many provisions will be applied retrospectively. SFAS 160 may materially increase our shareholders’ equity; however due to the complexities and number of entities included in our minority interest, we have not yet been able to formalize the impact on our consolidated financial statements. Future changes to noncontrolling interests could materially affect shareholders’ equity. Also upon adoption, net income will no longer include income allocated to minority interests which may result in a material increase in net income. However, income available to common shareholders should not be affected.

In March 2008, the FASB issued SFAS No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133.” SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities. SFAS 161 is effective for us on January 1, 2009. Implementation of SFAS 161 will result in certain additional disclosures to be included in our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 (“FSP APB 14-1”), “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” FSP APB 14-1 will require that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component in a manner that will reflect our effective nonconvertible borrowing rate. The resulting debt discount would be amortized using the effective interest method over the period the debt is expected to be outstanding as additional interest expense. FSP APB 14-1 is effective for us on January 1, 2009 and requires retroactive application. Upon the adoption of FSP APB 14-1, the unamortized debt discount as of December 31, 2008 of approximately \$22.9 million will be included as a reduction of debt and approximately \$41.5 million will be included as accumulated additional paid-in capital on our consolidated balance sheet. Incremental interest expense will be approximately \$8.3 million, \$7.9 million and \$3.2 million for the year ended December 31, 2008, 2007 and 2006, respectively. Additionally, our gain on the redemption of convertible unsecured notes will approximate \$12.9 million for the year ended December 31, 2008.

In June 2008, the FASB’s Emerging Issues Task Force (“EITF”) issued EITF Issue 07-5 (“EITF 07-5”), “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock.” EITF 07-5 proposes a two step method in determining if an instrument previously qualifying for the scope exception of FASB Statement 133 will continue to qualify as an instrument indexed to the entity’s stock. EITF 07-5 is effective for us on January 1, 2009. We believe that the adoption of this standard on its effective date will not effect our consolidated financial statements.

In November 2008, the FASB’s EITF issued EITF Issue 08-6 (“EITF 08-6”), “Equity Method Investments Accounting Considerations.” EITF 08-6 requires an investment accounted for under the equity method to be evaluated and recorded in accordance with SFAS 141R business combinations definition and modeling. EITF 08-6 is effective for us for equity method investments made on or after January 1, 2009. We believe that the adoption of this standard on its effective date will not have a material effect our consolidated financial statements.

In December 2008, the FASB issued FASB Staff Position No. FAS 140-4 and FIN 46(R)-8 (“FSP FAS 140-4”), “Disclosures by Public Entities (enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.” FSP FAS 140-4 requires additional disclosures about transfers of financial assets under FASB Statement 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” and their involvement with variable interest entities under FIN 46R. The disclosures required by FSP FAS 140-4 are intended to provide greater transparency to financial statement users. FSP FAS 140-4 is effective for us on December 31,

2008. FSP FAS 140-4 has resulted in certain additional disclosures included in Note 3.

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Note 3. Variable Interest Entities

Management determines whether an entity is a variable interest entity (“VIE”) and, if so, determines which party is the primary beneficiary by analyzing which party absorbs a majority of the expected losses or a majority of the expected residual returns of the VIE, or both. Significant judgments and assumptions inherent in this analysis include the design of the entity structure, the nature of the entity’s operations, future cash flow projections, the entity’s financing and capital structure, and contractual relationships and terms. We consolidate a VIE when we have determined that we are the primary beneficiary. Assets held by VIEs which are currently consolidated approximate \$241.9 million and none at December 31, 2008 and 2007, respectively. Entities for which we are the primary beneficiary and we consolidate are described below.

In March 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate value of approximately \$227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. The activities of this venture principally consist of owning and operating these shopping centers. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds of approximately \$216.1 million. Financing totaling \$154.3 million was placed on the properties and guaranteed solely by us for tax planning purposes. This venture is deemed to be a variable interest entity and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately \$154.3 million at December 31, 2008.

We also contributed eight neighborhood/community shopping centers with an aggregate value of approximately \$205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture in November 2008. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. The activities of this venture principally consist of owning and operating these shopping centers. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately \$121.8 million. Financing totaling \$100.0 million was placed on the properties and guaranteed solely by us for tax planning purposes. This venture is deemed to be a variable interest entity and, due to our guaranty of the debt, we are the primary beneficiary and have consolidated this joint venture. Our maximum exposure to loss associated with this joint venture is primarily limited to our guaranty of the debt, which was approximately \$100.0 million at December 31, 2008.

Restrictions on the use of these assets are significant because they are secured as collateral for their debt, and we would be required to obtain our partners’ approval in accordance with the partnership agreements on any major transactions. The impact of these transactions on our consolidated financial statements has been limited to changes in minority interest and reductions in debt from our partners’ contributions.

In addition, we have an unconsolidated joint venture with an interest in an entity which is deemed to be a VIE as described. In July 2008, a 47.75%-owned unconsolidated real estate joint venture acquired an 83.34% interest in a joint venture owning a 919,000 square foot new development to be constructed in Aurora, Colorado. The unconsolidated joint venture provided a guaranty on debt obtained by acquired joint venture. The unconsolidated joint venture’s maximum exposure to loss is limited to the guaranty of the debt, which was approximately \$28.3 million at December 31, 2008.

Note 4. Derivatives and Hedging

In order to manage our interest rate risk, we occasionally hedge the future cash flows of our debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate swaps with major financial institutions. In accordance with SFAS 133, “Accounting for Derivative Instruments and Hedging Activities,” we recognize all derivatives as either assets or liabilities at fair value and have designated our current interest rate swaps

as fair value hedges of fixed rate borrowings. At December 31, 2008 and 2007, we had two interest rate swap contracts designated as fair value hedges with an aggregate notional amount of \$50.0 million that convert fixed interest payments at rates of 4.2% to variable interest payments of 2.0% and 5.0% at December 31, 2008 and 2007, respectively. We have determined that they are highly effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in variable interest rates.

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Also, at December 31, 2007, we had two forward-starting interest rate swap contracts with an aggregate notional amount of \$118.6 million, which were designated as cash flow hedges to mitigate the risk of future fluctuations in interest rates on forecasted issuances of long-term debt.

On March 20, 2008, the cash flow hedge was completed through the issuance of \$154.3 million of fixed-rate long-term debt issued by a joint venture that is consolidated by us. A loss of \$12.8 million was recorded in accumulated other comprehensive loss based on the fair value of the interest rate swap contracts on that date. On March 27, 2008, the interest rate swap contracts were settled resulting in a loss of \$10.0 million. For the period between the completion of the cash flow hedge and the settlement of the swap contracts, a gain of \$2.8 million was recognized as a reduction of interest expense.

In July, November and December 2007, swaps of \$10 million, \$5 million and \$10 million, respectively, matured in conjunction with the maturity of the associated medium term notes. These hedge contracts were designated as fair value hedges.

Changes in the fair value of interest rate swap contracts designated as fair value hedges, as well as changes in the fair value of the related debt being hedged, are recorded in earnings each reporting period. For the twelve months ended December 31, 2008 and 2007, these changes in fair value offset. The derivative instruments at December 31, 2008 were reported at their fair values in other assets, net of accrued interest, of \$4.6 million, and we had no derivative instruments reported in other liabilities. At December 31, 2007, derivative instruments were reported at their fair values in other liabilities, net of accrued interest, of \$5.8 million, and we had no derivative instruments reported in other assets.

As of December 31, 2008 and December 31, 2007, the balance in accumulated other comprehensive loss relating to derivatives was \$16.9 million and \$11.8 million, respectively. Amounts amortized to interest expense were \$2.1 million in 2008, \$.9 million in 2007 and \$.4 million in 2006. Within the next 12 months, approximately \$2.2 million of the balance in accumulated other comprehensive loss is expected to be amortized to interest expense.

The interest rate swaps decreased interest expense and increased net income by \$.8 million and decreased the average interest rate of our debt by .03% in 2008. The interest rate swaps increased interest expense and decreased net income by \$.6 million and \$.5 million in 2007 and 2006, respectively, and increased the average interest rate of our debt by .02% in both 2007 and 2006. We could be exposed to losses in the event of nonperformance by the counter-parties; however, management believes the likelihood of such nonperformance is unlikely.

Note 5. Debt

Our debt consists of the following (in thousands):

	December 31,	
	2008	2007
Debt payable to 2030 at 4.5% to 8.8%	\$ 2,755,475	\$ 2,876,445
Unsecured notes payable under revolving credit agreements	383,000	255,000
Obligations under capital leases	29,725	29,725
Industrial revenue bonds payable to 2015 at 2.4% to 2.1%	3,337	3,889
Total	\$ 3,171,537	\$ 3,165,059

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The grouping of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

	December 31,	
	2008	2007
As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	\$ 2,722,510	\$ 2,843,320
Variable-rate debt	449,027	321,739
Total	\$ 3,171,537	\$ 3,165,059
As to collateralization:		
Unsecured debt	\$ 2,139,392	\$ 2,095,506
Secured debt	1,032,145	1,069,553
Total	\$ 3,171,537	\$ 3,165,059

We have a \$575 million unsecured revolving credit facility held by a syndicate of banks that expires in February 2010 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 60.0 and 15.0 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit ratings. This facility retains a competitive bid feature that allows us to request bids for amounts up to \$287.5 million from each of the syndicate banks, allowing us an opportunity to obtain pricing below what we would pay using the pricing grid.

At December 31, 2008 and December 31, 2007, the balance outstanding under the revolving credit facility was \$383.0 million at a variable interest rate of 1.6% and \$255.0 million at a variable interest rate of 5.4%, respectively. We also have an agreement for a \$30 million unsecured and uncommitted overnight facility with a bank that we use for cash management purposes, of which no amounts were outstanding at December 31, 2008 and December 31, 2007. Letters of credit totaling \$10.1 million and \$9.2 million were outstanding under the revolving credit facility at December 31, 2008 and December 31, 2007, respectively. The available balance under our revolving credit agreement was \$181.9 million and \$310.8 million at December 31, 2008 and December 31, 2007, respectively. During the twelve months ended December 31, 2008, the maximum balance and weighted average balance outstanding under both facilities combined were \$503.0 million and \$362.0 million, respectively, at a weighted average interest rate of 3.4%. During 2007, the maximum balance and weighted average balance outstanding under both facilities combined were \$312.4 million and \$96.7 million, respectively, at a weighted average interest rate of 6.1%.

In November 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued \$100.0 million of fixed-rate secured long-term debt with a five year term at a rate of 6.0% that we guaranteed. The net proceeds received from the issuance of this debt were used to reduce amounts outstanding under our \$575 million revolving credit facility.

In March 2008, we contributed assets to a joint venture with an institutional investor. In conjunction with this transaction, the joint venture issued \$154.3 million of fixed-rate secured long-term debt with an average life of 7.3 years at an average rate of 5.4% that we guaranteed. We received all of the proceeds from the issuance of this debt and such proceeds were used to reduce amounts outstanding under our \$575 million revolving credit facility.

In January 2008, we elected to repay at par a fixed-rate 8.33% mortgage totaling \$121.8 million that was secured by 19 supermarket-anchored shopping centers in California originally acquired in April 2001.

As of December 31, 2007, the balance of secured debt that was assumed in conjunction with 2007 acquisitions was \$99.4 million. A capital lease obligation totaling \$12.9 million was assumed and subsequently settled in 2007. No debt or capital lease obligations were assumed in 2008 in conjunction with acquisitions.

Various leases and properties, and current and future rentals from those lease and properties, collateralize certain debt. At December 31, 2008 and December 31, 2007, the carrying value of such property aggregated \$1.8 billion and \$1.9 billion, respectively.

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Scheduled principal payments on our debt (excluding \$383.0 million due under our revolving credit agreements, \$21.0 million of certain capital leases, \$4.6 million fair value of interest rate swaps and \$21.7 million of non-cash debt-related items) are due during the following years (in thousands):

2009	\$ 96,987
2010	127,975
2011	303,412
2012	334,701
2013	413,440
2014	374,743
2015	249,780
2016	147,123
2017	29,391
2018	54,007
Thereafter	609,636
Total	\$ 2,741,195

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We believe we were in compliance with all restrictive covenants as of December 31, 2008.

In August 2006, we issued an offering of \$575 million of 3.95% convertible senior unsecured notes due 2026. Interest is payable semi-annually in arrears on February 1 and August 1 of each year, beginning February 1, 2007. The debentures are convertible under certain circumstances for our common shares of beneficial interest at an initial conversion rate of 20.3770 common shares of beneficial interest per \$1,000 of principal amount of debentures (an initial conversion price of \$49.075). In addition, the conversion rate may be adjusted if certain change in control transactions or other specified events occur on or prior to August 4, 2011. Upon the conversion of debentures, we will deliver cash for the principal return, as defined, and cash or common shares of beneficial interest, 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 debentures plus accrued and unpaid interest in 2011, 2016 and 2021 and in the event of a change in control. In November 2008, we elected to repurchase a portion of these notes in the open market. We purchased and subsequently retired \$37.8 million face for \$26.7 million resulting in a net gain of \$10.7 million in the fourth quarter of 2008.

In connection with the issuance of these debentures, we filed a registration statement related to the resale of the debentures and the common shares of beneficial interest issuable upon the conversion of the debentures. This registration statement has been declared effective by the SEC.

Note 6. Preferred Shares

In June and July of 2008, we redeemed \$120 million and \$80 million of depositary shares, respectively, retiring all of the Series G Cumulative Redeemable Preferred Shares. Each depositary share represented one-hundredth of a Series G Cumulative Redeemable Preferred Share. These depositary shares were redeemed, at our option, at a redemption price of \$25 multiplied by a graded rate per depositary share based on the date of redemption plus any accrued and unpaid dividends thereon. Upon the redemption of these shares, the related original issuance costs of \$1.9 million were reported as a deduction in arriving at net income available to common shareholders. In September 2007, these depositary shares were issued through a private placement, and net proceeds of \$193.6 million were used to repay amounts outstanding under our credit facilities. The Series G Preferred Shares paid a variable-rate quarterly dividend

through July 2008 and had a liquidation preference of \$2,500 per share. The variable-rate dividend was calculated on the period's three-month LIBOR rate plus a percentage determined by the number of days outstanding. At December 31, 2007, the variable-rate dividend was 5.9%.

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We issued \$150 million and \$200 million of depositary shares on June 6, 2008 and January 30, 2007, respectively. Each depositary share represents one-hundredth of a 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. Series F Preferred Shares issued in June 2008 were issued at a discount, resulting in an effective rate of 8.25%. Net proceeds of \$117.8 million and \$194.0 million from the issuance in June 2008 and January 2007, respectively, were used to repay amounts outstanding under our revolving credit facilities and for general business purposes. Subsequent to the 2008 issuance, our revolving credit facilities were used to finance the partial redemption of the Series G Cumulative Redeemable Preferred Shares as described above.

In July 2004, we issued \$72.5 million of depositary shares with each share representing one-hundredth of a Series E Cumulative Redeemable Preferred Share. The depositary shares are redeemable at our option on or after July 8, 2009, in whole or in part, for cash 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 E preferred shares pay a 6.95% annual dividend and have a liquidation value of \$2,500 per share.

In April 2003, \$75 million of depositary shares were issued with each share representing one-thirtieth of a Series D Cumulative Redeemable Preferred Share. The depositary shares are currently redeemable at our option, in whole or in part, for cash 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 property or securities. The Series D preferred shares pay a 6.75% annual dividend and have a liquidation value of \$750 per share.

Note 7. Common Shares of Beneficial Interest

In July 2007, our Board of Trust Managers authorized a common share repurchase program as part of our ongoing investment strategy. Under the terms of the program, we may purchase up to a maximum value of \$300 million of our common shares of beneficial interest during the following two years. Share repurchases may be made in the open market or in privately negotiated transactions at the discretion of management and as market conditions warrant. We anticipate funding the repurchase of shares primarily through the proceeds received from our property disposition program, as well as from general corporate funds.

During 2007, we repurchased 2.8 million common shares of beneficial interest at an average share price of \$37.12 and cancelled 1.4 million common shares of beneficial interest in both 2008 and 2007. As of December 31, 2008, the remaining value of common shares of beneficial interest available to be repurchased under the common share repurchase plan is \$196.7 million.

In October 2008, we sold 3.0 million common shares of beneficial interest at \$34.20 per share. Net proceeds from this offering were \$98.1 million and were used to repay indebtedness outstanding under our revolving credit facilities and for other general corporate purposes.

Note 8. Treasury Shares of Beneficial Interest

At December 31, 2007, a total of 1.4 million common shares of beneficial interest were repurchased by us at an average share price of \$36.47. These shares were subsequently retired on January 11, 2008.

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Note 9. Property

Our property consisted of the following (in thousands):

	December 31,	
	2008	2007
Land	\$ 964,982	\$ 974,145
Land held for development	118,078	62,033
Land under development	101,587	223,827
Buildings and improvements	3,488,385	3,533,037
Construction in-progress	242,440	179,302
Total	\$ 4,915,472	\$ 4,972,344

The following carrying charges were capitalized (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Interest	\$ 20,290	\$ 25,025	\$ 7,616
Ad valorem taxes	2,730	1,985	780
Total	\$ 23,020	\$ 27,010	\$ 8,396

During 2008, we invested \$176.3 million in new developments projects. We commenced three new development projects, of which two are located in Texas and one in Florida. Of these, one property is held in a 70%-owned consolidated real estate joint venture. We also disposed of nine shopping centers, one industrial property and 24 land parcels.

In 2008, five real estate joint venture agreements were amended, which produced a reduction of \$143.3 million to property as these ventures were previously included in this caption of our consolidated financial statements and are now accounted for under the equity method of accounting and are included as investment in real estate joint ventures and partnerships.

An impairment charge, as described in Note 1, of \$52.5 million was recognized for the year ended December 31, 2008, and no impairment was recorded for the year ended December 31, 2007 and 2006.

Note 10. Discontinued Operations

During 2008, one industrial center located in Texas and nine shopping centers, five of which were located in Texas, one in California and three in Louisiana, were sold. In 2007, we sold 17 shopping centers and one industrial center, 10 of which were located in Texas, three in Louisiana, two each in Colorado and Illinois, and one in Georgia. The operating results of these properties have been reclassified and reported as discontinued operations in the Statements of Consolidated Income and Comprehensive Income in accordance with SFAS No. 144, as well as any gains on the respective disposition. Revenues recorded in operating income from discontinued operations totaled \$7.8 million in 2008, \$26.2 million in 2007 and \$55.6 million in 2006. Included in the Consolidated Balance Sheet at December 31, 2007 were \$108.4 million of property and \$40.1 million of accumulated depreciation related to properties sold during 2008.

The discontinued operations reported in 2008 had no debt that was required to be repaid upon their disposition.

In 2007, we incurred a net loss of \$.4 million on the defeasance of three loans totaling \$22.2 million that were required to be settled upon the disposition of the related properties. These defeasance costs were recognized as interest expense and have been reclassified and reported as discontinued operations.

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We elected not to allocate other consolidated interest to discontinued operations because the interest savings to be realized from the proceeds of the sale of these operations was not material.

Note 11. Notes Receivable from Real Estate Joint Ventures and Partnerships

We have ownership interests in a number of real estate joint ventures and partnerships. Notes receivable from these entities bear interest ranging from 2.8% to 10.0% at December 31, 2008 and 5.7% to 10.0% at December 31, 2007. These notes are due at various dates through 2028 and are generally secured by real estate assets. We believe these notes are fully collectible and no allowance has been recorded at December 31, 2008 and 2007. We recognized interest income on these notes as follows, in millions: \$4.0 in 2008, \$1.5 in 2007 and \$1.3 in 2006.

Note 12. Related Parties

Through our management activities and transactions with our real estate joint venture and partnerships, we had accounts receivables of \$2.0 million and \$4.7 million outstanding as of December 31, 2008 and 2007, respectively. We also had accounts payable and accrued expenses of \$10.2 million and \$2.2 million outstanding as of December 31, 2008 and 2007, respectively. For the year ended December 31, 2008, 2007 and 2006, we recorded joint venture fee income of \$5.9 million, \$5.0 million and \$1.9 million, respectively.

In 2008, we contributed 18 neighborhood/community shopping centers located in Texas with an aggregate value of approximately \$227.5 million, and aggregating more than 2.1 million square feet, to a joint venture. We sold an 85% interest in this joint venture to AEW Capital Management on behalf of one of its institutional clients and received proceeds approximating \$216.1 million. We maintain a 15% ownership interest in this venture, which is consolidated in our financial statements.

We also contributed eight neighborhood/community shopping centers with an aggregate value of approximately \$205.1 million, and aggregating approximately 1.1 million square feet, to a joint venture in November 2008. Four of these shopping centers are located in Texas, two in Tennessee and one each in Florida and Georgia. We sold a 70% interest in this joint venture to Hines REIT Retail Holdings, LLC and received proceeds of approximately \$121.8 million. We maintain a 30% ownership interest in this venture, which is consolidated in our financial statements.

Subsequent to December 31, 2008, we contributed two additional properties to the joint venture with Hines REIT Retail Holdings, LLC with an aggregate value of approximately \$23.3 million, and aggregating approximately .1 million square feet. These two shopping centers are located in Georgia and North Carolina, and we received proceeds of approximately \$6.9 million.

In 2007, we acquired our partner's 50% interest in a shopping center in Las Vegas, Nevada. As part of this transaction, our \$22.2 million note receivable from this partner was settled.

In 2007, we sold a 12.6% interest in a shopping center located in Lafayette, Louisiana to our outside partner. Sales proceeds and the gain generated totaled \$4.4 million and \$.8 million, respectively.

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Note 13. Investment in Real Estate Joint Ventures and Partnerships

We own interests in real estate joint ventures or limited partnerships and have tenancy-in-common interests in which we exercise significant influence, but do not have financial and operating control. We account for these investments using the equity method, and our interests range from 7.8% to 75%. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	December 31,	
	2008	2007
Combined Condensed Balance Sheets		
Property	\$ 1,951,771	\$ 1,660,915
Accumulated depreciation	(129,227)	(71,998)
Property, net	1,822,544	1,588,917
Other assets	256,688	238,166
Total	\$ 2,079,232	\$ 1,827,083
Debt (primarily mortgage payable)	\$ 472,486	\$ 378,206
Notes and accounts payable to Weingarten Realty Investors	248,969	87,191
Other liabilities	149,265	138,150
Accumulated equity	1,208,512	1,223,536
Total	\$ 2,079,232	\$ 1,827,083

	Year Ended December 31,		
	2008	2007	2006