

Section 1: 10-K (10-K FOR THE YEAR ENDED DECEMBER 31, 2018)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(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, 2018
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number: 001-32268 (Kite Realty Group Trust)
Commission File Number: 333-202666-01 (Kite Realty Group, L.P.)

Kite Realty Group Trust
Kite Realty Group, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Kite Realty Group Trust)

11-3715772

Delaware (Kite Realty Group, L.P.)

20-1453863

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

30 S. Meridian Street, Suite 1100

Indianapolis, Indiana 46204

(Address of principal executive offices) (Zip code)

(317) 577-5600

(Registrant's telephone number, including area code)

Title of each class

Name of each exchange on which registered

Common Shares, \$0.01 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 by Rule 405 of the Securities Act.

Kite Realty Group Trust Yes No Kite Realty Group, L.P. 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.

Kite Realty Group Trust Yes No Kite Realty Group, L.P. 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.

Kite Realty Group Trust Yes No Kite Realty Group, L.P. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to

Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Kite Realty Group Trust Yes No

Kite Realty Group, L.P. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229,405 of this Chapter) 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.

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

Kite Realty Group Trust:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

Kite Realty Group, L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Kite Realty Group Trust Yes No **Kite Realty Group, L.P.** Yes No

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the Registrant as the last business day of the Registrant's most recently completed second quarter was \$1.4 billion based upon the closing price on the New York Stock Exchange on such date.

The number of Common Shares outstanding as of February 22, 2019 was 83,823,281 (\$.01 par value).

Documents Incorporated by Reference

Portions of the definitive Proxy Statement relating to the Registrant's Annual Meeting of Shareholders, scheduled to be held on May 14, 2019, to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 of Kite Realty Group Trust, Kite Realty Group, L.P. and its subsidiaries. Unless stated otherwise or the context otherwise requires, references to “Kite Realty Group Trust” or the “Parent Company” mean Kite Realty Group Trust, and references to the “Operating Partnership” mean Kite Realty Group, L.P. and its consolidated subsidiaries. The terms “Company,” “we,” “us,” and “our” refer to the Parent Company and the Operating Partnership collectively, and those entities owned or controlled by the Parent Company and/or the Operating Partnership.

The Operating Partnership is engaged in the ownership, operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. The Parent Company is the sole general partner of the Operating Partnership and as of December 31, 2018 owned approximately 97.6% of the common partnership interests in the Operating Partnership (“General Partner Units”). The remaining 2.4% of the common partnership interests (“Limited Partner Units” and, together with the General Partner Units, the “Common Units”) are owned by the limited partners.

We believe combining the annual reports on Form 10-K of the Parent Company and the Operating Partnership into this single report benefits investors by:

- enhancing investors’ understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation of information because a substantial portion of the Company’s disclosure applies to both the Parent Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. The Parent Company has no material assets or liabilities other than its investment in the Operating Partnership. The Parent Company issues public equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. In addition, the Parent Company currently does not nor does it intend to guarantee any debt of the Operating Partnership. The Operating Partnership has numerous wholly-owned subsidiaries, and it also owns interests in certain joint ventures. These subsidiaries and joint ventures own and operate retail shopping centers and other real estate assets. The Operating Partnership is structured as a partnership with no publicly-traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for General Partner Units, the Operating Partnership generates the capital required by the business through its operations, its incurrence of indebtedness and the issuance of Limited Partner Units to third parties.

Shareholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of the Parent Company and those of the Operating Partnership. In order to highlight this and other differences between the Parent Company and the Operating Partnership, there are separate sections in this report, as applicable, that separately discuss the Parent Company and the Operating Partnership, including separate financial statements and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the collective Company.

KITE REALTY GROUP TRUST AND KITE REALTY GROUP, L.P. AND SUBSIDIARIES
Annual Report on Form 10-K
For the Fiscal Year Ended
December 31, 2018

TABLE OF CONTENTS

<u>Item No.</u>		<u>Page</u>
Part I		
1	<u>Business</u>	3
1A.	<u>Risk Factors</u>	8
1B.	<u>Unresolved Staff Comments</u>	27
2	<u>Properties</u>	28
3	<u>Legal Proceedings</u>	43
4	<u>Mine Safety Disclosures</u>	44
Part II		
5	<u>Market for the Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	45
6	<u>Selected Financial Data</u>	46
7	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	49
7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	70
8	<u>Financial Statements and Supplementary Data</u>	70
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	70
9A.	<u>Controls and Procedures</u>	70
9B.	<u>Other Information</u>	74
Part III		
10	<u>Trustees, Executive Officers and Corporate Governance</u>	75
11	<u>Executive Compensation</u>	75
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	75
13	<u>Certain Relationships and Related Transactions and Director Independence</u>	75
14	<u>Principal Accountant Fees and Services</u>	75
Part IV		
15	<u>Exhibits, Financial Statement Schedule</u>	76
16	<u>Form 10-K Summary</u>	76
	<u>Signatures</u>	83

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 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements, financial or otherwise, expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include but are not limited to:

- national and local economic, business, real estate and other market conditions, particularly in connection with low or negative growth in the U.S. economy as well as economic uncertainty;
- financing risks, including the availability of, and costs associated with, sources of liquidity;
- our ability to refinance, or extend the maturity dates of, our indebtedness;
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent and the risk of tenant closures or bankruptcies;
- the competitive environment in which we operate;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- our ability to maintain our status as a real estate investment trust for U.S. federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property we own;
- the actual and perceived impact of online retail on the value of shopping center assets;
- risks related to the geographical concentration of our properties in Florida, Indiana and Texas;
- insurance costs and coverage;
- risks associated with cybersecurity attacks and the loss of confidential information and other business disruptions;
- other factors affecting the real estate industry generally; and
- other risks identified in this Annual Report on Form 10-K and, in other reports we file from time to time with the Securities and Exchange Commission (the “SEC”) or in other documents that we publicly disseminate.

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

PART I

ITEM 1. BUSINESS

Unless the context suggests otherwise, references to “we,” “us,” “our” or the “Company” refer to Kite Realty Group Trust and our business and operations conducted through our directly or indirectly owned subsidiaries, including Kite Realty Group, L.P., our operating partnership (the “Operating Partnership”).

Overview

Kite Realty Group Trust is a publicly-held real estate investment trust which, through its majority-owned subsidiary, Kite Realty Group, L.P., owns interests in various operating subsidiaries and joint ventures engaged in the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. We derive revenues primarily from activities associated with the collection of contractual rents and reimbursement payments from tenants at our properties. Our operating results therefore depend materially on, among other things, the ability of our tenants to make required lease payments, the health and resilience of the United States retail sector, interest rate volatility, job growth and overall economic and real estate market conditions.

As of December 31, 2018, we owned interests in 111 operating and redevelopment properties totaling approximately 21.9 million square feet. We also owned one development project under construction as of this date. Our retail operating portfolio was 94.6% leased to a diversified retail tenant base, with no single retail tenant accounting for more than 2.6% of our total annualized base rent. In the aggregate, our largest 25 tenants accounted for 34.1% of our annualized base rent. See Item 2, “Properties” for a list of our top 25 tenants by annualized base rent.

Significant 2018 Activities

Operating Activities

We continued to drive strong operating results from our portfolio as follows:

- Realized net loss attributable to common shareholders of \$46.6 million, which included \$70.4 million of impairment charges;
- Same Property Net Operating Income (“Same Property NOI”) increased by 1.4% in 2018 compared to 2017 primarily due to increases in rental rates and an improved tenant mix driven by strong shop leasing activity;
- We executed new and renewal leases on 315 individual spaces for approximately 1.7 million square feet of retail space, achieving a blended cash rent spread of 6.8% for comparable leases. As part of the total leasing activity, we executed 12 new anchor leases for 297,000 square feet for a blended cash rent spread of 8.4%;
- We opened 135 new tenant spaces totaling 602,000 square feet;
- Our operating portfolio annual base rent (“ABR”) per square foot as of December 31, 2018 was \$16.84, an increase of \$0.52 or 3.2% from the end of the prior year; and
- Small shop leased percentage was 91.2% as of December 31, 2018, which was an all-time Company high.

Disposition Activities

During 2018, we sold six non-core operating properties for \$125 million of gross proceeds that were used to pay down our existing credit facility. These operating retail assets had a weighted average ABR of \$12.23, which was 27% lower than the remaining operating portfolio ABR.

We entered into a strategic joint venture with Nuveen (formerly known as TH Real Estate) by selling an 80% interest in three core retail assets resulting in gross proceeds of \$89 million.

Development and Redevelopment Activities

We believe evaluating our operating properties for development and redevelopment opportunities enhances shareholder value as it will make them more attractive for leasing to new tenants and it improves long-term values and economic returns. We initiated, advanced, and completed a number of development and redevelopment activities in 2018, including the following:

- *Eddy Street Commons* in South Bend, Indiana – Phase II of Eddy Street Commons is a mixed-use development at the University of Notre Dame that will include a retail component, apartments, townhomes, and a community center. The total projected costs for all components of the project are \$90.8 million, of which our share is \$10.0 million, although we have provided a completion guaranty to the South Bend Redevelopment Commission and the South Bend Economic Development Commission on the construction of the entire project. The project is currently under construction with a projected stabilization date of late 2020.

We completed construction of a full-service Embassy Suites hotel at Phase I of Eddy Street Commons, which opened in September 2018. The Company has a 35% ownership interest in the hotel.

- *Under Construction Redevelopment, Reposition, and Repurpose (“3-R”) Projects.* Our 3-R initiative continued to progress in 2018 with the completion of six projects. Total costs incurred on these projects were \$64.6 million with a composite annual return of 8.6%.

Financing and Capital Raising Activities.

In 2018, we were able to maintain our strong balance sheet, financial flexibility and liquidity to fund future growth. We ended the year with approximately \$484.9 million of combined cash and borrowing capacity on our unsecured revolving credit facility.

In October 2018, we closed on a \$250 million ten-year unsecured term loan that extended the weighted average scheduled maturity of the debt portfolio by a full year to 6.2 years and laddered the debt maturity schedule so that no more than 20% of the Company's debt is scheduled to mature in any single calendar year.

We have only \$20.7 million of principal scheduled to mature through December 31, 2020, and a debt service coverage ratio of 3.3x as of December 31, 2018. We have been assigned investment grade corporate credit ratings from two nationally recognized credit rating agencies. These ratings were unchanged during 2018.

Business Objectives and Strategies

Our primary business objectives are to increase the cash flow and value of our properties, achieve sustainable long-term growth and maximize shareholder value primarily through the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers. We invest in properties with well-located real estate and strong demographics, and we use our leasing and management strategies to improve the long-term values and economic returns of our properties. We believe that certain of our properties represent attractive opportunities for profitable renovation and expansion.

We seek to implement our business objectives through the following strategies, each of which is more completely described in the sections that follow:

- *Operating Strategy:* Maximizing the internal growth in revenue from our operating properties by leasing and re-leasing to a strong and diverse group of retail tenants at increasing rental rates, when possible, and redeveloping or renovating certain properties to make them more attractive to existing and prospective tenants and consumers;
- *Financing and Capital Preservation Strategy:* Maintaining a strong balance sheet with sufficient flexibility to fund our operating and investment activities. Funding sources include the public equity and debt markets, existing \$485 million of cash and available liquidity under revolving credit facility, new secured debt, internally generated funds, proceeds from selling land and properties that no longer fit our strategy, and potential strategic joint ventures.

- *Growth Strategy:* Prudently using available cash flow, targeted asset recycling, equity, and debt capital to selectively acquire additional retail properties and redevelop or renovate our existing properties where we believe that investment returns would meet or exceed internal benchmarks; and

Operating Strategy. Our primary operating strategy is to maximize rental rates and occupancy levels by attracting and retaining a strong and diverse tenant base. Most of our properties are located in regional and neighborhood trade areas with attractive demographics, which allows us to maximize occupancy and rental rates. We seek to implement our operating strategy by, among other things:

- increasing rental rates upon the renewal of expiring leases or re-leasing space to new tenants while minimizing vacancy to the extent possible;
- maximizing the occupancy of our operating portfolio;
- minimizing tenant turnover;
- maintaining leasing and property management strategies that maximize rent growth and cost recovery;
- maintaining a diverse tenant mix that limits our exposure to the financial condition of any one tenant or category of retail tenants;
- maintaining and improving the physical appearance, condition, layout and design of our properties and other improvements located on our properties to enhance our ability to attract customers;
- implementing offensive and defensive strategies against e-commerce competition;
- actively managing properties to minimize overhead and operating costs;
- maintaining strong tenant and retailer relationships in order to avoid rent interruptions and reduce marketing, leasing and tenant improvement costs that result from re-leasing space to new tenants; and
- taking advantage of under-utilized land or existing square footage, reconfiguring properties for more profitable use, and adding ancillary income sources to existing facilities.

We successfully executed our operating strategy in 2018 in a number of ways, including Same Property NOI growth of 1.4%, a blended new and renewal cash leasing spread of 6.8%, and an increase in our small shop leased percentage to 91.2% as of year end. We have placed significant emphasis on maintaining a strong and diverse retail tenant mix, which has resulted in no tenant accounting for more than 2.6% of our annualized base rent. See Item 2, "Properties" for a list of our top tenants by gross leasable area ("GLA") and annualized base rent.

Financing and Capital Preservation Strategy. We finance our acquisition, development, and redevelopment activities seeking to use the most advantageous sources of capital available to us at the time. These sources may include the reinvestment of cash flows generated by operations, the sale of common or preferred shares through public offerings or private placements, the reinvestment of net proceeds from the disposition of assets, the incurrence of additional indebtedness through secured or unsecured borrowings, and entering into real estate joint ventures.

Our primary financing and capital preservation strategy is to maintain a strong balance sheet and enhance our flexibility to fund operating and investment activities in the most cost-effective way. We consider a number of factors when evaluating the amount and type of additional indebtedness we may elect to incur. Among these factors are the construction costs or purchase prices of properties to be developed or acquired, the estimated market value of our properties and the Company as a whole upon consummation of the financing, and the ability to generate cash flow to cover expected debt service.

Strengthening our balance sheet continues to be one of our top priorities. In February 2019, the Company announced a plan to market and sell up to \$500 million in non-core assets as part of a program designed to improve the Company's portfolio quality, reduce its leverage, and focus operations on markets where the Company believes it can gain scale and generate attractive risk-adjusted returns. The Company currently anticipates that the bulk of the net proceeds will be used to repay debt, further strengthening its balance sheet.

We maintain an investment grade credit rating that we expect will continue to enable us to opportunistically access the public unsecured bond market and will allow us to lower our cost of capital and provide greater flexibility in managing the acquisition and disposition of assets in our operating portfolio.

We intend to continue implementing our financing and capital strategies in a number of ways, which may include one or more of the following actions:

- prudently managing our balance sheet, including maintaining sufficient availability under our unsecured revolving credit facility so that we have additional capacity to fund our development and redevelopment projects and pay down maturing debt if refinancing that debt is not desired or practical;
- extending the scheduled maturity dates of and/or refinancing our near-term mortgage, construction and other indebtedness;
- expanding our unencumbered asset pool;
- raising additional capital through the issuance of common shares, preferred shares or other securities;
- managing our exposure to interest rate increases on our variable-rate debt through the selective use of fixed rate hedging transactions;
- issuing unsecured bonds in the public markets, and securing property-specific long-term non-recourse financing; and
- entering into joint venture arrangements in order to access less expensive capital and mitigate risk.

Growth Strategy. Our growth strategy includes the selective deployment of financial resources to projects that are expected to generate investment returns that meet or exceed our internal benchmarks. We implement our growth strategy in a number of ways, including:

- continually evaluating our operating properties for redevelopment and renovation opportunities that we believe will make them more attractive for leasing to new tenants, right-sizing of anchor spaces while increasing rental rates, and re-leasing spaces to existing tenants at increased rental rates;
- disposing of selected assets that no longer meet our long-term investment criteria and recycling the net proceeds into properties that provide attractive returns and rent growth potential in targeted markets or using the proceeds to repay debt, thereby reducing our leverage; and
- selectively pursuing the acquisition of retail operating properties, portfolios and companies in markets with strong demographics.

In evaluating opportunities for potential acquisition, development, redevelopment and disposition, we consider a number of factors, including:

- the expected returns and related risks associated with the investments relative to our combined cost of capital to make such investments;
- the current and projected cash flow and market value of the property and the potential to increase cash flow and market value if the property were to be successfully re-leased or redeveloped;
- the price being offered for the property, the current and projected operating performance of the property, the tax consequences of the transaction, and other related factors;
- opportunities for strengthening the tenant mix at our properties through the placement of anchor tenants such as value retailers, grocers, soft goods stores, theaters, or sporting goods retailers, as well as further enhancing a diverse tenant mix that includes restaurants, specialty shops, service retailers such as banks, dry cleaners and hair salons, and shoe and clothing retailers, some of which provide staple goods to the community and offer a high level of convenience;
- the configuration of the property, including ease of access, availability of parking, visibility, and the demographics of the surrounding area; and
- the level of success of existing properties in the same or nearby markets.

In 2018, we completed one development and six 3-R projects at total costs of \$79.9 million and an aggregate return on cost of 8.5%.

Competition

The United States commercial real estate market continues to be highly competitive. We face competition from other REITs, including other retail REITs, and other owner-operators engaged in the ownership, leasing, acquisition, and development of shopping centers as well as from numerous local, regional and national real estate developers and owners in each of our markets. Some of these competitors may have greater capital resources than we do, although we do not believe that any single competitor or group of competitors is dominant in any of the markets in which we own properties.

We face significant competition in our efforts to lease available space to prospective tenants at our operating, development and redevelopment properties. The nature of the competition for tenants varies based on the characteristics of each local market in which we own properties. We believe that the principal competitive factors in attracting tenants in our market areas are location, demographics, rental rates, the presence of anchor stores, competitor shopping centers in the same geographic area and the maintenance, appearance, access and traffic patterns of our properties. There can be no assurance in the future that we will be able to compete successfully with our competitors in our development, acquisition and leasing activities.

Government Regulation

We and our properties are subject to a variety of federal, state, and local environmental, health, safety and similar laws, including:

Americans with Disabilities Act. Our properties must comply with Title III of the Americans with Disabilities Act (the "ADA"), to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in orders requiring us to spend substantial sums to cure violations, pay attorneys' fees, or pay other amounts. The obligation to make readily accessible accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

Affordable Care Act. We may be subject to excise taxes under the employer mandate provisions of the Affordable Care Act ("ACA") if we (i) do not offer health care coverage to substantially all of our full-time employees and their dependents or (ii) do not offer health care coverage that meets the ACA's affordability and minimum value standards. The excise tax is based on the number of full-time employees. We do not anticipate being subject to a penalty under the ACA; however, even in the event that we are, any such penalty would be less than \$0.3 million, as we had 144 full-time employees as of December 31, 2018.

Environmental Regulations. Some properties in our portfolio contain, may have contained or are adjacent to or near other properties that have contained or currently contain underground storage tanks for petroleum products or other hazardous or toxic substances. These storage tanks may have released, or have the potential to release, such substances into the environment.

In addition, some of our properties have tenants which may use hazardous or toxic substances in the routine course of their businesses. In general, these tenants have covenanted in their leases with us to use these substances, if any, in compliance with all environmental laws and have agreed to indemnify us for any damages we may suffer as a result of their use of such substances. However, these lease provisions may not fully protect us in the event that a tenant becomes insolvent. Finally, certain of our properties have contained asbestos-containing building materials, or ACBM, and other properties may have contained such materials based on the date of its construction. Environmental laws require that ACBM be properly managed and maintained, and fines and penalties may be imposed on building owners or operators for failure to comply with these requirements. The laws also may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future.

With environmental sustainability becoming a national priority, we have continued to demonstrate our strong commitment to be a responsible corporate citizen through resource reduction and employee training that have resulted in reductions of energy consumption, waste and improved maintenance cycles.

Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance that covers all properties in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage, geographic locations of our assets and industry practice. Certain risks such as loss from riots, war or acts of God, and, in some cases, flooding are not insurable; and therefore, we do not carry insurance for these losses. Some of our policies, such as those covering losses due to terrorism and floods, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses.

Offices

Our principal executive office is located at 30 S. Meridian Street, Suite 1100, Indianapolis, IN 46204. Our telephone number is (317) 577-5600.

Employees

As of December 31, 2018, we had 144 full-time employees. The majority of these employees were based at our Indianapolis, Indiana headquarters.

Segment Reporting

Our primary business is the ownership and operation of neighborhood and community shopping centers. We do not distinguish or group our operations on a geographical basis, or any other basis, when measuring performance. Accordingly, we have one operating segment, which also serves as our reportable segment for disclosure purposes in accordance with accounting principles generally accepted in the United States ("GAAP").

Available Information

Our Internet website address is www.kiterealty.com. You can obtain on our website, free of charge, a copy of our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments with, or furnish them to, the SEC. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Code of Ethics for Principal Executive Officer and Senior Financial Officers, our Corporate Governance Guidelines, and the charters for each of the committees of our Board of Trustees—the Audit Committee, the Corporate Governance and Nominating Committee, and the Compensation Committee. Copies of our Code of Business Conduct and Ethics, our Code of Ethics for Principal Executive Officer and Senior Financial Officers, our Corporate Governance Guidelines, and our committee charters are also available from us in print and free of charge to any shareholder upon request. Any person wishing to obtain such copies in print should contact our Investor Relations department by mail at our principal executive office.

The Securities and Exchange Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy statements, information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by our management from time to time. These factors, among others, may have a material adverse effect on our business, financial condition, operating results and cash flows, and you should carefully consider them. It is not possible to predict or identify all such factors. You should not consider this list to be a complete statement of all potential risks or uncertainties. Past performance should not be considered an indication of future performance.

We have separated the risks into three categories:

- risks related to our operations;

- risks related to our organization and structure; and
- risks related to tax matters.

RISKS RELATED TO OUR OPERATIONS

Ongoing challenging conditions in the United States and global economies and the challenges facing our retail tenants and non-owned anchor tenants may have a material adverse effect on our financial condition and results of operations.

Certain sectors of the United States economy, including the retail sector, have experienced and continue to experience sustained weakness. Over the past several years, this structural weakness has resulted in the bankruptcy or weakened financial condition of a number of retailers, decreased consumer spending, increased home foreclosures, low consumer confidence, and reduced demand and rental rates for certain retail space. General economic factors that are beyond our control, including, but not limited to, economic recessions, decreases in consumer confidence and spending, decreases in business confidence and business spending, reductions in consumer credit availability, increasing consumer debt levels, rising energy costs, higher tax rates or other changes in taxation, rising interest rates, business layoffs, downsizing and industry slowdowns, unemployment and/or rising or falling inflation, could have a negative impact on the business of our retail tenants. In turn, this could have a material adverse effect on our business because current or prospective tenants may, among other things, (i) have difficulty paying their rent obligations as they struggle to sell goods and services to consumers, (ii) be unwilling to enter into or renew leases with us on favorable terms or at all, (iii) seek to terminate their existing leases with us or request rent concessions on such leases, or (iv) be forced to curtail operations or declare bankruptcy. We are also susceptible to other developments and conditions that could have a material adverse effect on our business. These developments and conditions include relocations of businesses, changing demographics (including the number of households and average household income surrounding our properties), increasing consumer shopping via the internet (or e-commerce), other changes in retailers' and consumers' preferences and behaviors, infrastructure quality, federal, state, and local budgetary constraints and priorities, increases in real estate and other taxes, increased government regulation and the related compliance cost, decreasing valuations of real estate, and other factors.

Further, we continually monitor events and changes in circumstances that could indicate that the carrying value of our real estate assets may not be recoverable. Challenging market conditions could require us to recognize impairment charges with respect to one or more of our properties, or a loss on the disposition of one or more of our properties.

The expansion of e-commerce may impact our tenants and our business.

The prominence of e-commerce continues to increase and its growth is likely to continue or accelerate in the future. Continued expansion of e-commerce could result in a downturn in the businesses of some of our tenants and affect decisions made by current and prospective tenants in leasing space or operating their businesses, including reduction of the size or number of their retail locations in the future. We cannot predict with certainty how the growth in e-commerce will impact the demand for space at our properties or the revenue generated at our properties in the future. Although we continue to aggressively respond to these trends, including by entering into or renewing leases with tenants whose businesses are perceived as more resistant to e-commerce (such as services, restaurant, grocery, specialty and other experiential retailers), the risks associated with e-commerce could have a material adverse effect on the business outlook and financial results of our present and future tenants, which in turn could have a material adverse effect on our cash flow and results of operations.

If our tenants are unable to secure financing necessary to continue to operate and grow their businesses and pay us rent, we could be materially and adversely affected.

Many of our tenants rely on external sources of financing to operate and grow their businesses. Future economic downturns and disruptions in credit markets may adversely affect our tenants' ability to obtain debt financing at favorable rates or at all. If our tenants are unable to secure financing necessary to operate or expand their businesses, they may be unable to meet their rent obligations to us or enter into new leases with us or be forced to declare bankruptcy and reject our leases with them, which could materially and adversely affect our cash flow and results of operations.

Our business is significantly influenced by demand for retail space generally, a decrease in which may have a greater adverse effect on our business than if we owned a more diversified real estate portfolio.

Because our portfolio of properties consists primarily of community and neighborhood shopping centers, a decrease in the demand for retail space, due to the economic factors discussed above or otherwise, may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate property portfolio. The market for retail space has been, and could be in the future, adversely affected by weakness in the national, regional and local economies, the adverse

financial condition of certain large retailing companies, the ongoing consolidation and contraction in the retail sector, the excess amount of retail space in a number of markets and increasing e-commerce and the perception such online retail competition has on the value of shopping center assets. To the extent that any of these conditions occur, they are likely to negatively affect market rents for retail space, which in turn could materially and adversely affect our financial condition, results of operations, cash flow, common share trading price, and ability to satisfy our debt service obligations and to pay distributions to our shareholders.

The closure of any stores by any non-owned anchor tenant or the bankruptcy of a major tenant with leases in multiple locations, because of a deterioration of its financial condition or otherwise, could have a material adverse effect on our results of operations.

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. Our leases generally do not contain provisions designed to ensure the creditworthiness of our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition, particularly in the face of online competition and during periods of economic or political uncertainty. Economic and political uncertainty, including uncertainty related to taxation, may affect our tenants, joint venture partners, lenders, financial institutions and general economic conditions, such as consumer confidence and spending, business confidence and spending and the volatility of the stock market. In the event of prolonged severe economic conditions, our tenants may delay or cancel lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases with us and the related loss of rental income. Lease terminations or failure of a major tenant or non-owned anchor to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers because of contractual co-tenancy termination or rent reduction rights contained in some leases. In such an event, we may be unable to re-lease the vacated space at attractive rents or at all. In some cases, it may take extended periods of time to re-lease a space, particularly one previously occupied by a major tenant or non-owned anchor. Additionally, in the event our tenants are involved in mergers or acquisitions with or by third parties or undertake other restructurings, such tenants may choose to consolidate, downsize or relocate their operations, resulting in terminating or not renewing their leases with us or vacating the leased premises. The occurrence of any of the situations described above, particularly if it involves a substantial tenant or a non-owned anchor with ground leases in multiple locations, could have a material adverse effect on our results of operations.

We face potential material adverse effects from tenant bankruptcies, and we may be unable to collect balances due from such tenants, replace the tenant at current rates, or at all.

Tenant bankruptcies may increase during periods of difficult economic conditions. We cannot make any assurances that a tenant filing for bankruptcy protection will continue to pay its rent obligations. A bankruptcy filing by one of our tenants or a lease guarantor would legally prohibit us from collecting pre-bankruptcy debts from that tenant or the lease guarantor, unless we receive an order from the bankruptcy court permitting us to do so. Such bankruptcies could delay, reduce, or ultimately preclude collection of amounts owed to us. A tenant in bankruptcy may attempt to renegotiate the lease or request significant rent concessions. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages, including pre-bankruptcy balances. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. There are restrictions under bankruptcy laws that limit the amount of the claim we can make for future rent under a lease if the lease is rejected. As a result, it is likely that we would recover substantially less than the full value of any unsecured claims we hold from a tenant in bankruptcy, which would result in a reduction in our cash flow and in the amount of cash available for distribution to our shareholders and could have a material adverse effect on our results of operations.

Moreover, we are continually re-leasing vacant spaces resulting from tenant lease terminations. The bankruptcy of a tenant, particularly an anchor tenant, may make it more difficult to lease the remainder of the affected properties. Future tenant bankruptcies could materially adversely affect our properties or impact our ability to successfully execute our re-leasing strategy.

Our performance and value are subject to risks associated with real estate assets and the real estate industry.

Our ability to make distributions to our shareholders depends on our ability to generate substantial revenues from our properties. Periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. Such events would materially and adversely affect our financial condition, results of operations, cash flow, per share trading price of our common shares, ability to satisfy debt service obligations, and ability to make distributions to shareholders.

In addition, other events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include but are not limited to:

- adverse changes in the national, regional and local economic climate, particularly in Florida, Indiana and Texas where 25%, 15% and 12%, respectively, of our total annualized base rent is earned;
- tenant bankruptcies;
- local oversupply of rental space, increased competition or reduction in demand for rentable space;
- inability to collect rent from tenants or having to provide significant rent concessions to tenants;
- vacancies or our inability to rent space on favorable terms or at all;
- downward trends in market rental rates;
- inability to finance property development, tenant improvements and acquisitions on favorable terms;
- increased operating costs, including maintenance, insurance, utilities and real estate taxes and a decrease in our ability to recover such increased costs from our tenants;
- the need to periodically fund the costs to repair, renovate and re-lease spaces in our operating properties;
- decreased attractiveness of our properties to tenants;
- weather conditions that may increase energy costs and other weather-related expenses, such as snow removal costs;
- changes in laws and governmental regulations and costs of complying with such changed laws and governmental regulations, including those involving health, safety, usage, zoning, the environment and taxes;
- civil unrest, acts of terrorism, earthquakes, hurricanes and other national disasters or acts of God that may result in underinsured or uninsured losses;
- the relative illiquidity of real estate investments;
- changing demographics (including the number of households and average household income surrounding our properties); and
- changing customer traffic patterns.

We face significant competition, which may impede our ability to renew leases or re-lease space as leases expire or require us to undertake unexpected capital improvements.

We compete with numerous developers, owners and operators of retail shopping centers, regional malls, and outlet malls for tenants. These competitors include institutional investors, other REITs, including other retail REITs, and other owner-operators of community and neighborhood shopping centers, some of which own or may in the future own properties similar to ours in the same markets but which have greater capital resources. As of December 31, 2018, leases representing 5.8% of our total annualized base rent were scheduled to expire in 2019. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may be unable to lease on satisfactory terms and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our leases with them expire. We also may be required to offer more substantial rent reductions or abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements than we have done historically. As a result, our financial condition, results of operations, cash flow, trading price of our common shares and ability to satisfy our debt service obligations and to pay distributions to our shareholders may be materially adversely affected. In addition, increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make, which would reduce cash available for distributions to shareholders. If retailers or consumers perceive that shopping at other venues, online or by phone is more convenient, cost-effective or otherwise more attractive, our revenues and results of operations also may suffer.

Because of our geographic concentration in Florida, Indiana and Texas, a prolonged economic downturn in these states could materially and adversely affect our financial condition and results of operations.

The specific markets in which we operate may face challenging economic conditions that could persist into the future. In particular, as of December 31, 2018, rents from our owned square footage in the states of Florida, Indiana and Texas comprised 25%, 15%, and 12% of our annualized base rent, respectively. This level of concentration could expose us to greater economic risks than if we owned properties in numerous geographic regions. Adverse economic or real estate trends in Florida, Indiana, Texas, or the surrounding regions, or any decrease in demand for retail space resulting from the local regulatory environment, business climate or fiscal problems in these states, could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to our shareholders.

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms, or at all, and have other material adverse effects on our business.

Disruptions in the financial markets generally, or relating to the real estate industry specifically, may adversely affect our ability to obtain debt financing on favorable terms or at all. These disruptions could impact the overall amount of equity and debt financing available, lower loan to value ratios, cause a tightening of lender underwriting standards and terms and cause higher interest rate spreads. As a result, we may be unable to refinance or extend our existing indebtedness on favorable terms or at all. We have approximately \$20.7 million of debt principal schedule to mature through December 31, 2020. If we are not successful in refinancing our outstanding debt when it becomes due, we may have to dispose of properties on disadvantageous terms, which could adversely affect our ability to service other debt and to meet our other obligations. We currently have sufficient capacity under our unsecured revolving credit facility and operating cash flows to retire outstanding debt maturing through 2021 in the event we are not able to refinance such debt when it becomes due, but we cannot provide any assurance that we will be able to maintain capacity to retire any or all of our outstanding debt beyond 2021.

If economic conditions deteriorate in any of our markets, we may have to seek less attractive, alternative sources of financing and adjust our business plan accordingly. These factors may make it more difficult for us to sell properties or may adversely affect the selling price, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events also may make it difficult or costly to raise capital through the issuance of our common shares or preferred shares. The disruptions in the financial markets have had, and may continue to have, a material adverse effect on the market value of our common shares and other aspects of our business, as well as the economy in general. Furthermore, there can be no assurances that government responses to disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of equity or debt financing.

Our real estate assets may be subject to impairment charges, which may negatively affect our net income.

Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable through future operations. On at least a quarterly basis, we evaluate whether there are any indicators, including poor operating performance or deteriorating general market conditions, that the carrying value of our real estate properties (including any related amortizable intangible assets or liabilities) may not be recoverable. As part of this evaluation, we compare the current carrying value of the asset to the estimated undiscounted cash flows that are directly associated with the use and ultimate disposition of the asset. Our estimated cash flows are based on several key assumptions, including current and projected rental rates, costs of tenant improvements, leasing commissions, anticipated hold periods, and assumptions regarding the residual value upon disposition, including the exit capitalization rate. These key assumptions are subjective in nature and could differ materially from actual results if the property was disposed. Changes in our disposition strategy or changes in the marketplace may alter the hold period of an asset or asset group, which may result in an impairment loss, and such loss could be material to our financial condition or operating performance. To the extent that the carrying value of the asset exceeds the estimated undiscounted cash flows, an impairment loss is recognized equal to the excess of carrying value over estimated fair value. If the above-described negative indicators are not identified during our period property evaluations, management will not assess the recoverability of a property's carrying value.

The estimation of the fair value of real estate assets is highly subjective and is typically determined through comparable sales information and other market data if available or through use of an income approach such as the direct capitalization method or the traditional discounted cash flow approach. Such cash flow projections consider factors, including expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors, and therefore are subject to a significant degree of management judgment. Changes in those factors could impact the determination of fair value. In estimating the fair value of undeveloped land, we generally use market data and comparable sales information.

These subjective assessments have a direct impact on our net income because recording an impairment charge results in an immediate negative adjustment to net income. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken.

We had \$1.5 billion of consolidated indebtedness outstanding as of December 31, 2018, which may have a material adverse effect on our financial condition and results of operations and reduce our ability to incur additional indebtedness to fund our growth.

Required repayments of debt and related interest charges, along with any applicable prepayment premium, may materially adversely affect our operating performance. We had \$1.5 billion of consolidated outstanding indebtedness as of December 31, 2018. At December 31, 2018, \$464.1 million of our debt bore interest at variable rates (\$72.9 million when reduced by \$391.2 million of fixed interest rate swaps). Interest rates are currently low relative to historical levels and may increase significantly in the future. If our interest expense increased significantly, it could materially adversely affect our results of operations. For example, if market rates of interest on our variable rate debt outstanding, net of cash flow hedges, as of December 31, 2018 increased by 1%, the increase in interest expense on our unhedged variable rate debt would decrease future cash flows by approximately \$0.7 million annually.

We may incur additional debt in connection with various development and redevelopment projects and may incur additional debt upon the future acquisition of operating properties. Our organizational documents do not limit the amount of indebtedness that we may incur. We may borrow new funds to develop or acquire properties. In addition, we may increase our mortgage debt by obtaining loans secured by some or all of the real estate properties we develop or acquire. We also may borrow funds if necessary to satisfy the requirement that we distribute to shareholders at least 90% of our annual "REIT taxable income" (determined before the deduction of dividends paid and excluding net capital gains) or otherwise as is necessary or advisable to ensure that we maintain our qualification as a REIT for U.S. federal income tax purposes or otherwise avoid paying taxes that can be eliminated through distributions to our shareholders.

Our substantial debt could materially and adversely affect our business in other ways, including by, among other things:

- requiring us to use a substantial portion of our funds from operations to pay principal and interest, which reduces the amount available for distributions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; and
- limiting our ability to borrow more money for operating or capital needs or to finance development and acquisitions in the future.

Agreements with lenders supporting our unsecured revolving credit facility and various other loan agreements contain default provisions which, among other things, could result in the acceleration of principal and interest payments or the termination of the facilities.

Our unsecured revolving credit facility and various other debt agreements contain certain Events of Default which include, but are not limited to, failure to make principal or interest payments when due, failure to perform or observe any term, covenant or condition contained in the agreements, failure to maintain certain financial and operating ratios and other criteria, misrepresentations, acceleration of other material indebtedness and bankruptcy proceedings. In the event of a default under any of these agreements, the lender would have various rights including, but not limited to, the ability to require the acceleration of the payment of all principal and interest due and/or to terminate the agreements and, to the extent such debt is secured, to foreclose on the properties. The declaration of a default and/or the acceleration of the amount due under any such credit agreement could have a material adverse effect on our business, limit our ability to make distributions to our shareholders, and prevent us from obtaining additional funds needed to address cash shortfalls or pursue growth opportunities.

Certain of our loan agreements contain cross-default provisions which provide that a violation by the Company of any financial covenant set forth in our unsecured revolving credit facility agreement will constitute an event of default under such loans. The agreements relating to our unsecured revolving credit facility, unsecured term loan and seven-year unsecured term loan contain provisions providing that any "Event of Default" under one of these facilities or loans will constitute an "Event of Default" under the other facility or loan. In addition, these agreements relating to our unsecured revolving credit facility, unsecured

term loan and seven-year unsecured term loan, as well as the agreement relating to our senior unsecured notes, include a provision providing that any payment default under an agreement relating to any material indebtedness will constitute an “Event of Default” thereunder. These provisions could allow the lending institutions to accelerate the amount due under the loans. If payment is accelerated, our assets may not be sufficient to repay such debt in full, and, as a result, such an event may have a material adverse effect on our cash flow, financial condition and results of operations. We were in compliance with all applicable covenants under the agreements relating to our unsecured revolving credit facility, unsecured term loan and seven-year unsecured term loan and senior unsecured notes as of December 31, 2018, although there can be no assurance that we will continue to remain in compliance in the future.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

A significant amount of our indebtedness is secured by our real estate assets. If a property or group of properties is mortgaged to secure payment of debt and we are unable to make the required periodic mortgage payments, the lender or the holder of the mortgage could foreclose on the property, resulting in the loss of our investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”). If any of our properties are foreclosed on due to a default, our ability to pay cash distributions to our shareholders and our earnings will be limited. In addition, as a result of cross-collateralization or cross-default provisions contained in certain of our mortgage loans, a default under one mortgage loan could result in a default on other indebtedness and cause us to lose other better performing properties, which could materially and adversely affect our financial condition and results of operations.

We are subject to risks associated with hedging agreements.

We use a combination of interest rate protection agreements, including interest rate swaps, to manage risk associated with interest rate volatility. This may expose us to additional risks, including a risk that the counterparty to a hedging arrangement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial effect on our results of operations or financial condition. Further, should we choose to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our initial obligation under such agreement.

We may be adversely affected by changes in LIBOR reporting practices, the method in which LIBOR is determined or the use of alternative reference rates.

As of December 31, 2018, we had approximately \$464.1 million of debt outstanding that was indexed to the London Interbank Offered Rate (“LIBOR”). In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of this announcement, any changes in the methods by which LIBOR is determined or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate, the Secured Overnight Financing Rate (“SOFR”), proposed by a group of major market participants convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators, the Alternative Reference Rates Committee (“ARRC”). SOFR is based on transactions in the more robust U.S. Treasury repurchase market and has been proposed as the alternative to LIBOR for use in derivatives and other financial contracts that currently rely on LIBOR as a reference rate. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Such developments and any other legal or regulatory changes in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR’s determination and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make

one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

Our financial covenants may restrict our operating and acquisition activities.

Our unsecured revolving credit facility contains certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur debt, make dividend payments, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain acquisition transactions. In addition, certain of our mortgages contain customary covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. Failure to meet any of the financial covenants could cause an event of default under and/or accelerate some or all of our indebtedness, which could have a material adverse effect on us.

Our current and any future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners.

As of December 31, 2018, we owned interests in two of our operating properties through consolidated joint ventures and interests in four properties through unconsolidated joint ventures. In addition, we currently own land held for development through one consolidated joint venture. Our joint ventures may involve risks not present with respect to our wholly owned properties, including the following:

- we may share decision-making authority with our joint venture partners regarding certain major decisions affecting the ownership or operation of the joint venture and the joint venture property, such as the sale of the property or the making of additional capital contributions for the benefit of the property, which may prevent us from taking actions that are opposed by our joint venture partners;
- prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which restricts our ability to dispose of our interest in the joint venture;
- our joint venture partners might become bankrupt or fail to fund their share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture;
- our joint venture partners may have business interests or goals with respect to the property that conflict with our business interests and goals, which could increase the likelihood of disputes regarding the ownership, management or disposition of the property;
- disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration that would increase our expenses and distract our officers and/or trustees from focusing their time and effort on our business and possibly disrupt the day-to-day operations of the property, such as by delaying the implementation of important decisions until the conflict or dispute is resolved; and
- we may suffer losses as a result of the actions of our joint venture partners with respect to our joint venture investments, and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we may not control the joint venture.

In the future, we may seek to co-invest with third parties through joint ventures that may involve similar or additional risks.

Our future developments, redevelopments and acquisitions may not yield the returns we expect or may result in dilution in shareholder value.

As of December 31, 2018, we have one development project and four redevelopment projects under construction or in the planning stage, including de-leasing space and evaluating development plans and costs with potential tenants and partners. Some of these plans include non-retail uses, such as multifamily housing. New development and redevelopment projects and property acquisitions are subject to a number of risks, including, but not limited to:

- abandonment of development and redevelopment activities after expending resources to determine feasibility;
- construction delays or cost overruns that may increase project costs;
- the failure of our pre-acquisition investigation of a property or building, and any related representations we may receive from the seller, to reveal various liabilities or defects or identify necessary repairs until after the property is acquired, which could reduce the cash flow from the property or increase our acquisition costs;
- as a result of competition for attractive development and acquisition opportunities, we may be unable to acquire assets as we desire or the purchase price may be significantly elevated, which may impede our growth;
- the failure to meet anticipated occupancy or rent levels within the projected time frame, if at all;
- inability to operate successfully in new markets where new properties are located;
- inability to successfully integrate new properties into existing operations;
- exposure to fluctuations in the general economy due to the significant time lag between commencement and completion of development and redevelopment projects;
- failure to receive required zoning, occupancy, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws; and
- difficulty or inability to obtain any required consents of third parties, such as tenants, mortgage lenders and joint venture partners.

In addition, if a project is delayed or if we are unable to lease designated space to anchor tenants, certain other tenants may have the right to terminate their leases or modify the terms in a manner that is disadvantageous to us. If any of these situations occur, development costs for a project may increase, which may result in reduced returns, or even losses, from such investments. In deciding whether to acquire, develop, or redevelop a particular property, we make certain assumptions regarding the expected future performance of that property. If these properties do not perform as expected, our financial performance may be materially and adversely affected, or an impairment charge could occur. In addition, the issuance of equity securities as consideration for any significant acquisitions could be dilutive to our shareholders.

To the extent that we pursue acquisitions in the future, we may not be successful in acquiring desirable operating properties, for which we face significant competition, or identifying development and redevelopment projects that meet our investment criteria, both of which may impede our growth.

From time to time, consistent with our business strategy, we evaluate the market and may acquire properties when we believe strategic opportunities exist. When we pursue acquisitions, we may be unable to acquire a desired property because of competition from other real estate investors with substantial capital, including other REITs and institutional investment funds. Even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price, reducing the return to our shareholders. Additionally, we may not be successful in identifying suitable real estate properties or other assets that meet our development or redevelopment criteria, or we may fail to complete developments, redevelopments, acquisitions or investments on satisfactory terms. Failure to identify or complete developments, redevelopments or acquisitions could slow our growth, which could in turn materially adversely affect our operations. Furthermore, when we pursue acquisitions, we may agree to provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as limitations on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could adversely affect our financial condition and results of operations.

Development and redevelopment activities may be delayed or may not perform as expected and, in the case of an unsuccessful project, our entire investment could be at risk for loss.

We currently have one development project and one redevelopment project under construction. We have also identified three additional redevelopment opportunities and expect to commence redevelopment in the future. In connection with any development or redevelopment of our properties, we will bear certain risks, including the risk of construction delays or cost overruns that may increase project costs and make a project uneconomical, the risk that occupancy or rental rates at a completed project will not be sufficient to enable us to pay operating expenses or earn the targeted rate of return on investment, and the risk of incurrence of predevelopment costs in connection with projects that are not pursued to completion. In addition, various tenants may have the right to withdraw from a property if a development or redevelopment project is not completed on schedule and

required third-party consents may be withheld. In the case of an unsuccessful redevelopment project, our entire investment could be at risk for loss, or an impairment charge could occur.

We may not be able to sell properties when appropriate or on terms favorable to us and could, under certain circumstances, be required to pay a 100% "prohibited transaction" penalty tax related to the properties we sell.

Real estate property investments generally cannot be sold quickly. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. Before a property can be sold, we may need to make expenditures to correct defects or to make improvements. We may not have funds available to correct such defects or to make such improvements, and if we cannot do so, we might not be able to sell the property or might be required to sell the property on unfavorable terms. With respect to our plan announced in February 2019 to market and sell up to \$500 million in non-core assets, there can be no assurances that we will successfully complete the dispositions or that execution of our plan will enhance shareholder value. We may not be able to dispose of any of the properties on terms favorable to us or at all, and each individual sale will depend on, among other things, economic and market conditions, individual asset characteristics and the availability of potential buyers and favorable financing terms at the time. Further, we will incur marketing expenses and other transaction costs in connection with dispositions, and the process of marketing and selling a large pool of properties may distract the attention of our personnel from the operation of our business.

Also, the tax laws applicable to REITs impose a 100% penalty tax on any net income from "prohibited transactions." In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell. Therefore, we may be unable to adjust our portfolio mix promptly in response to market conditions, which may adversely affect our financial position. In addition, we will be subject to income taxes on gains from the sale of any properties owned by any taxable REIT subsidiary.

Uninsured losses or losses in excess of insurance coverage could materially and adversely affect our cash flow, financial condition and results of operations.

We do not carry insurance for generally uninsurable losses such as loss from riots, war or acts of God, and, in some cases, flooding. Some of our policies, such as those covering losses due to terrorism and floods, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover all losses. In addition, tenants generally are required to indemnify and hold us harmless from liabilities resulting from injury to persons or damage to personal or real property, on the premises, due to activities conducted by tenants or their agents on the properties (including without limitation any environmental contamination) and, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. However, tenants may not properly maintain their insurance policies or have the ability to pay the deductibles associated with such policies. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Insurance coverage on our properties may be expensive or difficult to obtain, exposing us to potential risk of loss.

In the future, we may be unable to renew or duplicate our current insurance coverage at adequate levels or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts, environmental liabilities, or other catastrophic events including hurricanes and floods, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property after a covered period of time, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Events such as these could adversely affect our results of operations and our ability to meet our financial obligations.

Rising operating expenses could reduce our cash flow and funds available for future distributions, particularly if such expenses are not offset by an increase in corresponding revenues.

Our existing properties and any properties we develop or acquire in the future are and will continue to be subject to operating risks common to real estate in general, any or all of which may negatively affect us. The expenses of owning and operating properties generally do not decrease, and may increase, when circumstances such as market factors and competition cause a reduction in income from the properties. Our properties continue to be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, regardless of occupancy rates. As a result, if any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds for that property's operating expenses. Therefore, rising operating expenses could reduce our cash flow and funds available for future distributions, particularly if such expenses are not offset by corresponding revenues.

Our business faces potential risks associated with natural disasters, severe weather conditions and climate change, which could have an adverse effect on our cash flow and operating results.

Changing weather patterns and climatic conditions may affect the predictability and frequency of natural disasters in some parts of the world and create additional uncertainty as to future trends and exposures, including certain areas in which our portfolio is concentrated such as Texas and Florida. Our properties are located in many areas that are subject to or have been affected by natural disasters and severe weather conditions such as hurricanes, tropical storms, tornadoes, earthquakes, droughts, floods and fires. Over time, the occurrence of natural disasters, severe weather conditions and changing climatic conditions can delay new development and redevelopment projects, increase repair costs and future insurance costs and negatively impact the demand for lease space in the affected areas, or in extreme cases, affect our ability to operate the properties at all. These risks could have an adverse effect on our cash flow and operating results.

We could incur significant costs related to environmental matters.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership, operation and management of real properties, we are potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property. We may also be liable to third parties for damage and injuries resulting from environmental contamination emanating from the real estate. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property.

Some of the properties in our portfolio contain, may have contained or are adjacent to or near other properties that have contained or currently contain underground storage tanks for petroleum products or other hazardous or toxic substances. These tanks may have released, or have the potential to release, such substances into the environment. In addition, some of our properties have tenants that may use hazardous or toxic substances in the routine course of their businesses. In general, these tenants have covenanted in their leases with us to use these substances, if any, in compliance with all environmental laws and have agreed to indemnify us for any damages that we may suffer as a result of their use of such substances. However, these lease provisions may not fully protect us in the event that a tenant becomes insolvent. Finally, certain of our properties have contained asbestos-containing building materials, or ACBM, and other properties may have contained such materials based on the date of its construction. Environmental laws require that ACBM be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. The laws also may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Our efforts to identify environmental liabilities may not be successful.

We test our properties for compliance with applicable environmental laws on a limited basis. We cannot give assurance that:

- existing environmental studies with respect to our properties reveal all potential environmental liabilities;

- any previous owner, occupant or tenant of one of our properties did not create any material environmental condition not known to us;
- the current environmental condition of our properties will not be affected by tenants and occupants, by the condition of nearby properties, or by other unrelated third parties; or
- future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations or the interpretation thereof) will not result in environmental liabilities.

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

Our properties must comply with Title III of the ADA to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Noncompliance with the ADA could result in orders requiring us to spend substantial sums to cure violations, pay attorneys' fees, or pay other amounts. Although we believe the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. While the tenants to whom our properties are leased 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 our results of operations and financial condition. 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, and we may be restricted in our ability to renovate the properties subject to, those requirements. The resulting expenditures and restrictions could have a material adverse effect on our ability to meet our financial obligations, as well as our cash flows and results of operations.

Inflation may adversely affect our financial condition and results of operations.

Most of our leases contain provisions requiring the tenant to pay a share of operating expenses, including common area maintenance, real estate taxes and insurance. However, increased inflation could have a more pronounced negative impact on our mortgage and debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rents. Also, inflation may adversely affect tenant leases with stated rent increases or limits on such tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. It may also limit our ability to recover all of our operating expenses. Inflation could also have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our average rents, and in some cases, our percentage rents, where applicable. In addition, renewals of leases or future leases may not be negotiated on current terms, in which event we may recover a smaller percentage of our operating expenses.

Rising interest rates could increase our borrowing costs, thereby adversely affecting our cash flows and the amounts available for distributions to our shareholders, as well as decrease our share price, if investors seek higher yields through other investments.

An environment of rising interest rates could lead investors to seek higher yields through other investments, which could adversely affect the market price of our common shares. One of the factors that may influence the price of our common shares in public markets is the rate of annual cash distributions we pay as compared with the yields on alternative investments. Several other factors, such as governmental regulatory action and tax laws, could have a significant impact on the future market price of our common shares. In addition, increases in market interest rates could result in increased borrowing costs for us, which may adversely affect our cash flow and the amounts available for distributions to our shareholders.

We and our tenants face risks relating to cybersecurity attacks that could cause loss of confidential information and other business disruptions.

We rely extensively on computer systems to process transactions and manage our business, and our business is at risk from and may be impacted by cybersecurity attacks. These could include attempts to gain unauthorized access to our data and computer systems. Attacks can be both individual and/or highly organized attempts by very sophisticated hacking organizations. A cybersecurity attack could compromise the confidential information of our employees, tenants, and vendors. Additionally, we rely on a number of service providers and vendors, and cybersecurity risks at these service providers and vendors create additional

risks for our information and business. A successful attack could lead to identity theft, fraud or other disruptions to our business operations, any of which may negatively affect our results of operations.

We employ a number of measures to prevent, detect and mitigate these threats. These prevention measures include password protection, frequent password change events, firewall detection systems, frequent backups, a redundant data system for core applications and penetration testing. We conduct periodic assessments of (i) the nature, sensitivity and location of information that we collect, process and store and the technology systems we use; (ii) internal and external cybersecurity threats to and vulnerabilities of our information and technology systems; (iii) security controls and processes currently in place; (iv) the impact should our technology systems become compromised; and (v) the effectiveness of our management of cybersecurity risk. The results of these assessments are used to create and implement a strategy designed to prevent, detect and respond to cybersecurity threats. However, there is no guarantee such efforts will be successful in preventing a cyber-attack.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

Our organizational documents contain provisions that generally would prohibit any person (other than members of the Kite family who, as a group, are currently allowed to own up to 21.5% of our outstanding common shares) from beneficially owning more than 7% of our outstanding common shares (or up to 9.8% in the case of certain designated investment entities, as defined in our declaration of trust), which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.

Our organizational documents contain provisions that may have an anti-takeover effect and inhibit a change in our management.

(1) *There are ownership limits and restrictions on transferability in our declaration of trust.* In order for us to qualify as a REIT, no more than 50% of the value of our outstanding shares may be owned, actually or constructively, by five or fewer individuals at any time during the last half of each taxable year. To make sure that we will not fail to satisfy this requirement and for anti-takeover reasons, our declaration of trust generally prohibits any shareholder (other than an excepted holder or certain designated investment entities, as defined in our declaration of trust) from owning (actually, constructively or by attribution), more than 7% of the value or number of our outstanding common shares. Our declaration of trust provides an excepted holder limit that allows members of the Kite family (Al Kite, John Kite and Paul Kite, their family members and certain entities controlled by one or more of the Kites), as a group, to own more than 7% of our outstanding common shares, so long as, under the applicable tax attribution rules, no one excepted holder treated as an individual would hold more than 21.5% of our common shares, no two excepted holders treated as individuals would own more than 28.5% of our common shares, no three excepted holders treated as individuals would own more than 35.5% of our common shares, no four excepted holders treated as individuals would own more than 42.5% of our common shares, and no five excepted holders treated as individuals would own more than 49.5% of our common shares. Currently, one of the excepted holders would be attributed all of the common shares owned by each other excepted holder and, accordingly, the excepted holders as a group would not be allowed to own in excess of 21.5% of our common shares. If at a later time, there were not one excepted holder that would be attributed all of the shares owned by the excepted holders as a group, the excepted holder limit would not permit each excepted holder to own 21.5% of our common shares. Rather, the excepted holder limit would prevent two or more excepted holders who are treated as individuals under the applicable tax attribution rules from owning a higher percentage of our common shares than the maximum amount of common shares that could be owned by any one excepted holder (21.5%), plus the maximum amount of common shares that could be owned by any one or more other individual common shareholders who are not excepted holders (7%). Certain entities that are defined as designated investment entities in our declaration of trust, which generally include pension funds, mutual funds, and certain investment management companies, are permitted to own up to 9.8% of our outstanding common shares, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the 7% ownership limit if those beneficial owners owned directly their proportionate share of the common shares owned by the designated investment entity. Our Board of Trustees may waive, and has waived in the past, the 7% ownership limit or the 9.8% designated investment entity limit for a shareholder that is not an individual if such shareholder provides information and makes representations that are satisfactory to the Board of Trustees, in its reasonable discretion, to establish that such person's ownership in excess of the 7% limit or the 9.8% limit, as applicable, would not jeopardize our qualification as a REIT. In addition, our declaration of trust contains certain other ownership restrictions intended to prevent us from earning income from related parties if such income would cause us to fail to comply with the REIT gross income requirements. The various ownership restrictions may:

- discourage a tender offer or other transactions or a change in management or control that might involve a premium price for our shares or otherwise be in the best interests of our shareholders; or

- compel a shareholder who has acquired our shares in excess of these ownership limitations to dispose of the additional shares and, as a result, to forfeit the benefits of owning the additional shares. Any acquisition of our common shares in violation of these ownership restrictions will be void *ab initio* and will result in automatic transfers of our common shares to a charitable trust, which will be responsible for selling the common shares to permitted transferees and distributing at least a portion of the proceeds to the prohibited transferees.

(2) *Our declaration of trust permits our Board of Trustees to issue preferred shares with terms that may discourage a third party from acquiring us.* Our declaration of trust permits our Board of Trustees to issue up to 40,000,000 preferred shares, having those preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our Board of Trustees. Thus, our Board of Trustees could authorize the issuance of additional preferred shares with terms and conditions that could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of our shares might receive a premium for their shares over the then-prevailing market price of our shares. In addition, any preferred shares that we issue likely would rank senior to our common shares with respect to payment of distributions, in which case we could not pay any distributions on our common shares until full distributions were paid with respect to such preferred shares.

(3) *Our declaration of trust and bylaws contain other possible anti-takeover provisions.* Our declaration of trust and bylaws contain other provisions that may have the effect of delaying, deferring or preventing a change in control of our company or the removal of existing management and, as a result, could prevent our shareholders from being paid a premium for their common shares over the then-prevailing market prices. These provisions include advance notice requirements for shareholder proposals and our Board of Trustees' power to reclassify shares and issue additional common shares or preferred shares and the absence of cumulative voting rights. Furthermore, our Board of Trustees has the sole power to amend our bylaws and may amend our bylaws in a way that may have the effect of delaying, deferring or preventing a change in control of our company or the removal of existing management or may otherwise be detrimental to your interests.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “business combination moratorium/fair price” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested shareholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and
- “control share” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares” from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

We have opted out of these provisions of Maryland law. However, our Board of Trustees may opt to make these provisions applicable to us at any time.

A substantial number of common shares eligible for future issuance or sale could cause our common share price to decline significantly and may be dilutive to current shareholders.

Our declaration of trust authorizes our Board of Trustees to, among other things, issue additional common shares without shareholder approval. The issuance of substantial numbers of our common shares in the public market or the perception that such issuances might occur could adversely affect the per share trading price of our common shares. In addition, any such issuance could dilute our existing shareholders' interests in our company. Furthermore, if our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities

in the future at a time and price that we deem appropriate. As of December 31, 2018, we had outstanding 83,800,886 common shares, substantially all of which are freely tradable. In addition, 2,035,349 units of our Operating Partnership were owned by our executive officers and other individuals as of December 31, 2018, and are redeemable by the holder for cash or, at our election, common shares. Pursuant to registration rights of certain of our executive officers and other individuals, we filed a registration statement with the SEC to register common shares issued (or issuable upon redemption of units in our Operating Partnership) in our formation transactions. As units are redeemed for common shares, the market price of our common shares could drop significantly if the holders of such shares sell them or are perceived by the market as intending to sell them.

Certain officers and trustees may have interests that conflict with the interests of shareholders.

Certain of our officers own limited partner units in our Operating Partnership. These individuals may have personal interests that conflict with the interests of our shareholders with respect to business decisions affecting us and our Operating Partnership, such as interests in the timing and pricing of property sales or refinancing transactions in order to obtain favorable tax treatment. As a result, the effect of certain transactions on these unit holders may influence our decisions affecting these properties.

Departure or loss of our key officers could have an adverse effect on us.

Our future success depends, to a significant extent, upon the continued services of our existing executive officers. The experience of our executive officers in the areas of real estate acquisition, development, finance and management is a critical element of our future success. We have entered into employment agreements with certain members of executive management. Each agreement will continue to renew after expiration of its initial term or applicable renew periods unless we or the individual elects not to renew the agreement. If one or more of our key executive officers were to die, become disabled or otherwise leave our employ, we may not be able to replace this person with an executive of equal skill, ability, and industry expertise within a reasonable timeframe. Until suitable replacements could be identified and hired, our operations and financial condition could be negatively affected.

We depend on external capital to fund our capital needs.

To qualify as a REIT, we are required to distribute to our shareholders each year at least 90% of our “REIT taxable income” (determined before the deduction for dividends paid and excluding net capital gains). In order to eliminate federal income tax, we are required to distribute annually 100% of our net taxable income, including capital gains. Partly because of these distribution requirements, we may not be able to fund all future capital needs, including capital for property development, redevelopment and acquisitions, with income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms, if at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing shareholders. Our access to third-party sources of capital depends on a number of things, including:

- general market conditions;
- the market’s perception of our growth potential;
- our current debt levels;
- our current and potential future earnings;
- our cash flow and cash distributions;
- our ability to qualify as a REIT for U.S. federal income tax purposes; and
- the market price of our common shares.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make distributions to our shareholders.

Our rights and the rights of our shareholders to take action against our trustees and officers are limited.

Maryland law provides that a director or officer has limited liability in that capacity if he or she performs his or her duties in good faith and in a manner that he or she reasonably believes to be in our best interests and that an ordinarily prudent person

in a like position would use under similar circumstances. Our declaration of trust and bylaws require us to indemnify our trustees and officers for actions taken by them in those capacities to the extent permitted by Maryland law.

Our shareholders have limited ability to prevent us from making any changes to our policies that they believe could harm our business, prospects, operating results or share price.

Our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our management and, in certain cases, approved by our Board of Trustees. These policies may be amended or revised from time to time at the discretion of our Board of Trustees without a vote of our shareholders. This means that our shareholders will have limited control over changes in our policies. Such changes in our policies intended to improve, expand or diversify our business may not have the anticipated effects and consequently may adversely affect our business and prospects, results of operations and share price.

Our common share price could be volatile and could decline, resulting in a substantial or complete loss of our shareholders' investment.

The stock markets (including The New York Stock Exchange (the "NYSE") on which we list our common shares) have experienced significant price and volume fluctuations. The market price of our common shares could be similarly volatile, and investors in our shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our publicly traded securities are the following:

- our financial condition and operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- perceived or actual effects of e-commerce competition;
- bankruptcy or negative publicity about one or more of our larger tenants;
- our credit or analyst ratings;
- publication by securities analysts of research reports about us, our industry, or the retail industry;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);
- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares;
- the passage of legislation or other regulatory developments that adversely affect us or our industry including tax reform;
- speculation in the press or investment community;
- actions by institutional shareholders, hedge funds or other investors;
- increases or decreases in dividends;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Changes in accounting standards may adversely impact our financial results.

The Financial Accounting Standards Board (the "FASB"), in conjunction with the SEC, has issued and may issue key pronouncements that impact how we account for our material transactions, including, but not limited to, lease accounting, business combinations and the recognition of other revenues. We are unable to predict which, if any, proposals may be issued in the future or what level of impact any such proposal could have on the presentation of our consolidated financial statements, our results of operations and the financial ratio required by our debt covenants.

The cash available for distribution to shareholders may not be sufficient to pay distributions at expected levels, nor can we assure you of our ability to make distributions in the future. We may use borrowed funds to make cash distributions and/or may choose to make distributions in part payable in our common shares.

If cash available for distribution generated by our assets decreases in future periods from expected levels, our inability to make expected distributions could result in a decrease in the market price of our common shares. All distributions will be made at the discretion of our Board of Trustees and will depend on our earnings, our financial condition, maintenance of our REIT qualification and other factors as our Board of Trustees may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder's adjusted tax basis in their shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, they will be treated as gain from the sale or exchange of such shares. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. Finally, although we do not currently intend to do so, in order to maintain our REIT qualification, we may make distributions that are in part payable in our common shares. Taxable shareholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits and may be required to sell shares received in such distribution or may be required to sell other shares or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a significant number of our shareholders determine to sell common shares in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our common shares.

Future offerings of debt securities, which would be senior to our equity securities, may adversely affect the market prices of our common shares.

In the future, we may attempt to increase our capital resources by making offerings of debt securities, including unsecured notes, medium term notes, and senior or subordinated notes. Holders of our debt securities will generally be entitled to receive interest payments, both current and in connection with any liquidation or sale, prior to the holders of our common shares being entitled to receive distributions. Future offerings of debt securities, or the perception that such offerings may occur, may reduce the market prices of our common shares and/or the distributions that we pay with respect to our common shares. Because we may generally issue such debt securities in the future without obtaining the consent of our shareholders, our shareholders will bear the risk of our future offerings reducing the market prices of our equity securities.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common shares, our share price and trading volume could be negatively affected.

The trading market for our shares is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, our share price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common share price or trading volume to decline and our shares to be less liquid. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire additional properties or other businesses by using our shares as consideration, which in turn could materially adversely affect our business. In addition, the stock market in general, and the NYSE and REITs in particular, have within the last year experienced significant price and volume fluctuations. These broad market and industry factors may decrease the market price of our shares, regardless of our actual operating performance. For these reasons, among others, the market price of our shares may decline substantially and quickly.

TAX RISKS

Failure of our company to qualify as a REIT would have serious adverse consequences to us and our shareholders.

We believe that we have qualified for taxation as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2004. We intend to continue to meet the requirements for qualification and taxation as a REIT, but we cannot assure shareholders that we will qualify as a REIT. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Annual Report on Form 10-K are not binding on the IRS or any court. As a REIT, we generally will not be subject to U.S. federal income tax on our income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our "REIT taxable income" (determined before the deduction for dividends paid and excluding net capital gains). The fact that we hold substantially all of our assets through our Operating Partnership and its subsidiaries and joint ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status, and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for us to remain qualified as a REIT.

If we fail to qualify as a REIT for U.S. federal income tax purposes and are unable to avail ourselves of certain savings provisions set forth in the Code:

- We would be taxed as a non-REIT "C" corporation, which under current laws, among other things, means not being able to take a deduction for distributions to shareholders in computing our taxable income or pass through long term capital gains to individual shareholders at favorable rates and being subject to the federal alternative minimum tax (for taxable years beginning before December 31, 2017) and possibly increased state and local taxes;
- We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify. Since we are the successor to Inland Diversified Real Estate Trust, Inc. ("Inland Diversified") for federal income tax purposes as a result of its merger with us (the "Merger"), the rule against re-electing REIT status following a loss of such status also would apply to us if Inland Diversified failed to qualify as a REIT in any of its 2012 through 2014 tax years. Although Inland Diversified believed that it was organized and operated in conformity with the requirements for qualification and taxation as a REIT for each of its taxable years prior to the Merger, Inland Diversified did not request a ruling from the IRS that it qualified as a REIT, and thus no assurance can be given that it qualified as a REIT;
- We would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. Moreover, such failure would cause an event of default under our unsecured revolving credit facility and unsecured term loans and may adversely affect our ability to raise capital and to service our debt. This likely would have a significant adverse effect on our earnings and the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders; and
- We would be required to pay penalty taxes of \$50,000 or more for each such failure.

If Inland Diversified Real Estate Trust, Inc. ("Inland Diversified") failed to qualify as a REIT for a taxable year before the Merger or for the taxable year that includes the Merger and no relief is available, in connection with the Merger we would succeed to any earnings and profits accumulated by Inland Diversified for the taxable periods that it did not qualify as a REIT, and we would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including significant interest payments to the IRS) to eliminate such earnings and profits.

We will pay some taxes even if we qualify as a REIT.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay certain U.S. federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Additionally, we will be subject to a 4% nondeductible excise tax on

the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from “prohibited transactions,” that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the IRS would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for U.S. federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to U.S. federal and possibly state corporate income tax. We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of U.S. federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by the taxable REIT subsidiaries if the economic arrangements between the REIT, the REIT’s tenants, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to U.S. federal income tax on that income because not all states and localities treat REITs the same way they are treated for U.S. federal income tax purposes. To the extent that we and our affiliates are required to pay U.S. federal, state and local taxes, we will have less cash available for distributions to our shareholders.

If Inland Diversified failed to qualify as a REIT for a taxable year before the Merger or the taxable year that includes the Merger and no relief is available, as a result of the Merger (a) we would inherit any corporate tax liabilities of Inland Diversified for Inland Diversified’s open tax years possibly extending back six years or Inland Diversified’s 2012 through 2014 tax years and (b) we would be subject to tax on the built-in gain on each asset of Inland Diversified existing at the time of the Merger if we were to dispose of the Inland Diversified asset within five years following the Merger (i.e. before July 1, 2019).

REIT distribution requirements may increase our indebtedness.

We may be required from time to time, under certain circumstances, to accrue income for tax purposes that has not yet been received. In such event, or upon our repayment of principal on debt, we could have taxable income without sufficient cash to enable us to meet the distribution requirements of a REIT. Accordingly, we could be required to borrow funds or liquidate investments on adverse terms in order to meet these distribution requirements. Additionally, the sale of properties resulting in significant tax gains could require higher distributions to our shareholders or payment of additional income taxes in order to maintain our REIT status.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets or manages the risk of certain currency fluctuations, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a taxable REIT subsidiary. This could increase the cost of our hedging activities because our taxable REIT subsidiary would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our taxable REIT subsidiary will generally not provide any tax benefit, except for being carried back or forward against past or future taxable income in the taxable REIT subsidiary, provided, however, losses in our taxable REIT subsidiary arising in taxable years beginning after December 31, 2017 may only be carried forward and may only be deducted against 80% of future taxable income in the taxable REIT subsidiary.

Complying with the REIT requirements may cause us to forgo and/or liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our shareholders and the ownership of our shares. To meet these tests, we may be required to take actions we would otherwise prefer not to take or forgo taking actions that we would otherwise consider advantageous. For instance, in order to satisfy the gross income or asset tests applicable to REITs

under the Code, we may be required to forgo investments that we otherwise would make. Furthermore, we may be required to liquidate from our portfolio otherwise attractive investments. In addition, we may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. These actions could reduce our income and amounts available for distribution to our shareholders. Thus, compliance with the REIT requirements may hinder our investment performance.

Dividends paid by REITs generally do not qualify for effective tax rates as low as dividends paid by non-REIT "C" corporations.

The maximum rate applicable to "qualified dividend income" paid by non-REIT "C" corporations to certain non-corporate U.S. shareholders has been reduced by legislation to 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, non-corporate shareholders may deduct 20% of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For non-corporate shareholders in the top marginal tax bracket of 37%, the deduction for REIT dividends yields an effective income tax rate of 29.6% on REIT dividends, which is higher than the 20% tax rate on qualified dividend income paid by non-REIT "C" corporations. This does not adversely affect the taxation of REITs, however, it could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT "C" corporations that pay dividends, which could adversely affect the value of our common shares.

If the Operating Partnership fails to qualify as a partnership for U.S. federal income tax purposes, we could fail to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership is organized and operated in a manner so as to be treated as a partnership and not an association or a publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes. As a partnership, our Operating Partnership is not subject to U.S. federal income tax on its income. Instead, each of the partners is allocated its share of our Operating Partnership's income. No assurance can be provided, however, that the IRS will not challenge our Operating Partnership's status as a partnership for U.S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS was successful in treating our Operating Partnership as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, would cease to qualify as a REIT. Also, the failure of the Operating Partnership to qualify as a partnership would cause it to become subject to U.S. federal corporate income tax, which would reduce significantly the amount of its cash available for distribution to its partners, including us.

There is a risk that the tax laws applicable to REITs may change.

The IRS, the United States Treasury Department and Congress frequently review U.S. federal income tax legislation, regulations and other guidance. The Company cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be adopted. Any legislative action may prospectively or retroactively modify the Company's tax treatment and, therefore, may adversely affect our taxation or taxation of our shareholders. We urge you to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our stock. Although REITs generally receive certain tax advantages compared to entities taxed as non-REIT "C" corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a non-REIT "C" corporation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Retail Operating Properties

As of December 31, 2018, we owned interests in a portfolio of 105 retail operating properties totaling approximately 21.2 million square feet of total GLA (including approximately 6.1 million square feet of non-owned anchor space). The following table sets forth more specific information with respect to our retail operating properties as of December 31, 2018:

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
Arizona											
The Corner	Tucson	2008	79,902	55,883	24,019	100.0%	100.0%	100.0%	30.71	Total Wine & More	Nordstrom Rack, Panera Bread, (Home Depot)
Connecticut											
Crossing at Killingly Commons ³	Willimantic, CT	2010	205,683	148,250	57,433	96.9%	100.0%	89.0%	16.25	Stop & Shop Supermarket, (Target)	TJ Maxx, Bed Bath & Beyond, Michaels, Petco, Staples, Lowe's Home Improvement Center
Florida											
12th Street Plaza	Vero Beach	1978/2003	135,016	121,376	13,640	100.0%	100.0%	100.0%	10.24	Publix	Stein Mart, Tuesday Morning
Bayport Commons	Tampa	2008	97,163	71,540	25,623	100.0%	100.0%	100.0%	15.34	(Target)	PetSmart, Michaels, Gander Outdoors
Bolton Plaza	Jacksonville	1986/2014	154,555	136,195	18,360	100.0%	100.0%	100.0%	9.79	Aldi	LA Fitness, Academy Sports, Marshalls, Panera Bread
Burnt Store Marketplace	Punta Gorda	1989/2018	95,625	45,600	50,025	88.6%	100.0%	78.1%	14.07	Publix	Anytime Fitness, Pet Supermarket, (Home Depot)
Centre Point Commons	Sarasota	2007	119,320	93,574	25,746	98.7%	100.0%	93.8%	17.64		Best Buy, Dick's Sporting Goods, Office Depot, Panera Bread, (Lowe's Home Improvement Center)
Cobblestone Plaza	Miami	2011	133,244	68,219	65,025	83.8%	70.4%	97.9%	31.2	Whole Foods	Party City
Colonial Square	Fort Myers	2010	186,517	150,505	36,012	92.4%	100.0%	60.7%	11.57		Kohl's, Hobby Lobby, PetSmart,
Delray Marketplace ³	Miami	2013	260,237	118,136	142,101	96.4%	100.0%	93.4%	26.94	Publix	Frank Theatres, Burt & Max's, Ann Taylor Loft, Chico's, White House Black Market
Estero Town Commons	Fort Meyers	2006	25,696	—	25,696	100.0%	—%	100.0%	14.76		Lowe's Home Improvement Center, Dollar Tree
Gainesville Plaza	Gainesville	1970/2015	162,189	125,162	37,027	92.4%	100.0%	66.6%	9.41	Save-A-Lot	Ross Stores, Burlington, 2nd & Charles
Hunter's Creek Promenade	Orlando	1994	119,727	55,999	63,728	96.7%	100.0%	93.7%	15.01	Publix	
Indian River Square	Vero Beach	1997/2004	142,592	109,000	33,592	95.9%	100.0%	82.7%	11.94	(Target)	Beall's, Office Depot, Dollar Tree, Panera
International Speedway Square	Daytona Beach	1999/2013	233,424	203,405	30,019	95.3%	100.0%	63.2%	11.29	Total Wine & More	Bed Bath & Beyond, Stein Mart, Old Navy, Staples, Michaels, Dick's Sporting Goods, Shoe Carnival
Kings Lake Square	Naples	1986/2014	88,611	45,600	43,011	100.0%	100.0%	100.0%	19.07	Publix	
Lake City Commons	Lake City	2008	65,723	45,600	20,123	100.0%	100.0%	100.0%	15.43	Publix	
Lake City Commons - Phase II	Lake City	2011	16,291	12,131	4,160	100.0%	100.0%	100.0%	15.71	Publix	PetSmart
Lake Mary Plaza	Orlando	2009	21,370	14,880	6,490	91.4%	100.0%	71.6%	38.62		Walgreens
Lakewood Promenade	Jacksonville	1948/1998	196,655	77,840	118,815	86.5%	100.0%	77.6%	12.12	Winn Dixie	Stein Mart, Starbucks, Salon Lofts
Lithia Crossing	Tampa	2003/2013	90,515	53,547	36,968	98.3%	100.0%	95.9%	15.59	The Fresh Market	Stein Mart, Chili's, Panera Bread
Miramar Square	Miami	2008	225,205	147,505	77,700	98.8%	100.0%	96.6%	17.7	Sprouts Farmers Market	Kohl's, Miami Children's Hospital, Dollar General
Northdale Promenade	Tampa	1985/2017	179,575	130,269	49,306	98.5%	100.0%	94.6%	12.45	(Winn Dixie)	TJ Maxx, Ulta Beauty, Beall's, Crunch Fitness, Tuesday Morning
Palm Coast Landing at Town Square	Palm Coast	2010	168,352	100,822	67,530	98.6%	100.0%	96.6%	19.46	(Target)	Michaels, PetSmart, Ross Stores, TJ Maxx, Ulta Beauty
Pine Ridge Crossing	Naples	1993	105,962	66,435	39,527	96.3%	100.0%	90.0%	17.85	Publix, (Target)	Ulta Beauty, (Beall's)
Pleasant Hill Commons	Orlando	2008	70,645	45,600	25,045	98.3%	100.0%	95.2%	15.56	Publix	

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
Riverchase Plaza	Naples	1991/2001	78,291	48,890	29,401	96.3%	100.0%	90.3%	16.32	Publix	
Saxon Crossing	Daytona Beach	2009	119,907	95,304	24,603	99.0%	100.0%	95.1%	14.36	(Target)	Hobby Lobby, LA Fitness, (Lowe's Home Improvement Center)
Shoppes of Eastwood	Orlando	1997	69,076	51,512	17,564	98.1%	100.0%	92.5%	13.71	Publix	
Shops at Eagle Creek	Naples	1983/2013	70,731	50,187	20,544	98.4%	100.0%	94.3%	16.18	The Fresh Market	Staples, Panera Bread, (Lowe's Home Improvement Center)
Tamiami Crossing ³	Naples	2016	121,705	121,705	—	100.0%	100.0%	—%	12.53	Aldi, (Walmart)	Marshalls, Michaels, PetSmart, Ross Stores, Stein Mart, Ulta Beauty
Tarpon Bay Plaza	Naples	2007	82,561	60,139	22,422	97.5%	100.0%	90.6%	17.58	(Target)	PetSmart, Cost Plus World Market, Staples, Panera Bread
Temple Terrace	Tampa	2012	90,328	58,798	31,530	92.9%	100.0%	79.6%	10.71	Winn Dixie	Burger King
The Landing at Tradition	Port St. Lucie	2007	362,642	290,203	72,439	70.2%	69.4%	73.5%	15.99	(Target)	TJ Maxx, Ulta Beauty, Bed Bath & Beyond, LA Fitness, Michaels, Old Navy, PetSmart, Pier 1, DSW, Five Below
The Shops at Julington Creek	Jacksonville	2011	40,254	21,038	19,216	100.0%	100.0%	100.0%	20.04	The Fresh Market	
Tradition Village Center	Port St. Lucie	2006	84,086	45,600	38,486	98.6%	100.0%	97.0%	17.9	Publix	
Waterford Lakes Village	Orlando	1997	77,975	51,703	26,272	96.7%	100.0%	90.2%	13.05	Winn Dixie	
Georgia											
Beechwood Promenade	Athens	1961/2018	297,369	212,485	84,884	95.0%	100.0%	82.5%	13.29	The Fresh Market	TJ Maxx, Michaels, CVS, Stein Mart, Starbucks
Mullins Crossing	Augusta	2005	276,318	228,224	48,094	99.3%	100.0%	96.1%	13.23	(Target)	Ross Stores, Old Navy, Five Below, Kohls, La-Z-Boy, Marshalls, Office Max, Petco, Ulta Beauty, Panera Bread
Publix at Acworth	Atlanta	1996	69,628	37,888	31,740	100.0%	100.0%	100.0%	12.77	Publix	
The Centre at Panola	Atlanta	2001	73,075	51,674	21,401	100.0%	100.0%	100.0%	13.3	Publix	
Illinois											
Naperville Marketplace	Chicago	2008	83,743	61,683	22,060	100.0%	100.0%	100.0%	13.62	(Caputo's Fresh Market)	TJ Maxx, PetSmart
South Elgin Commons	Chicago	2011	128,000	128,000	—	54.7%	54.7%	—%	16.83	(Target)	LA Fitness, Ross Stores
Indiana											
54th & College	Indianapolis	2008	—	—	—	—%	—%	—%	—	The Fresh Market	
Beacon Hill	Chicago	2006	56,820	11,043	45,777	89.7%	100.0%	87.3%	16.99	(Strack & Van Til)	(Walgreens), Jimmy John's, Rosati's, Great Clips
Bell Oaks Centre	Evansville	2008	94,958	74,122	20,836	100.0%	100.0%	100.0%	12.46	Schnuck's Market	
Boulevard Crossing	Kokomo	2004	124,634	74,440	50,194	98.9%	100.0%	97.3%	14.69		Petco, TJ Maxx, Ulta Beauty, Shoe Carnival, (Kohl's)
Bridgewater Marketplace	Indianapolis	2008	25,975	—	25,975	87.6%	—%	87.6%	20.53		(Walgreens), The Local Eatery, Original Pancake House
Castleton Crossing	Indianapolis	1975/2012	286,377	247,710	38,667	99.3%	100.0%	94.8%	12.12		TJ Maxx/HomeGoods, Burlington, Shoe Carnival, Value City Furniture, K&G Menswear, Chipotle, Verizon, Five Below
Cool Creek Commons	Indianapolis	2005	124,251	53,600	70,651	96.4%	100.0%	93.6%	18.70	The Fresh Market	Stein Mart, McAlister's Deli, Buffalo Wild Wings, Pet People

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
Depauw University Bookstore and Café	Indianapolis	2012	11,974	—	11,974	100.0%	—%	100.0%	\$ 9.17		Follett's, Starbucks
Eddy Street Commons at Notre Dame	South Bend	2009	87,991	20,154	67,837	98.8%	100.0%	98.4%	25.95		Hammes Bookstore & Cafe, Chipotle, Urban Outfitters, Five Guys, Kilwins, Blaze Pizza
Fishers Station ⁵	Indianapolis	1989/2018	52,414	15,441	36,973	97.8%	100.0%	96.9%	17.40	Kroger	Dollar Tree, Goodwill
Geist Pavilion	Indianapolis	2006	63,910	29,700	34,210	100.0%	100.0%	100.0%	17.18		Ace Hardware, Goodwill, Ale Emporium, Pure Barre
	Indianapolis	1958/2008	393,002	329,546	63,456	95.9%	97.0%	90.6%	7.36	(Target)	Macy's, Staples, Landmark Theaters, Pei Wei, LensCrafters, Panera Bread, (Walgreens), (Lowe's Home Improvement Center)
Glendale Town Center	Indianapolis	2005	9,152	—	9,152	100.0%	—%	100.0%	14.16		(Lowe's Home Improvement Center), Abuelo's Mexican, Koto Japanese Steakhouse
Greyhound Commons	Fort Wayne	2008	100,461	71,521	28,940	92.8%	100.0%	74.9%	14.90	Aldi, (Walmart)	PetSmart, Office Depot, Aldi, Dollar Tree
Lima Marketplace	Indianapolis	1986/2013	99,238	47,962	51,276	97.2%	100.0%	94.5%	22.66	Earth Fare	Walgreens, Panera Bread, Pet Valu, City BBQ
Rangeline Crossing	Indianapolis	2011	150,428	117,890	32,538	100.0%	100.0%	100.0%	22.08		Nordstrom Rack, The Container Store, Arhaus Furniture, Bicycle Garage of Indy, Buy Buy Baby, J Crew Mercantile
Rivers Edge	Indianapolis	2000/2013	84,330	84,330	—	64.1%	64.1%	—%	13.44		LA Fitness, Goodwill, (Lowe's Home Improvement Center)
Stoney Creek Commons	Indianapolis	2005	279,700	238,721	40,979	74.7%	71.6%	92.8%	15.23		Dick's Sporting Goods, AMC Theatres, Bed Bath & Beyond, Michaels, Old Navy, PetSmart, Books-A-Million
Traders Point I	Indianapolis	2005	45,977	—	45,977	92.2%	—%	92.2%	27.18		Starbucks, Noodles & Company, Qdoba
Traders Point II	Bloomington	1999	128,997	128,997	—	100.0%	100.0%	—%	6.90		Lowe's Home Improvement Center
Whitehall Pike											
<u>Nevada</u>											
Cannery Corner	Las Vegas	2008	30,738	—	30,738	94.4%	—%	94.4%	38.22	(Sam's Club)	Chipotle, Five Guys, (Lowe's Home Improvement Center)
	Las Vegas	2002	333,869	158,156	175,713	94.1%	100.0%	88.8%	24.72	Sam's Club, Walmart	Ross Stores, Big Lots, Famous Footwear, Michaels, Petco, Rhapsodielle, Home Depot, HomeGoods, Skechers
Centennial Center	Las Vegas	2005	193,072	139,913	53,159	100.0%	100.0%	100.0%	24.67	Trader Joe's	24 Hour Fitness, Party City, Sportsman's Warehouse, Walgreens
Centennial Gateway	Las Vegas	1998/2006	162,445	83,983	78,462	81.1%	71.7%	91.1%	27.44	Sam's Club, Walmart	Petco, Ross Stores, Skechers, (Home Depot)
Eastern Beltway Center	Las Vegas	2002	96,594	53,030	43,564	75.5%	76.4%	74.4%	23.64	(Walmart)	99 Cents Only Store, Party City
Eastgate Plaza	Las Vegas	2002/2018	79,314	11,965	67,349	100.0%	100.0%	100.0%	31.64		Athleta, North Italia, Pottery Barn, Williams Sonoma, Flower Child, Crunch Fitness
Rampart Commons											
<u>New Hampshire</u>											
Merrimack Village Center	Manchester	2007	78,892	54,000	24,892	100.0%	100.0%	100.0%	14.98	Supervalu/Shaw's	

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
New Jersey											
Bayonne Crossing	New York / Northern New Jersey	2011	106,146	52,219	53,927	100.0%	100.0%	100.0%	29.36	Walmart	Michaels, New York Sports Club, Lowe's Home Improvement Center
Livingston Shopping Center ³	New York / Northern New Jersey	1997	139,559	133,125	6,434	95.4%	100.0%	—%	19.77		Cost Plus World Market, Buy Buy Baby, Nordstrom Rack, DSW, TJ Maxx, Ulta Beauty
New York											
City Center	New York / Northern New Jersey	2004/2018	363,103	325,139	37,964	98.0%	100.0%	80.5%	26.71	ShopRite	Nordstrom Rack, New York Sports Club, Burlington, Club Champion Golf, National Amusements
North Carolina											
Holly Springs Towne Center - Phase I	Raleigh	2013	210,356	121,761	88,595	96.9%	100.0%	92.6%	17.48	(Target)	Dick's Sporting Goods, Marshalls, Petco, Ulta Beauty, Michaels, Old Navy
Holly Springs Towne Center - Phase II	Raleigh	2016	145,009	111,843	33,166	100.0%	100.0%	100.0%	18.29	(Target)	Bed Bath & Beyond, DSW, AMC Theatres, O2 Fitness
Northcrest Shopping Center	Charlotte	2008	133,627	65,576	68,051	97.5%	100.0%	95.1%	23.12	(Target)	REI Co-Op, David's Bridal, Dollar Tree, Old Navy, Five Below
Oleander Place	Wilmington	2012	45,530	30,144	15,386	87.3%	100.0%	62.5%	16.41	Whole Foods	
Parkside Town Commons - Phase I	Raleigh	2015	55,368	22,500	32,868	100.0%	100.0%	100.0%	25.06	Harris Teeter/Kroger, (Target)	Petco, Guitar Center
Parkside Town Commons - Phase II	Raleigh	2017	291,707	187,406	104,301	98.8%	100.0%	96.7%	20.15	(Target)	Frank Theatres, Golf Galaxy, Hobby Lobby, Stein Mart, Chuy's, Starbucks, Panera Bread, Levity Live
Perimeter Woods	Charlotte	2008	125,646	105,262	20,384	100.0%	100.0%	100.0%	21.19		Best Buy, Off Broadway Shoes, Office Max, PetSmart, Lowe's Home Improvement Center
Toringdon Market	Charlotte	2004	60,631	26,072	34,559	97.7%	100.0%	95.9%	22.00	Earth Fare	
Ohio											
Eastgate Pavilion	Cincinnati	1995	236,230	231,730	4,500	100.0%	100.0%	100.0%	\$ 9.11		Best Buy, Dick's Sporting Goods, Value City Furniture, PetSmart, DSW, Bed Bath & Beyond
Oklahoma											
Belle Isle Station	Oklahoma City	2000	201,640	130,016	71,624	90.6%	89.1%	93.5%	16.70	(Walmart)	REI, Shoe Carnival, Old Navy, Ross Stores, Nordstrom Rack, Ulta Beauty
Shops at Moore	Oklahoma City	2010	260,509	187,916	72,593	96.4%	100.0%	87.0%	12.23		Bed Bath & Beyond, Best Buy, Hobby Lobby, Office Depot, PetSmart, Ross Stores, (J.C. Penney)
Silver Springs Pointe	Oklahoma City	2001	48,440	20,515	27,925	79.1%	100.0%	63.8%	16.12	(Sam's Club), (Walmart)	Kohls, Office Depot, (Home Depot)
University Town Center	Oklahoma City	2009	158,375	77,097	81,278	98.2%	100.0%	96.5%	19.04	(Target)	Office Depot, Petco, TJ Maxx, Ulta Beauty
University Town Center Phase II	Oklahoma City	2012	190,502	133,546	56,956	94.7%	100.0%	82.3%	12.94	(Target)	Academy Sports, DSW, Home Goods, Michaels, Kohl's, Guitar Center

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
South Carolina											
Hitchcock Plaza	Augusta	2006	252,211	214,480	37,731	88.7%	89.7%	83.3%	10.52		TJ Maxx, Ross Stores, Academy Sports, Bed Bath & Beyond, Farmers Home Furniture, Old Navy, Petco
Publix at Woodruff	Greenville	1997	68,119	47,955	20,164	96.8%	100.0%	89.3%	10.84	Publix	
Shoppes at Plaza Green	Greenville	2000	194,864	172,136	22,728	92.1%	94.1%	77.2%	13.48		Bed Bath & Beyond, Christmas Tree Shops, Sears, Party City, Shoe Carnival, AC Moore, Old Navy
Tennessee											
Cool Springs Market	Nashville	1995	230,980	172,712	58,268	100.0%	100.0%	100.0%	16.41	(Kroger)	Dick's Sporting Goods, Marshalls, Buy Buy Baby, DSW, Staples, Jo-Ann Fabric, Panera Bread
Texas											
Chapel Hill Shopping Center	Dallas/Ft. Worth	2001	127,051	43,450	83,601	91.8%	100.0%	87.6%	25.52	H-E-B Grocery	The Container Store, Cost Plus World Market
Colleyville Downs	Dallas/Ft. Worth	2014	188,086	139,219	48,867	97.7%	100.0%	91.3%	14.53	Whole Foods	Westlake Hardware, Goody Goody Liquor, Petco, Fit Factory
Kingwood Commons	Houston	1999	164,357	74,836	89,521	97.7%	100.0%	95.7%	20.56	Randall's Food and Drug	Petco, Chico's, Talbots, Ann Taylor
Market Street Village/ Pipeline Point	Dallas/Ft. Worth	1970/2011	156,621	136,742	19,879	100.0%	100.0%	100.0%	13.09		Jo-Ann Fabric, Ross Stores, Office Depot, Buy Buy Baby, Party City
Plaza at Cedar Hill	Dallas/Ft. Worth	2000/2010	302,645	244,252	58,393	88.5%	85.8%	100.0%	13.57	Sprouts Farmers Market	DSW, Ross Stores, Hobby Lobby, Office Max, Marshalls, Home Goods
Plaza Volente ³	Austin	2004	156,215	105,000	51,215	96.3%	100.0%	88.6%	17.36	H-E-B Grocery	
Portofino Shopping Center	Houston	1999/2010	386,171	218,861	167,310	93.6%	100.0%	85.3%	19.65	(Sam's Club)	DSW, Michaels, PGA Superstore, SteinMart, PetSmart, Old Navy, TJ Maxx, Nordstrom Rack
Sunland Towne Centre	El Paso	1996/2014	306,454	265,037	41,417	98.9%	100.0%	91.7%	12.11	Sprouts Farmers Market	PetSmart, Ross Stores, Bed Bath & Beyond, Spec's Fine Wines
Waxahachie Crossing	Dallas/Ft. Worth	2010	97,127	72,191	24,936	98.8%	100.0%	95.2%	14.80		Best Buy, PetSmart, Ross Stores, (Home Depot), (J.C. Penney)
Westside Market	Dallas/Ft. Worth	2013	93,377	70,000	23,377	100%	100%	100%	16.33	Randalls Tom Thumb	
Utah											
Draper Crossing	Salt Lake City	2012	163,856	115,916	47,940	98.2%	100.0%	93.7%	16.42	Kroger/Smith's	TJ Maxx, Dollar Tree, Downeast Home
Draper Peaks	Salt Lake City	2012	227,124	101,464	125,660	96.6%	100.0%	93.9%	\$ 20.38		Michaels, Office Depot, Petco, Quilted Bear, Ross Stores, (Kohl's)

Property ¹	Location (MSA)	Year Built/ Renovated	Owned GLA ²			Leased %			ABR per SqFt	Grocery Anchors ⁴	Other Retailers ⁴
			Total	Anchors	Shops	Total	Anchors	Shops			
Virginia											
Landstown Commons	Virginia Beach	2007	398,139	207,300	190,839	95.9%	100.0%	91.5%	20.18	Ross Stores, Bed Bath & Beyond, Best Buy, PetSmart, Ulta Beauty, Walgreens, AC Moore, Kirkland's, Five Below, Office Max, (Kohl's)	
Wisconsin											
Village at Bay Park	Green Bay	2005	82,254	23,878	58,376	98.2%	100.0%	97.4%	16.13	DSW, J.C. Penney, Kirkland's, Chico's, Dress Barn	
Total			15,069,025	10,291,626	4,777,399	94.6%	96.2%	91.2%	16.84		
Total at Pro-Rata Share			14,742,668	10,003,762	4,738,906	94.5%	96.1%	91.3%	16.85		

1 All properties are wholly owned, except as indicated through reference to Note 3 below. Unless otherwise noted, each property is owned in fee simple by the Company.

2 Percentage of Owned GLA Leased reflects Owned GLA/NRA leased as of December 31, 2018, except for Greyhound Commons and 54th & College.

3 Asset is owned in a joint venture.

4 Tenants within parentheses are non-owned.

5 The Company has a long-term ground lease with Kroger; rent payments began in September 2018. Kroger has notified us it does not plan to open at this location.

Office Operating Properties and Other

As of December 31, 2018, we owned interests in one office operating property and an associated parking garage. In addition, two of our retail properties contain stand-alone office components. Together, these properties have a total of 0.4 million square feet of net rentable area (“NRA”) office space. The following table sets forth more specific information with respect to our office, parking and other properties as of December 31, 2018:

(\$ in thousands, except per square foot data)

Property	MSA	Year Built/ Renovated	Acquired, Redeveloped or Developed	Owned NRA	Percentage Of Owned NRA Leased	Annualized Base Rent ¹	Percentage of Annualized Office and Other Base Rent	Base Rent Per Leased Sq. Ft.	Major Tenants
Office properties									
Thirty South Meridian ²	Indianapolis	1905/2002	Redeveloped	284,874	95.9%	\$ 5,537	68.8%	\$ 20.27	Carrier, Stifel, Kite Realty Group, Lumina Foundation
Union Station Parking Garage ³	Indianapolis	1986	Acquired	N/A	N/A	N/A	N/A	N/A	Denison Parking
Stand-alone Office Components of Retail Properties									
Eddy Street Office (part of Eddy Street Commons) ⁴	South Bend	2009	Developed	81,628	100.0%	1,259	15.6%	15.43	University of Notre Dame Offices
Tradition Village Office (part of Tradition Village Square)	Port St. Lucie	2006	Acquired	24,196	95.0%	666	8.3%	28.96	
Total				390,698	96.2%	\$ 7,462	92.7%	\$ 19.75	
Other Properties									
Burlington		1992/2000	Acquired	107,400	100.0%	\$ 591	7.3%	\$ 5.50	Burlington
				107,400	100.0%	\$ 591	7.3%	\$ 5.50	
Total Office and Other				498,098	97.4%	\$ 8,053	100.0%	\$ 16.60	
Multi-Family/Lodging									
Embassy Suites South Bend at Notre Dame ⁵	South Bend	2018	Developed	—	N/A	\$ —	—%	\$ —	Full service hotel with 164 rooms
The Foundry Lofts and Apartments at Eddy Street	South Bend	2009	Developed	—	100.0%	—	—	\$ —	Air rights lease for apartment complex with 266 units

¹ Annualized Base Rent represents the monthly contractual rent for December 2018 for each applicable property, multiplied by 12.

² Annualized Base Rent includes \$929,157 from the Company and subsidiaries as of December 31, 2018, which is eliminated for purposes of our consolidated financial statement presentation.

³ The garage is managed by a third party.

⁴ The Company also owns the Eddy Street Commons retail shopping center in South Bend, Indiana, along with a parking garage that serves a hotel and the office and retail components of the property.

⁵ Property owned in an unconsolidated joint venture.

Development Projects Under Construction

In addition to our retail and office operating properties, as of December 31, 2018, we owned an interest in one development project currently under construction. The following table sets forth more specific information with respect to the Company's development property as of December 31, 2018:

(\$ in thousands)

Project	Company Ownership %	MSA	Projected Stabilization Date ¹	Projected Owned GLA ²	Projected Total GLA ³	Percent of Owned GLA Occupied	Percent of Owned GLA Pre-Leased/ Committed	KRG Share of Total Estimated Project Cost ⁴	KRG Share of Cost Incurred as of December 31, 2018	Return on Cost
Eddy Street Commons at Notre Dame, IN - Phase II	100%	South Bend	Q4 2020	8,500	530,000	—%	—%	\$ 10,000	\$ 4,389	11.0% - 13.0%

1 Stabilization date represents near completion of project construction and substantial occupancy of the property.

2 Projected Owned GLA represents gross leasable area we project we will own. It excludes square footage to be ground leased to a tenant for the construction of multifamily housing.

3 Projected Total GLA includes Projected Owned GLA, projected square footage attributable to non-owned outlot structures on land that we own, and non-owned anchor space that currently exists or is under construction.

4 Total estimated cost of all components of Eddy Street Phase II equals \$90.8 million, consisting of KRG estimated project cost (\$10.0 million), TIF (\$16.1 million), and residential apartments and townhomes to be ground subleased to unrelated third party (\$64.7 million).

Under Construction Redevelopment, Reposition, and Repurpose Projects

In addition to our development project, as displayed in the table above, we currently have one redevelopment project under construction. The following table sets forth more specific information with respect to this project as of December 31, 2018 and redevelopment projects completed in 2018:

(\$ in thousands)

Property	Location (MSA)	Description	Projected ROI	Projected Cost	Percentage of Cost Spent	Est. Stabilized Period
Centennial Center A	Las Vegas, NV	Reposition of two retail buildings totaling 14,000 square feet, and the addition of a Panera Bread outlet. Addition of traffic signal and other significant building/site enhancements.	13.5% - 14.5%	\$3,500 - \$4,500	63%	Q1 2019

Note: This project is subject to various contingencies, many of which are beyond the Company's control. Projected costs and returns are based on current estimates. Actual costs and returns may not meet our expectations.

COMPLETED PROJECTS DURING 2018

Property	Location (MSA)	Description	Return on Cost	Cost
Burnt Store Marketplace	Punta Gorda	Demolition and rebuild of a 45,000 square foot Publix under a new 20 year lease, as well as additional center upgrades.	11.5%	\$ 8,858
City Center *	New York City	Reactivated street-level retail components and enhancing overall shopping experience within multi-level project.	6.0%	17,708
Portofino Shopping Center	Houston	Expansion of vacant space to accommodate Nordstrom Rack, rightsizing of existing Old Navy, and relocation of shop tenants.	9.1%	7,072
Fishers Station *	Indianapolis	Demolition and expansion of previous anchor space and replacement with a Kroger ground lease. Kroger has notified us it does not plan to open at this location. The Company has a long-term ground lease with Kroger, rent payments began in September 2018.	11.4%	10,486
Beechwood Promenade *	Athens, GA	Backfilled vacant anchor and shop space with Michaels, and construction of outlot for Starbucks	8.1%	5,799
Rampart Commons *	Las Vegas	Relocated, retented, and renegotiated leases as a part of redevelopment plan. Upgrades to building facades and hardscape throughout the center.	7.9%	14,665
COMPLETED PROJECTS TOTALS			8.6%	\$ 64,588

* Asterisk represents redevelopment assets removed from the operating portfolio.

Tenant Diversification

No individual retail or office tenant accounted for more than 2.6% of the portfolio's annualized base rent for the year ended December 31, 2018. The following table sets forth certain information for the largest 10 tenants and non-owned anchor tenants (based on total GLA) open for business or for which ground lease payments are being made at the Company's retail properties based on minimum rents in place as of December 31, 2018:

TOP 10 RETAIL TENANTS BY GROSS LEASABLE AREA

Tenant	Number of Stores	Total GLA	Number of Leases	Company Owned GLA ¹	Ground Lease GLA	Number of Anchor Owned Locations	Anchor Owned GLA
Walmart Stores, Inc. ¹	13	2,244,581	5	—	811,956	8	1,432,625
Target Corporation	15	2,202,085	—	—	—	15	2,202,085
Lowe's Companies, Inc.	14	2,072,666	5	128,997	650,161	9	1,293,508
Home Depot Inc.	6	788,167	1	—	131,858	5	656,309
Kohl's Corporation	8	694,386	5	184,516	244,010	3	265,860
Publix Super Markets, Inc.	14	670,665	14	670,665	—	—	—
The TJX Companies, Inc. ²	22	650,156	22	650,156	—	—	—
Bed Bath & Beyond, Inc. ³	19	493,719	19	493,719	—	—	—
Ross Stores, Inc. ⁴	16	458,520	16	458,520	—	—	—
Petsmart, Inc.	17	351,648	17	351,648	—	—	—
Total	144	10,626,593	104	2,938,221	1,837,985	40	5,850,387

1 Includes Sam's Club, which is owned by the same parent company.

2 Includes TJ Maxx (13), Home Goods (3) and Marshalls (6), all of which are owned by the same parent company. Includes two stores totaling 50,174 square feet at properties owned in unconsolidated joint ventures.

3 Includes Bed Bath and Beyond (11), Buy Buy Baby (4), Christmas Tree Shops (1), and Cost Plus World Market (3), all of which are owned by the same parent company. Includes two stores totaling 43,269 square feet at properties owned in unconsolidated joint ventures.

4 Includes one store totaling 25,000 square feet at a property owned in an unconsolidated joint venture.

The following table sets forth certain information for the largest 25 tenants open for business at the Company's retail properties based on minimum rents in place as of December 31, 2018:

TOP 25 TENANTS BY ANNUALIZED BASE RENT

(\$ in thousands, except per square foot data)

Tenant	Number of Stores			Annualized Base Rent		Annualized Base Rent per Sq. Ft.		% of Total Portfolio Annualized Base Rent ⁴
	Wholly Owned	JV ¹	Leased GLA/NRA ²	Pro-Rata Share	100%	Pro-Rata Share	100%	
The TJX Companies, Inc. ⁵	20	2	650,156	\$ 6,463	\$ 7,013	\$ 10.60	\$ 10.79	2.6%
Publix Super Markets, Inc.	14	—	670,665	6,739	6,739	10.05	10.05	2.5%
Bed Bath & Beyond, Inc. ⁶	17	2	493,719	5,400	6,093	11.76	12.34	2.3%
PetSmart, Inc.	16	1	351,648	5,151	5,347	15.17	15.21	2.0%
Ross Stores, Inc.	15	1	458,520	4,979	5,224	11.35	11.39	1.9%
Lowe's Companies, Inc.	5	—	128,997	5,080	5,080	6.52	6.52	1.9%
Nordstrom, Inc. / Nordstrom Rack (6)	5	1	197,797	3,559	4,035	20.69	20.40	1.5%
Michaels Stores, Inc.	13	1	296,540	3,794	3,970	13.41	13.39	1.5%
Ascena Retail Group ⁷	32	—	198,882	3,912	3,912	19.67	19.67	1.5%
Dick's Sporting Goods, Inc. ⁸	7	—	340,502	3,627	3,627	10.65	10.65	1.3%
LA Fitness	5	—	208,209	3,574	3,574	17.16	17.16	1.3%
Office Depot (8) / Office Max (4)	12	—	245,455	3,381	3,381	13.77	13.77	1.3%
Best Buy Co., Inc.	6	—	213,604	3,084	3,084	14.44	14.44	1.1%
National Amusements	1	—	80,000	2,953	2,953	36.92	36.92	1.1%
Kohl's Corporation	5	—	184,516	2,927	2,927	6.83	6.83	1.1%
Petco Animal Supplies, Inc.	12	—	167,455	2,819	2,819	16.83	16.83	1.0%
Burlington Stores, Inc.	4	—	303,400	2,806	2,806	9.25	9.25	1.0%
Walmart Stores, Inc. ⁹	5	—	—	2,652	2,652	3.27	3.27	1.0%
Ulta Beauty, Inc.	10	2	127,459	2,166	2,603	19.55	20.42	1.0%
DSW Inc.	8	1	175,133	2,214	2,509	13.87	14.33	0.9%
Mattress Firm Holdings Corp (15) / Sleepy's (4)	19	—	87,585	2,454	2,454	28.02	28.02	0.9%
Stein Mart, Inc.	8	1	307,222	2,140	2,399	7.60	7.81	0.9%
Frank Theatres	2	—	122,224	2,350	2,350	19.23	19.23	0.9%
Hobby Lobby Stores, Inc.	5	—	271,254	2,190	2,190	8.07	8.07	0.8%
The Kroger Co. ¹⁰	3	—	60,268	2,099	2,099	9.19	9.19	0.8%
TOTAL	249	12	6,341,210	\$ 88,513	\$ 91,839	\$ 11.05	\$ 11.18	34.1%

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- 1 JV Stores represent stores at unconsolidated properties.
 - 2 Excludes the estimated size of the structures located on land owned by the Company and ground leased to tenants.
 - 3 Annualized base rent represents the monthly contractual rent for December 31, 2018 for each applicable tenant multiplied by 12. Annualized base rent does not include tenant reimbursements. Annualized base rent at pro-rata share represents 100% of the annualized base rent at consolidated properties and our share of the annualized base rent at unconsolidated properties.
 - 4 Annualized base rent and percent of total portfolio includes ground lease rent.
 - 5 Includes TJ Maxx (13), Marshalls (6) and HomeGoods (3), all of which are owned by the same parent company.
 - 6 Includes Bed Bath and Beyond (11), Buy Buy Baby (4) Christmas Tree Shops, (1) and Cost Plus World Market (3), all of which are owned by the same parent company.
 - 7 Includes Ann Taylor (5), Catherines (1), Dress Barn (11), Lane Bryant (7), Justice Stores (4) and Maurices (4), all of which are owned by the same parent company.
 - 8 Includes Dick's Sporting Goods (6) and Golf Galaxy (1), both of which are owned by the same parent company.
 - 9 Includes Sam's Club, which is owned by the same parent company.
 - 10 Includes Kroger (1), Harris Teeter (1), and Smith's (1), all of which are owned by the same parent company.

Geographic Diversification – Annualized Base Rent by Region and State

The Company owns interests in 111 operating and redevelopment properties. We also own interests in one development project under construction. The total operating portfolio consists of approximately 15.8 million of owned square feet in 19 states. The following table summarizes the Company's operating properties by region and state as of December 31, 2018:

(\$ in thousands)

Region/State	Total Operating Portfolio Excluding Developments and Redevelopments		Developments and Redevelopments ²		Joint Ventures ³		Number of Properties	Total Operating Portfolio Including Developments and Redevelopments				
	Owned GLA/NRA ¹	Annualized Base Rent	Owned GLA/NRA ¹	Annualized Base Rent	Owned GLA/NRA ¹	Annualized Base Rent		Owned GLA/NRA ¹	Annualized Base Rent - Ground Leases	Total Annualized Base Rent	Percent of Annualized Base Rent	
Florida												
Florida	4,194,256	\$ 62,317	124,802	\$ 113	121,705	\$ 1,525	36	4,440,763	\$ 3,960	\$ 67,915	25.2%	
Midwest												
Indiana - Retail	2,220,589	30,117	126,214	719	—	—	23	2,346,803	1,933	32,769	12.2%	
Indiana - Other	366,502	6,796	—	—	152,460	—	2	518,962	—	6,796	2.5%	
Illinois	211,743	2,319	—	—	—	—	2	211,743	—	2,319	0.9%	
Ohio	236,230	2,151	—	—	—	—	1	236,230	—	2,151	0.8%	
Wisconsin	82,254	1,302	—	—	—	—	1	82,254	381	1,683	0.6%	
Total Midwest	3,117,318	42,685	126,214	719	152,460	—	29	3,395,992	2,314	45,718	17.0%	
Mid-Central												
Texas	1,821,889	28,350	—	—	156,215	2,610	10	1,978,104	1,082	32,042	11.9%	
Oklahoma	859,466	12,035	—	—	—	—	5	859,466	1,045	13,080	4.9%	
Texas - Other	107,400	591	—	—	—	—	1	107,400	—	591	0.2%	
Total Mid-Central	2,788,755	40,976	—	—	156,215	2,610	16	2,944,970	2,127	45,713	17.0%	
Southeast												
North Carolina	1,067,874	21,041	—	—	—	—	8	1,067,874	3,810	24,851	9.2%	
Georgia	716,390	9,247	—	—	—	—	4	716,390	336	9,583	3.6%	
South Carolina	515,194	5,488	—	—	—	—	3	515,194	—	5,488	2.0%	
Tennessee	230,980	3,790	—	—	—	—	1	230,980	—	3,790	1.4%	
Total Southeast	2,530,438	39,566	—	—	—	—	16	2,530,438	4,146	43,712	16.2%	
West												
Nevada	896,032	21,484	—	—	—	—	6	896,032	4,129	25,613	9.5%	
Utah	390,980	7,114	—	—	—	—	2	390,980	—	7,114	2.6%	
Arizona	79,902	2,454	—	—	—	—	1	79,902	—	2,454	0.9%	
Total West	1,366,914	31,052	—	—	—	—	9	1,366,914	4,129	35,181	13.1%	
Northeast												
New York	363,103	9,500	—	—	—	—	1	363,103	—	9,500	3.5%	
Virginia	398,139	7,710	—	—	—	—	1	398,139	310	8,020	3.0%	
New Jersey	106,146	3,116	—	—	139,559	2,632	2	245,705	2,263	8,011	3.0%	
Connecticut	205,683	3,240	—	—	—	—	1	205,683	1,044	4,284	1.6%	
New Hampshire	78,892	1,182	—	—	—	—	1	78,892	168	1,350	0.5%	
Total Northeast	1,151,963	24,748	—	—	139,559	2,632	6	1,291,522	3,785	31,165	11.6%	
	15,149,644	\$ 241,344	251,016	\$ 832	569,939	\$ 6,767	112	15,970,599	\$ 20,461	\$ 269,404	100.0%	

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- 1 Owned GLA/NRA represents gross leasable area or net leasable area owned by the Company. It also excludes the square footage of Union Station Parking Garage.
 - 2 Represents the three redevelopment and one development project not in the retail operating portfolio.
 - 3 Represents the three operating properties and one non-retail property owned in unconsolidated joint ventures.

Lease Expirations

In 2019, leases representing 5.8% of total annualized base rent and 6.4% of total GLA/NRA are scheduled to expire. The following tables show scheduled lease expirations for retail and office tenants and in-process development property tenants open for business as of December 31, 2018, assuming none of the tenants exercise renewal options.

LEASE EXPIRATION TABLE – OPERATING PORTFOLIO

(\$ in thousands, except per square foot data)

	Number of Expiring Leases ¹	Expiring GLA/NRA ²	Expiring Annualized Base Rent		% of Total Annualized Base Rent	Expiring Annualized Base Rent per Sq. Ft.		Expiring Ground Lease Revenue
			Pro-Rata Share	100%		Pro-Rata Share	100%	
2019	182	951,377	\$ 14,292	\$ 14,404	5.8%	\$ 15.10	\$ 15.14	\$ 252
2020	241	1,855,224	27,275	27,479	11.0%	14.75	14.81	1,511
2021	298	1,788,089	29,426	29,737	11.9%	16.56	16.63	605
2022	298	1,977,920	33,840	33,937	13.6%	17.14	17.16	1,240
2023	331	2,343,755	42,458	42,526	17.1%	18.14	18.14	2,018
2024	173	1,309,791	21,849	24,174	9.7%	18.87	18.46	689
2025	89	797,080	13,360	14,397	5.8%	17.77	18.06	736
2026	82	807,742	10,706	11,422	4.6%	14.16	14.14	1,320
2027	76	715,216	11,261	11,765	4.7%	16.82	16.45	358
2028	88	817,361	13,693	13,735	5.5%	16.78	16.80	4,101
Beyond	84	1,408,348	25,367	25,367	10.2%	18.01	18.01	7,631
	1,942	14,771,903	\$ 243,528	\$ 248,943	100.0%	\$ 16.86	\$ 16.85	\$ 20,461

1 Lease expiration table reflects rents in place as of December 31, 2018 and does not include option periods; 2019 expirations include 16 month-to-month tenants. This column also excludes ground leases.

2 Expiring GLA excludes estimated square footage attributable to non-owned structures on land owned by the Company and ground leased to tenants.

3 Annualized base rent represents the monthly contractual rent for December 2018 for each applicable tenant multiplied by 12. Excludes tenant reimbursements and ground lease revenue.

4 55% of our annualized base rent is generated from tenants occupying less than 16,000 square feet.

Lease Activity – New and Renewal

In 2018, the Company executed new and renewal leases on 315 individual spaces totaling 1.7 million square feet (6.8% leasing spread). New leases were signed on 118 individual spaces for 0.5 million square feet of GLA (12.3% leasing spread), while renewal leases were signed on 197 individual spaces for 1.2 million square feet of GLA (5.4% leasing spread).

Included in the 118 new leases were 12 anchor leases signed for 297,000 square feet at a 8.4% leasing spread.

ITEM 3. LEGAL PROCEEDINGS

We are not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against us. We are parties to routine litigation, claims, and administrative proceedings arising in the ordinary course of business. Management believes that such matters will not have a material adverse impact on our consolidated financial condition, results of operations or cash flows taken as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common shares are currently listed and traded on the NYSE under the symbol "KRG." On February 22, 2019, the closing price of our common shares on the NYSE was \$16.04.

Holdings

The number of registered holders of record of our common shares was 1,200 as of February 22, 2019. This total excludes beneficial or non-registered holders that held their shares through various brokerage firms. This figure does not represent the actual number of beneficial owners of our common shares because our common shares are frequently held in "street name" by securities dealers and others for the benefit of beneficial owners who may vote the shares.

Distributions, if any, will be declared and paid at the discretion of our Board of Trustees and will depend upon a number of factors, including cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Code, and such other factors as our Board of Trustees deem relevant.

Distributions by us to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes will be taxable to shareholders as either ordinary dividend income or capital gain income if so declared by us. Distributions in excess of taxable earnings and profits generally will be treated as a non-taxable return of capital. These distributions, to the extent that they do not exceed the shareholder's adjusted tax basis in its common shares, have the effect of deferring taxation until the sale of a shareholder's common shares. To the extent that distributions are both in excess of taxable earnings and profits and in excess of the shareholder's adjusted tax basis in its common shares, the distribution will be treated as gain from the sale of common shares. In order to maintain our qualification as a REIT, we must make annual distributions to shareholders of at least 90% of our "REIT taxable income" (determined before the deduction for dividends paid and excluding net capital gains) and we must make distributions to shareholders equal to 100% of our net taxable income to eliminate U.S. federal income tax liability. Under certain circumstances, we could be required to make distributions in excess of cash available for distributions in order to meet such requirements. For the taxable year ended December 31, 2018, approximately 44% of our distributions to shareholders constituted a return of capital and approximately 56% constituted taxable ordinary income dividends.

Under our unsecured revolving credit facility, we are permitted to make distributions to our shareholders provided that no event of default exists. If an event of default exists, we may only make distributions sufficient to maintain our REIT status. However, we may not make any distributions if any event of default resulting from nonpayment or bankruptcy exists, or if our obligations under the unsecured revolving credit facility are accelerated.

Issuer Repurchases; Unregistered Sales of Securities

During the three months ended December 31, 2018, we did not repurchase any of our common shares, and none of our employees surrendered common shares owned by them to satisfy their statutory minimum U.S. federal and state tax obligations associated with the vesting of restricted common shares of beneficial interest issued under our 2013 Equity Incentive Plan. We did not sell any unregistered securities during 2018.

Issuances Under Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plans, see Item 12 of this Annual Report on Form 10-K.

Performance Graph

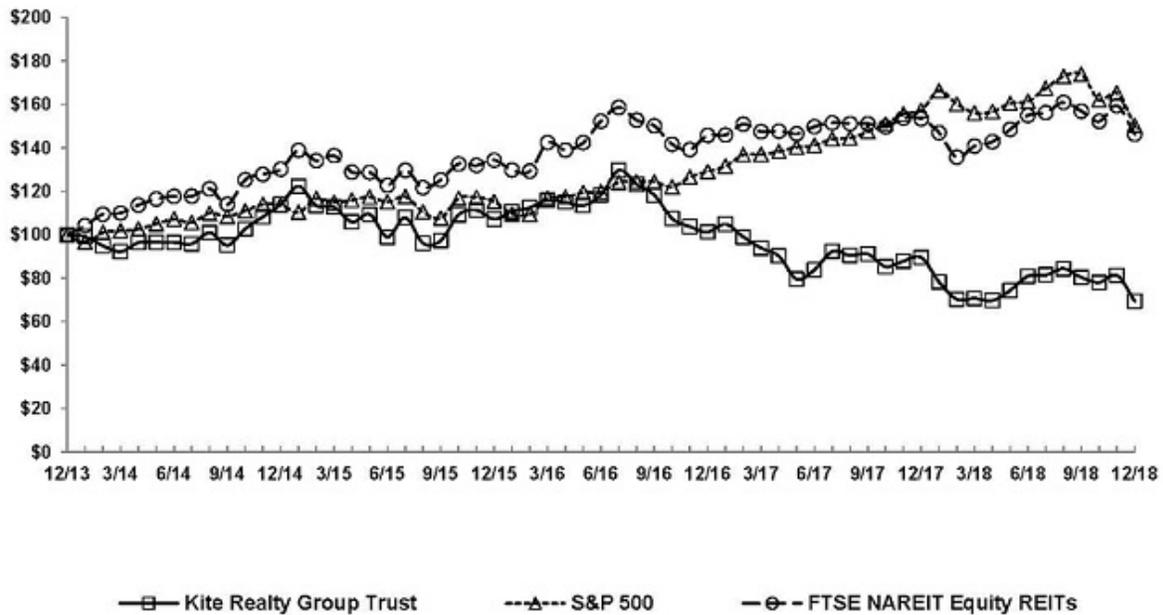
Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act or the Exchange Act that might incorporate SEC filings, in whole or in part, the following performance graph will not be incorporated by reference into any such filings.

The following graph compares the cumulative total shareholder return of our common shares for the period from December 31, 2013 to December 31, 2018, to the S&P 500 Index and to the published NAREIT All Equity REIT Index over the same

period. The graph assumes that the value of the investment in our common shares and each index was \$100 at December 31, 2013 and that all cash distributions were reinvested. The shareholder return shown on the graph below is not indicative of future performance

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Kite Realty Group Trust, the S&P 500 Index
and the FTSE NAREIT Equity REITs Index



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/13	6/14	12/14	6/15	12/15	6/16	12/16	6/17	12/17	6/18	12/18
Kite Realty Group Trust	100.00	96.37	114.00	98.89	107.16	118.33	101.21	83.82	89.46	80.90	69.37
S&P 500	100.00	107.14	113.69	115.09	115.26	119.68	129.05	141.10	157.22	161.38	150.33
FTSE NAREIT Equity REITs	100.00	117.66	130.14	122.76	134.30	152.27	145.74	149.68	153.36	154.91	146.27

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth, on a historical basis, selected unaudited financial and operating information. The financial information has been derived from our consolidated balance sheets and statements of operations. The share and per share information has been restated for the effects of our one-for-four reverse share split that occurred in August 2014. This information should be read in conjunction with our audited consolidated financial statements and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this Annual Report on Form 10-K.

(\$ in thousands, except per share data)

Year Ended December 31 (Unaudited)

	2018	2017	2016	2015	2014
Operating Data:					
Revenues:					
Rental related revenue	\$ 351,661	\$ 358,442	\$ 354,122	\$ 347,005	\$ 259,528
Fee income	2,523	377	—	—	—
Total revenues	354,184	358,819	354,122	347,005	259,528
Expenses:					
Property operating	50,356	49,643	47,923	49,973	38,703
Real estate taxes	42,378	43,180	42,838	40,904	29,947
General, administrative, and other	21,320	21,749	20,603	18,709	13,043
Transaction costs	—	—	2,771	1,550	27,508
Non-cash gain from release of assumed earnout liability	—	—	—	(4,832)	—
Depreciation and amortization	152,163	172,091	174,564	167,312	120,998
Impairment charge	70,360	7,411	—	1,592	—
Total expenses	336,577	294,074	288,699	275,208	230,199
Gains on sales of operating properties, net	3,424	15,160	4,253	4,066	8,578
Operating income	21,031	79,905	69,676	75,863	37,907
Interest expense	(66,785)	(65,702)	(65,577)	(56,432)	(45,513)
Income tax benefit (expense) of taxable REIT subsidiary	227	100	(814)	(186)	(24)
Non-cash gain on debt extinguishment	—	—	—	5,645	—
Gain on settlement	—	—	—	4,520	—
Equity in loss of unconsolidated subsidiaries	(278)	—	—	—	—
Other expense, net	(646)	(415)	(169)	(95)	(244)
(Loss) income from continuing operations	(46,451)	13,888	3,116	29,315	(7,874)
Discontinued operations:					
Gains on sale of operating properties	—	—	—	—	3,198
Income (loss) from discontinued operations	—	—	—	—	3,198
Consolidated net (loss) income	(46,451)	13,888	3,116	29,315	(4,676)
Net income attributable to noncontrolling interests:	(116)	(2,014)	(1,933)	(2,198)	(1,025)
Net (loss) income attributable to Kite Realty Group Trust:	(46,567)	11,874	1,183	27,117	(5,701)
Dividends on preferred shares	—	—	—	(7,877)	(8,456)
Non-cash adjustment for redemption of preferred shares	—	—	—	(3,797)	—
Net (loss) income attributable to common shareholders	\$ (46,567)	\$ 11,874	\$ 1,183	\$ 15,443	\$ (14,157)
(Loss) income per common share – basic:					
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	\$ (0.56)	\$ 0.14	\$ 0.01	\$ 0.19	\$ (0.29)
Income from discontinued operations attributable to Kite Realty Group Trust common shareholders	—	—	—	—	0.05
Net (loss) income attributable to Kite Realty Group Trust common shareholders	\$ (0.56)	\$ 0.14	\$ 0.01	\$ 0.19	\$ (0.24)
(Loss) income per common share – diluted:					
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	\$ (0.56)	\$ 0.14	\$ 0.01	\$ 0.18	\$ (0.29)
Income from discontinued operations attributable to Kite Realty Group Trust common shareholders	—	—	—	—	0.05
Net (loss) income attributable to Kite Realty Group Trust common shareholders	\$ (0.56)	\$ 0.14	\$ 0.01	\$ 0.18	\$ (0.24)
Weighted average Common Shares outstanding – basic	83,693,385	83,585,333	83,436,511	83,421,904	58,353,448
Weighted average Common Shares outstanding – diluted	83,693,385	83,690,418	83,465,500	83,534,831	58,353,448
Distributions declared per Common Share	\$ 1.2700	\$ 1.2250	\$ 1.1700	\$ 1.0900	\$ 1.0200
Net (loss) income attributable to Kite Realty Group Trust common shareholders:					
(Loss) income from continuing operations ⁶	\$ (46,567)	\$ 11,874	\$ 1,183	\$ 15,443	\$ (17,268)
Income from discontinued operations	—	—	—	—	3,111
Net (loss) income attributable to Kite Realty Group Trust common shareholders	\$ (46,567)	\$ 11,874	\$ 1,183	\$ 15,443	\$ (14,157)

- 1 In 2018, we disposed of six operating properties and sold an 80% interest in three additional operating properties. The operations of these properties are not reflected as discontinued operations as none of the disposals individually, nor in the aggregate, represent a strategic shift that has or will have a major effect on our operations and financial results.
- 2 In 2017, we disposed of four operating properties. The operations of these properties are not reflected as discontinued operations as none of the disposals individually, nor in the aggregate, represent a strategic shift that has or will have a major effect on our operations and financial results.
- 3 In 2016, we disposed of two operating properties. The operations of these properties are not reflected as discontinued operations as none of the disposals individually, nor in the aggregate, represent a strategic shift that has or will have a major effect on our operations and financial results.
- 4 In 2015, we disposed of nine operating properties. The operations of these properties are not reflected as discontinued operations as none of the disposals individually, nor in the aggregate, represent a strategic shift that has or will have a major effect on our operations and financial results.
- 5 In 2014, we disposed of a number of operating properties. Of our 2014 disposals, the only property's operations reflected as discontinued operations for each of the years presented is 50th and 12th, as the other disposals individually or in the aggregate did not represent a strategic shift that has or will have a major effect on our operations and financial results. Further, the 50th and 12th operating property is included in discontinued operations, as the property was classified as held for sale as of December 31, 2013.
- 6 Includes gain on sale of operating properties and preferred dividends.

(\$ in thousands)

	As of December 31				
	2018	2017	2016	2015	2014
Balance Sheet Data (Unaudited):					
Investment properties, net	\$ 2,941,193	\$ 3,293,270	\$ 3,435,382	\$ 3,500,845	\$ 3,417,655
Cash and cash equivalents	35,376	24,082	19,874	33,880	43,826
Assets held for sale	5,731	—	—	—	179,642
Total assets	3,172,013	3,512,498	3,656,371	3,756,428	3,866,413
Mortgage and other indebtedness	1,543,301	1,699,239	1,731,074	1,724,449	1,546,460
Liabilities held for sale	—	—	—	—	81,164
Total liabilities	1,712,867	1,874,285	1,923,940	1,937,364	1,839,183
Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests	45,743	72,104	88,165	92,315	125,082
Kite Realty Group Trust shareholders' equity	1,412,705	1,565,411	1,643,574	1,725,976	1,898,784
Noncontrolling interests	698	698	692	773	3,364
Total liabilities and equity	3,172,013	3,512,498	3,656,371	3,756,428	3,866,413

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying audited consolidated financial statements and related notes thereto and Item 1A, "Risk Factors," appearing elsewhere in this Annual Report on Form 10-K. In this discussion, unless the context suggests otherwise, references to "our Company," "we," "us," and "our" mean Kite Realty Group Trust and its direct and indirect subsidiaries, including Kite Realty Group, L.P.

Overview

In the following overview, we discuss, among other things, the status of our business and properties, the effect that current United States economic conditions is having on our retail tenants and us, and the current state of the financial markets and how it impacts our financing strategy.

Our Business and Properties

Kite Realty Group Trust is a publicly-held real estate investment trust which, through its majority-owned subsidiary, Kite Realty Group, L.P., owns interests in various operating subsidiaries and joint ventures engaged in the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. We derive revenues primarily from activities associated with the collection of contractual rents and reimbursement payments from tenants at our properties. Our operating results therefore depend materially on, among other things, the ability of our tenants to make required lease payments, the health and resilience of the United States retail sector, interest rate volatility, job growth and overall economic and real estate market conditions.

As of December 31, 2018, we owned interests in 111 operating and redevelopment properties totaling approximately 21.9 million square feet. We also owned one development project under construction as of this date.

Portfolio Update

In evaluating acquisition, development, and redevelopment opportunities, we look for strong sub-markets where average household income is above the broader market average. We also focus on locations with population density, high traffic counts, and strong daytime workforce populations. Household incomes in our largest sub-markets are significantly higher than the medians for those broader markets.

In 2018, we sold six non-core assets, realizing net proceeds of \$125 million. These retail assets had a weighted average retail ABR of \$12.23, which was 27% lower than the year-end operating portfolio ABR of \$16.84. We also entered into a strategic joint venture with TH Real Estate by selling an 80% interest in three core retail assets resulting in gross proceeds of approximately \$89 million.

Additionally in 2018, we completed one development project and six redevelopment projects with total project costs of \$79.9 million and an aggregate return on cost of 8.5%.

In addition to targeting sub-markets with strong consumer demographics, we focus on having the most desirable tenant mix at each center. We have aggressively targeted and executed leases with prominent grocers including Kroger, Aldi, Publix and Trader Joe's, expanding retailers such as TJ Maxx, Ross Dress for Less, Burlington, and Old Navy, service and restaurant retailers such as Starbucks, North Italia and Flower Child and other retailers such as Ulta, Party City and Total Wine. Additionally, we have identified cost-efficient ways to relocate, re-tenant and renegotiate leases at several of our properties allowing us to attract more suitable tenants. In addition, many of our redevelopment projects include consolidating small shop space to accommodate construction of new junior anchor space.

Capital and Financing Activities

Our ability to obtain capital on satisfactory terms and to refinance borrowings as they mature is affected by the condition of the economy in general and by the financial strength of properties securing borrowings.

Throughout 2018, we were able to maintain our strong balance sheet, financial flexibility and liquidity to fund future growth. We ended the year with approximately \$485 million of combined cash and borrowing capacity on our unsecured revolving credit facility. In addition, as of December 31, 2018, we had approximately \$20.7 million of debt principal scheduled to mature through December 31, 2020.

The amount that we may borrow under our unsecured revolving credit facility is limited by the value of the assets in our unencumbered asset pool. As of December 31, 2018, the value of the assets in our unencumbered asset pool was \$1.4 billion.

The investment grade credit ratings we have received provide us with access to the unsecured public bond market, which we may continue to use in the future to finance acquisition activity, repay maturing debt and fix interest rates.

Summary of Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 to the accompanying consolidated financial statements. As disclosed in Note 2, the preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the compilation of our financial condition and results of operations and require management's most difficult, subjective, and complex judgments.

Valuation of Investment Properties

Management reviews operational and development projects, land parcels and intangible assets for impairment on at least a quarterly basis or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. This review for possible impairment requires certain assumptions, estimates, and significant judgment. Impairment losses for investment properties and intangible assets are measured when the undiscounted cash flows estimated to be generated by the investment properties during the expected holding period are less than the carrying amounts of those assets. Impairment losses

are recorded as the excess of the carrying value over the estimated fair value of the asset. Our impairment review for land and development properties assumes we have the intent and the ability to complete the developments or projected uses for the land parcels. If we determine those plans will not be completed or our assumptions with respect to operating assets are not realized, an impairment loss may be appropriate.

Depreciation may be accelerated for a redevelopment project, including partial demolition of existing structures after the asset is assessed for impairment.

Operating properties will be classified as held for sale only when those properties are available for immediate sale in their present condition and for which management believes it is probable that a sale of the property will be completed within one year, among other factors. Operating properties classified as held for sale are carried at the lower of cost or fair value less estimated costs to sell. Depreciation and amortization are suspended during the held-for-sale period.

Our operating properties have operations and cash flows that can be clearly distinguished from the rest of our activities. Historically, the operations reported in discontinued operations include those operating properties that were sold or were considered held for sale and for which operations and cash flows can be clearly distinguished. The operations from these properties are eliminated from ongoing operations, and we will not have a continuing involvement after disposition. In 2014, we adopted the provisions of ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which will result in fewer real estate sales being classified within discontinued operations, as only disposals representing a strategic shift in operations will be presented as discontinued operations. No properties that have been sold, or designated as held-for-sale, since the adoption of ASU 2014-08, have met the revised criteria for classification within discontinued operations.

Acquisition of Real Estate Investments

Upon acquisition of real estate operating properties, we estimate the fair value of acquired identifiable tangible assets and identified intangible assets and liabilities, assumed debt, and any noncontrolling interest in the acquiree at the date of acquisition, based on evaluation of information and estimates available at that date. Based on these estimates, we record the estimated fair value to the applicable assets and liabilities. In making estimates of fair values, a number of sources are utilized, including information obtained as a result of pre-acquisition due diligence, marketing and leasing activities. The estimates of fair value were determined to have primarily relied upon Level 2 and Level 3 inputs, as defined below.

Fair value is determined for tangible assets and intangibles, including:

- the fair value of the building on an as-if-vacant basis and the fair value of land determined either by comparable market data, real estate tax assessments, independent appraisals or other relevant data;
- above-market and below-market in-place lease values for acquired properties, which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the leases. Any below-market renewal options are also considered in the in-place lease values. The capitalized above-market and below-market lease values are amortized as a reduction of or addition to rental income over the term of the lease. Should a tenant vacate, terminate its lease, or otherwise notify us of its intent to do so, the unamortized portion of the lease intangibles would be charged or credited to income;
- the value of having a lease in place at the acquisition date. We utilize independent and internal sources for our estimates to determine the respective in-place lease values. Our estimates of value are made using methods similar to those used by independent appraisers. Factors we consider in our analysis include an estimate of costs to execute similar leases including tenant improvements, leasing commissions and foregone costs and rent received during the estimated lease-up period as if the space was vacant. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases; and
- the fair value of any assumed financing that is determined to be above or below market terms. We utilize third party and independent sources for our estimates to determine the respective fair value of each mortgage payable. The fair market value of each mortgage payable is amortized to interest expense over the remaining initial terms of the respective loan.

We also consider whether there is any value to in-place leases that have a related customer relationship intangible value. Characteristics we consider in determining these values include the nature and extent of existing business relationships

with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality, and expectations of lease renewals, among other factors. To date, a tenant relationship has not been developed that is considered to have a current intangible value.

We finalize the measurement period of our business combinations when all facts and circumstances are understood, but in no circumstances will the measurement period exceed one year.

Revenue Recognition

As a lessor of real estate assets, the Company retains substantially all of the risks and benefits of ownership and accounts for its leases as operating leases.

Contractual minimum base rent, percentage rent, and expense reimbursements from tenants for common area maintenance costs, insurance and real estate taxes are our principal sources of revenue. Base minimum rents are recognized on a straight-line basis over the terms of the respective leases. Certain lease agreements contain provisions that grant additional rents based on a tenant's sales volume (contingent overage rent). Overage rent is recognized when tenants achieve the specified sales targets as defined in their lease agreements. Overage rent is included in other property related revenue in the accompanying consolidated statements of operations. We have accounts receivable due from tenants and are subject to the risk of tenant defaults and bankruptcies that may affect the collection of outstanding receivables. To address the collectability of these receivables, we analyze historical write-off experience, tenant credit-worthiness and current economic trends when evaluating the adequacy of our allowance for uncollectible accounts and straight-line rent reserve accordingly. Although we estimate uncollectible receivables and provide for them through charges against income, actual experience may differ from those estimates.

Gains or losses from sales of real estate have historically been recognized when a sale has been consummated, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the asset, we have transferred to the buyer the usual risks and rewards of ownership, and we do not have a substantial continuing financial involvement in the property. As part of our ongoing business strategy, we will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants.

Fair Value Measurements

We follow the framework established under accounting standard FASB ASC 820, *Fair Value Measurements and Disclosures*, for measuring fair value of non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis but only in certain circumstances, such as a business combination or upon determination of impairment.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

- Level 1 fair value inputs are quoted prices in active markets for identical instruments to which we have access.
- Level 2 fair value inputs are inputs other than quoted prices included in Level 1 that are observable for similar instruments, either directly or indirectly, and appropriately consider counterparty creditworthiness in the valuations.
- Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an instrument at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As discussed in Note 8 to the Financial Statements, we have determined that derivative valuations are classified in Level 2 of the fair value hierarchy.

Cash and cash equivalents, accounts receivable, escrows and deposits, and other working capital balances approximate fair value.

Note 6 to the Financial Statements includes a discussion of the fair values recorded when we recognized impairment charges in 2018 and 2017. Level 3 inputs to these transactions include our estimations of market leasing rates, tenant-related costs, discount rates, and disposal values.

Parent Company

The Parent Company, which is considered a corporation for U.S. federal income tax purposes, has been organized and intends to continue to operate in a manner that will enable it to maintain its qualification as a REIT for federal income tax purposes. As a result, it generally will not be subject to U.S. federal income tax on the earnings that it distributes to the extent it distributes its "REIT taxable income" (determined before the deduction for dividends paid and excluding net capital gains) to shareholders of the Parent Company and meets certain other requirements on a recurring basis. To the extent that it satisfies this distribution requirement, but distributes less than 100% of its taxable income, it will be subject to U.S. federal corporate income tax on its undistributed REIT taxable income. REITs are subject to a number of organizational and operational requirements. If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal income tax on its taxable income at regular corporate rates for a period of four years following the year in which qualification is lost. We may also be subject to certain U.S. federal, state and local taxes on our income and property and to federal income and excise taxes on our undistributed taxable income even if the Parent Company does qualify as a REIT. The Operating Partnership intends to continue to make distributions to the Parent Company in amounts sufficient to assist the Parent Company in adhering to REIT requirements and maintaining its REIT status.

We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary of the Operating Partnership, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. This election enables us to receive income and provide services that would otherwise be impermissible for a REIT. Deferred tax assets and liabilities are established for temporary differences between the financial reporting bases and the tax bases of assets and liabilities at the tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Operating Partnership

The allocated share of income and loss, other than the operations of our taxable REIT subsidiary, is included in the income tax returns of the Operating Partnership's partners. Accordingly, the only U.S. federal income taxes included in the accompanying consolidated financial statements are in connection with the taxable REIT subsidiary.

Inflation

Inflation rates have been near historical lows in recent years and, therefore, have not had a significant impact on our results of operations. Most of our leases contain provisions designed to mitigate the adverse impact of inflation by requiring the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance, or include a fixed amount for these costs that escalates over time, thereby reducing our exposure to increases in operating expenses resulting from inflation. Also, most of our leases have original terms of fewer than ten years, which enables us to adjust rental rates to market upon lease renewal.

Results of Operations

As of December 31, 2018, we owned interests in 111 operating and redevelopment properties and one development project currently under construction. The following table sets forth the total operating and redevelopment properties and development projects that we owned as of December 31, 2018, 2017 and 2016:

	# of Properties		
	2018	2017	2016
Operating Retail Properties	105	105	108
Operating Office Properties and Other	3	4	2
Redevelopment Properties	3	8	9
Total Operating and Redevelopment Properties	111	117	119
Development Projects:	1	2	2
Total All Properties	112	119	121

The comparability of results of operations is affected by our development, redevelopment, and operating property disposition activities in 2016 through 2018. Therefore, we believe it is most useful to review the comparisons of our results of operations for these years (as set forth below under “Comparison of Operating Results for the Years Ended December 31, 2018 and 2017” and “Comparison of Operating Results for the Years Ended December 31, 2017 and 2016”) in conjunction with the discussion of these activities during those periods, which is set forth below.

Property Acquisition Activities

During the three years ended December 31, 2018, we did not acquire any properties.

Operating Property Disposition Activities

During the three years ended December 31, 2018, we sold the operating properties listed in the table below.

Property Name	MSA	Disposition Date	Owned GLA
Shops at Otty	Portland, OR	June 2016	9,845
Publix at St. Cloud	St. Cloud, FL	December 2016	78,820
Cove Center	Stuart, FL	March 2017	155,063
Clay Marketplace	Birmingham, AL	June 2017	63,107
The Shops at Village Walk	Fort Myers, FL	June 2017	78,533
Wheatland Towne Crossing	Dallas, TX	June 2017	194,727
Trussville Promenade	Birmingham, AL	February 2018	463,836
Memorial Commons	Goldsboro, NC	March 2018	111,022
Tamiami Crossing ¹	Naples, FL	June 2018	121,705
Plaza Volente ¹	Austin, TX	June 2018	156,296
Livingston Shopping Center ¹	Newark, NJ	June 2018	139,559
Hamilton Crossing	Alcoa, TN	November 2018	175,464
Fox Lake Crossing	Chicago, IL	December 2018	99,136
Lowe's Plaza	Las Vegas, NV	December 2018	30,210

¹ The Company has retained a 20% ownership interest in this property.

Development Activities

During the three years ended December 31, 2018, the following development properties became operational and were transferred to the operating portfolio:

Property Name	MSA	Transition to Operating Portfolio	Owned GLA
Tamiami Crossing	Naples, FL	June 2016	121,705
Holly Springs Towne Center – Phase II	Raleigh, NC	June 2016	145,009
Parkside Town Commons – Phase II	Raleigh, NC	June 2017	152,460

Redevelopment Activities

During portions of the three years ended December 31, 2018, the following properties were under active redevelopment and removed from our operating portfolio:

Property Name	MSA	Transition to Redevelopment¹	Transition to Operating Portfolio	Owned GLA
Courthouse Shadows ²	Naples, FL	June 2013	Pending	124,802
Hamilton Crossing Centre ²	Indianapolis, IN	June 2014	Pending	89,983
City Center ³	White Plains, NY	December 2015	June 2018	363,103
Fishers Station ³	Indianapolis, IN	December 2015	September 2018	52,414
Beechwood Promenade ³	Athens, GA	December 2015	December 2018	297,369
The Corner ²	Indianapolis, IN	December 2015	Pending	27,731
Rampart Commons ³	Las Vegas, NV	March 2016	December 2018	79,314
Northdale Promenade	Tampa, FL	March 2016	June 2017	179,575
Burnt Store Marketplace ³	Punta Gorda, FL	June 2016	March 2018	95,625

1 Transition date represents the date the property was transferred from our operating portfolio into redevelopment status.

2 This property has been identified as a redevelopment property and is not included in the operating portfolio or the same property pool.

3 This property was transitioned to the operating portfolio; however, it remains excluded from the same property pool because it has not been in the operating portfolio four full quarters after the property was transitioned to operations.

Net Operating Income and Same Property Net Operating Income

We use property net operating income (“NOI”), a non-GAAP financial measure, to evaluate the performance of our properties. We define NOI as income from our real estate, including lease termination fees received from tenants, less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions and certain corporate level expenses. We believe that NOI is helpful to investors as a measure of our operating performance because it excludes various items included in net income that do not relate to or are not indicative of our operating performance, such as depreciation and amortization, interest expense, and impairment, if any.

We also use same property NOI (“Same Property NOI”), a non-GAAP financial measure, to evaluate the performance of our retail properties. Same Property NOI excludes properties that have not been owned for the full period presented. It also excludes net gains from outlot sales, straight-line rent revenue, lease termination fees, amortization of lease intangibles and significant prior period expense recoveries and adjustments, if any. We believe that Same Property NOI is helpful to investors as a measure of our operating performance because it includes only the NOI of properties that have been owned for the full period presented, which eliminates disparities in net income due to the acquisition or disposition of properties during the particular period presented and thus provides a more consistent metric for the comparison of our properties. Full year Same Property NOI represents the sum of the four quarters, as reported.

NOI and Same Property NOI should not, however, be considered as alternatives to net income (calculated in accordance with GAAP) as indicators of our financial performance. Our computation of NOI and Same Property NOI may differ from the methodology used by other REITs, and therefore may not be comparable to such other REITs.

When evaluating the properties that are included in the same property pool, we have established specific criteria for determining the inclusion of properties acquired or those recently under development. An acquired property is included in the same property pool when there is a full quarter of operations in both years subsequent to the acquisition date. Development and redevelopment properties are included in the same property pool four full quarters after the properties have been transferred to the operating portfolio. A redevelopment property is first excluded from the same property pool when the execution of a redevelopment plan is likely and we begin recapturing space from tenants. At December 31, 2018, the same property pool excluded three properties in redevelopment, five recently completed redevelopments, and two office properties.

The following table reflects Same Property NOI¹ and a reconciliation to net income attributable to common shareholders for the years ended December 31, 2018 and 2017 (unaudited):

(\$ in thousands)	Years Ended December 31,		% Change
	2018	2017	
Leased percentage at period end	94.5%	94.8%	
Economic Occupancy percentage ²	92.8%	93.4%	
Same Property NOI ³	\$ 218,691	\$ 215,651	1.4%
<i>Reconciliation of Same Property NOI to Most Directly Comparable GAAP Measure:</i>			
Net operating income - same properties	\$ 218,691	\$ 215,651	
Net operating income - non-same activity ⁴	40,236	49,968	
Other income, net	1,826	62	
General, administrative and other	(21,320)	(21,749)	
Impairment charges	(70,360)	(7,411)	
Depreciation and amortization expense	(152,163)	(172,091)	
Interest expense	(66,785)	(65,702)	
Gains on sales of operating properties	3,424	15,160	
Net income attributable to noncontrolling interests	(116)	(2,014)	
Net (loss) income attributable to common shareholders	\$ (46,567)	\$ 11,874	

- 1 Same Property NOI excludes three properties in redevelopment, the recently completed Beechwood Promenade, Burnt Store Marketplace, City Center, Fishers Station, and Rampart Commons redevelopments as well as office properties.
- 2 Excludes leases that are signed but for which tenants have not yet commenced the payment of cash rent. Calculated as a weighted average based on the timing of cash rent commencement and expiration during the period.
- 3 Same Property NOI excludes net gains from outlot sales, straight-line rent revenue, lease termination fees, amortization of lease intangibles, fee income and significant prior period expense recoveries and adjustments, if any.
- 4 Includes non-cash activity across the portfolio as well as net operating income from properties not included in the same property pool including properties sold during both periods.

Our Same Property NOI increased 1.4% in 2018 compared to 2017. This increase was primarily due to growth in rental rates and contractual rent increases in existing leases.

Funds From Operations

Funds from Operations ("FFO") is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. We calculate FFO, a non-GAAP financial measure, in accordance with the best practices described in the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts ("NAREIT"). The NAREIT white paper defines FFO as net income (determined in accordance with GAAP), excluding gains (or

losses) from sales and impairments of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Considering the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors in measuring our operational performance because it excludes various items included in net income that do not relate to or are not indicative of our operating performance, such as gains or losses from sales of depreciated property and depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult. For informational purposes, we have also provided FFO adjusted for accelerated amortization of debt issuance costs, transaction costs, a severance charge and a debt extinguishment loss in 2016. We believe this supplemental information provides a meaningful measure of our operating performance. We believe our presentation of FFO, as adjusted, provides investors with another financial measure that may facilitate comparison of operating performance between periods and among our peer companies. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance, is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and is not indicative of funds available to satisfy our cash needs, including our ability to make distributions. Our computation of FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do.

Our calculations of FFO¹ and reconciliation to consolidated net income and FFO, as adjusted for the years ended December 31, 2018, 2017 and 2016 (unaudited) are as follows:

(\$ in thousands)	Years Ended December 31,		
	2018	2017	2016
Consolidated net income	\$ (46,451)	\$ 13,888	\$ 3,116
Less: net income attributable to noncontrolling interests in properties	(1,151)	(1,731)	(1,844)
Add/Less: loss (gain) on sales of operating properties	(3,424)	(15,160)	(4,253)
Add: impairment charges	70,360	7,411	—
Add: depreciation and amortization of consolidated and unconsolidated entities, net of noncontrolling interests	151,856	170,315	173,578
FFO of the Operating Partnership ¹	171,190	174,723	170,597
Less: Limited Partners' interests in FFO	(4,109)	(3,966)	(3,872)
FFO attributable to Kite Realty Group Trust common shareholders ¹	\$ 167,081	\$ 170,757	\$ 166,725
FFO of the Operating Partnership ¹	\$ 171,190	\$ 174,723	\$ 170,597
Add: accelerated amortization of debt issuance costs (non-cash)	—	—	1,121
Add: transaction costs	—	—	2,771
Add: severance charge	—	—	500
Add: loss on debt extinguishment	—	—	819
FFO, as adjusted, of the Operating Partnership	\$ 171,190	\$ 174,723	\$ 175,808

1 “FFO of the Operating Partnership” measures 100% of the operating performance of the Operating Partnership’s real estate properties. “FFO attributable to Kite Realty Group Trust common shareholders” reflects a reduction for the redeemable noncontrolling weighted average diluted interest in the Operating Partnership.

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

We define EBITDA, a non-GAAP financial measure, as net income before depreciation and amortization, interest expense and income tax expense of taxable REIT subsidiary. For informational purposes, we have also provided Adjusted EBITDA, which we define as EBITDA less (i) EBITDA from unconsolidated entities, (ii) gains on sales of operating properties or impairment charges, (iii) other income and expense, (iv) noncontrolling interest EBITDA and (v) other non-recurring activity or items impacting comparability from period to period. Annualized Adjusted EBITDA is Adjusted EBITDA for the most recent quarter multiplied by four. Net Debt to Adjusted EBITDA is our share of net debt divided by Annualized Adjusted EBITDA. EBITDA, Adjusted EBITDA, Annualized Adjusted EBITDA and Net Debt to Adjusted EBITDA, as calculated by us, are not comparable to EBITDA

and EBITDA-related measures reported by other REITs that do not define EBITDA and EBITDA-related measures exactly as we do. EBITDA, Adjusted EBITDA and Annualized Adjusted EBITDA do not represent cash generated from operating activities in accordance with GAAP, and should not be considered alternatives to net income as an indicator of performance or as alternatives to cash flows from operating activities as an indicator of liquidity.

Considering the nature of our business as a real estate owner and operator, we believe that EBITDA, Adjusted EBITDA and the ratio of Net Debt to Adjusted EBITDA are helpful to investors in measuring our operational performance because they exclude various items included in net income that do not relate to or are not indicative of our operating performance, such as gains or losses from sales of depreciated property and depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult. For informational purposes, we have also provided Annualized Adjusted EBITDA, adjusted as described above. We believe this supplemental information provides a meaningful measure of our operating performance. We believe presenting EBITDA and the related measures in this manner allows investors and other interested parties to form a more meaningful assessment of our operating results.

The following table presents a reconciliation of our EBITDA, Adjusted EBITDA and Annualized Adjusted EBITDA to consolidated net income (the most directly comparable GAAP measure) and a calculation of Net Debt to Adjusted EBITDA.

(\$ in thousands)	Three Months Ended December 31, 2018
Consolidated net loss	\$ (31,709)
Adjustments to net income:	
Depreciation and amortization	36,299
Interest expense	17,643
Income tax benefit of taxable REIT subsidiary	(150)
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	22,083
Adjustments to EBITDA:	
Unconsolidated EBITDA	430
Impairment charge	31,513
Loss on sales of operating properties	4,725
Other income and expense, net	461
Noncontrolling interest	(132)
Pro-forma adjustments	(1,805)
Adjusted EBITDA	57,275
Annualized Adjusted EBITDA¹	\$ 229,100
Company share of net debt:	
Mortgage and other indebtedness	1,543,301
Less: Partner share of consolidated joint venture debt	(1,132)
Less: Cash, cash equivalents, and restricted cash	(46,449)
Plus: Company share of unconsolidated joint venture debt	21,912
Plus: Debt Premium	5,469
Company Share of Net Debt	1,523,101
Net Debt to Adjusted EBITDA	6.65x

1 Represents Adjusted EBITDA for the three months ended December 31, 2018 (as shown in the table above) multiplied by four.

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

The following table reflects changes in the components of our consolidated statements of operations for the years ended December 31, 2018 and 2017:

(\$ in thousands)	2018	2017	Net change 2017 to 2018
Revenue:			
Rental income (including tenant reimbursements)	\$ 338,523	\$ 346,444	\$ (7,921)
Other property related revenue	13,138	11,998	1,140
Fee income	2,523	377	2,146
Total revenue	354,184	358,819	(4,635)
Expenses:			
Property operating	50,356	49,643	713
Real estate taxes	42,378	43,180	(802)
General, administrative, and other	21,320	21,749	(429)
Depreciation and amortization	152,163	172,091	(19,928)
Impairment charge	70,360	7,411	62,949
Total expenses	336,577	294,074	42,503
Gains on sale of operating properties, net	3,424	15,160	(11,736)
Operating income	21,031	79,905	(58,874)
Interest expense	(66,785)	(65,702)	(1,083)
Income tax benefit of taxable REIT subsidiary	227	100	127
Equity in loss of unconsolidated subsidiary	(278)	—	(278)
Other expense, net	(646)	(415)	(231)
Consolidated net (loss) income	(46,451)	13,888	(60,339)
Net income attributable to noncontrolling interests	(116)	(2,014)	1,898
Net (loss) income attributable to Kite Realty Group Trust common shareholders	\$ (46,567)	\$ 11,874	\$ (58,441)
Property operating expense to total revenue ratio	14.2%	13.8%	0.4%

Rental income (including tenant reimbursements) decreased \$7.9 million, or 2.3%, due to the following:

(\$ in thousands)	Net change 2017 to 2018
Properties sold during 2017 and 2018	\$ (13,086)
Properties under development and redevelopment during 2017 and/or 2018	3,625
Properties fully operational during 2017 and 2018 and other	1,540
Total	\$ (7,921)

The net increase of \$1.5 million in rental income for properties that were fully operational during 2017 and 2018 is attributable to an increase in rental rates offset by a decrease in occupancy primarily caused by anchor bankruptcies and vacancies. In addition, there was an increase of \$2.9 million in non-cash market rent amortization associated with anchor vacancies. Rental income for recently completed development and redevelopment projects increased \$3.6 million primarily due to multiple anchor tenants commencing rent payments at Fishers Station, Holly Springs Towne Center - Phase II, and Portofino Shopping Center. Tenant reimbursement decreased \$0.9 million from 2017 to 2018 due to a decrease in occupancy as noted above. The Company's recovery levels of recoverable operating expenses and real estate taxes were 87.7% and 89.1%, for the years ended December 31, 2018 and 2017.

The average rents for new comparable leases signed in 2018 were \$20.38 per square foot compared to average expiring base rents of \$18.14 per square foot in that period. The average base rents for renewals signed in 2018 were \$18.82 per square

foot compared to average expiring base rents of \$17.86 per square foot in that period. For our retail operating portfolio, annualized base rent per square foot improved to \$16.84 per square foot as of December 31, 2018, up from \$16.07 per square foot as of December 31, 2017.

Other property related revenue primarily consists of parking revenues, overage rent, lease termination income and gains on sales of undepreciated assets. This revenue increased by \$1.1 million, primarily as a result of business interruption income of \$2.8 million and an increase in lease termination income of \$0.5 million. These increases were offset by lower gains on sales of undepreciated assets of \$2.1 million.

We recorded fee income of \$2.5 million for the year ended December 31, 2018 compared to fee income of \$0.4 million for the year ended December 31, 2017. The 2018 activity is for development services provided as part of a multi-family development at our Eddy Street Commons operating property. In December 2017, we formed a joint venture with an unrelated third party to develop and own an Embassy Suites full-service hotel next to our Eddy Street Commons operating property at the University of Notre Dame.

Property operating expenses increased \$0.7 million, or 1.4%, due to the following:

(\$ in thousands)	Net change 2017 to 2018
Properties sold during 2017 and 2018	\$ (2,116)
Properties under development and redevelopment during 2017 and/or 2018	1,355
Properties fully operational during 2017 and 2018 and other	1,474
Total	<u>\$ 713</u>

The net increase \$1.5 million in property operating expenses for properties that were fully operational during 2017 and 2018 is primarily due to a combination of increases of \$0.5 million in repairs and maintenance costs and \$0.9 million in landscaping and parking lot expense.

As a percentage of rental revenue, property operating expenses increased between years from 13.8% to 14.2%. The increase was mostly due to an increase in anchor vacancy due to certain retailer bankruptcies that contributed to a reduction in the recovery percentage at several of our properties.

Real estate taxes decreased \$0.8 million, or 1.9%, due to the following:

(\$ in thousands)	Net change 2017 to 2018
Properties sold during 2017 and 2018	\$ (1,810)
Properties under development and redevelopment during 2017 and/or 2018	603
Properties fully operational during 2017 and 2018 and other	405
Total	<u>\$ (802)</u>

The net increase of \$0.4 million in real estate taxes for properties that were fully operational during 2017 and 2018 is primarily due to an increase in current year tax assessments at certain operating properties. The majority of real estate tax expense is recoverable from tenants and such recovery is reflected in tenant reimbursement revenue.

General, administrative and other expenses decreased \$0.4 million, or 2.0%. The increase is due primarily to higher personnel costs and company overhead expenses, which are partially offset by a reduction in share-based compensation expense.

In 2018, we recorded impairment charges totaling \$70.4 million related to a reduction in the expected holding period of certain operating and development properties. In 2017, we recorded an impairment charge of \$7.4 million related to one of our operating properties as a result of our conclusion the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of the asset. See additional discussion in Note 8 to the consolidated financial statements.

Depreciation and amortization expense decreased \$19.9 million, or 11.6%, due to the following:

(\$ in thousands)	Net change 2017 to 2018
Properties sold during 2017 and 2018	\$ (6,806)
Properties under development and redevelopment during 2017 and/or 2018	(4,970)
Properties fully operational during 2017 and 2018 and other	(8,152)
Total	<u>\$ (19,928)</u>

The net decrease of \$5.0 million in properties under redevelopment during 2017 and 2018 is primarily due to \$5.8 million of accelerated depreciation and amortization in 2017 from the demolition of a building at our Fishers Station redevelopment property in preparation for replacing the anchor tenant and from the demolition of a building at The Corner redevelopment property. The net decrease of \$8.2 million in depreciation and amortization at properties fully operational during 2017 and 2018 is primarily due to certain assets becoming fully depreciated in 2017 and 2018.

Interest expense increased \$1.1 million or 1.6%. The increase is due to a reduction in capitalized interest of \$1.2 million as additional redevelopments became operational during 2018. As a portion of a project becomes operational, we cease capitalization of the related interest expense. In addition, there was accelerated amortization of deferred loan fees of \$1.1 million. These increases in interest expense were offset by reductions in debt utilizing proceeds from current year property sales.

We recorded a net gain of \$3.4 million for the year ended December 31, 2018 on the sale of six operating properties and the sale of an 80% interest in three operating properties to a joint venture with TH Real Estate, compared to a net gain of \$15.2 million on the sale of four operating properties for the year ended December 31, 2017.

Comparison of Operating Results for the Years Ended December 31, 2017 and 2016

The following table reflects changes in the components of our consolidated statements of operations for the years ended December 31, 2017 and 2016:

(\$ in thousands)	2017	2016	Net change 2016 to 2017
Revenue:			
Rental income (including tenant reimbursements)	\$ 346,444	\$ 344,541	\$ 1,903
Other property related revenue	11,998	9,581	2,417
Fee income	377	—	377
Total revenue	<u>358,819</u>	<u>354,122</u>	<u>4,697</u>
Expenses:			
Property operating	49,643	47,923	1,720
Real estate taxes	43,180	42,838	342
General, administrative, and other	21,749	20,603	1,146
Transaction costs	—	2,771	(2,771)
Depreciation and amortization	172,091	174,564	(2,473)
Impairment charge	7,411	—	7,411
Total expenses	<u>294,074</u>	<u>288,699</u>	<u>5,375</u>
Gain on sale of operating properties, net	<u>15,160</u>	<u>4,253</u>	<u>10,907</u>
Operating income	79,905	69,676	10,229
Interest expense	(65,702)	(65,577)	(125)
Income tax benefit (expense) of taxable REIT subsidiary	100	(814)	914
Other expense, net	(415)	(169)	(246)
Consolidated net income	<u>13,888</u>	<u>3,116</u>	<u>10,772</u>
Net income attributable to noncontrolling interests	<u>(2,014)</u>	<u>(1,933)</u>	<u>(81)</u>
Net income attributable to common shareholders	<u>\$ 11,874</u>	<u>\$ 1,183</u>	<u>\$ 10,691</u>
Property operating expense to total revenue ratio	13.8%	13.5%	0.3%

Rental income (including tenant reimbursements) increased \$1.9 million, or 0.6%, due to the following:

(\$ in thousands)	Net change 2016 to 2017
Properties sold during 2016 and 2017	\$ (6,363)
Properties under development and redevelopment during 2016 and/or 2017	(3,323)
Development projects completed during 2016 and/or 2017	3,608
Properties fully operational during 2016 and 2017 and other	7,981
Total	\$ 1,903

The net increase of \$8.0 million in rental income for properties that were fully operational during 2016 and 2017 is primarily attributable to an increase in rental rates and an increase in occupancy, which leads to more tenants paying rent. The increase in rental revenue is primarily due to multiple anchor and small shop tenants opening as we completed or partially completed various redevelopment and repositioning projects including Trader Joe's at Centennial Gateway, Ross Dress for Less at Trussville Promenade, Party City at Market Street Village, Marshalls at Bolton Plaza, Ulta Beauty at Pine Ridge Crossing, Tuesday Morning at Northdale Promenade, Petco at Hitchcock Plaza, Petsmart at Tarpon Bay Plaza, Buy Buy Baby at Cool Springs Market, Five Below at Shops at Moore and new small shop buildings at Castleton Crossing and Portofino Shopping Center. The net increase of \$3.6 million in rental income for recently completed development projects during 2017 is primarily due to multiple anchor tenants opening including Carmike Cinemas at Holly Springs Towne Center - Phase II, Ross Dress for Less and Michaels at Tamiami Crossing and Stein Mart at Parkside Town Commons - Phase II.

The average base rents for new comparable leases signed in 2017 were \$21.44 per square foot compared to average expiring base rents of \$17.43 per square foot in that period. The average base rents for renewals signed in 2018 were \$16.81 per square foot compared to average expiring base rents of \$15.77 per square foot in that period. For our retail operating portfolio, annualized base rent per square foot improved to \$16.07 per square foot as of December 31, 2017, up from \$15.53 per square foot as of December 31, 2017.

Other property related revenue primarily consists of parking revenues, overage rent, lease termination income and gains on sales of undepreciated assets. This revenue increased by \$2.4 million, primarily as a result of higher gains on sales of undepreciated assets of \$1.3 million (including the effect of a \$4.9 million gain on the sale of an outlot at Cove Center during the second quarter of 2017) and an increase of \$1.0 million in lease termination income.

We recorded fee income of \$0.4 million for the year ended December 31, 2017. In December 2017, we formed a joint venture with an unrelated third party to develop and own an Embassy Suites full-service hotel next to our Eddy Street Commons operating property at the University of Notre Dame. See additional discussion in Note 2 to the consolidated financial statements.

Property operating expenses increased \$1.7 million, or 3.6%, due to the following:

(\$ in thousands)	Net change 2016 to 2017
Properties sold during 2016 and 2017	\$ (927)
Properties under development and redevelopment during 2016 and/or 2017	722
Development projects completed during 2016 and/or 2017	546
Properties fully operational during 2016 and 2017 and other	1,379
Total	\$ 1,720

The net increase \$1.4 million in property operating expenses for properties that were fully operational during 2016 and 2017 is primarily due to a combination of increases of \$0.8 million in provision for credit losses attributable to certain anchor bankruptcies in 2017, \$0.8 million in general building repair and landscaping costs at certain properties, \$0.3 million in marketing expense, and \$0.1 million in non-recoverable utility expense. The increases were partially offset by a decrease of \$0.6 million in insurance expense.

As a percentage of revenue, property operating expenses increased between years from 13.5% to 13.8%. The increase was mostly due to an increase in certain non-recoverable expenses including provision for credit losses, marketing expenses, and non-recoverable utility expense at several of our properties.

Real estate taxes increased \$0.3 million, or 0.8%, due to the following:

(\$ in thousands)	Net change 2016 to 2017
Properties sold during 2016 and 2017	\$ (863)
Properties under development and redevelopment during 2016 and/or 2017	(81)
Development projects completed during 2016 and/or 2017	403
Properties fully operational during 2014 and 2017 and other	883
Total	\$ 342

The net increase of \$0.9 million in real estate taxes for properties that were fully operational during 2016 and 2017 is primarily due to an increase in 2017 tax assessments at certain operating properties. The majority of real estate tax expense is recoverable from tenants and such recovery is reflected in tenant reimbursement revenue.

General, administrative and other expenses increased \$1.1 million, or 5.6%. The increase is due primarily to higher personnel costs and company overhead expenses, which are partially offset by a severance charge of \$0.5 million in 2016.

Transaction costs decreased by \$2.8 million, as we did not incur any transaction costs for the year ended December 31, 2017.

In 2017, we recorded an impairment charge of \$7.4 million related to one of our operating properties as a result of our conclusion the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of the asset. See additional discussion in Note 8 to the consolidated financial statements.

Depreciation and amortization expense decreased \$2.5 million, or 1.4%, due to the following:

(\$ in thousands)	Net change 2016 to 2017
Properties sold during 2016 and 2017	\$ (3,687)
Properties under development and redevelopment during 2016 and/or 2017	3,920
Development projects completed during 2016 and/or 2017	(304)
Properties fully operational during 2016 and 2017 and other	(2,402)
Total	\$ (2,473)

The net increase of \$3.9 million in properties under redevelopment during 2016 and 2017 is primarily due to \$5.8 million of accelerated depreciation and amortization from the demolition of a building at our Fishers Station redevelopment property in preparation for replacing the anchor tenant and from the demolition of a building at The Corner redevelopment property. This increase was partially offset by \$2.2 million of accelerated depreciation and amortization from the demolition of a portion of a building at our Burnt Store Marketplace operating property in 2016. The net decrease of \$2.4 million in depreciation and amortization at properties fully operational during 2016 and 2017 is primarily due to a decrease of \$1.6 million in depreciation and amortization caused by tenant-specific assets becoming fully depreciated in 2017 and a decrease of \$0.7 million in accelerated depreciation and amortization on tenant-specific assets caused by a tenant vacating prior to their lease expiration in 2016.

Interest expense increased \$0.1 million or 0.2%. The increase is due to certain development projects, including Tamiami Crossing, Parkside Town Commons - Phase II and Holly Springs Towne Center - Phase II, becoming operational or partially operational throughout 2016. As a portion of a development project becomes operational, we cease capitalization of the related interest expense. This increase in interest expense was offset by reductions in debt utilizing proceeds from current year property sales.

We recorded an income tax benefit of our taxable REIT subsidiary of \$0.1 million compared to an income tax expense of our taxable REIT subsidiary of \$0.8 million for the years ended December 31, 2017 and 2016, respectively. The decrease is

primarily due to lower gains on sales of residential units at Eddy Street Commons for the year ended December 31, 2017, compared to the same period in 2016. The last of the units in Phase I were sold in 2016.

We recorded a net gain of \$15.2 million on the sale of our Cove Center, Clay Marketplace, The Shops at Village Walk and Wheatland Towne Center operating properties for the year ended December 31, 2017, compared to a net gain of \$4.3 million on the sale of our Shops at Otty and Publix at St. Cloud operating properties for the year ended December 31, 2016.

Liquidity and Capital Resources

Overview

Our primary finance and capital strategy is to maintain a strong balance sheet with sufficient flexibility to fund our operating and investment activities in a cost-effective manner. We consider a number of factors when evaluating our level of indebtedness and when making decisions regarding additional borrowings or equity offerings, including the estimated value of properties to be developed or acquired, the estimated market value of our properties and the Company as a whole upon placement of the borrowing or offering, and the ability of particular properties to generate cash flow to cover debt service. We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common or preferred shares, unsecured debt securities, or other securities.

Our Principal Capital Resources

For a discussion of cash generated from operations, see “Cash Flows,” beginning on page 65. In addition to cash generated from operations, we discuss below our other principal capital resources.

The continued positive operating cash flows of the Company have enhanced our liquidity position and reduced our borrowing costs. We continue to focus on a balanced approach to growth and staggering debt maturities in order to retain our financial flexibility.

In 2018, we sold six non-core assets for aggregate gross proceeds of \$125 million. In addition, we entered into a strategic joint venture with TH Real Estate (formerly known as TIAA) by selling an 80% interest in three core retail assets resulting in gross proceeds of approximately \$89 million. We utilized these proceeds to pay down the unsecured revolving credit facility and fund a portion of our development and redevelopment costs.

In February 2019, we announced a plan to market and sell up to \$500 million in non-core assets as part of a program designed to improve the Company’s portfolio quality, reduce its leverage, and focus operations on markets where we believe the Company can gain scale and generate attractive risk-adjusted returns. We currently anticipate that the bulk of the net proceeds will be used to repay debt, further strengthening its balance sheet.

As of December 31, 2018, we had approximately \$450 million available under our unsecured revolving credit facility for future borrowings based on the unencumbered asset pool allocated to the unsecured revolving credit facility. We also had \$35.4 million in cash and cash equivalents as of December 31, 2018.

We were in compliance with all applicable financial covenants under our unsecured revolving credit facility, our unsecured term loans, and our senior unsecured notes as of December 31, 2018.

We have on file with the SEC a shelf registration statement on Form S-3 relating to the offer and sale, from time to time, of an indeterminate amount of equity and debt securities. Equity securities may be offered and sold by the Parent Company, and the net proceeds of any such offerings would be contributed to the Operating Partnership in exchange for additional General Partner Units. Debt securities may be offered and sold by the Operating Partnership with the Operating Partnership receiving the proceeds. From time to time, we may issue securities under this shelf registration statement to fund the repayment of long-term debt upon maturity, for other general corporate purposes or as otherwise set forth in the applicable prospectus supplement.

In the future, we will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities. We may also raise capital by disposing of properties, land parcels or other assets that are no longer core components of our growth strategy. The sale price may differ from our carrying value at the time of sale.

Our Principal Liquidity Needs

Short-Term Liquidity Needs

Near-Term Debt Maturities. As of December 31, 2018, we did not have any debt scheduled to mature in 2019, excluding scheduled monthly principal payments.

Other Short-Term Liquidity Needs. The requirements for qualifying as a REIT and for a tax deduction for some or all of the dividends paid to shareholders necessitate that we distribute at least 90% of our taxable income on an annual basis. Such requirements cause us to have substantial liquidity needs over both the short term and the long term. Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest expense and scheduled principal payments on our debt, expected dividend payments to our common shareholders and to Common Unit holders, and recurring capital expenditures.

In November 2018, our Board of Trustees declared a cash distribution of \$0.3175 per common share and Common Unit for the fourth quarter of 2018. This distribution, totaling \$27.3 million, was paid on January 11, 2019 to common shareholders and Common Unit holders of record as of January 4, 2019. In February 2019, our Board of Trustees declared a cash distribution of \$0.3175 per common share and Common Unit for the first quarter of 2019. This distribution is expected to be paid on or about March 29, 2019 to common shareholders and Common Unit holders of record as of March 22, 2019.

Other short-term liquidity needs also include expenditures for tenant improvements, renovation costs, external leasing commissions and recurring capital expenditures. During the year ended December 31, 2018, we incurred \$4.5 million of costs for recurring capital expenditures on operating properties and also incurred \$17.9 million of costs for tenant improvements and external leasing commissions (excluding development and redevelopment properties). We currently anticipate incurring approximately \$14 million to \$16 million of additional major tenant improvements and \$25 million to \$35 million related to releasing vacant anchor space at a number of our operating properties.

As of December 31, 2018, we had one development project under construction at our Eddy Street Commons property across the street from the University of Notre Dame in South Bend, Indiana. Total estimated costs for this project, Eddy Street Commons - Phase II, are \$90.8 million. This estimate consists of our projected costs of \$10.0 million, tax increment financing of \$16.1 million, and construction costs of \$64.7 million for residential apartments and townhomes costs that we expect will be covered by an unrelated third party under a ground sublease that is currently being negotiated. We have provided a completion guaranty to the South Bend Redevelopment Commission and the South Bend Economic Development Commission on the construction of the entire project. We anticipate incurring the majority of the remaining costs for the project over the next 12 to 24 months. We believe we have the ability to fund this project through cash flow from operations.

We have one redevelopment that is currently under construction with total estimated costs of \$3.5 million to \$4.5 million. We have already spent \$2.5 million and the remaining costs are expected to be incurred during the first half of 2019. We expect to be able to fund these costs from cash flows from operations.

Long-Term Liquidity Needs

Our long-term liquidity needs consist primarily of funds necessary to pay for any new development projects, redevelopment of existing properties, non-recurring capital expenditures, acquisitions of properties, and payment of indebtedness at maturity.

Potential Redevelopment, Reposition, Repurpose Opportunities. We are currently evaluating additional redevelopment, repositioning, and repurposing of several other operating properties as part of our 3-R initiative. Total estimated costs of these properties are currently expected to be in the range of \$30 million to \$50 million. We believe we will have sufficient funding for these projects through cash flow from operations, borrowings on our unsecured revolving credit facility and proceeds from asset sales.

Selective Acquisitions, Developments and Joint Ventures. We may selectively pursue the acquisition and development of other properties, which would require additional capital. It is unlikely that we would have sufficient funds on hand to meet these long-term capital requirements, requiring us to satisfy these needs through additional borrowings, sales of common or preferred shares, issuance of Operating Partnership units, cash generated through property dispositions and/or participation in joint venture arrangements. We cannot be certain that we would have access to these sources of capital on satisfactory terms, if at all, to fund our long-term liquidity requirements. We evaluate all future opportunities against pre-established criteria including, but not limited to, location, demographics, expected return, tenant credit quality, tenant relationships, and the amount of existing retail space in

the market. Our ability to access the capital markets will be dependent on a number of factors, including general capital market conditions.

Capitalized Expenditures on Consolidated Properties

The following table summarizes cash capital expenditures for our development and redevelopment properties and other capital expenditures for the year ended December 31, 2018:

(\$ in thousands)	Year Ended December 31, 2018
Developments	\$ 2,724
Under Construction and Recently Completed Redevelopment Projects	16,621
Redevelopment Opportunities	2,458
Recently completed developments/redevelopments and other	17,684
Recurring operating capital expenditures (primarily tenant improvement payments)	19,817
Total	<u>\$ 59,304</u>

We capitalize certain indirect costs such as interest, payroll, and other general and administrative costs related to these development activities. If we had experienced a 10% reduction in development and redevelopment activities, without a corresponding decrease in indirect project costs, we would have recorded additional expense of \$0.2 million for the year ended December 31, 2018.

Impact of Changes in Credit Ratings on Our Liquidity

We have been assigned investment grade corporate credit ratings from two nationally recognized credit rating agencies. These ratings were unchanged during 2018.

In the future, the ratings could change based upon, among other things, the impact that prevailing economic conditions may have on our results of operations and financial condition. Credit rating reductions by one or more rating agencies could also adversely affect our access to funding sources, the cost and other terms of obtaining funding, as well as our overall financial condition, operating results and cash flow.

Cash Flows

As of December 31, 2018, we had cash and cash equivalents on hand of \$35.4 million. We may be subject to concentrations of credit risk with regard to our cash and cash equivalents. We place our cash and short-term cash investments with highly rated financial institutions. While we attempt to limit our exposure at any point in time, occasionally, such cash and investments may temporarily be in excess of FDIC and SIPC insurance limits. We also maintain certain compensating balances in several financial institutions in support of borrowings from those institutions. Such compensating balances were not material to the consolidated balance sheets.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Cash provided by operating activities was \$154.4 million for the year ended December 31, 2018, a decrease of \$0.2 million from the same period of 2017. The decrease was primarily due to a decrease in cash provided by operating activities due to our 2017 and 2018 property sales partially offset by the completion of several 3-R projects.

Cash provided by investing activities was \$148.3 million for the year ended December 31, 2018, as compared to cash used in investing activities of \$2.0 million in the same period of 2017. The major changes in cash provided by investing activities are as follows:

- Net proceeds of \$208.4 million related to the sale of six non-core assets for proceeds of \$125 million and the sale of an 80% interest in three core assets for net proceeds of \$89 million; and
- Decrease in capital expenditures of \$13.1 million, partially offset by a decrease in construction payables of \$0.8 million. In 2017 and 2018, we completed construction on multiple development and redevelopment projects.

Cash used in financing activities was \$289.4 million for the year ended December 31, 2018, compared to cash used in financing activities of \$149.3 million in the same period of 2017. Highlights of significant cash sources and uses in financing activities during 2017 are as follows:

- We borrowed \$44.5 million on the unsecured revolving credit facility to fund development activities, redevelopment activities, and tenant improvement costs;
- We used the \$218.4 million proceeds from the sale of operating properties to pay down the unsecured revolving credit facility;
- We paid \$22.0 million to partners in one of our joint ventures to fund the redemption of their redeemable noncontrolling interests using a draw on the Credit Facility; and
- We made distributions to common shareholders and Common Unit holders of \$110.0 million.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Cash provided by operating activities was \$154.6 million for the year ended December 31, 2017, a decrease of \$0.7 million from the same period of 2016. The decrease was primarily due to the timing of real estate tax payments and annual insurance payments and an increase in leasing costs.

Cash used in investing activities was \$2.0 million for the year ended December 31, 2017, as compared to cash used in investing activities of \$82.9 million in the same period of 2016. Highlights of significant cash sources and uses are as follows:

- Net proceeds of \$76.1 million related to the sale of Cove Center, Clay Marketplace, The Shops at Village Walk, and Wheatland Towne Crossing in 2017, compared to net proceeds of \$14.2 million from two property sales in 2016; and
- Increase in capital expenditures of \$23.8 million, partially offset by a decrease in construction payables of \$4.3 million. In 2017, we incurred additional construction costs at our Parkside Towne Commons - Phase II and Holly Springs Towne Center - Phase II development projects, and additional construction costs at several of our redevelopment properties.

Cash used in financing activities was \$149.3 million for the year ended December 31, 2017, compared to cash used in financing activities of \$90.9 million in the same period of 2016. Highlights of significant cash sources and uses in financing activities during 2017 are as follows:

- We retired the \$6.7 million loan secured by our Pleasant Hill Commons operating property using a draw on the unsecured revolving credit facility;
- We borrowed \$91.0 million on the unsecured revolving credit facility to fund development activities, redevelopment activities, and tenant improvement costs;
- We used the \$76.1 million proceeds from the sale of four operating properties to pay down the unsecured revolving credit facility;
- We repaid \$48.2 million on the unsecured revolving credit facility using cash flows generated from operations;
- We paid \$8.3 million to partners in one of our joint ventures to fund the partial redemption of their redeemable noncontrolling interests; and
- We made distributions to common shareholders and Common Unit holders of \$105.0 million.

Other Matters

Financial Instruments

We are exposed to capital market risk, such as changes in interest rates. In order to reduce the volatility relating to interest rate risk, we may enter into interest rate hedging arrangements from time to time. We do not utilize derivative financial instruments for trading or speculative purposes.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that in our opinion have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources. We do, however, have certain obligations related to some of the projects in our operating and development properties.

As of December 31, 2018, we have outstanding letters of credit totaling \$3.1 million, against which no amounts were advanced.

Contractual Obligations

The following table summarizes our contractual obligations based on contracts executed as of December 31, 2018.

(\$ in thousands)	Consolidated Long-term Debt and Interest ¹	Development Activity and Tenant Allowances ²	Operating Ground Leases	Employment Contracts ³	Total
2019	\$ 72,714	\$ 11,909	\$ 1,694	\$ 1,263	\$ 87,580
2020	93,171	—	1,777	450	95,398
2021	319,783	—	1,789	375	321,947
2022	299,184	—	1,815	—	300,999
2023	312,675	—	1,636	—	314,311
Thereafter	802,919	—	72,154	—	875,073
Total	\$ 1,900,446	\$ 11,909	\$ 80,865	\$ 2,088	\$ 1,995,308

1 Our long-term debt consists of both variable and fixed-rate debt and includes both principal and interest. Interest expense for variable-rate debt was calculated using the interest rates as of December 31, 2018.

2 Tenant allowances include commitments made to tenants at our operating and under construction development and redevelopment properties.

3 We have entered into employment agreements with certain members of senior management that have various expiration dates.

Obligations in Connection with Development and Redevelopment Projects Under Construction

We are obligated under various completion guarantees with lenders and tenants to complete all or portions of our under construction development and redevelopment projects. We believe we currently have sufficient financing in place to fund our investment in any existing or future projects through cash from operations or borrowings on our unsecured revolving credit facility.

Our share of estimated future costs for our under construction and future developments and redevelopments is further discussed on page 64 in the "Short and Long-Term Liquidity Needs" section.

Outstanding Indebtedness

The following table presents details of outstanding consolidated indebtedness as of December 31, 2018 and 2017 adjusted for hedges:

(\$ in thousands)	December 31, 2018	December 31, 2017
Senior unsecured notes	\$ 550,000	\$ 550,000
Unsecured revolving credit facility	45,600	60,100
Unsecured term loans	345,000	400,000
Mortgage notes payable - fixed rate	534,679	576,927
Mortgage notes payable - variable rate	73,491	113,623
Net debt premiums and issuance costs, net	(5,469)	(1,411)
Total mortgage and other indebtedness	\$ 1,543,301	\$ 1,699,239

Consolidated indebtedness, including weighted average maturities and weighted average interest rates at December 31, 2018, is summarized below:

(\$ in thousands)	Outstanding Amount	Ratio	Weighted Average Interest Rate	Weighted Average Maturity (in years)
Fixed rate debt ¹	\$ 1,475,879	95%	4.11%	5.8
Variable rate debt	72,891	5%	4.21%	6.9
Net debt premiums and issuance costs, net	(5,469)	N/A	N/A	N/A
Total	\$ 1,543,301	100%	4.13%	5.8

¹ Fixed rate debt includes, and variable rate debt excludes, the portion of such debt that has been hedged by interest rate derivatives. As of December 31, 2018, \$391.2 million in variable rate debt is hedged for a weighted average of 2.9 years.

Mortgage indebtedness is collateralized by certain real estate properties and leases. Mortgage indebtedness is generally repaid in monthly installments of interest and principal and matures over various terms through 2030.

Variable interest rates on mortgage indebtedness are based on LIBOR plus spreads ranging from 150 to 160 basis points. At December 31, 2018, the one-month LIBOR interest rate was 2.50%. Fixed interest rates on mortgage loans range from 3.78% to 6.78%.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates. We are exposed to interest rate changes primarily through our variable-rate unsecured credit facility and unsecured term loans and other property-specific variable-rate mortgages. Our objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower its overall borrowing costs. To achieve these objectives, we may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps, hedges, etc., in order to mitigate its interest rate risk on a related variable-rate financial instrument. As a matter of policy, we do not utilize financial instruments for trading or speculative transactions.

We had \$1.5 billion of outstanding consolidated indebtedness as of December 31, 2018 (inclusive of net unamortized net debt premiums and issuance costs of \$5.5 million). As of December 31, 2018, we were party to various consolidated interest rate hedge agreements totaling \$391.2 million, with maturities over various terms through 2025. Reflecting the effects of these hedge agreements, our fixed and variable rate debt would have been \$1.5 billion (95%) and \$0.1 billion (5%), respectively, of our total consolidated indebtedness at December 31, 2018.

We do not have any fixed rate debt scheduled to mature during 2019. A 100-basis point change in interest rates on our unhedged variable rate debt as of December 31, 2018 would change our annual cash flow by \$0.7 million. Based upon the terms of our variable rate debt, we are most vulnerable to a change in short-term LIBOR interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company included in this Report are listed in Part IV, Item 15(a) of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Kite Realty Group Trust

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Parent Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15 (e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Parent Company's Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There has been no change in the Parent Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

The Parent Company is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision of and with the participation of the Parent Company's management, including its Chief Executive Officer and Chief Financial Officer, the Parent Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control – Integrated Framework*, the Parent Company's management has concluded that its internal control over financial reporting was effective as of December 31, 2018.

The Parent Company's independent auditors, Ernst & Young LLP, an independent registered public accounting firm, have issued a report on its internal control over financial reporting as stated in their report which is included herein.

The Parent Company's internal control system was designed to provide reasonable assurance to our management and Board of Trustees regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Kite Realty Group, L.P.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Operating Partnership's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Operating Partnership's Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

The Operating Partnership is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision of and with the participation of the Operating Partnership's management, including its Chief Executive Officer and Chief Financial Officer, the Operating Partnership conducted an evaluation of the effectiveness of its internal control over financial reporting based on the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control – Integrated Framework*, the Operating Partnership's management has concluded that its internal control over financial reporting was effective as of December 31, 2018.

The Operating Partnership's independent auditors, Ernst & Young LLP, an independent registered public accounting firm, have issued a report on its internal control over financial reporting as stated in their report which is included herein.

The Operating Partnership's internal control system was designed to provide reasonable assurance to our management and Board of Trustees regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Report of Independent Registered Public Accounting Firm

The Shareholders and the Board of Trustees of Kite Realty Group Trust:

Opinion on Internal Control over Financial Reporting

We have audited Kite Realty Group Trust's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Kite Realty Group Trust (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Indianapolis, Indiana
February 27, 2019

Report of Independent Registered Public Accounting Firm

The Partners of Kite Realty Group, L.P. and subsidiaries and the Board of Trustees of Kite Realty Group Trust:

Opinion on Internal Control over Financial Reporting

We have audited Kite Realty Group, L.P. and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Kite Realty Group, L.P and subsidiaries' (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Partnership and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Indianapolis, Indiana
February 27, 2019

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is hereby incorporated by reference to the material appearing in our 2019 Annual Meeting Proxy Statement (the "Proxy Statement"), which we intend to file within 120 days after our fiscal year-end in accordance with Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is hereby incorporated by reference to the material appearing in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, AND FINANCIAL STATEMENT SCHEDULE

- (a) Documents filed as part of this report:
- (1) Financial Statements:
Consolidated financial statements for the Company listed on the index immediately preceding the financial statements at the end of this report.
 - (2) Financial Statement Schedule:
Financial statement schedule for the Company listed on the index immediately preceding the financial statements at the end of this report.
 - (3) Exhibits:
The Company files as part of this report the exhibits listed on the Exhibit Index.
- (b) Exhibits:
The Company files as part of this report the exhibits listed on the Exhibit Index. Other financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.
- (c) Financial Statement Schedule:
The Company files as part of this report the financial statement schedule listed on the index immediately preceding the financial statements at the end of this report.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

EXHIBIT INDEX

Exhibit No.	Description	Location
2.1	<u>Agreement and Plan of Merger by and among Kite Realty Group Trust, KRG Magellan, LLC and Inland Diversified Real Estate Trust, Inc., dated February 9, 2014</u>	Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on February 11, 2014
3.1	<u>Articles of Amendment and Restatement of Declaration of Trust of the Company, as supplemented and amended</u>	Incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
3.2	<u>Articles of Amendment to the Articles of Amendment and Restatement of Declaration of Trust of Kite Realty Group Trust, as supplemented and amended</u>	Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 28, 2015
3.3	<u>Second Amended and Restated Bylaws of the Company, as amended</u>	Incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
3.4	<u>First Amendment to the Second Amended and Restated Bylaws of Kite Realty Group Trust, as amended</u>	Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 28, 2015
4.1	<u>Form of Common Share Certificate</u>	Incorporated by reference to Exhibit 4.1 to Kite Realty Group Trust's registration statement on Form S-11 (File No. 333-114224) declared effective by the SEC on August 10, 2004
4.2	<u>Indenture, dated September 26, 2016, between Kite Realty Group, L.P., as issuer, and U.S. Bank National Association, as trustee</u>	Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on September 27, 2016
4.3	<u>First Supplemental Indenture, dated September 26, 2016, among Kite Realty Group, L.P., Kite Realty Group Trust, as possible future guarantor, and U.S. Bank National Association</u>	Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on September 27, 2016
4.4	<u>Form of Global Note representing the Notes</u>	Incorporated by reference to Exhibits 4.2 and 4.3 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on September 27, 2016
10.1	<u>Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P., dated as of August 16, 2004</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.2	<u>Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P., dated as of December 7, 2010</u>	Incorporate by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on December 13, 2010
10.3	<u>Amendment No. 2 to Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P.</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on March 12, 2012
10.4	<u>Amendment No. 3 to Amended and Restated Agreement of Limited Partnership of Kite Realty Group, L.P.</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2014

10.5	<u>Executive Employment Agreement, dated as of July 28, 2014, by and between the Company and John A. Kite*</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2014
10.6	<u>Executive Employment Agreement, dated as of July 28, 2014, by and between the Company and Thomas K. McGowan*</u>	Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2014
10.7	<u>Executive Employment Agreement, dated as of July 28, 2014, by and between the Company and Daniel R. Sink*</u>	Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2014
10.8	<u>Separation Agreement and General Release, dated as of June 30, 2018, by and between Kite Realty Group Trust and Daniel R. Sink*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 2, 2018
10.9	<u>Executive Employment Agreement, dated as of August 6, 2014, by and between the Company and Scott E. Murray*</u>	Incorporated by reference to Exhibit 10.8 the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended September 30, 2014.
10.10	<u>Executive Employment Agreement, dated as of October 1, 2018, by and between Kite Realty Group Trust and Heath R. Fear*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on October 4, 2018
10.11	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Alvin E. Kite*</u>	Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.12	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and John A. Kite*</u>	Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.13	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Thomas K. McGowan*</u>	Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.14	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Daniel R. Sink*</u>	Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.15	<u>Indemnification Agreement, dated as of February 27, 2015, by and between Kite Realty Group, L.P., and Scott E. Murray*</u>	Incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
10.16	<u>Indemnification Agreement, dated as of November 5, 2018, by and among Kite Realty Group Trust, Kite Realty Group, L.P. and Heath R. Fear*</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on November 7, 2018
10.17	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and William E. Bindley*</u>	Incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.18	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Michael L. Smith*</u>	Incorporated by reference to Exhibit 10.21 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004

10.19	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Eugene Golub*</u>	Incorporated by reference to Exhibit 10.22 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.20	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Richard A. Cosier*</u>	Incorporated by reference to Exhibit 10.23 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.21	<u>Indemnification Agreement, dated as of August 16, 2004, by and between Kite Realty Group, L.P. and Gerald L. Moss*</u>	Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.22	<u>Indemnification Agreement, dated as of November 3, 2008, by and between Kite Realty Group, L.P. and Darell E. Zink, Jr.*</u>	Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended September 30, 2008
10.23	<u>Indemnification Agreement, dated as of March 8, 2013, by and between Kite Realty Group, L.P. and Victor J. Coleman*</u>	Incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K of Kite Realty Group Trust for the period ended December 31, 2012
10.24	<u>Indemnification Agreement, dated as of March 7, 2014, by and between Kite Realty Group, L.P. and Christie B. Kelly*</u>	Incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of Kite Realty Group Trust for the year ended December 31, 2013
10.25	<u>Indemnification Agreement, dated as of March 7, 2014, by and between Kite Realty Group, L.P. and David R. O'Reilly*</u>	Incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K of Kite Realty Group Trust for the year ended December 31, 2013
10.26	<u>Indemnification Agreement, dated as of March 7, 2014, by and between Kite Realty Group, L.P. and Barton R. Peterson*</u>	Incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of Kite Realty Group Trust for the year ended December 31, 2013
10.27	<u>Indemnification Agreement, dated as of February 27, 2015, by and between Kite Realty Group, L.P., and Lee A. Daniels*</u>	Incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
10.28	<u>Indemnification Agreement, dated as of February 27, 2015, by and between Kite Realty Group, L.P., and Gerald W. Grupe*</u>	Incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
10.29	<u>Indemnification Agreement, dated as of February 27, 2015, by and between Kite Realty Group, L.P., and Charles H. Wurtz bach*</u>	Incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2015
10.30	<u>Kite Realty Group Trust 2008 Employee Share Purchase Plan*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 12, 2008
10.31	<u>Registration Rights Agreement, dated as of August 16, 2004, by and among the Company, Alvin E. Kite, Jr., John A. Kite, Paul W. Kite, Thomas K. McGowan, Daniel R. Sink, George F. McMannis, Mark Jenkins, C. Kenneth Kite, David Grieve and KMI Holdings, LLC</u>	Incorporated by reference to Exhibit 10.32 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.32	<u>Amendment No. 1 to Registration Rights Agreement, dated August 29, 2005, by and among the Company and the other parties listed on the signature page thereto</u>	Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended September 30, 2005

10.33	<u>Tax Protection Agreement, dated August 16, 2004, by and among the Company, Kite Realty Group, L.P., Alvin E. Kite, Jr., John A. Kite, Paul W. Kite, Thomas K. McGowan and C. Kenneth Kite</u>	Incorporated by reference to Exhibit 10.33 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 20, 2004
10.34	<u>Form of 2014 Outperformance LTIP Unit Award Agreement</u>	Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2014
10.35	<u>Form of 2016 Outperformance Plan LTIP Unit Agreement*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on February 3, 2016
10.36	<u>Kite Realty Group Trust 2013 Equity Incentive Plan*</u>	Incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 of Kite Realty Group Trust filed with the SEC on May 8, 2013
10.37	<u>Form of Nonqualified Share Option Agreement under 2013 Equity Incentive Plan*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 14, 2013
10.38	<u>Form of Restricted Share Agreement under 2013 Equity Incentive Plan*</u>	Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 14, 2013
10.39	<u>Schedule of Non-Employee Trustee Fees and Other Compensation*</u>	Incorporated by reference to Exhibit 10.49 of the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 20, 2018
10.40	<u>Kite Realty Group Trust Trustee Deferred Compensation Plan*</u>	Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Kite Realty Group Trust for the period ended June 30, 2006
10.41	<u>Form of Performance Share Unit Agreement under 2013 Equity Incentive Plan*</u>	Incorporated by reference to Exhibit 10.38 of the Annual Report on Form 10-K of Kite Realty Group Trust filed with the SEC on February 27, 2017
10.42	<u>Form of Performance Restricted Share Agreement under 2013 Equity Incentive Plan*</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on November 7, 2018
10.43	<u>Fifth Amended and Restated Credit Agreement, dated as of July 28, 2016, by and among Kite Realty Group, L.P., KeyBank National Association, as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2016
10.44	<u>First Amended and Restated Springing Guaranty, dated as of July 28, 2016, by Kite Realty Group Trust</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on July 29, 2016
10.45	<u>Term Loan Agreement, dated as of April 30, 2012, by and among the Operating Partnership, the Company, KeyBank National Association, as Administrative Agent, Wells Fargo Bank, National Association, as Syndication Agent, the Huntington National Bank, as Documentation Agent, Keybank Capital Markets and Wells Fargo Securities, LLC, as Joint Bookrunners and Joint Lead Arrangers, and the other lenders</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 4, 2012

10.46	<u>First Amendment to Term Loan Agreement, dated as of February 26, 2013, by and among the Operating Partnership, the Company, certain subsidiaries of the Operating Partnership party thereto, KeyBank National Association, as a lender and as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on March 4, 2013
10.47	<u>Second Amendment to Term Loan Agreement, dated as of August 21, 2013, by and among the Operating Partnership, the Company, certain subsidiaries of the Operating Partnership party thereto, KeyBank National Association, as a lender and as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on August 27, 2013
10.48	<u>Guaranty, dated as of April 30, 2012, by the Company and certain subsidiaries of the Operating Partnership party thereto</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on May 4, 2012
10.49	<u>First Amendment to Fifth Amended and Restated Credit Agreement, dated as of April 24, 2018, by and among Kite Realty Group, L.P., Kite Realty Group Trust, KeyBank National Association, as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on April 25, 2018
10.50	<u>Second Amendment to Term Loan Agreement, dated as of April 24, 2018, by and among Kite Realty Group, L.P., Kite Realty Group Trust, KeyBank National Association, as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on April 25, 2018
10.51	<u>Term Loan Agreement, dated as of October 25, 2018, by and among Kite Realty Group, L.P., KeyBank National Association, as Administrative Agent, and the other lenders party thereto</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on October 26, 2018
10.52	<u>Springing Guaranty, dated as of October 25, 2018, by Kite Realty Group Trust</u>	Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on October 26, 2018
10.53	<u>Note Purchase Agreement, dated as of August 28, 2015, by and among Kite Realty Group, L.P., and the other parties named therein as Purchasers</u>	Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kite Realty Group Trust filed with the SEC on September 3, 2015
21.1	<u>List of Subsidiaries</u>	Filed herewith
23.1	<u>Consent of Ernst & Young LLP relating to the Parent Company</u>	Filed herewith
23.2	<u>Consent of Ernst & Young LLP relating to the Operating Partnership</u>	Filed herewith
31.1	<u>Certification of principal executive officer of the Parent Company required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
31.2	<u>Certification of principal financial officer of the Parent Company required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
31.3	<u>Certification of principal executive officer of the Operating Partnership required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
31.4	<u>Certification of principal financial officer of the Operating Partnership required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith

32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer of the Parent Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
32.2	<u>Certification of Chief Executive Officer and Chief Financial Officer of the Operating Partnership pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith
99.1	<u>Material U.S. Federal Income Tax Considerations</u>	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

* Denotes a management contract or compensatory, plan contract or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KITE REALTY GROUP TRUST

(Registrant)

February 27, 2019
(Date)

/s/ John A. Kite

John A. Kite
Chairman and Chief Executive Officer
(Principal Executive Officer)

February 27, 2019
(Date)

/s/ Heath R. Fear

Heath R. Fear
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

KITE REALTY GROUP L.P. AND SUBSIDIARIES

(Registrant)

February 27, 2019
(Date)

/s/ John A. Kite

John A. Kite
Chairman and Chief Executive Officer
(Principal Executive Officer)

February 27, 2019
(Date)

/s/ Heath R. Fear

Heath R. Fear
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John A. Kite</u> (John A. Kite)	Chairman, Chief Executive Officer, and Trustee (Principal Executive Officer)	February 27, 2019
<u>/s/ William E. Bindley</u> (William E. Bindley)	Trustee	February 27, 2019
<u>/s/ Victor J. Coleman</u> (Victor J. Coleman)	Trustee	February 27, 2019
<u>/s/ Christie B. Kelly</u> (Christie B. Kelly)	Trustee	February 27, 2019
<u>/s/ David R. O'Reilly</u> (David R. O'Reilly)	Trustee	February 27, 2019
<u>/s/ Barton R. Peterson</u> (Barton R. Peterson)	Trustee	February 27, 2019
<u>/s/ Lee A. Daniels</u> (Lee A. Daniels)	Trustee	February 27, 2019
<u>/s/ Gerald W. Grupe</u> (Gerald W. Grupe)	Trustee	February 27, 2019
<u>/s/ Charles H. Wurtz bach</u> (Charles H. Wurtz bach)	Trustee	February 27, 2019
<u>/s/ Heath R. Fear</u> (Heath R. Fear)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2019
<u>/s/ David E. Buell</u> (David E. Buell)	Senior Vice President, Chief Accounting Officer	February 27, 2019

Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries

Index to Financial Statements

	<u>Page</u>
Consolidated Financial Statements:	
Kite Realty Group Trust:	
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
Kite Realty Group, L.P. and subsidiaries	
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
Kite Realty Group Trust:	
<u>Balance Sheets as of December 31, 2018 and 2017</u>	F-3
<u>Statements of Operations and Comprehensive Income for the Years Ended December 31, 2018, 2017, and 2016</u>	F-4
<u>Statements of Shareholders' Equity for the Years Ended December 31, 2018, 2017, and 2016</u>	F-5
<u>Statements of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016</u>	F-6
Kite Realty Group, L.P. and subsidiaries	
<u>Balance Sheets as of December 31, 2018 and 2017</u>	F-7
<u>Statements of Operations and Comprehensive Income for the Years Ended December 31, 2018, 2017, and 2016</u>	F-8
<u>Statements of Partner's Equity for the Years Ended December 31, 2018, 2017, and 2016</u>	F-9
<u>Statements of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016</u>	F-10
Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries:	
<u>Notes to Consolidated Financial Statements</u>	F-11
Financial Statement Schedule:	
Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries:	
<u>Schedule III – Real Estate and Accumulated Depreciation</u>	F-35
<u>Notes to Schedule III</u>	F-39

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Trustees of Kite Realty Group Trust:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kite Realty Group Trust (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of sponsoring organizations of the Treadway Commission (2013 Framework) and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2004.

Indianapolis, Indiana

February 27, 2019

Report of Independent Registered Public Accounting Firm

The Partners of Kite Realty Group, L.P. and subsidiaries and the Board of Trustees of Kite Realty Group Trust:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kite Realty Group, L.P. and subsidiaries (the Partnership) as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income, partner's equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of sponsoring organizations of the Treadway Commission (2013 Framework) and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2015.
Indianapolis, Indiana
February 27, 2019

Kite Realty Group Trust
Consolidated Balance Sheets
(\$ in thousands, except share data)

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets:		
Investment properties at cost:	\$ 3,641,120	\$ 3,957,884
Less: accumulated depreciation	(699,927)	(664,614)
	<u>2,941,193</u>	<u>3,293,270</u>
Cash and cash equivalents	35,376	24,082
Tenant and other receivables, including accrued straight-line rent of \$31,347 and \$31,747 respectively, net of allowance for uncollectible accounts	58,059	58,328
Restricted cash and escrow deposits	10,130	8,094
Deferred costs, net	95,264	112,359
Prepaid and other assets	12,764	12,465
Investments in unconsolidated subsidiaries	13,496	3,900
Asset held for sale	5,731	—
Total Assets	<u>\$ 3,172,013</u>	<u>\$ 3,512,498</u>
Liabilities and Shareholders' Equity:		
Mortgage and other indebtedness, net	\$ 1,543,301	\$ 1,699,239
Accounts payable and accrued expenses	85,934	78,482
Deferred revenue and other liabilities	83,632	96,564
Total Liabilities	<u>1,712,867</u>	<u>1,874,285</u>
Commitments and contingencies		
Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests	45,743	72,104
Equity:		
Kite Realty Group Trust Shareholders' Equity:		
Common Shares, \$.01 par value, 225,000,000 shares authorized, 83,800,886 and 83,606,068 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	838	836
Additional paid in capital	2,078,099	2,071,418
Accumulated other comprehensive (loss) income	(3,497)	2,990
Accumulated deficit	(662,735)	(509,833)
Total Kite Realty Group Trust Shareholders' Equity	<u>1,412,705</u>	<u>1,565,411</u>
Noncontrolling Interest	<u>698</u>	<u>698</u>
Total Equity	<u>1,413,403</u>	<u>1,566,109</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,172,013</u>	<u>\$ 3,512,498</u>

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

Kite Realty Group Trust
Consolidated Statements of Operations and Comprehensive Income
(\$ in thousands, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenue:			
Minimum rent	\$ 266,377	\$ 273,444	\$ 274,059
Tenant reimbursements	72,146	73,000	70,482
Other property related revenue	13,138	11,998	9,581
Fee income	2,523	377	—
Total revenue	354,184	358,819	354,122
Expenses:			
Property operating	50,356	49,643	47,923
Real estate taxes	42,378	43,180	42,838
General, administrative, and other	21,320	21,749	20,603
Transaction costs	—	—	2,771
Depreciation and amortization	152,163	172,091	174,564
Impairment charges	70,360	7,411	—
Total expenses	336,577	294,074	288,699
Gains on sale of operating properties, net	3,424	15,160	4,253
Operating income	21,031	79,905	69,676
Interest expense	(66,785)	(65,702)	(65,577)
Income tax benefit (expense) of taxable REIT subsidiary	227	100	(814)
Equity in loss of unconsolidated subsidiary	(278)	—	—
Other expense, net	(646)	(415)	(169)
Consolidated net (loss) income	(46,451)	13,888	3,116
Net income attributable to noncontrolling interests	(116)	(2,014)	(1,933)
Net (loss) income attributable to Kite Realty Group Trust	(46,567)	11,874	1,183
Net (loss) income per common share – basic	\$ (0.56)	\$ 0.14	\$ 0.01
Net (loss) income per common share – diluted	\$ (0.56)	\$ 0.14	\$ 0.01
Weighted average common shares outstanding - basic	83,693,385	83,585,333	83,436,511
Weighted average common shares outstanding - diluted	83,693,385	83,690,418	83,465,500
Dividends declared per common share	\$ 1.270	\$ 1.225	\$ 1.165
Consolidated net (loss) income	\$ (46,451)	\$ 13,888	\$ 3,116
Change in fair value of derivatives	(6,647)	3,384	1,871
Total comprehensive (loss) income	(53,098)	17,272	4,987
Comprehensive loss (income) attributable to noncontrolling interests	44	(2,092)	(1,975)
Comprehensive (loss) income attributable to Kite Realty Group Trust	\$ (53,054)	\$ 15,180	\$ 3,012

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

Kite Realty Group Trust
Consolidated Statements of Shareholders' Equity
(\$ in thousands, except share data)

	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balances, December 31, 2015	83,334,865	\$ 833	\$2,050,545	\$ (2,145)	\$ (323,257)	\$1,725,976
Stock compensation activity	67,804	1	5,042	—	—	5,043
Issuance of common shares under at-the-market plan, net	137,229	1	3,836	—	—	3,837
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	1,829	—	1,829
Distributions declared to common shareholders	—	—	—	—	(97,231)	(97,231)
Net income attributable to Kite Realty Group Trust	—	—	—	—	1,183	1,183
Exchange of redeemable noncontrolling interests for common shares	5,500	—	149	—	—	149
Adjustment to redeemable noncontrolling interests	—	—	2,788	—	—	2,788
Balances, December 31, 2016	83,545,398	\$ 835	\$2,062,360	\$ (316)	\$ (419,305)	\$1,643,574
Stock compensation activity	48,670	1	5,915	—	—	5,916
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	3,306	—	3,306
Distributions declared to common shareholders	—	—	—	—	(102,402)	(102,402)
Net income attributable to Kite Realty Group Trust	—	—	—	—	11,874	11,874
Acquisition of partner's noncontrolling interest in Fishers Station operating property	—	—	(3,750)	—	—	(3,750)
Exchange of redeemable noncontrolling interests for common shares	12,000	—	236	—	—	236
Adjustment to redeemable noncontrolling interests	—	—	6,657	—	—	6,657
Balances, December 31, 2017	83,606,068	\$ 836	\$2,071,418	\$ 2,990	\$ (509,833)	\$1,565,411
Stock compensation activity	163,318	2	5,695	—	—	5,697
Other comprehensive loss attributable to Kite Realty Group Trust	—	—	—	(6,487)	—	(6,487)
Distributions declared to common shareholders	—	—	—	—	(106,335)	(106,335)
Net loss attributable to Kite Realty Group Trust	—	—	—	—	(46,567)	(46,567)
Exchange of redeemable noncontrolling interests for common shares	31,500	—	561	—	—	561
Adjustment to redeemable noncontrolling interests	—	—	425	—	—	425
Balances, December 31, 2018	83,800,886	\$ 838	\$2,078,099	\$ (3,497)	\$ (662,735)	\$1,412,705

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

Kite Realty Group Trust
Consolidated Statements of Cash Flows
(\$ in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flow from operating activities:			
Consolidated net (loss) income	\$ (46,451)	\$ 13,888	\$ 3,116
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:			
Gain on sale of operating properties	(3,424)	(15,160)	(4,253)
Impairment charge	70,360	7,411	—
Loss on debt extinguishment	—	—	1,429
Straight-line rent	(3,060)	(4,696)	(5,459)
Depreciation and amortization	156,107	174,625	179,084
Provision for credit losses, net of recoveries	2,952	2,786	2,771
Compensation expense for equity awards	4,869	5,988	5,214
Amortization of debt fair value adjustment	(2,630)	(2,913)	(4,412)
Amortization of in-place lease liabilities	(6,360)	(3,677)	(6,863)
Changes in assets and liabilities:			
Tenant receivables	(3,594)	(6,228)	(512)
Deferred costs and other assets	(13,396)	(11,569)	(13,080)
Accounts payable, accrued expenses, deferred revenue, and other liabilities	(990)	(5,832)	(387)
Payments on assumed earnout liability	—	—	(1,286)
Net cash provided by operating activities	154,383	154,623	155,362
Cash flow from investing activities:			
Capital expenditures, net	(59,304)	(72,433)	(94,611)
Net proceeds from sales of operating properties	218,387	76,075	14,187
Change in construction payables	(777)	(4,276)	(3,024)
Collection of note receivable	—	—	500
Capital contribution to unconsolidated joint venture	(9,973)	(1,400)	—
Net cash provided by (used in) investing activities	148,333	(2,034)	(82,948)
Cash flow from financing activities:			
Proceeds from issuance of common shares, net	76	28	4,402
Repurchases of common shares upon the vesting of restricted shares	(350)	(835)	(1,125)
Acquisition of partner's interest in Fishers Station operating property	—	(3,750)	—
Loan proceeds	399,500	97,700	608,301
Loan transaction costs	(5,208)	(357)	(8,085)
Loan payments	(551,379)	(128,800)	(594,079)
Loss on debt extinguishment	—	—	(1,429)
Distributions paid – common shareholders	(106,316)	(101,128)	(94,669)
Distributions paid – redeemable noncontrolling interests	(3,716)	(3,922)	(3,924)
Distributions to noncontrolling interests	—	—	(251)
Acquisition of partners' interests in Territory joint venture	(21,993)	(8,261)	—
Net cash used in financing activities	(289,386)	(149,325)	(90,859)
Increase (decrease) in cash, cash equivalents, and restricted cash	13,330	3,264	(18,445)
Cash, cash equivalents, and restricted cash beginning of year	32,176	28,912	47,357
Cash, cash equivalents, and restricted cash end of year	\$ 45,506	\$ 32,176	\$ 28,912
Supplemental disclosures			
Cash paid for interest, net of capitalized interest	\$ 67,998	\$ 68,819	\$ 67,172
Cash paid for taxes	\$ —	\$ —	\$ 545

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Balance Sheets
(\$ in thousands, except unit data)

	December 31, 2018	December 31, 2017
Assets:		
Investment properties, at cost	\$ 3,641,120	\$ 3,957,884
Less: accumulated depreciation	(699,927)	(664,614)
	<u>2,941,193</u>	<u>3,293,270</u>
Cash and cash equivalents	35,376	24,082
Tenant and other receivables, including accrued straight-line rent of \$31,347 and \$31,747 respectively, net of allowance for uncollectible accounts	58,059	58,328
Restricted cash and escrow deposits	10,130	8,094
Deferred costs and intangibles, net	95,264	112,359
Prepaid and other assets	12,764	12,465
Investments in unconsolidated subsidiaries	13,496	3,900
Asset held for sale	5,731	—
Total Assets	<u>\$ 3,172,013</u>	<u>\$ 3,512,498</u>
Liabilities and Equity:		
Mortgage and other indebtedness	\$ 1,543,301	\$ 1,699,239
Accounts payable and accrued expenses	85,934	78,482
Deferred revenue and intangibles, net and other liabilities	83,632	96,564
Total Liabilities	<u>1,712,867</u>	<u>1,874,285</u>
Commitments and contingencies		
Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests	45,743	72,104
Partners Equity:		
Parent Company:		
Common equity, 83,800,886 and 83,606,068 units issued and outstanding at December 31, 2018 and December 31, 2017, respectively	1,416,202	1,562,421
Accumulated other comprehensive income (loss)	(3,497)	2,990
Total Partners Equity	<u>1,412,705</u>	<u>1,565,411</u>
Noncontrolling Interests	<u>698</u>	<u>698</u>
Total Equity	<u>1,413,403</u>	<u>1,566,109</u>
Total Liabilities and Equity	<u>\$ 3,172,013</u>	<u>\$ 3,512,498</u>

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(\$ in thousands, except unit and per unit data)

	Year Ended December 31,		
	2018	2017	2016
Revenue:			
Minimum rent	\$ 266,377	\$ 273,444	\$ 274,059
Tenant reimbursements	72,146	73,000	70,482
Other property related revenue	13,138	11,998	9,581
Fee income	2,523	377	—
Total revenue	354,184	358,819	354,122
Expenses:			
Property operating	50,356	49,643	47,923
Real estate taxes	42,378	43,180	42,838
General, administrative, and other	21,320	21,749	20,603
Transaction costs	—	—	2,771
Depreciation and amortization	152,163	172,091	174,564
Impairment charge	70,360	7,411	—
Total expenses	336,577	294,074	288,699
Gain on sale of operating properties, net	3,424	15,160	4,253
Operating income	21,031	79,905	69,676
Interest expense	(66,785)	(65,702)	(65,577)
Income tax benefit (expense) of taxable REIT subsidiary	227	100	(814)
Equity in loss of unconsolidated subsidiary	(278)	—	—
Other expense, net	(646)	(415)	(169)
Consolidated net (loss) income	(46,451)	13,888	3,116
Net income attributable to noncontrolling interests	(1,151)	(1,733)	(1,906)
Net (loss) income attributable to common unitholders	\$ (47,602)	\$ 12,155	\$ 1,210
Allocation of net (loss) income:			
Limited Partners	\$ (1,035)	\$ 281	\$ 27
Parent Company	(46,567)	11,874	1,183
	\$ (47,602)	\$ 12,155	\$ 1,210
Net (loss) income per unit - basic	\$ (0.56)	\$ 0.14	\$ 0.01
Net (loss) income per unit - diluted	\$ (0.56)	\$ 0.14	\$ 0.01
Weighted average common units outstanding - basic	85,740,449	85,566,272	85,374,910
Weighted average common units outstanding - diluted	85,740,449	85,671,358	85,403,899
Distributions declared per common unit	\$ 1.270	\$ 1.225	\$ 1.165
Consolidated net (loss) income	\$ (46,451)	\$ 13,888	\$ 3,116
Change in fair value of derivatives	(6,647)	3,384	1,871
Total comprehensive (loss) income	(53,098)	17,272	4,987
Comprehensive income attributable to noncontrolling interests	(1,151)	(1,733)	(1,906)
Comprehensive (loss) income attributable to common unitholders	\$ (54,249)	\$ 15,539	\$ 3,081

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Partner's Equity
(\$ in thousands)

	General Partner		Total
	Common Equity	Accumulated Other Comprehensive (Loss) Income	
Balances, December 31, 2015	\$ 1,728,121	\$ (2,145)	\$ 1,725,976
Stock compensation activity	5,043	—	5,043
Capital Contribution from the General Partner	3,837	—	3,837
Other comprehensive income attributable to Parent Company	—	1,829	1,829
Distributions declared to Parent Company	(97,231)	—	(97,231)
Net income attributable to Parent Company	1,183	—	1,183
Conversion of Limited Partner Units to shares of the Parent Company	149	—	149
Adjustment to redeemable noncontrolling interests	2,788	—	2,788
Balances, December 31, 2016	\$ 1,643,890	\$ (316)	\$ 1,643,574
Stock compensation activity	5,916	—	5,916
Other comprehensive income attributable to Parent Company	—	3,306	3,306
Distributions declared to Parent Company	(102,402)	—	(102,402)
Net income attributable to Parent Company	11,874	—	11,874
Acquisition of partner's interest in Fishers Station operating property	(3,750)	—	(3,750)
Conversion of Limited Partner Units to shares of the Parent Company	236	—	236
Adjustment to redeemable noncontrolling interests	6,657	—	6,657
Balances, December 31, 2017	\$ 1,562,421	\$ 2,990	\$ 1,565,411
Stock compensation activity	5,697	—	5,697
Other comprehensive loss attributable to Parent Company	—	(6,487)	(6,487)
Distributions declared to Parent Company	(106,335)	—	(106,335)
Net loss attributable to Parent Company	(46,567)	—	(46,567)
Conversion of Limited Partner Units to shares of the Parent Company	561	—	561
Adjustment to redeemable noncontrolling interests	425	—	425
Balances, December 31, 2018	\$ 1,416,202	\$ (3,497)	\$ 1,412,705

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Cash Flows
(\$ in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flow from operating activities:			
Consolidated net (loss) income	\$ (46,451)	\$ 13,888	\$ 3,116
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:			
Gain on sale of operating properties, net of tax	(3,424)	(15,160)	(4,253)
Impairment charge	70,360	7,411	—
Loss on debt extinguishment	—	—	1,429
Straight-line rent	(3,060)	(4,696)	(5,459)
Depreciation and amortization	156,107	174,625	179,084
Provision for credit losses, net of recoveries	2,952	2,786	2,771
Compensation expense for equity awards	4,869	5,988	5,214
Amortization of debt fair value adjustment	(2,630)	(2,913)	(4,412)
Amortization of in-place lease liabilities	(6,360)	(3,677)	(6,863)
Changes in assets and liabilities:			
Tenant receivables	(3,594)	(6,228)	(512)
Deferred costs and other assets	(13,396)	(11,569)	(13,080)
Accounts payable, accrued expenses, deferred revenue, and other liabilities	(990)	(5,832)	(387)
Payments on assumed earnout liability	—	—	(1,286)
Net cash provided by operating activities	154,383	154,623	155,362
Cash flow from investing activities:			
Capital expenditures, net	(59,304)	(72,433)	(94,611)
Net proceeds from sales of operating properties	218,387	76,075	14,187
Change in construction payables	(777)	(4,276)	(3,024)
Collection of note receivable	—	—	500
Capital contribution to unconsolidated joint venture	(9,973)	(1,400)	—
Net cash provided by (used in) investing activities	148,333	(2,034)	(82,948)
Cash flow from financing activities:			
Contributions from the Parent Company	76	28	4,402
Distributions to the Parent Company for repurchases of common shares upon the vesting of restricted shares	(350)	(835)	(1,125)
Acquisition of partner's interest in Fishers Station operating property	—	(3,750)	—
Loan proceeds	399,500	97,700	608,301
Loan transaction costs	(5,208)	(357)	(8,085)
Loan payments	(551,379)	(128,800)	(594,079)
Loss on debt extinguishment	—	—	(1,429)
Distributions paid – common unitholders	(106,316)	(101,128)	(94,669)
Distributions paid – redeemable noncontrolling interests	(3,716)	(3,922)	(3,924)
Distributions to noncontrolling interests	—	—	(251)
Acquisition of partners' interests in Territory joint venture	(21,993)	(8,261)	—
Net cash used in financing activities	(289,386)	(149,325)	(90,859)
Increase (decrease) in cash, cash equivalents, and restricted cash	13,330	3,264	(18,445)
Cash, cash equivalents, and restricted cash beginning of year	32,176	28,912	47,357
Cash, cash equivalents, and restricted cash end of year	\$ 45,506	\$ 32,176	\$ 28,912
Supplemental disclosures			
Cash paid for interest, net of capitalized interest	\$ 67,998	\$ 68,819	\$ 67,172
Cash paid for taxes	\$ —	\$ —	\$ 545

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

Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018

(\$ in thousands, except share, per share, unit and per unit amounts and where indicated in millions or billions.)

Note 1. Organization

Kite Realty Group Trust (the "Parent Company"), through its majority-owned subsidiary, Kite Realty Group, L.P. (the "Operating Partnership"), owns interests in various operating subsidiaries and joint ventures engaged in the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. The terms "Company," "we," "us," and "our" refer to the Parent Company and the Operating Partnership, collectively, and those entities owned or controlled by the Parent Company and/or the Operating Partnership.

The Operating Partnership was formed on August 16, 2004, when the Parent Company contributed properties and the net proceeds from an initial public offering of shares of its common stock to the Operating Partnership. The Parent Company was organized in Maryland in 2004 to succeed in the development, acquisition, construction and real estate businesses of its predecessor. We believe the Company qualifies as a real estate investment trust (a "REIT") under provisions of the Internal Revenue Code of 1986, as amended.

The Parent Company is the sole general partner of the Operating Partnership, and as of December 31, 2018 owned approximately 97.6% of the common partnership interests in the Operating Partnership ("General Partner Units"). The remaining 2.4% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") were owned by the limited partners. As the sole general partner of the Operating Partnership, the Parent Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. The Parent Company and the Operating Partnership are operated as one enterprise. The management of the Parent Company consists of the same members as the management of the Operating Partnership. As the sole general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have any significant assets other than its investment in the Operating Partnership.

At December 31, 2018, we owned interests in 111 operating and redevelopment properties totaling approximately 21.9 million square feet. We also owned one development project under construction as of this date. Of the 111 properties, 108 are consolidated in these financial statements and the remaining three are accounted for under the equity method.

At December 31, 2017, we owned interests in 117 operating and redevelopment properties totaling approximately 23.3 million square feet. We also owned two development projects under construction as of this date.

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported period. Actual results could differ from these estimates.

Components of Investment Properties

The Company's investment properties as of December 31, 2018 and December 31, 2017 were as follows:

(\$ in thousands)	Balance at	
	December 31, 2018	December 31, 2017
Investment properties, at cost:		
Land, buildings and improvements	\$ 3,600,743	\$ 3,904,291
Furniture, equipment and other	7,741	8,453
Construction in progress	32,636	45,140
	<u>\$ 3,641,120</u>	<u>\$ 3,957,884</u>

Consolidation and Investments in Joint Ventures

The accompanying financial statements are presented on a consolidated basis and include all accounts of the Parent Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership, subsidiaries of the Operating Partnership that are controlled and any variable interest entities ("VIEs") in which the Operating Partnership is the primary beneficiary. In general, a VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) has equity investors that do not provide sufficient financial resources for the entity to support its activities, (b) does not have equity investors with voting rights or (c) has equity investors whose votes are disproportionate from their economics and substantially all of the activities are conducted on behalf of the investor with disproportionately fewer voting rights.

The Operating Partnership accounts for properties that are owned by joint ventures in accordance with the consolidation guidance. The Operating Partnership evaluates each joint venture and determines first whether to follow the VIE or the voting interest entity ("VOE") model. Once the appropriate consolidation model is identified, the Operating Partnership then evaluates whether it should consolidate the joint venture. Under the VIE model, the Operating Partnership consolidates an entity when it has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the VOE model, the Operating Partnership consolidates an entity when (i) it controls the entity through ownership of a majority voting interest if the entity is not a limited partnership or (ii) it controls the entity through its ability to remove the other partners or owners in the entity, at its discretion, when the entity is a limited partnership.

In determining whether to consolidate a VIE with the Operating Partnership, we consider all relationships between the Operating Partnership and the applicable VIE, including development agreements, management agreements and other contractual arrangements, in determining whether we have the power to direct the activities of the VIE that most significantly affect the VIE's performance. As of December 31, 2018, we owned investments in two joint ventures that were VIEs in which the partners did not have substantive participating rights and we were the primary beneficiary. As of this date, these VIEs had total debt of \$56.6 million, which were secured by assets of the VIEs totaling \$114.8 million. The Operating Partnership guarantees the debt of these VIEs.

The Operating Partnership is considered a VIE as the limited partners do not hold kick-out rights or substantive participating rights. The Parent Company consolidates the Operating Partnership as it is the primary beneficiary in accordance with the VIE model.

TH Real Estate Joint Venture

On June 29, 2018, the Company formed a joint venture involving TH Real Estate (the "TH Real Estate joint venture"). The Company sold three properties to the joint venture valued in the aggregate at \$99.8 million and, after considering third party debt obtained by the venture upon formation, the Company contributed \$10.0 million for a 20% noncontrolling ownership interest in the venture. The Company serves as the operating member responsible for day-to-day management of the properties and receives property management and leasing fees. Both members have substantive participating rights over major decisions that impact the economics and operations of the joint venture. The Company is accounting for the joint venture on the equity method as it has the ability to exercise influence, but not control over operating and financial policies.

Embassy Suites at the University of Notre Dame

In December 2017, we formed a new joint venture with an unrelated third party to develop and own an Embassy Suites full-service hotel next to our Eddy Street Commons operating property at the University of Notre Dame. For the year ended December 31, 2017, we recorded fee income of \$0.4 million. We contributed \$1.4 million of cash to the joint venture in return for a 35% ownership interest in the venture. The joint venture has entered into a \$33.8 million construction loan, against which \$33.0 million was drawn as of December 31, 2018. The joint venture is not considered a VIE. We are accounting for the joint venture under the equity method as both members have substantive participating rights and we do not control the activities of the venture.

Fishers Station Operating Property

In March 2017, we acquired our partner's noncontrolling interest in our Fishers Station operating property for \$3.8 million. The transaction increased our controlling interest to 100% and was accounted for through equity in the consolidated statement of shareholders' equity.

Acquisition of Real Estate Properties

Upon acquisition of real estate operating properties, we estimate the fair value of acquired identifiable tangible assets and identified intangible assets and liabilities, assumed debt, and any noncontrolling interest in the acquiree at the date of acquisition, based on evaluation of information and estimates available at that date. Based on these estimates, we record the estimated fair value to the applicable assets and liabilities. In making estimates of fair values, a number of sources are utilized, including information obtained as a result of pre-acquisition due diligence, marketing and leasing activities. The estimates of fair value were determined to have primarily relied upon Level 2 and Level 3 inputs, as defined below.

Fair value is determined for tangible assets and intangibles, including:

- the fair value of the building on an as-if-vacant basis and the fair value of land determined either by comparable market data, real estate tax assessments, independent appraisals or other relevant data;
- above-market and below-market in-place lease values for acquired properties, which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the leases. Any below-market renewal options are also considered in the in-place lease values. The capitalized above-market and below-market lease values are amortized as a reduction of or addition to rental income over the term of the lease. Should a tenant vacate, terminate its lease, or otherwise notify us of its intent to do so, the unamortized portion of the lease intangibles would be charged or credited to income;
- the value of having a lease in place at the acquisition date. We utilize independent and internal sources for our estimates to determine the respective in-place lease values. Our estimates of value are made using methods similar to those used by independent appraisers. Factors we consider in our analysis include an estimate of costs to execute similar leases including tenant improvements, leasing commissions and foregone costs and rent received during the estimated lease-up period as if the space was vacant. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases; and
- the fair value of any assumed financing that is determined to be above or below market terms. We utilize third party and independent sources for our estimates to determine the respective fair value of each mortgage payable. The fair market value of each mortgage payable is amortized to interest expense over the remaining initial terms of the respective loan.

We also consider whether there is any value to in-place leases that have a related customer relationship intangible value. Characteristics we consider in determining these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality, and expectations of lease renewals, among other factors. To date, a tenant relationship has not been developed that is considered to have a current intangible value.

We finalize the measurement period of our business combinations when all facts and circumstances are understood, but in no circumstances will the measurement period exceed one year.

Investment Properties

Capitalization and Depreciation

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

Pre-development costs are incurred prior to vertical construction and for certain land held for development during the due diligence phase and include contract deposits, legal, engineering, cost of internal resources and other professional fees related to evaluating the feasibility of developing or redeveloping a shopping center or other project. These pre-development costs are

capitalized and included in construction in progress in the accompanying consolidated balance sheets. If we determine that the completion of a development project is no longer probable, all previously incurred pre-development costs are immediately expensed. Land is transferred to construction in progress once construction commences on the related project.

We also capitalize costs such as land acquisition, building construction, interest, real estate taxes, and the costs of personnel directly involved with the development of our properties. As a portion of a development property becomes operational, we expense a pro rata amount of related costs.

Depreciation on buildings and improvements is provided utilizing the straight-line method over estimated original useful lives ranging from 10 to 35 years. Depreciation on tenant allowances and tenant improvements are provided utilizing the straight-line method over the term of the related lease. Depreciation on equipment and fixtures is provided utilizing the straight-line method over 5 to 10 years. Depreciation may be accelerated for a redevelopment project including partial demolition of existing structure after the asset is assessed for impairment.

Impairment

Management reviews operational and development projects, land parcels and intangible assets for impairment on at least a quarterly basis or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. This review for possible impairment requires certain assumptions, estimates, and significant judgment. Impairment losses for investment properties and intangible assets are measured when the undiscounted cash flows estimated to be generated by the investment properties during the expected holding period are less than the carrying amounts of those assets. Impairment losses are recorded as the excess of the carrying value over the estimated fair value of the asset. Our impairment review for land and development properties assumes we have the intent and the ability to complete the developments or projected uses for the land parcels. If we determine those plans will not be completed or our assumptions with respect to operating assets are not realized, an impairment loss may be appropriate.

Asset Held for Sale and Discontinued Operations

Operating properties will be classified as held for sale only when those properties are available for immediate sale in their present condition and for which management believes it is probable that a sale of the property will be completed within one year, among other factors. Operating properties classified as held for sale are carried at the lower of cost or fair value less estimated costs to sell. Depreciation and amortization are suspended during the held-for-sale period.

Escrow Deposits

Escrow deposits consist of cash held for real estate taxes, property maintenance, insurance and other requirements at specific properties as required by lending institutions and certain municipalities.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. From time to time, such investments may temporarily be held in accounts that are in excess of FDIC and SIPC insurance limits; however the Company attempts to limit its exposure at any one time.

Fair Value Measurements

We follow the framework established under accounting standard FASB ASC 820, *Fair Value Measurements and Disclosures*, for measuring fair value of non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis but only in certain circumstances, such as a business combination or upon determination of impairment.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

- Level 1 fair value inputs are quoted prices in active markets for identical instruments to which we have access.
- Level 2 fair value inputs are inputs other than quoted prices included in Level 1 that are observable for similar instruments, either directly or indirectly, and appropriately consider counterparty creditworthiness in the valuations.

- Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an instrument at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As discussed in Note 8 to the Financial Statements, we have determined that derivative valuations are classified in Level 2 of the fair value hierarchy.

Cash and cash equivalents, accounts receivable, escrows and deposits, and other working capital balances approximate fair value.

Note 6 to the Financial Statements includes a discussion of the fair values recorded when we recognized impairment charges in 2018 and 2017. Level 3 inputs to these transactions include our estimations of market leasing rates, tenant-related costs, discount rates, and disposal values.

Derivative Financial Instruments

The Company accounts for its derivative financial instruments at fair value calculated in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Gains or losses resulting from changes in the fair values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. We use derivative instruments such as interest rate swaps or rate locks to mitigate interest rate risk on related financial instruments.

Changes in the fair values of derivatives that qualify as cash flow hedges are recognized in other comprehensive income (“OCI”) while any ineffective portion of a derivative’s change in fair value is recognized immediately in earnings. Gains and losses associated with the transaction are recorded in OCI and amortized over the underlying term of the hedged transaction. As of December 31, 2018 and 2017, all of our derivative instruments qualify for hedge accounting.

Revenue Recognition

As a lessor of real estate assets, the Company retains substantially all of the risks and benefits of ownership and accounts for its leases as operating leases.

Contractual minimum base rent, percentage rent, and expense reimbursements from tenants for common area maintenance costs, insurance and real estate taxes are our principal sources of revenue. Base minimum rents are recognized on a straight-line basis over the terms of the respective leases. Certain lease agreements contain provisions that grant additional rents based on a tenant’s sales volume (contingent overage rent). Overage rent is recognized when tenants achieve the specified sales targets as defined in their lease agreements. Overage rent is included in other property related revenue in the accompanying consolidated statements of operations. We have accounts receivable due from tenants and are subject to the risk of tenant defaults and bankruptcies that may affect the collection of outstanding receivables. To address the collectability of these receivables, we analyze historical write-off experience, tenant credit-worthiness and current economic trends when evaluating the adequacy of our allowance for uncollectible accounts and straight-line rent reserve accordingly. Although we estimate uncollectible receivables and provide for them through charges against income, actual experience may differ from those estimates.

Gains or losses from sales of real estate have historically been recognized when a sale has been consummated, the buyer’s initial and continuing investment is adequate to demonstrate a commitment to pay for the asset, we have transferred to the buyer the usual risks and rewards of ownership, and we do not have a substantial continuing financial involvement in the property. As part of our ongoing business strategy, we will, from time to time, sell land parcels and outlots, some of which are ground leased to tenants. Net gains realized on such sales were \$3.1 million, \$5.2 million, and \$3.9 million for the years ended December 31, 2018, 2017, and 2016, respectively, and are classified as other property related revenue in the accompanying consolidated statements of operations.

Tenant and Other Receivables and Allowance for Uncollectible Accounts

Tenant receivables consist primarily of billed minimum rent, accrued and billed tenant reimbursements, and accrued straight-line rent. The Company generally does not require specific collateral from its tenants other than corporate or personal guarantees. Other receivables consist primarily of amounts due from municipalities and from tenants for non-rental revenue related activities.

An allowance for uncollectible accounts is maintained for estimated losses resulting from the inability of certain tenants or others to meet contractual obligations under their lease or other agreements. Accounts are written off when, in the opinion of management, the balance is uncollectible.

(\$ in thousands)	2018	2017	2016
Balance, beginning of year	\$ 3,487	\$ 3,998	\$ 4,325
Provision for credit losses and accrued straight-line rent, net of recoveries	3,461	2,786	2,771
Accounts written off	(2,648)	(3,297)	(3,098)
Balance, end of year	<u>\$ 4,300</u>	<u>\$ 3,487</u>	<u>\$ 3,998</u>

The provision for credit losses, net of recoveries, represented 1.0%, 0.8%, 0.8% of total revenues in each of the years ended December 31, 2018, 2017 and 2016.

Concentration of Credit Risk

We may be subject to concentrations of credit risk with regards to our cash and cash equivalents. We place cash and temporary cash investments with high-credit-quality financial institutions. From time to time, such cash and investments may temporarily be in excess of insurance limits.

In addition, our accounts receivable from and leases with tenants potentially subjects us to a concentration of credit risk related to our accounts receivable and revenue.

Total billed receivables due from tenants leasing space in the states of Florida, Indiana, and Texas, consisted of the following as of December 31, 2018 and 2017:

	As of December 31, 2018	
	2018	2017
Florida	56%	61%
Indiana	14%	9%
Texas	3%	4%

For the years ended December 31, 2018, 2017, and 2016, the Company's revenue recognized from tenants leasing space in the states of Florida, Indiana, and Texas, were as follows:

	Year Ended December 31,		
	2018	2017	2016
Florida	25%	24%	25%
Indiana	15%	14%	15%
Texas	12%	13%	13%

Earnings Per Share

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

Potentially dilutive securities include outstanding options to acquire common shares; Limited Partner Units, which may be exchanged for either cash or common shares, at the Parent Company's option and under certain circumstances; and deferred common share units, which may be credited to the personal accounts of non-employee trustees in lieu of the payment of cash compensation or the issuance of common shares to such trustees. Limited Partner Units have been omitted from the Parent Company's denominator for the purpose of computing diluted earnings per share since the effect of including these amounts in

the denominator would have no dilutive impact. Weighted average Limited Partner Units outstanding for the years ended December 31, 2018, 2017 and 2016 were 2.0 million, 2.0 million and 1.9 million, respectively.

Less than 0.1 million outstanding options to acquire common shares were excluded from the computations of diluted earnings per share or unit because their impact was not dilutive for each of the twelve months ended December 31, 2018, 2017 and 2016. In addition, Limited Partner Units, units issued under our Outperformance Plan, and deferred common share units are excluded from the computation of diluted earnings per share due to the net loss position.

Segment Reporting

Our primary business is the ownership and operation of neighborhood and community shopping centers. We do not distinguish or group our operations on a geographical basis, or any other basis, when measuring and evaluating financial performance. Accordingly, we have one operating segment, which also serves as our reportable segment for disclosure purposes in accordance with GAAP.

Income Taxes and REIT Compliance

Parent Company

The Parent Company, which is considered a corporation for U.S. federal income tax purposes, has been organized and intends to continue to operate in a manner that will enable it to maintain its qualification as a REIT for federal income tax purposes. As a result, it generally will not be subject to U.S. federal income tax on the earnings that it distributes to the extent it distributes its "REIT taxable income" (determined before the deduction for dividends paid and excluding net capital gains) to shareholders of the Parent Company and meets certain other requirements on a recurring basis. To the extent that it satisfies this distribution requirement, but distributes less than 100% of its taxable income, it will be subject to U.S. federal corporate income tax on its undistributed REIT taxable income. REITs are subject to a number of organizational and operational requirements. If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal income tax on its taxable income at regular corporate rates for a period of four years following the year in which qualification is lost. We may also be subject to certain U.S. federal, state and local taxes on our income and property and to federal income and excise taxes on our undistributed taxable income even if the Parent Company does qualify as a REIT. The Operating Partnership intends to continue to make distributions to the Parent Company in amounts sufficient to assist the Parent Company in adhering to REIT requirements and maintaining its REIT status.

We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary of the Operating Partnership, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. This election enables us to receive income and provide services that would otherwise be impermissible for a REIT. Deferred tax assets and liabilities are established for temporary differences between the financial reporting bases and the tax bases of assets and liabilities at the tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Operating Partnership

The allocated share of income and loss, other than the operations of our taxable REIT subsidiary, is included in the income tax returns of the Operating Partnership's partners. Accordingly, the only U.S. federal income taxes included in the accompanying consolidated financial statements are in connection with the taxable REIT subsidiary.

Noncontrolling Interests

We report the non-redeemable noncontrolling interests in subsidiaries as equity and the amount of consolidated net income attributable to these noncontrolling interests is set forth separately in the consolidated financial statements. The non-redeemable noncontrolling interests in consolidated properties for the years ended December 31, 2018, 2017, and 2016 were as follows:

(\$ in thousands)	2018	2017	2016
Noncontrolling interests balance January 1	\$ 698	\$ 692	\$ 773
Net income allocable to noncontrolling interests, excluding redeemable noncontrolling interests	—	6	171
Distributions to noncontrolling interests	—	—	(252)
Noncontrolling interests balance at December 31	\$ 698	\$ 698	\$ 692

Redeemable Noncontrolling Interests – Limited Partners

Limited Partner Units are redeemable noncontrolling interests in the Operating Partnership. We classify redeemable noncontrolling interests in the Operating Partnership in the accompanying consolidated balance sheets outside of permanent equity because we may be required to pay cash to holders of Limited Partner Units upon redemption of their interests in the Operating Partnership or deliver registered shares upon their conversion. The carrying amount of the redeemable noncontrolling interests in the Operating Partnership is reflected at the greater of historical book value or redemption value with a corresponding adjustment to additional paid-in capital. At December 31, 2018, the redemption value of the redeemable noncontrolling interests in the Operating Partnership did not exceed the historical book value, and the balance was accordingly adjusted to historical book value. At December 31, 2017, the redemption value of the redeemable noncontrolling interests in the Operating Partnership exceeded the historical book value, and the balance was accordingly adjusted to redemption value.

We allocate net operating results of the Operating Partnership after noncontrolling interests in the consolidated properties based on the partners' respective weighted average ownership interest. We adjust the redeemable noncontrolling interests in the Operating Partnership at the end of each reporting period to reflect their interests in the Operating Partnership or redemption value. This adjustment is reflected in our shareholders' and Parent Company's equity. For the years ended December 31, 2018, 2017, and 2016, the weighted average interests of the Parent Company and the limited partners in the Operating Partnership were as follows:

	Year Ended December 31,		
	2018	2017	2016
Parent Company's weighted average interest in Operating Partnership	97.6%	97.7%	97.7%
Limited partners' weighted average interests in Operating Partnership	2.4%	2.3%	2.3%

At December 31, 2018, the Parent Company's interest and the limited partners' redeemable noncontrolling ownership interests in the Operating Partnership were 97.6% and 2.4%. At December 31, 2017, the Parent Company's interest and the limited partners' redeemable noncontrolling ownership interests in the Operating Partnership were 97.7% and 2.3%.

Concurrent with the Parent Company's initial public offering and related formation transactions, certain individuals received Limited Partner Units of the Operating Partnership in exchange for their interests in certain properties. The limited partners have the right to redeem Limited Partner Units for cash or, at the Parent Company's election, common shares of the Parent Company in an amount equal to the market value of an equivalent number of common shares of the Parent Company at the time of redemption. Such common shares must be registered, which is not fully in the Parent Company's control. Therefore, the limited partners' interest is not reflected in permanent equity. The Parent Company also has the right to redeem the Limited Partner Units directly from the limited partner in exchange for either cash in the amount specified above or a number of its common shares equal to the number of Limited Partner Units being redeemed.

There were 2,035,349 and 1,974,830 Limited Partner Units outstanding as of December 31, 2018 and 2017, respectively. The increase in Limited Partner Units outstanding from December 31, 2017 is due primarily to non-cash compensation awards made to our executive officers.

Redeemable Noncontrolling Interests - Subsidiaries

Prior to our merger with Inland Diversified Real Estate Trust, Inc. ("Inland Diversified") in 2014, Inland Diversified formed joint ventures with the previous owners of certain properties and issued Class B units in three joint ventures that indirectly own those properties. The Class B units related to one of these three joint ventures remain outstanding and are accounted for as noncontrolling interests in these properties. The remaining Class B units will become redeemable at our partner's election in October 2022 based on the joint venture agreement and the fulfillment of certain redemption criteria. Beginning in November

2022, with respect to the remaining joint venture, the Class B units can be redeemed at the election of either our partner or us for cash or Limited Partner Units in the Operating Partnership. None of the issued Class B units have a maturity date and none are mandatorily redeemable unless either party has elected for the units to be redeemed. We consolidate this joint venture because we control the decision making and our joint venture partner has limited protective rights.

In March 2017, certain Class B unit holders exercised their right to redeem \$8.3 million of their Class B units for cash. We funded the redemption in December 2017 using operating cash flows. In 2018, the same Class B unit holders exercised their right to redeem their remaining Class B units for cash. We funded \$10.0 million of the redemption in August 2018 and the remaining \$12.0 million in November 2018.

We classify the remainder of the redeemable noncontrolling interests in a subsidiary in the accompanying consolidated balance sheets outside of permanent equity because, under certain circumstances, we may be required to pay cash to Class B unitholders in specific subsidiaries upon redemption of their interests. The carrying amount of these redeemable noncontrolling interests is required to be reflected at the greater of initial book value or redemption value with a corresponding adjustment to additional paid-in capital. As of December 31, 2018 and 2017, the redemption amounts of these interests did not exceed their fair value, nor did they exceed the initial book value.

The redeemable noncontrolling interests in the Operating Partnership and subsidiaries for the years ended December 31, 2018, 2017, and 2016 were as follows:

(\$ in thousands)	2018	2017	2016
Redeemable noncontrolling interests balance January 1	\$ 72,104	\$ 88,165	\$ 92,315
Net income allocable to redeemable noncontrolling interests	116	2,009	1,756
Distributions declared to redeemable noncontrolling interests	(3,788)	(4,155)	(3,993)
Payment for partial redemption of redeemable noncontrolling interests	(22,461)	(8,261)	—
Other, net including adjustments to redemption value	(228)	(5,654)	(1,913)
Total limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at December 31	<u>\$ 45,743</u>	<u>\$ 72,104</u>	<u>\$ 88,165</u>
Limited partners' interests in Operating Partnership	\$ 35,673	\$ 39,573	\$ 47,373
Other redeemable noncontrolling interests in certain subsidiaries	10,070	32,531	40,792
Total limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at December 31	<u>\$ 45,743</u>	<u>\$ 72,104</u>	<u>\$ 88,165</u>

Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2016 and 2017 have been reclassified to conform to the 2018 consolidated financial statement presentation. The reclassifications had no impact on the net income previously reported.

Effects of Accounting Pronouncements

Adoption of New Standards

On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") using the modified retrospective approach. ASU 2014-09 revised GAAP by offering a single comprehensive revenue recognition standard that supersedes nearly all existing GAAP revenue recognition guidance. The impacted revenue streams primarily consist of fees earned from management, development services provided to third parties, and other ancillary income earned from our properties. No adjustments were required upon adoption of this standard. We evaluated our revenue streams and less than 1% of our annual revenue was impacted by this new standard upon its initial adoption.

Additionally, we adopted the clarified scope guidance of ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets" in conjunction with ASU 2014-09, using the modified retrospective approach. ASC 610-20 applies to the sale, transfer and derecognition of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales, and eliminates the guidance specific to real estate in ASC 360-20. With respect to full disposals, the recognition will generally be consistent with our current measurement and pattern of recognition. With respect to partial sales of real estate to joint

ventures, the new guidance requires us to recognize a full gain where an equity investment is retained. These transactions could result in a basis difference as we will be required to measure our retained equity interest at fair value, whereas the joint venture may continue to measure the assets received at carryover basis. No adjustments were required upon adoption of this standard.

During the year ended December 31, 2018, we sold multiple operating properties in all cash transactions with no continuing future involvement. The gains recognized were less than 1% of our total revenue for the year ended December 31, 2018. As we do not have any continuing involvement in the operations of the operating properties, there was not a change in the accounting for the sales.

In addition, we sold a controlling interest in three operating properties to a newly formed joint venture involving TH Real Estate. The Company calculated the gain in accordance with ASC 606 and ASC 610-20 that requires full gain recognition upon deconsolidation of a nonfinancial asset. The properties were sold for an agreed upon value of \$99.8 million. Net proceeds from the sale were \$89.0 million and a net gain of \$7.8 million was recorded as a result of the sale. The Company contributed \$10.0 million for a 20% ownership interest in the joint venture.

On January 1, 2018 we adopted ASU 2016-15, Statement of Cash Flows (Topic 230), and ASU 2016-18, Restricted Cash, using a retrospective transition approach, which changed our statements of cash flows and related disclosures for all periods presented. ASU 2016-15 is intended to reduce diversity in practice with respect to how certain transactions are classified in the statement of cash flows and its adoption had no impact on our financial statements. ASU 2016-18 requires that a statement of cash flows explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The following is a summary of our cash, cash equivalents, and restricted cash total as presented in our statements of cash flows for the years ended December, 2018, 2017, and 2016:

	As of December 31,		
	2018	2017	2016
Cash and cash equivalents	\$ 35,376	\$ 24,082	\$ 19,875
Restricted cash	10,130	8,094	9,037
Total cash, cash equivalents, and restricted cash	\$ 45,506	32,176	28,912

New Standards Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making certain changes to lessor accounting, including the accounting for sales-type and direct financing leases. ASU 2016-02 will be effective for us on January 1, 2019. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Because of the adoption of ASU 2016-02, we expect common area maintenance reimbursements that are of a fixed nature to be recognized on a straight-line basis over the term of the lease for all leases entered into after January 1, 2019. We also expect to recognize right of use assets on our balance sheet related to certain ground leases where we are the lessee. Upon adoption of the standard, we anticipate recognizing a right of use asset currently estimated to be between \$27 million and \$32 million. In addition to evaluating the impact of adopting the new accounting standard on our consolidated financial statements, we are evaluating our existing lease contracts, our current and future information system capabilities, and other variables.

In July 2018, the FASB amended the new lease accounting standard to approve a new transition method and a lessor practical expedient for separating lease and non-lease components. This permits lessors to make an accounting policy election to not separate non-lease components, such as common area maintenance, of a contract from the leases to which they relate when specific criteria are met. We believe we meet these criteria and plan to elect this practical expedient.

The new leasing standard also amends ASC 340-40, *Other Assets and Deferred Costs - Contracts with Customers*. Under ASC 340-40, incremental costs of obtaining a contract are recognized as an asset if the entity expects to recover them, which will reduce the leasing costs currently capitalized. Upon adoption of the new standard, we expect a reduction in certain capitalized costs and a corresponding increase in general, administrative, and other expense and a decrease in amortization expense on our consolidated statement of operations to be approximately \$4.0 - \$5.5 million, although the amount of such impact is highly

dependent upon the leasing compensation structures in place in the period subsequent to adoption, which may ultimately differ from those assumed by this projection.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-02 better aligns a company's financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 will be effective for annual and interim reporting periods beginning on or after December 15, 2018, with early adoption permitted using a modified retrospective transition method. This adoption method will require us to recognize the cumulative effect of initially applying the ASU as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. While we continue to assess all potential impacts of the standard, we do not expect the adoption of ASU 2017-12 to have a material impact on our consolidated financial statements.

Note 3. Share-Based Compensation

Overview

The Company's 2013 Equity Incentive Plan (the "Plan") authorizes options to acquire common shares and other share-based compensation awards to be granted to employees and trustees for up to an additional 1,500,000 common shares of the Company. The Company accounts for its share-based compensation in accordance with the fair value recognition provisions provided under Topic 718—"Stock Compensation" in the Accounting Standards Codification.

The total share-based compensation expense, net of amounts capitalized, included in general and administrative expenses for the years ended December 31, 2018, 2017, and 2016 was \$4.9 million, \$5.8 million, and \$5.1 million, respectively. For the years ended December 31, 2018, 2017, and 2016, total share-based compensation cost capitalized for development and leasing activities was \$1.7 million, \$1.7 million, and \$1.5 million, respectively. The Company recognizes forfeitures as they occur.

As of December 31, 2018, there were 332,263 shares and units available for grant under the Plan.

Share Options

Pursuant to the Plan, the Company may periodically grant options to purchase common shares at an exercise price equal to the grant date fair value of the Company's common shares. Granted options typically vest over a five year period and expire 10 years from the grant date. The Company issues new common shares upon the exercise of options.

A summary of option activity under the Plan as of December 31, 2018, and changes during the year then ended, is presented below:

(\$ in thousands, except share and per share data)	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (in years)	Options	Weighted-Average Exercise Price
Outstanding at January 1, 2018			181,212	\$ 37.77
Granted			—	—
Exercised			(3,125)	10.56
Expired			(117,520)	49.16
Forfeited			—	—
Outstanding at December 31, 2018	\$ 20,739	1.21	60,567	\$ 17.08
Exercisable at December 31, 2018	\$ 20,739	1.21	60,567	\$ 17.08
Exercisable at December 31, 2017			181,212	\$ 37.77

There were no options granted in 2018, 2017 or 2016.

The aggregate intrinsic value of the 3,125 and 47,591 options exercised during the years ended December 31, 2018 and 2016 was \$23,000 and \$0.8 million, respectively. There were no options exercised in 2017.

Restricted Shares

In addition to share option grants, the Plan also authorizes the grant of share-based compensation awards in the form of restricted common shares. Under the terms of the Plan, these restricted shares, which are considered to be outstanding shares from the date of grant, typically vest over a period ranging from three to five years. The Company pays dividends on restricted shares and such dividends are charged directly to shareholders' equity.

The following table summarizes all restricted share activity to employees and non-employee members of the Board of Trustees as of December 31, 2018 and changes during the year then ended:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value per share
Restricted shares outstanding at January 1, 2018	259,107	\$ 24.80
Shares granted	202,043	15.35
Shares forfeited	(19,189)	22.51
Shares vested	(128,673)	24.44
Restricted shares outstanding at December 31, 2018	<u>313,288</u>	<u>\$ 18.93</u>

The following table summarizes the restricted share grants and vestings during the years ended December 31, 2018, 2017, and 2016:

(\$ in thousands, except share and per share data)	Number of Restricted Shares Granted	Weighted Average Grant Date Fair Value per share	Fair Value of Restricted Shares Vested
2018	202,043	\$ 15.35	\$ 2,038
2017	85,150	22.15	2,529
2016	81,603	26.87	3,313

As of December 31, 2018, there was \$4.2 million of total unrecognized compensation cost related to restricted shares granted under the Plan, which is expected to be recognized in the consolidated statements of operations over a weighted-average period of 1.60 years. We expect to incur \$1.7 million of this expense in 2019, \$1.1 million in 2020, \$0.8 million in 2021, \$0.5 million in 2022, and the remainder in 2023.

Outperformance Plans

The Compensation Committee of the Board of Trustees (the "Compensation Committee") previously adopted outperformance plans to further align the interests of our shareholders and management by encouraging our senior officers and other key employees to "outperform" and to create shareholder value. In 2014, the Compensation Committee adopted the 2014 Kite Realty Group Trust Outperformance Incentive Compensation Plan (the "2014 OPP") under the Plan and the partnership agreement of our Operating Partnership for members of executive management and certain other employees, pursuant to which participants are eligible to earn profit interests ("LTIP Units") in the Operating Partnership based on the achievement of certain performance criteria related to the Company's common shares. The 2014 OPP was adopted mid-year and the OPP awards granted at that time were intended to encompass OPP awards for both the 2014 and 2015 fiscal years. As a result, the Compensation Committee did not adopt an outperformance incentive compensation plan in 2015. No awards were granted under the 2014 OPP in the 2015 fiscal year.

In 2016, the Compensation Committee adopted the 2016 Kite Realty Group Trust Outperformance Incentive Compensation Plan (the "2016 OPP") under the Plan and the partnership agreement of our Operating Partnership. Upon the adoption of the 2016 OPP, the Compensation Committee granted individual awards in the form of LTIP units that, subject to vesting and the satisfaction of other conditions, are exchangeable on a par unit value equal to the then trading price of one of our common shares. The terms of the 2016 OPP are similar to the terms of the 2014 OPP.

The Compensation Committee did not adopt an outperformance incentive compensation plan in the 2017 and 2018 fiscal years.

In 2014 and 2016, participants in the 2014 OPP and the 2016 OPP were awarded the right to earn, in the aggregate, up to \$7.5 million and up to \$6.0 million of share-settled awards (the “bonus pool”) if, and only to the extent which, our total shareholder return (“TSR”) performance measures were achieved for the three-year period beginning July 1, 2014 and ending June 30, 2017 and for the three-year period beginning January 4, 2016 and ending December 31, 2018, respectively. Awarded interests not earned based on the TSR measures would be forfeited.

If the TSR performance measures were achieved at the end of each three-year performance period, participants would receive their percentage interest in the bonus pool as LTIP Units in the Operating Partnership. Such LTIP Units would vest over an additional two-year service period. The compensation cost of the 2014 and 2016 Outperformance Plans were fixed as of the grant date and will be recognized regardless of whether the LTIP Units are ultimately earned, assuming the service requirement is met.

The TSR performance measures were not achieved for the 2014 and 2016 OPP and all potential awards were forfeited in 2017 and 2018, respectively.

The 2014 and 2016 awards were valued at an aggregate value of \$2.3 million and \$1.9 million, respectively, utilizing a Monte Carlo model simulation that takes into account various assumptions including the nature and history of the Company, financial and economic conditions affecting the Company, past results, current operations and future prospects of the Company, the historical TSR and total return volatility of the SNL U.S. REIT Index, price return volatility, dividend yields of the Company's common shares and the terms of the awards. We expect to incur \$0.3 million of this expense in 2019 and \$0.1 million in 2020.

Performance Awards

In 2016, the Compensation Committee established overall target values for incentive compensation for each executive officer, with 50% of the target value being granted in the form of time-based restricted share awards and the remaining 50% being granted in the form of three-year performance share awards. In 2017 and 2018, the Compensation Committee modified these targets to be 60% performance awards and 40% time-based awards.

Time-based restricted share awards were made on a discretionary basis in 2016, 2017, and 2018 based on review of each prior year's performance.

In 2016, the Compensation Committee awarded each of the four named executive officers a three-year performance award in the form of restricted performance share units (“PSUs”). The 2016 PSUs may be earned over a three-year performance period from January 1, 2016 to December 31, 2018. The performance criteria will be based on the relative total shareholder return (“TSR”) achieved by the Company measured against a peer group over the three-year measurement period. Any PSUs earned at the end of the three-year period will be fully vested at that date. The total number of PSUs issued each year to the executive officers was based on a target value of \$1.0 million, but may be earned in a range from 0% to 200% of the target value depending on our TSR over the measurement period in relation to the peer group. Based on the relative TSR over the 2016 PSU measurement period, we do not expect any PSUs to be earned and awarded to our executive officers in 2019.

In 2017, the Compensation Committee awarded each of the four named executive officers a three-year performance award in the form of PSUs. The PSUs may be earned over a three-year performance period from January 1, 2017 to December 31, 2019. The performance criteria will be based 50% on the absolute TSR achieved by the Company over the three-year measurement period and 50% on the relative TSR achieved by the Company measured against a peer group over the three-year measurement period. The total number of PSUs issued to the executive officers was based on a target value of \$2.0 million, but may be earned in a range from 0% to 200% of the target value depending on our absolute TSR over the measurement period and our relative TSR over the measurement period in relation to the peer group.

In 2018, the Compensation Committee awarded each of the four named executive officers a three-year performance award in the form of PSUs. The PSUs may be earned over a three-year performance period from January 1, 2018 to December 31, 2020. The performance criteria will be based 60% on the relative TRS achieved by the Company measured against a peer group over the three-year measurement period and 40% on the achievement of a defined funds available for distribution (“FAD”). The total number of PSUs issued to the executive officers was based upon a target value of \$2.4 million, but may be earned in a range of 0% to 200% of the target. Additionally, any PSUs earned based on the achievement of the pre-established FAD goals will be subject to adjustment (either up or down 25%) based on the Company's absolute TSR over the three-year measurement period.

The 2018, 2017 and 2016 PSUs were valued at an aggregate value of \$2.2 million, \$2.2 million and \$1.3 million, respectively, utilizing a Monte Carlo simulation. We expect to incur \$1.3 million of this expense in 2019, \$0.7 million in 2020, and less than \$0.1 million in 2021.

The following table summarizes the activity for time-based restricted unit awards for the year ended December 31, 2018:

	Number of Restricted Units	Weighted Average Grant Date Fair Value per unit
Restricted units outstanding at January 1, 2018	150,448	\$ 23.13
Restricted units granted	92,019	13.16
Restricted units vested	(117,805)	21.19
Restricted units outstanding at December 31, 2017	<u>124,662</u>	<u>\$ 17.60</u>

The following table summarizes the time-based restricted unit grants and vestings during the years ended December 31, 2018, 2017, and 2016:

(\$ in thousands, except unit and per unit data)	Number of Restricted Units Granted	Weighted Average Grant Date Fair Value per Unit	Fair Value of Restricted Units Vested
2018	92,019	\$ 13.16	\$ 1,924
2017	44,490	23.22	1,516
2016	46,562	26.48	1,929

As of December 31, 2018, there was \$1.5 million of total unrecognized compensation cost related to restricted units granted under the Plan, which is expected to be recognized in the consolidated statements of operations over a weighted-average period of 1.10 years. We expect to incur \$0.8 million of this expense in 2019, \$0.6 million in 2020, and the remainder in 2021.

Note 4. Deferred Costs and Intangibles, net

Deferred costs consist primarily of acquired lease intangible assets, broker fees and capitalized salaries and related benefits incurred in connection with lease originations. Deferred leasing costs, lease intangibles and similar costs are amortized on a straight-line basis over the terms of the related leases. At December 31, 2018 and 2017, deferred costs consisted of the following:

(\$ in thousands)	2018	2017
Acquired lease intangible assets	\$ 81,852	\$ 107,668
Deferred leasing costs and other	69,870	68,335
	<u>151,722</u>	<u>176,003</u>
Less—accumulated amortization	(56,307)	(63,644)
Subtotal	<u>\$ 95,415</u>	<u>\$ 112,359</u>
Less - asset held for sale	(151)	—
Total	<u>95,264</u>	<u>112,359</u>

The estimated net amounts of amortization from acquired lease intangible assets for each of the next five years and thereafter are as follows:

(\$ in thousands)	Amortization of above market leases	Amortization of acquired lease intangible assets	Total
2019	\$ 1,257	\$ 6,086	\$ 7,343
2020	1,072	5,297	6,369
2021	793	4,231	5,024
2022	553	3,678	4,231
2023	493	2,991	3,484
Thereafter	1,990	19,122	21,112
Total	<u>\$ 6,158</u>	<u>\$ 41,405</u>	<u>\$ 47,563</u>

Amortization of deferred leasing costs, leasing intangibles and other is included in depreciation and amortization expense in the accompanying consolidated statements of operations. The amortization of above market lease intangibles is included as a reduction to revenue. The amounts of such amortization included in the accompanying consolidated statements of operations are as follows:

(\$ in thousands)	For the year ended December 31,		
	2018	2017	2016
Amortization of deferred leasing costs, lease intangibles and other	\$ 18,648	\$ 22,960	\$ 24,898
Amortization of above market lease intangibles	2,553	4,025	6,602

Note 5. Deferred Revenue, Intangibles, Net and Other Liabilities

Deferred revenue and other liabilities consist of the unamortized fair value of below market lease liabilities recorded in connection with purchase accounting, retainage payables for development and redevelopment projects, and tenant rent payments received in advance of the month in which they are due. The amortization of below market lease liabilities is recognized as revenue over the remaining life of the leases (including option periods for leases with below market renewal options) through 2046. Tenant rent payments received in advance are recognized as revenue in the period to which they apply, which is typically the month following their receipt.

At December 31, 2018 and 2017, deferred revenue, intangibles, net and other liabilities consisted of the following:

(\$ in thousands)	2018	2017
Unamortized in-place lease liabilities	\$ 69,501	\$ 83,117
Retainages payable and other	2,489	3,954
Tenant rents received in advance	11,642	9,493
Total	<u>\$ 83,632</u>	<u>\$ 96,564</u>

The amortization of below market lease intangibles is included as a component of minimum rent in the accompanying consolidated statements and was \$8.9 million, \$7.7 million and \$13.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The estimated net amounts of amortization of in-place lease liabilities and the increasing effect on minimum rent for each of the next five years and thereafter is as follows:

(\$ in thousands)

2019	\$ 4,552
2020	4,015
2021	3,693
2022	3,512
2023	3,404
Thereafter	50,325
Total	<u>\$ 69,501</u>

Note 6. Disposals of Operating Properties and Impairment Charges

During the year ended December 31, 2018, we sold six operating properties for aggregate gross proceeds of \$122.2 million. The following summarizes our 2018 operating property dispositions:

Property Name	MSA	Disposition Date
Trussville Promenade	Birmingham, AL	February 2018
Memorial Commons	Goldsboro, NC	March 2018
Lake Lofts at Deerwood	Jacksonville, FL	November 2018
Hamilton Crossing	Knoxville, TN	November 2018
Fox Lake Crossing	Chicago, IL	December 2018
Lowe's Plaza	Las Vegas, NV	December 2018

In addition, we entered into a joint venture with TH Real Estate by selling an 80% interest in three operating assets for an agreed upon value of \$99.8 million. The properties sold to the joint venture were the following:

Property Name	MSA	Disposition Date
Livingston Shopping Center	New York/Northern New Jersey	June 2018
Plaza Volente	Austin, TX	June 2018
Tamiami Crossing	Naples, FL	June 2018

The Company recorded a net gain of \$3.4 million as a result of the 2018 disposal activity.

In February 2019, the Company announced a plan to market and sell up to \$500 million in non-core assets as part of a program designed to improve the Company's portfolio quality, reduce its leverage, and focus operations on markets where the Company believes it can gain scale and generate attractive risk-adjusted returns. The Company currently anticipates that the bulk of the net proceeds will be used to repay debt, further strengthening its balance sheet. The disposal plan was considered an impairment indicator under ASC 360, and we assessed various properties for impairment using a shortened hold period based upon the facts and circumstances that existed at the balance sheet date. Changes to the disposal plans, including the composition of the properties to be potentially be sold, may result in future impairment charges.

As of December 31, 2018, in connection with the preparation and review of the financial statements, we evaluated four operating properties and land previously held for development for impairment and recorded a \$31.5 million impairment charge due to changes during the quarter in facts and circumstances underlying the Company's expected future hold period of these properties and decision to not move forward with development of the land. A shortening of an expected future hold period is considered an impairment indicator under applicable accounting rules, and this indicator caused us to further evaluate the carrying value of these properties. We concluded the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of these assets, leading to the charge during the quarter. We estimated the fair value using Level 3 inputs within the fair value hierarchy, including a combination of the income and market approaches. We compared the estimated aggregate fair value of \$75.5 million to the carrying values, which resulted in the recording of a non-cash impairment charge of \$31.5 million for the three months ended December 31, 2018.

As of June 30, 2018, in connection with the preparation and review of the financial statements, we evaluated two properties for impairment and recorded a \$14.8 million impairment charge due to changes during the quarter in facts and circumstances

underlying the Company's expected future hold period of these properties. A shortening of an expected future hold period is considered an impairment indicator under applicable accounting rules, and this indicator caused us to further evaluate the carrying value of these properties. We concluded the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of these assets, leading to the charge during the quarter. We estimated the fair value using Level 3 inputs within the fair value hierarchy, primarily using the market approach. We compared the estimated aggregate fair value of \$30.4 million to the carrying values, which resulted in the recording of a non-cash impairment charge of \$14.8 million for the three months ended June 30, 2018. One of these properties was sold in the fourth quarter of 2018.

In connection with the preparation and review of the financial statements as of and for the three months ended March 31, 2018, we evaluated an operating property for impairment and recorded a \$24.1 million impairment charge due to changes during the quarter in facts and circumstances underlying the Company's expected future hold period of this property. A shortening of an expected future hold period is considered an impairment indicator under applicable accounting rules, and this indicator caused us to further evaluate the carrying value of this property. We concluded the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of a certain asset, leading to the charge during the quarter. We estimated the fair value of the property to be \$24.3 million using Level 3 inputs within the fair value hierarchy, primarily using the market approach. We compared the estimated fair value to the carrying value, which resulted in the recording of a non-cash impairment charge of \$24.1 million for the three months ended March 31, 2018. This property was contributed to the TH Real Estate joint venture.

As of December 31, 2018, the Company has classified its Whitehall Pike operating property as held for sale. The Company has committed to a plan to sell this asset, and it expects that the sale of this asset will be completed within nine months at a sales price that exceeds its carrying value.

During the year ended December 31, 2017, we sold four operating properties for aggregate gross proceeds of \$76.1 million and a net gain of \$15.2 million. The following summarizes our 2017 operating property dispositions.

Property Name	MSA	Disposition Date
Cove Center	Stuart, FL	March 2017
Clay Marketplace	Birmingham, AL	June 2017
The Shops at Village Walk	Fort Myers, FL	June 2017
Wheatland Towne Crossing	Dallas, TX	June 2017

In connection with the preparation and review of the financial statements for the three months ended March 31, 2017, we evaluated an operating property for impairment including shortening of the intended holding period. We concluded the estimated undiscounted cash flows over the expected holding period did not exceed the carrying value of the asset. The Company estimated the fair value of the property to be \$26.0 million using Level 3 inputs within the fair value hierarchy, primarily using the market approach. We compared the fair value measurement to the carrying value, which resulted in the recording of a non-cash impairment charge of \$7.4 million. This property was sold during 2017.

During the year ended December 31, 2016, we sold two operating properties for aggregate gross proceeds of \$14.2 million and a net gain of \$4.3 million. The following summarizes our 2016 operating property dispositions.

Property Name	MSA	Disposition Date
Shops at Otty	Portland, OR	June 2016
Publix at St. Cloud	St. Cloud, FL	December 2016

The results of all the operating properties sold in 2018, 2017 and 2016 are not included in discontinued operations in the accompanying statements of operations as none of the operating properties individually, nor in the aggregate, represent a strategic shift that has had or will have a material effect on our operations or financial results.

Note 7. Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following as of December 31, 2018 and 2017:

(\$ in thousands)	As of December 31, 2018			
	Principal	Unamortized Net Premiums	Unamortized Debt Issuance Costs	Total
Senior Unsecured Notes—Fixed Rate				
Maturing at various dates through September 2027; interest rates ranging from 4.00% to 4.57% at December 31, 2018	\$ 550,000	\$ —	\$ (4,864)	\$ 545,136
Unsecured Revolving Credit Facility				
Matures April 2022 ¹ ; borrowing level up to \$449.5 million available at December 31, 2018; interest at LIBOR + 1.15% or 3.65% at December 31, 2018	45,600	—	(3,796)	41,804
Unsecured Term Loans				
\$95 million matures July 2021; interest at LIBOR + 1.30% or 3.80% at December 31, 2018; \$250 million matures October 2025; interest at LIBOR + 2.00% or 4.50% at December 31, 2018	345,000	—	(2,470)	342,530
Mortgage Notes Payable—Fixed Rate				
Generally due in monthly installments of principal and interest; maturing at various dates through 2030; interest rates ranging from 3.78% to 6.78% at December 31, 2018	534,679	6,566	(584)	540,661
Mortgage Notes Payable—Variable Rate				
Due in monthly installments of principal and interest; maturing at various dates through 2025; interest at LIBOR + 1.50%-1.60%, ranging from 4.00% to 4.10% at December 31, 2018	73,491	—	(321)	73,170
Total mortgage and other indebtedness	<u>\$ 1,548,770</u>	<u>\$ 6,566</u>	<u>\$ (12,035)</u>	<u>\$ 1,543,301</u>

(\$ in thousands)	As of December 31, 2017			
	Principal	Unamortized Net Premiums	Unamortized Debt Issuance Costs	Total
Senior Unsecured Notes—Fixed Rate				
Maturing at various dates through September 2027; interest rates ranging from 4.00% to 4.57% at December 31, 2017	\$ 550,000	\$ —	\$ (5,599)	\$ 544,401
Unsecured Revolving Credit Facility				
Matures July 2021 ¹ ; borrowing level up to \$373.8 million available at December 31, 2018; interest at LIBOR + 1.35% ² or 2.91% at December 31, 2017	60,100	—	(1,895)	58,205
Unsecured Term Loans				
\$200 million matures July 2021; interest at LIBOR + 1.30% ² or 2.86% at December 31, 2017; \$200 million matures October 2022; interest at LIBOR + 1.60% or 3.16% at December 31, 2017	400,000	—	(1,759)	398,241
Mortgage Notes Payable—Fixed Rate				
Generally due in monthly installments of principal and interest; maturing at various dates through 2030; interest rates ranging from 3.78% to 6.78% at December 31, 2017	576,927	9,196	(755)	585,368
Mortgage Notes Payable—Variable Rate				
Due in monthly installments of principal and interest; maturing at various dates through 2023; interest at LIBOR + 1.60%-2.25%, ranging from 3.16% to 3.81% at December 31, 2017	113,623	—	(599)	113,024
Total mortgage and other indebtedness	<u>\$ 1,700,650</u>	<u>\$ 9,196</u>	<u>\$ (10,607)</u>	<u>\$ 1,699,239</u>

- 1 This presentation reflects the Company's exercise of its options to extend the maturity date for two additional periods of six months each, subject to certain conditions.
- 2 The interest rates on our unsecured revolving credit facility and unsecured term loan varied at certain parts of the year due to provisions in the agreement and the amendment and restatement of the agreement.

The one month LIBOR interest rate was 2.50% and 1.56% as of December 31, 2018 and 2017, respectively.

Debt Issuance Costs

Debt issuance costs are amortized on a straight-line basis over the terms of the respective loan agreements.

The accompanying consolidated statements of operations include the following amounts of amortization of debt issuance costs as a component of interest expense:

(\$ in thousands)	For the year ended December 31,		
	2018	2017	2016
Amortization of debt issuance costs	\$ 3,944	\$ 2,534	\$ 4,521

Unsecured Revolving Credit Facility and Unsecured Term Loans

On April 24, 2018, the Company and Operating Partnership entered into the First Amendment (the "Amendment") to the Fifth Amended and Restated Credit Agreement (the "Existing Credit Agreement," and as amended by the Amendment, the "Amended Credit Agreement"), dated as of July 28, 2016, by and among the Operating Partnership, as borrower, the Company, as guarantor (pursuant to a springing guaranty, dated as of July 28, 2016), KeyBank National Association, as administrative agent, and the other lenders party thereto. The Amendment increases (i) the aggregate principal amount available under the unsecured revolving credit facility (the "Credit Facility") from \$500 million to \$600 million, (ii) the amount of the letter of credit issuances the Operating Partnership may utilize under the Credit Facility from \$50 million to \$60 million, and (iii) swingline loan capacity from \$50 million to \$60 million in same day borrowings. Under the Amended Credit Agreement, the Operating Partnership has the option to increase the Credit Facility to \$1.2 billion (increased from \$1 billion under the Existing Credit Agreement) upon the Operating Partnership's request, subject to certain conditions, including obtaining commitments from any one or more lenders, whether or not currently party to the Amended Credit Agreement, to provide such increased amounts.

The Amendment extends the scheduled maturity date of the Credit Facility from July 28, 2020 to April 22, 2022 (which maturity date may be extended for up to two additional periods of six months at the Operating Partnership's option subject to certain conditions). Among other things, the Amendment also improves the Operating Partnership's leverage ratio calculation by changing the definition of capitalization rate to six and one-half percent (6.5%) from six and three-fourths percent (6.75%), which increases the Operating Partnership's total asset value as calculated under the Amended Credit Agreement.

On October 25, 2018, the Operating Partnership entered into a Term Loan Agreement (the "Agreement") with KeyBank National Association, as Administrative Agent (the "Agent"), and the other lenders party thereto, providing for an unsecured term loan facility of up to \$250 million (the "Term Loan"). The Term Loan ranks pari passu with the Operating Partnership's existing \$600 million unsecured revolving credit facility and \$200 million unsecured term loan facility documented in the Operating Partnership's Fifth Amended and Restated Credit Agreement, dated as of July 28, 2016, as amended (the "Existing Credit Agreement"), and other unsecured indebtedness of the Operating Partnership.

The Term Loan has a scheduled maturity date of October 24, 2025, which maturity date may be extended for up to three additional periods of one year at the Operating Partnership's option subject to certain conditions.

The Operating Partnership has the option to increase the Term Loan to \$300 million, subject to certain conditions, including obtaining commitments from any one or more lenders, whether or not currently party to the Agreement, to provide such increased amounts. The Operating Partnership is permitted to prepay the Term Loan in whole or in part, at any time, subject to a prepayment fee if prepaid on or before October 25, 2023.

The Operating Partnership has the option to increase the borrowing availability of the Credit Facility to \$1.2 billion, subject to certain conditions, including obtaining commitments from one or more lenders.

As of December 31, 2018, \$45.6 million was outstanding under the Credit Facility. Additionally, we had letters of credit outstanding which totaled \$3.1 million, against which no amounts were advanced as of December 31, 2018.

The amount that we may borrow under our Credit Facility is limited by the value of the assets in our unencumbered asset pool. As of December 31, 2018, the value of the assets in our unencumbered asset pool, calculated pursuant to the Credit Facility agreement, was \$1.4 billion. Taking into account outstanding borrowings on the line of credit, term loans, unsecured notes and letters of credit, we had \$449.5 million available under our Credit Facility for future borrowings as of December 31, 2018.

Our ability to borrow under the Credit Facility is subject to our compliance with various restrictive and financial covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. As of December 31, 2018, we were in compliance with all such covenants.

Senior Unsecured Notes

The Operating Partnership has \$550 million of senior unsecured notes maturing at various dates through September 2027 (the "Notes"). The Notes contain a number of customary financial and restrictive covenants. As of December 31, 2018, we were in compliance with all such covenants.

Mortgage Loans

Mortgage loans are secured by certain real estate and in some cases by guarantees from the Operating Partnership, and are generally due in monthly installments of interest and principal and mature over various terms through 2030.

Debt Maturities

The following table presents maturities of mortgage debt and corporate debt as of December 31, 2018:

(\$ in thousands)	Scheduled Principal Payments	Term Maturities	Total
2019	\$ 5,034	\$ —	\$ 5,034
2020	5,396	20,700	26,096
2021	4,627	254,875	259,502
2022	1,113	250,808	251,921
2023	806	276,940	277,746
Thereafter	6,430	722,041	728,471
	\$ 23,406	\$ 1,525,364	\$ 1,548,770
Unamortized net debt premiums and issuance costs, net			(5,469)
Total			\$ 1,543,301

Other Debt Activity

For the year ended December 31, 2018, we had total new borrowings of \$399.5 million and total repayments of \$551.4 million. The components of this activity were as follows:

- We closed on the new \$250.0 million term loan and retired an existing \$200.0 million 5-year term loan and paid down \$50.0 million on our 7-year term loan;
- We retired the \$77.0 million in loans that were secured by our Perimeter Woods, Killingly Commons, Fishers Station, and Whitehall Pike operating properties through draws on our Credit Facility;
- We borrowed \$22.0 million on the Credit Facility to redeem our partners' interest in the Territory joint venture;
- We used the \$89.0 million of net proceeds from the formation of the TH Real Estate joint venture to pay down the Credit Facility;
- We used the \$118.0 million net proceeds from the sale of six operating properties to pay down the Credit Facility; and

- We made scheduled principal payments on indebtedness during the year totaling \$5.3 million.

The amount of interest capitalized in 2018, 2017, and 2016 was \$1.8 million, \$3.1 million, and \$4.1 million, respectively.

Fair Value of Fixed and Variable Rate Debt

As of December 31, 2018, the estimated fair value and book value of our fixed rate debt was \$1.1 billion. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments, which ranged from 4.08% to 4.54%. As of December 31, 2018, the estimated fair value of variable rate debt was \$466.3 million compared to the book value of \$464.1 million. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments, which ranged from 3.65% to 4.55%.

Note 8. Derivative Instruments, Hedging Activities and Other Comprehensive Income

In order to manage potential future variable interest rate risk, we enter into interest rate derivative agreements from time to time. We do not use such agreements for trading or speculative purposes nor do we have any that are not designated as cash flow hedges. The agreements with each of our derivative counterparties provide that, in the event of default on any of our indebtedness, we could also be declared in default on our derivative obligations.

As of December 31, 2018, we were party to various cash flow derivative agreements with notional amounts totaling \$391.2 million. These derivative agreements effectively fix the interest rate underlying certain variable rate debt instruments over expiration dates through 2025. Utilizing a weighted average interest rate spread over LIBOR on all variable rate debt resulted in fixing the weighted average interest rate at 3.69%.

These interest rate derivative agreements are the only assets or liabilities that we record at fair value on a recurring basis. The valuation of these assets and liabilities is determined using widely accepted techniques including discounted cash flow analysis. These techniques consider the contractual terms of the derivatives (including the period to maturity) and use observable market-based inputs such as interest rate curves and implied volatilities. We also incorporate credit valuation adjustments into the fair value measurements to reflect nonperformance risk on both our part and that of the respective counterparties.

We determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, although the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. As of December 31, 2018 and December 31, 2017, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and determined the credit valuation adjustments were not significant to the overall valuation of our derivatives. As a result, we determined our derivative valuations were classified within Level 2 of the fair value hierarchy.

As of December 31, 2018, the estimated fair value of our interest rate derivatives represented a net liability of \$3.5 million, including accrued interest receivable of \$0.1 million. As of December 31, 2018, \$3.6 million is reflected in prepaid and other assets and \$7.1 million is reflected in accounts payable and accrued expenses on the accompanying consolidated balance sheet. At December 31, 2017 the estimated fair value of our interest rate derivatives was a net asset of \$2.4 million, including accrued interest of \$0.1 million. As of December 31, 2017, \$3.1 million is reflected in prepaid and other assets and \$0.7 million is reflected in accounts payable and accrued expenses on the accompanying consolidated balance sheet.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to earnings over time as the hedged items are recognized in earnings. Approximately \$0.8 million, \$2.5 million and \$4.8 million was reclassified as a reduction to earnings during the years ended December 31, 2018, 2017 and 2016, respectively. As the interest payments on our derivatives are made over the next 12 months, we estimate the increase to interest expense to be \$1.3 million, assuming the current LIBOR curve.

Unrealized gains and losses on our interest rate derivative agreements are the only components of the change in accumulated other comprehensive loss.

Note 9. Lease Information

Minimum Rentals from Tenant Leases

The Company receives rental income from the leasing of retail and office space under operating leases. The leases generally provide for certain increases in base rent, reimbursement for certain operating expenses and may require tenants to pay contingent

rentals to the extent their sales exceed a defined threshold. The weighted average remaining term of the lease agreements is approximately 4.5 years. During the years ended December 31, 2018, 2017, and 2016, the Company earned overage rent of \$1.2 million, \$1.1 million, and \$1.5 million, respectively.

As of December 31, 2018, future minimum rentals to be received under non-cancelable operating leases for each of the next five years and thereafter, excluding tenant reimbursements of operating expenses and percentage rent based on sales volume, are as follows:

(\$ in thousands)	
2019	\$ 252,102
2020	237,022
2021	209,294
2022	176,023
2023	137,125
Thereafter	600,405
Total	\$ 1,611,971

Commitments under Ground Leases

As of December 31, 2018, we are obligated under nine ground leases for approximately 47 acres of land. Most of these ground leases require fixed annual rent payments. The expiration dates of the remaining initial terms of these ground leases range from 2023 to 2092. These leases have five- to ten-year extension options ranging in total from 20 to 25 years. Ground lease expense incurred by the Company on these operating leases for the years ended December 31, 2018, 2017, and 2016 was \$1.7 million, \$1.7 million, and \$1.8 million, respectively.

Future minimum lease payments due under ground leases for the next five years ending December 31 and thereafter are as follows:

(\$ in thousands)	
2019	\$ 1,694
2020	1,777
2021	1,789
2022	1,815
2023	1,636
Thereafter	72,154
Total	\$ 80,865

Note 10. Shareholders' Equity

Common Equity

Our Board of Trustees declared a cash distribution of \$0.3175 per common share and Common Unit for the fourth quarter of 2018. This distribution was paid on January 11, 2019 to common shareholders and Common Unit holders of record as of January 4, 2019.

For the years ended December 31, 2018, 2017 and 2016, we declared cash distributions of \$1.270, \$1.225, and \$1.165 respectively per common share and Common Units.

Accrued but unpaid distributions on common shares and units were \$27.3 million and \$27.2 million as of December 31, 2018 and 2017, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Dividend Reinvestment and Share Purchase Plan

We maintain a Dividend Reinvestment and Share Purchase Plan, which offers investors the option to invest all or a portion of their common share dividends in additional common shares. Participants in this plan are also able to make optional cash investments with certain restrictions.

At-the-Market Equity Program

During 2016, we issued 137,229 of our common shares at an average price per share of \$29.52 pursuant to our at-the-market equity program, generating gross proceeds of approximately \$4.1 million and, after deducting commissions and other costs, net proceeds of approximately \$3.8 million. The proceeds from these offerings were contributed to the Operating Partnership and used to pay down our unsecured revolving credit facility.

Note 11. Quarterly Financial Data (Unaudited)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2018 and 2017.

(\$ in thousands, except per share data)	Quarter Ended March 31, 2018	Quarter Ended June 30, 2018	Quarter Ended September 30, 2018	Quarter Ended December 31, 2018
Total revenue	\$ 89,763	\$ 91,736	\$ 85,747	\$ 86,937
Gain (loss) on sale of operating properties, net	500	7,829	(177)	(4,725)
Operating income (loss)	(1,532)	15,771	20,549	(13,757)
Consolidated net income (loss)	(17,997)	(1,062)	4,317	(31,709)
Net income (loss) attributable to Kite Realty Group Trust common shareholders	(17,917)	(1,366)	3,938	(31,221)
Net income (loss) per common share – basic and diluted	(0.21)	(0.02)	0.05	(0.37)
Weighted average Common Shares outstanding - basic	83,629,669	83,672,896	83,706,704	83,762,664
Weighted average Common Shares outstanding - diluted	83,629,669	83,672,896	83,767,655	83,762,664

(\$ in thousands, except per share data)	Quarter Ended March 31, 2017	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017	Quarter Ended December 31, 2017
Total revenue	\$ 90,112	\$ 92,649	\$ 87,138	\$ 88,919
Gains on sale of operating properties, net	8,870	6,290	—	—
Operating income	16,988	27,376	16,229	19,312
Consolidated net income (loss)	437	10,858	(204)	2,795
Net income (loss) attributable to Kite Realty Group Trust common shareholders	5	10,180	(622)	2,309
Net income (loss) per common share – basic and diluted	0.00	0.12	(0.01)	0.03
Weighted average Common Shares outstanding - basic	83,565,325	83,585,736	83,594,163	83,595,677
Weighted average Common Shares outstanding - diluted	83,643,608	83,652,627	83,594,163	83,705,764

Note 12. Commitments and Contingencies

Other Commitments and Contingencies

We are not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against us. We are parties to routine litigation, claims, and administrative proceedings arising in the ordinary course of

business. Management believes that such matters will not have a material adverse impact on our consolidated financial condition, results of operations or cash flows taken as a whole.

We are obligated under various completion guarantees with lenders and lease agreements with tenants to complete all or portions of the development and redevelopment projects. We believe we currently have sufficient financing in place to fund our investment in any existing or future projects through cash from operations and borrowings on our unsecured revolving credit facility.

In 2017, we provided a repayment guaranty on a \$33.8 million construction loan associated with the development of the Embassy Suites at the University of Notre Dame consistent with our 35% ownership interest. As of December 31, 2018, the current outstanding loan balance is \$33.0 million, of which our share is \$11.5 million.

As of December 31, 2018, we had outstanding letters of credit totaling \$3.1 million. At that date, there were no amounts advanced against these instruments.

Note 13. Related Parties and Related Party Transactions

Subsidiaries of the Company provide certain management, construction management and other services to certain entities owned by certain members of the Company's management. During each of the years ended December 31, 2018, 2017 and 2016, we earned less than \$0.1 million, from entities owned by certain members of management.

We reimburse an entity owned by certain members of our management for certain travel and related services. During the years ended December 31, 2018, 2017 and 2016, we paid \$0.5 million, \$0.3 million and \$0.4 million, respectively, to this related entity.

Note 14. Subsequent Events

Dividend Declaration

On February 13, 2019, our Board of Trustees declared a cash distribution of \$0.3175 per common share and Common Unit for the first quarter of 2019. This distribution is expected to be paid on or about March 29, 2019 to common shareholders and Common Unit holders of record as of March 22, 2019.

Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries
Schedule III
Consolidated Real Estate and Accumulated Depreciation

(\$ in thousands)		Initial Cost		Cost Capitalized Subsequent to Acquisition/Development		Gross Carrying Amount Close of Period			Accumulated Depreciation	Year Built / Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
Name	Encumbrances	Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total	Depreciation	Renovated	Acquired
<i>Operating Properties</i>											
12th Street Plaza	\$ 5,000	\$ 2,624	\$ 13,269	\$ —	\$ 440	\$ 2,624	\$ 13,709	\$ 16,333	\$ 3,636	1978/2003	2012
54th & College *	—	2,672	—	—	—	2,672	—	2,672	—	2008	NA
Bayonne Crossing	43,735	47,809	44,195	—	826	47,809	45,022	92,831	8,640	2011	2014
Bayport Commons	11,668	7,005	20,784	—	1,816	7,005	22,600	29,605	6,853	2008	NA
Beacon Hill *	—	3,054	13,528	—	994	3,054	14,523	17,577	4,704	2006	NA
Beechwood Promenade *	—	2,734	51,831	—	—	2,734	51,831	54,565	11,793	2018	2013
Bell Oaks Centre	6,548	1,230	12,712	—	184	1,230	12,896	14,126	2,986	2008	2014
Belle Isle *	—	9,130	41,418	—	837	9,130	42,256	51,386	7,846	2000	2015
Bolton Plaza *	—	3,733	18,974	359	5,556	4,093	24,530	28,623	10,503	1986/2014	NA
Boulevard Crossing	10,312	4,386	9,175	—	2,444	4,386	11,619	16,005	5,176	2004	NA
Bridgewater Marketplace *	—	3,407	8,661	—	547	3,407	9,208	12,615	3,030	2008	NA
Burlington Coat Factory *	—	29	2,773	—	—	29	2,773	2,802	1,459	1992/2000	2000
Burnt Store Promenade *	—	5,112	15,056	—	—	5,112	15,056	20,168	4,707	2018	2013
Cannery Corner *	—	6,267	9,492	—	510	6,267	10,002	16,269	1,424	2008	2014
Castleton Crossing *	—	9,761	27,232	—	3,111	9,761	30,342	40,103	7,027	1975	2013
Chapel Hill Shopping Center	18,250	—	35,107	—	838	—	35,945	35,945	5,786	2001	2015
City Center *	—	20,565	180,247	—	—	20,565	180,247	200,812	30,898	2018	2014
Centennial Center	70,455	58,960	65,613	—	5,788	58,960	71,401	130,361	17,196	2002	2014
Centennial Gateway	44,385	5,305	45,708	—	3,212	5,305	48,919	54,224	8,358	2005	2014
Centre Point Commons	14,410	2,918	22,310	—	110	2,918	22,421	25,339	4,045	2007	2014
Cobblestone Plaza *	—	11,221	45,478	—	612	11,221	46,090	57,311	11,017	2011	NA
Colonial Square *	—	11,743	31,262	—	1,732	11,743	32,994	44,737	5,462	2010	2014
Colleyville Downs *	—	5,446	38,605	—	1,039	5,446	39,644	45,090	8,334	2014	2015
Cool Creek Commons *	—	6,062	13,349	—	2,322	6,062	15,671	21,733	5,956	2005	NA
Cool Springs Market *	—	12,634	21,275	50	7,345	12,684	28,620	41,304	6,795	1995	2013
Crossing at Killingly Commons *	—	21,999	35,008	—	158	21,999	35,166	57,165	7,278	2010	2014
Delray Marketplace	56,550	18,750	88,539	1,284	5,494	20,034	94,033	114,067	18,334	2013	NA
DePauw University Bookstore & Café	—	64	663	—	45	64	708	772	321	2012	NA
Draper Crossing *	—	9,054	27,035	—	651	9,054	27,685	36,739	5,633	2012	2014
Draper Peaks *	—	11,498	47,038	522	3,356	12,020	50,394	62,414	7,667	2012	2014
Eastern Beltway Center	34,100	23,221	45,681	—	2,060	23,221	47,742	70,963	7,843	1998/2006	2014
Eastgate	—	4,073	20,153	—	1,600	4,073	21,753	25,826	4,020	2002	2014
Eastgate Pavilion *	—	8,026	18,148	—	1,851	8,026	19,998	28,024	8,343	1995	2004
Eddy Street Commons	22,630	1,900	37,720	—	1,546	1,900	39,266	41,166	12,094	2009	NA
Estero Town Commons *	—	8,973	9,868	—	1,033	8,973	10,901	19,874	3,333	2006	NA
Fishers Station *	—	4,008	15,782	—	—	4,008	15,782	19,790	3,873	2018	NA
Gainesville Plaza *	—	4,135	15,315	—	1,812	4,135	17,126	21,261	6,971	2015	2004

Name	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/Development		Gross Carrying Amount Close of Period			Accumulated Depreciation	Year Built / Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
<i>Operating Properties (continued)</i>											
Geist Pavilion *	\$ —	\$ 1,368	\$ 8,349	\$ —	\$ 2,371	\$ 1,368	\$ 10,720	\$ 12,088	\$ 4,129	2006	NA
Glendale Town Center *	—	1,494	43,655	—	2,245	1,494	45,901	47,395	30,659	1958/2008	1999
Greyhound Commons *	—	2,629	794	—	887	2,629	1,681	4,310	778	2005	NA
Hitchcock Plaza *	—	4,260	22,027	—	2,407	4,260	24,433	28,693	3,787	2006	2014
Holly Springs Towne Center *	—	12,319	46,169	—	2,539	12,319	48,708	61,027	8,618	2013	NA
Holly Springs Towne Center - Phase II *	—	11,910	49,212	—	1,275	11,910	50,486	62,396	4,152	2016	NA
Hunters Creek Promenade *	—	8,335	12,705	179	966	8,514	13,671	22,185	2,760	1994	2013
Indian River Square *	—	5,100	6,348	—	1,646	5,100	7,994	13,094	2,775	1997/2004	2005
International Speedway Square *	18,646	7,769	18,045	—	9,421	7,769	27,467	35,236	16,829	1999	NA
King's Lake Square *	—	4,519	15,614	—	1,293	4,519	16,907	21,426	7,658	1986/2014	2003
Kingwood Commons *	—	5,715	30,811	—	262	5,715	31,073	36,788	8,475	1999	2013
Lake City Commons	5,200	3,415	10,211	—	370	3,415	10,581	13,996	2,383	2008	2014
Lake City Commons - Phase II *	—	1,277	2,225	—	16	1,277	2,241	3,518	465	2011	2014
Lake Mary Plaza	5,080	1,413	8,719	—	89	1,413	8,808	10,221	1,486	2009	2014
Lakewood Promenade *	—	1,783	25,420	—	1,688	1,783	27,108	28,891	8,332	1948/1998	2013
Landstown Commons *	—	18,672	86,210	—	3,200	18,672	89,410	108,082	14,752	2007	2014
Lima Marketplace	8,383	4,703	15,724	—	1,418	4,703	17,142	21,845	3,635	2008	2014
Lithia Crossing *	—	3,065	9,984	—	6,027	3,065	16,011	19,076	5,071	1994/2003	2011
Market Street Village *	—	9,764	16,360	—	2,945	9,764	19,305	29,069	7,219	1970/2004	2005
Merrimack Village Center	5,445	1,921	11,894	—	174	1,921	12,067	13,988	2,013	2007	2014
Miramar Square	31,625	26,392	30,862	489	1,507	26,880	32,370	59,250	6,721	2008	2014
Mullins Crossing *	—	10,582	42,178	—	3,326	10,582	45,504	56,086	10,403	2005	2014
Naperville Marketplace	7,252	5,364	11,475	—	208	5,364	11,682	17,046	3,691	2008	NA
Northcrest Shopping Center	15,780	4,044	33,858	—	1,172	4,044	35,029	39,073	5,801	2008	2014
Northdale Promenade *	—	1,718	27,427	—	48	1,718	27,475	29,193	9,549	2017	NA
Oleander Place *	—	863	5,719	—	37	863	5,756	6,619	1,847	2012	2011
Palm Coast Landing	21,927	4,962	37,642	—	805	4,962	38,446	43,408	7,207	2010	2014
Parkside Town Commons - Phase I *	—	3,108	42,194	(60)	814	3,047	43,009	46,056	7,621	2015	N/A
Parkside Town Commons - Phase II *	—	20,722	66,766	—	6,756	20,722	73,522	94,244	9,000	2017	N/A
Perimeter Woods *	—	35,793	27,193	—	762	35,793	27,955	63,748	5,027	2008	2014
Pine Ridge Crossing *	—	5,640	17,084	—	3,924	5,640	21,007	26,647	6,911	1994	2006
Plaza at Cedar Hill *	—	5,782	34,816	—	9,521	5,782	44,337	50,119	18,976	2000	2004
Pleasant Hill Commons	—	3,350	10,055	—	416	3,350	10,471	13,821	2,338	2008	2014
Portofino Shopping Center *	—	4,754	75,123	—	17,714	4,754	92,837	97,591	21,736	1999	2013
Publix at Acworth	5,363	1,357	8,229	39	824	1,395	9,053	10,448	3,812	1996	2004
Publix at Woodruff *	—	1,783	6,361	—	880	1,783	7,241	9,024	2,722	1997	2012
Rampart Commons	10,137	1,136	42,808	—	—	1,136	42,808	43,944	7,181	2018	2014
Rangeline Crossing *	—	2,043	18,404	—	658	2,043	19,062	21,105	6,473	1986/2013	NA

Name	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/Development		Gross Carrying Amount Close of Period			Accumulated Depreciation	Year Built / Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
<i>Operating Properties (continued)</i>											
Riverchase Plaza *	\$ —	\$ 3,889	\$ 11,135	\$ —	\$ 1,350	\$ 3,889	\$ 12,485	\$ 16,374	\$ 4,550	1991/2001	2006
Rivers Edge *	—	5,647	31,358	—	1,936	5,647	33,294	38,941	8,980	2011	2008
Saxon Crossing	11,400	3,764	16,797	—	439	3,764	17,236	21,000	3,582	2009	2014
Shoppes at Plaza Green *	—	3,749	23,749	—	1,269	3,749	25,019	28,768	7,522	2000	2012
Shoppes of Eastwood *	—	1,688	8,842	—	629	1,688	9,471	11,159	2,727	1997	2013
Shops at Eagle Creek *	—	4,550	8,844	—	5,019	4,550	13,863	18,413	5,097	1998	2003
Shops at Julington Creek	4,785	2,372	7,458	—	155	2,372	7,613	9,985	1,142	2011	2014
Shops at Moore	21,300	6,284	24,682	—	1,625	6,284	26,307	32,591	5,297	2010	2014
Silver Springs Pointe	8,800	7,580	5,242	—	328	7,580	5,570	13,150	1,375	2001	2014
South Elgin Commons *	—	3,916	21,716	—	51	3,916	21,767	25,683	4,355	2011	2014
Stoney Creek Commons *	—	628	3,700	—	5,878	628	9,579	10,207	3,130	2000	NA
Sunland Towne Centre *	—	14,774	22,276	—	5,173	14,774	27,449	42,223	11,582	1996	2004
Tarpon Bay Plaza *	—	4,273	23,845	—	2,801	4,273	26,646	30,919	8,227	2007	NA
Temple Terrace *	—	2,245	9,282	—	55	2,245	9,336	11,581	1,569	2012	2014
The Centre at Panola *	1,332	1,986	8,164	—	378	1,986	8,542	10,528	4,012	2001	2004
The Corner	14,750	3,772	24,619	—	44	3,772	24,663	28,435	4,274	2008	2014
The Landing at Tradition *	—	18,505	42,808	—	3,365	18,505	46,173	64,678	7,302	2007	2014
Toringdon Market *	—	5,448	9,456	—	380	5,448	9,836	15,284	2,508	2004	2013
Traders Point *	—	9,443	36,327	—	2,683	9,443	39,011	48,454	15,559	2005	NA
Traders Point II *	—	2,376	6,441	—	1,138	2,376	7,578	9,954	3,100	2005	NA
Tradition Village Center *	—	3,140	13,941	—	1,366	3,140	15,307	18,447	2,591	2006	2014
University Town Center	18,690	4,125	31,528	—	813	4,125	32,342	36,467	6,224	2009	2014
University Town Center - Phase II	10,500	7,902	24,199	—	734	7,902	24,932	32,834	5,960	2012	2014
Village at Bay Park	9,183	6,517	8,133	—	999	6,517	9,131	15,648	1,882	2005	2014
Waterford Lakes Village *	—	2,317	6,371	—	305	2,317	6,676	8,993	2,743	1997	2004
Waxahachie Crossing	7,750	1,411	15,607	—	105	1,411	15,712	17,123	2,534	2010	2014
Westside Market *	—	4,194	17,723	—	359	4,194	18,082	22,276	2,616	2013	2014
Total Operating Properties	581,371	746,832	2,591,916	2,861	189,854	749,692	2,781,770	3,531,462	672,772		

Name	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition/Development		Gross Carrying Amount Close of Period			Accumulated Depreciation	Year Built / Renovated	Year Acquired
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total			
<i>Office Properties</i>											
Thirty South	\$ 16,941	\$ 1,643	\$ 4,608	\$ —	\$ 24,824	\$ 1,643	\$ 29,432	\$ 31,075	\$ 11,232	1905/2002	2001
Union Station Parking Garage *	—	904	2,650	—	1,592	904	4,242	5,146	1,765	1986	2001
Total Office Properties	16,941	2,547	7,258	—	26,416	2,547	33,674	36,221	12,997		
<i>Development and Redevelopment Properties</i>											
Courthouse Shadows *	—	4,999	11,216	—	—	4,999	11,216	16,215	5,258	NA	NA
Hamilton Crossing Centre	9,858	5,549	10,309	—	—	5,549	10,309	15,858	3,934	NA	NA
The Corner *	—	304	3,202	—	—	304	3,202	3,506	—	NA	NA
Total Development and Redevelopment Properties	9,858	10,853	24,726	—	—	10,853	24,726	35,579	9,193		
<i>Other **</i>											
Bridgewater Marketplace *	—	2,115	—	—	—	2,115	—	2,115	—	NA	NA
Eddy Street Commons *	—	4,783	—	—	—	4,783	—	4,783	—	NA	NA
KRG Development	—	—	1,010	—	—	—	1,010	1,010	49	NA	NA
KRG New Hill *	—	5,872	—	—	—	5,872	—	5,872	—	NA	NA
KRG Peakway	—	7,444	—	—	—	7,444	—	7,444	—	NA	NA
Pan Am Plaza	—	8,891	—	—	—	8,891	—	8,891	—	NA	NA
Total Other	—	29,104	1,010	—	—	29,104	1,010	30,114	49		
Line of credit/Term Loan/Unsecured notes	940,600	—	—	—	—	—	—	—	—	NA	NA
Grand Total	\$ 1,548,770	\$ 789,336	\$ 2,624,910	\$ 2,861	\$ 216,270	\$ 792,197	\$ 2,841,179	\$ 3,633,376	\$ 695,012		

* This property or a portion of the property is included as an unencumbered asset used in calculating our line of credit borrowing base.

** This category generally includes land held for development. We also have certain additional land parcels at our development and operating properties, which amounts are included elsewhere in this table.

Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries
Notes to Schedule III
Consolidated Real Estate and Accumulated Depreciation
(\$ in thousands)

Note 1. Reconciliation of Investment Properties

The changes in investment properties of the Company for the years ended December 31, 2018, 2017, and 2016 are as follows:

	2018	2017	2016
Balance, beginning of year	\$ 3,949,431	\$ 3,988,819	\$ 3,926,180
Acquisitions	—	—	—
Improvements	68,349	78,947	97,161
Impairment	(73,198)	(10,897)	—
Disposals	(311,206)	(107,438)	(34,522)
Balance, end of year	<u>\$ 3,633,376</u>	<u>\$ 3,949,431</u>	<u>\$ 3,988,819</u>

The unaudited aggregate cost of investment properties for U.S. federal tax purposes as of December 31, 2018 was \$2.7 billion.

Note 2. Reconciliation of Accumulated Depreciation

The changes in accumulated depreciation of the Company for the years ended December 31, 2018, 2017, and 2016 are as follows:

	2018	2017	2016
Balance, beginning of year	\$ 660,276	\$ 556,851	\$ 428,930
Depreciation expense	132,662	148,346	148,947
Impairment	(2,838)	(3,494)	—
Disposals	(95,088)	(41,427)	(21,026)
Balance, end of year	<u>\$ 695,012</u>	<u>\$ 660,276</u>	<u>\$ 556,851</u>

Depreciation of investment properties reflected in the statements of operations is calculated over the estimated original lives of the assets as follows:

Buildings	20-35 years
Building improvements	10-35 years
Tenant improvements	Term of related lease
Furniture and Fixtures	5-10 years

All other schedules have been omitted because they are inapplicable, not required or the information is included elsewhere in the consolidated financial statements or notes thereto.

F-39

[\(Back To Top\)](#)

Section 2: EX-21.1 (LIST OF SUBSIDIARIES)

EXHIBIT 21.1

Kite Realty Group List of Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Formation
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116 & Olio, LLC	Indiana
Brentwood Land Partners, LLC	Delaware
Bulwark, LLC	Delaware
Corner Associates, LP	Indiana
Dayville Property Development, LLC	Connecticut
Glendale Centre, L.L.C.	Indiana
International Speedway Square, Ltd.	Florida
Kite Acworth Management, LLC	Delaware
Kite Acworth, LLC	Indiana
Kite Eagle Creek, LLC	Indiana
Kite Greyhound III, LLC	Indiana
Kite Greyhound, LLC	Indiana
Kite King's Lake, LLC	Indiana
Kite Kokomo Management, LLC	Delaware
Kite Kokomo, LLC	Indiana
Kite Realty Advisors, LLC	Indiana
d/b/a KMI Realty Advisors	Indiana
Kite Realty Construction, LLC	Indiana
Kite Realty Development, LLC	Indiana
Kite Realty Eddy Street Garage, LLC	Indiana
Kite Realty Eddy Street Land, LLC	Indiana
Kite Realty FS Hotel Operators, LLC	Indiana
Kite Realty Group Trust	Maryland
Kite Realty Group, L.P.	Delaware
Kite Realty Holding, LLC	Indiana
Kite Realty New Hill Place, LLC	Indiana
Kite Realty Peakway at 55, LLC	Indiana
Kite Realty Washington Parking, LLC	Indiana
Kite San Antonio, LLC	Indiana
Kite Washington Parking, LLC	Indiana
Kite Washington, LLC	Indiana
Kite West 86th Street II, LLC	Indiana
Kite West 86th Street, LLC	Indiana
KRG 951 & 41, LLC	Indiana
KRG Aiken Hitchcock, LLC	Delaware
KRG Alcoa TN, LLC	Delaware
KRG Alcoa Hamilton, LLC	Delaware
KRG Ashwaubenon Bay Park, LLC	Delaware
KRG Bayonne Urban Renewal, LLC	Delaware
KRG Beacon Hill, LLC	Indiana
KRG Beechwood, LLC	Indiana

KRG Belle Isle, LLC	Indiana
KRG Bennet Knoll, LLC	Indiana
KRG Bolton Plaza, LLC	Indiana
KRG Bradenton Centre Point, LLC	Delaware
KRG Bridgewater, LLC	Indiana
KRG Burnt Store, LLC	Indiana
KRG Capital, LLC	Indiana
KRG Castleton Crossing, LLC	Indiana
KRG Cedar Hill Plaza, LP	Delaware
KRG Centre, LLC	Indiana
KRG Chapel Hill Shopping Center, LLC	Delaware
KRG Charlotte Northcrest, LLC	Delaware
KRG Charlotte Perimeter Woods, LLC	Delaware
KRG CHP Management, LLC	Delaware
KRG College I, LLC	Indiana
KRG College, LLC	Indiana
KRG Colleyville Downs, LLC	Indiana
KRG Construction, LLC	Indiana
KRG Cool Creek Management, LLC	Indiana
KRG Cool Creek Outlots, LLC	Indiana
KRG Cool Springs, LLC	Indiana
KRG Corner Associates, LLC	Indiana
KRG Courthouse Shadows I, LLC	Delaware
KRG Courthouse Shadows, LLC	Delaware
KRG Courthouse Shadows II, LLC	Delaware
KRG Cove Center, LLC	Indiana
KRG Dallas Wheatland, LLC	Delaware
KRG Daytona Management II, LLC	Delaware
KRG Daytona Outlot Management, LLC	Delaware
KRG Dayville Killingly Member II, LLC	Delaware
KRG Dayville Killingly Member, LLC	Delaware
KRG Delray Beach, LLC	Indiana
KRG Development, LLC d/b/a Kite Development	Indiana
KRG Draper Crossing, LLC	Delaware
KRG Draper Peaks, LLC	Delaware
KRG Draper Peaks Outlot, LLC	Indiana
KRG Eagle Creek III, LLC	Indiana
KRG Eagle Creek IV, LLC	Indiana
KRG Eastgate Pavilion, LLC	Indiana
KRG Eastwood, LLC	Indiana
KRG Eddy Street Apartments, LLC	Indiana
KRG Eddy Street Commons at Notre Dame Declarant, LLC	Indiana
KRG Eddy Street Commons, LLC	Indiana
KRG Eddy Street FS Hotel, LLC	Indiana
KRG Eddy Street Land Management, LLC	Delaware
KRG Eddy Street Land, LLC	Indiana

KRG Eddy Street Land II, LLC	Indiana
KRG Eddy Street Office, LLC	Indiana
KRG Estero, LLC	Indiana
KRG Evans Mullins, LLC	Delaware
KRG Evans Mullins Outlots, LLC	Delaware
KRG Fishers Station, LLC	Indiana
KRG Fort Myers Colonial Square, LLC	Delaware
KRG Fort Wayne Lima, LLC	Delaware
KRG Fort Wayne Lima Outlot, LLC	Delaware
KRG Fox Lake Crossing II, LLC	Indiana
KRG Fox Lake Crossing, LLC	Delaware
KRG Frisco Westside, LLC	Delaware
KRG Gainesville, LLC	Indiana
KRG Geist Management, LLC	Indiana
KRG Goldsboro Memorial, LLC	Delaware
KRG Greencastle, LLC	Indiana
KRG Hamilton Crossing Management, LLC	Delaware
KRG Hamilton Crossing, LLC	Indiana
KRG Henderson Eastgate, LLC	Delaware
KRG Hunter's Creek, LLC	Indiana
KRG Indian River, LLC	Delaware
KRG Indian River Outlot, LLC	Delaware
KRG ISS LH OUTLOT, LLC	Indiana
KRG ISS, LLC	Indiana
KRG Jacksonville Deerwood Lake, LLC	Delaware
KRG Jacksonville Julington Creek, LLC	Delaware
KRG Jacksonville Julington Creek II, LLC	Delaware
KRG Kingwood Commons, LLC	Indiana
KRG Kissimmee Pleasant Hill, LLC	Delaware
KRG Kokomo Project Company, LLC	Indiana
KRG Lake City Commons, LLC	Delaware
KRG Lake City Commons II, LLC	Delaware
KRG Lake Mary, LLC	Delaware
KRG Lakewood, LLC	Indiana
KRG Las Vegas Centennial Center, LLC	Delaware
KRG Las Vegas Centennial Gateway, LLC	Delaware
KRG Las Vegas Craig, LLC	Delaware
KRG Las Vegas Eastern Beltway, LLC	Delaware
KRG Lithia, LLC	Indiana
KRG Livingston Center, LLC	Indiana
KRG Management, LLC	Indiana
KRG Market Street Village I, LLC	Indiana
KRG Market Street Village II, LLC	Indiana
KRG Market Street Village, LP	Indiana
KRG Merrimack Village, LLC	Delaware
KRG Miramar Square, LLC	Delaware

KRG Naperville Management, LLC	Delaware
KRG Naperville, LLC	Indiana
KRG New Hill Place, LLC	Indiana
KRG Newburgh Bell Oaks, LLC	Delaware
KRG Norman University, LLC	Delaware
KRG Norman University II, LLC	Delaware
KRG Norman University III, LLC	Delaware
KRG Northdale, LLC	Indiana
KRG North Las Vegas Losee, LLC	Delaware
KRG Oklahoma City Silver Springs, LLC	Delaware
KRG Oldsmar Management, LLC	Delaware
KRG Oldsmar Project Company, LLC	Delaware
KRG Oldsmar, LLC	Indiana
KRG Oleander, LLC	Indiana
KRG Orange City Saxon, LLC	Delaware
KRG Palm Coast Landing, LLC	Delaware
KRG Pan Am Plaza, LLC	Indiana
KRG Panola I, LLC	Delaware
KRG Panola II, LLC	Indiana
KRG Parkside I, LLC	Indiana
KRG Parkside II, LLC	Indiana
KRG Peakway at 55, LLC	Indiana
KRG Pembroke Pines, LLC	Indiana
KRG Pine Ridge, LLC	Delaware
KRG Pipeline Pointe, LP	Indiana
KRG Plaza Green, LLC	Indiana
KRG Plaza Volente Management, LLC	Delaware
KRG Plaza Volente, LP	Indiana
KRG Port St. Lucie Landing, LLC	Delaware
KRG Port St. Lucie Square, LLC	Delaware
KRG Portofino, LLC	Indiana
KRG Rampart, LLC	Delaware
KRG Riverchase, LLC	Delaware
KRG Rivers Edge II, LLC	Indiana
KRG Rivers Edge, LLC	Indiana
KRG San Antonio, LP	Indiana
KRG Shops at Moore II, LLC	Delaware
KRG Shops at Moore Member, LLC	Delaware
KRG Shops at Moore, LLC	Delaware
KRG South Elgin Commons, LLC	Delaware
KRG St. Cloud 13th, LLC	Delaware
KRG Sunland II, LP	Indiana
KRG Sunland Management, LLC	Delaware
KRG Sunland, LP	Indiana
KRG Temple Terrace, LLC	Delaware
KRG Temple Terrace Member, LLC	Delaware

KRG Territory Member, LLC	Delaware
KRG Territory, LLC	Delaware
KRG Texas, LLC	Indiana
KRG Toringdon Market, LLC	Indiana
KRG Traders Management, LLC	Delaware
KRG Trussville I, LLC	Indiana
KRG Trussville II, LLC	Indiana
KRG Tucson Corner, LLC	Delaware
KRG-USCRF Plaza Volente, LLC	Indiana
KRG-USCRF Retail Portfolio LLC	Delaware
KRG-USCRF Retail Portfolio Member LLC	Indiana
KRG Vero, LLC	Delaware
KRG Virginia Beach Landstown, LLC	Delaware
KRG Washington Management, LLC	Delaware
KRG Waterford Lakes, LLC	Indiana
KRG Waxahachie Crossing GP, LLC	Delaware
KRG Waxahachie Crossing LP, LLC	Delaware
KRG Waxahachie Crossing Limited Partnership	Illinois
KRG Whitehall Pike Management, LLC	Indiana
KRG White Plains City Center Member II, LLC	Delaware
KRG White Plains City Center Member, LLC	Delaware
KRG White Plains City Center, LLC	Delaware
KRG White Plains Garage, LLC	Delaware
KRG Woodruff Greenville, LLC	Indiana
KRG/Atlantic Delray Beach, LLC	Florida
KRG/CP Pan Am Plaza, LLC	Indiana
KRG/I-65 Partners Beacon Hill, LLC	Indiana
KRG/KP Northwest 20, LLC	Indiana
KRG/PRP Oldsmar, LLC	Florida
LC White Plains, LLC	New York
Meridian South Insurance, LLC	TN
MS Insurance Protected Cell Series 2014-15	TN
Noblesville Partners, LLC	Indiana
Property Tax Advantage Advisors, LLC	Indiana
SB Hotel, LLC	Indiana
SB Hotel 2, LLC	Indiana
Splendido Real Estate, LLC	Delaware
Westfield One, LLC	Indiana
Whitehall Pike, LLC	Indiana

Property Owner's Association

Brentwood Property Owners' Association, Inc.	Florida
Delray Marketplace Master Association, Inc.	Florida
Eddy Street Commons at Notre Dame Master Association, Inc.	Indiana
Estero Town Commons Property Owners Association, Inc.	Florida
Pleasant Hill Commons Property Owners' Association, Inc.	Florida
Riverchase Owners' Association, Inc.	Florida

Tamiami Crossing Property Owners Association, Inc.
White Plains City Center Condo Association, Inc.

Florida
New York

[\(Back To Top\)](#)

Section 3: EX-23.1 (CONSENT)

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-188436, 333-159219, 333-152943, and 333-120142) and the Registration Statements on Form S-3 (File No. 333-223144) of Kite Realty Group Trust and in the related Prospectuses of our reports dated February 27, 2019, with respect to the consolidated financial statements and schedule of Kite Realty Group Trust and the effectiveness of internal control over financial reporting of Kite Realty Group Trust, included in this Annual Report (Form 10-K) for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Indianapolis, Indiana
February 27, 2019

[\(Back To Top\)](#)

Section 4: EX-23.2 (CONSENT)

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-223144) of Kite Realty Group, L.P. and subsidiaries and in the related Prospectus of our reports dated February 27, 2019, with respect to the consolidated financial statements and schedule of Kite Realty Group, L.P. and subsidiaries and the effectiveness of internal control over financial reporting of Kite Realty Group, L.P. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Indianapolis, Indiana
February 27, 2019

Section 5: EX-31.1 (CEO CERTIFICATION)

EXHIBIT 31.1

KITE REALTY GROUP TRUST

CERTIFICATION

I, John A. Kite, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2019

By: /s/ John A. Kite

John A. Kite

Chairman and Chief Executive Officer

Section 6: EX-31.2 (CFO CERTIFICATION)

KITE REALTY GROUP TRUST

CERTIFICATION

I, Heath R. Fear, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2019

By: /s/ Heath R. Fear
Heath R. Fear
Chief Financial Officer

[\(Back To Top\)](#)

Section 7: EX-31.3 (CEO CERTIFICATION)

CERTIFICATION

I, John A. Kite, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2019

By: /s/ John A. Kite
John A. Kite
Chief Executive Officer

[\(Back To Top\)](#)

Section 8: EX-31.4 (CFO CERTIFICATION)

KITE REALTY GROUP, L.P.

EXHIBIT 31.4

CERTIFICATION

I, Heath R. Fear, certify that:

1. I have reviewed this annual report on Form 10-K of Kite Realty Group, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2019

By: /s/ Heath R. Fear
Heath R. Fear
Chief Financial Officer

[\(Back To Top\)](#)

Section 9: EX-32.1 (CEO AND CFO CERTIFICATION)

EXHIBIT 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, John A. Kite, Chairman and Chief Executive Officer of Kite Realty Group Trust (the “Parent Company”), and Heath R. Fear, Chief Financial Officer of the Parent Company, each hereby certifies based on his knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of the Parent Company for the year ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Parent Company.

Date: February 27, 2019

By: /s/ John A. Kite
John A. Kite
Chairman and Chief Executive Officer

Date: February 27, 2019

By: /s/ Heath R. Fear
Heath R. Fear
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Parent Company and will be retained by the Parent Company and furnished to the Securities and Exchange Commission or its staff upon request.

[\(Back To Top\)](#)

Section 10: EX-32.2 (CEO AND CFO CERTIFICATION)

EXHIBIT 32.2

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, John A. Kite, Chief Executive Officer of Kite Realty Group, L.P. (the “Operating Partnership”), and Heath R. Fear, Chief Financial

Officer of the Operating Partnership, each hereby certifies based on his knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of the Operating Partnership for the year ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: February 27, 2019

By: /s/ John A. Kite
John A. Kite
Chief Executive Officer

Date: February 27, 2019

By: /s/ Heath R. Fear
Heath R. Fear
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

[\(Back To Top\)](#)

Section 11: EX-99.1 (TAX DISCLOSURE)

EXHIBIT 99.1

Material U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relating to our qualification and taxation as a real estate investment trust, a “REIT,” and the acquisition, holding, and disposition of (i) our common shares, preferred shares and depositary shares (together with common shares and preferred shares, the “shares”) as well as our warrants and rights, and (ii) debt securities issued by Kite Realty Group, L.P. (our “operating partnership”) (together with the shares, the “securities”). For purposes of this discussion, references to “our Company,” “we” and “us” mean only Kite Realty Group Trust and not its subsidiaries or affiliates. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations, rulings and other administrative interpretations and practices of the Internal Revenue Service (the “IRS”) (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. We have not sought and will not seek an advance ruling from the IRS regarding any matter discussed in this section. The summary is also based upon the assumption that we will operate our Company and its subsidiaries and affiliated entities in accordance with their applicable organizational documents. This summary is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, including:

- tax-exempt organizations, except to the extent discussed below in “-Taxation of U.S. Shareholders-Taxation of Tax-Exempt Shareholders,”
- broker-dealers,
- non-U.S. corporations, non-U.S. partnerships, non-U.S. trusts, non-U.S. estates, or individuals who are not taxed as citizens or residents of the United States, all of which may be referred to collectively as “non-U.S. persons,” except to the extent discussed below in “-Taxation of Non-U.S. Shareholders” and “-Taxation of Holders of Debt Securities Issued by our Operating Partnership-Non-U.S. Holders of Debt Securities,”
- trusts and estates,
- regulated investment companies, or “RICs,”
- REITs, financial institutions,
- insurance companies,
- subchapter S corporations,
- foreign (non-U.S. governments),
- persons subject to the alternative minimum tax provisions of the Code,
- persons holding the shares as part of a “hedge,” “straddle,” “conversion,” “synthetic security” or other integrated investment,
- persons holding the shares through a partnership or similar pass-through entity,
- persons with a “functional currency” other than the U.S. dollar,
- persons holding 10% or more (by vote or value) of the beneficial interest in us, except to the extent discussed below,
- persons who do not hold the shares as a “capital asset,” within the meaning of Section 1221 of the Code,
- corporations subject to the provisions of Section 7874 of the Code,
- U.S. expatriates, or
- persons otherwise subject to special tax treatment under the Code.

This summary does not address state, local or non-U.S. tax considerations. This summary also does not consider tax considerations that may be relevant with respect to securities we (or our operating partnership) may issue, or selling security holders may sell, other than our shares and certain debt instruments of our operating partnership described below. Each time we or selling security holders sell securities, we will provide a prospectus supplement that will

contain specific information about the terms of that sale and may add to, modify or update the discussion below as appropriate.

Each prospective investor is advised to consult his or her tax advisor to determine the impact of his or her personal tax situation on the anticipated tax consequences of the acquisition, ownership and sale of our shares, warrants, and rights, and/or debt securities issued by our operating partnership. This includes the U.S. federal, state, local, foreign and other tax considerations of the ownership and sale of our shares, warrants, and rights, and/or debt securities issued by our operating partnership and the potential changes in applicable tax laws.

New Tax Reform Legislation Enacted December 22, 2017

On December 22, 2017, the President signed into law H.R. 1 (Tax Cuts and Jobs Act), which generally took effect for taxable years beginning on or after January 1, 2018. This legislation made many changes to the U.S. federal income tax laws that significantly impact the taxation of individuals, corporations (both non-REIT “C” corporations as well as corporations that have elected to be taxed as REITs), and the taxation of taxpayers with overseas assets and operations. A number of changes that reduce the tax rates applicable to non-corporate taxpayers (including a new 20% deduction for qualified REIT dividends that reduces the effective rate of regular income tax on such income), and also limit the ability of such taxpayers to claim certain deductions, will expire for taxable years beginning after 2025 unless Congress acts to extend them.

These changes impact us and our shareholders in various ways, some of which are adverse relative to prior law, and this summary of material U.S. federal income tax considerations incorporates these changes where material. To date, the IRS has issued only some guidance with respect to certain provisions of the new law. There are numerous interpretive issues and ambiguities that still require guidance and that are not clearly addressed in the legislative history that accompanied H.R. 1 and additional technical corrections legislation is still needed to clarify certain of the new provisions and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or other legislative changes that may be needed to prevent unintended or unforeseen tax consequences will be enacted by Congress anytime soon.

Taxation of our Company as a REIT

We elected to be taxed as a REIT commencing with our first taxable year ended December 31, 2004. A REIT generally is not subject to U.S. federal income tax on the “REIT taxable income” (computed without regard to the dividends paid deduction and its net capital gain or loss) that it distributes to shareholders provided that the REIT meets the applicable REIT distribution requirements and other requirements for qualification as a REIT under the Code. We believe that we are organized and have operated and we intend to continue to operate, in a manner to qualify for taxation as a REIT under the Code. However, qualification and taxation as a REIT depends upon our ability to meet the various qualification tests imposed under the Code, including through our actual annual (or in some cases quarterly) operating results, requirements relating to income, asset ownership, distribution levels and diversity of share ownership, and the various other REIT qualification requirements imposed under the Code. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future change in our circumstances, we cannot provide any assurances that we will be organized or operated in a manner so as to satisfy the requirements for qualification and taxation as a REIT under the Code. See “-Failure to Qualify as a REIT.”

The sections of the Code that relate to our qualification and operation as a REIT are highly technical and complex. This discussion sets forth the material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and its shareholders. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and Treasury regulations, and related administrative and judicial interpretations.

Taxation of REITs in General

For each taxable year in which we qualify for taxation as a REIT, we generally will not be subject to U.S. federal corporate income tax on our REIT taxable income (computed without regard to the dividends paid deduction and its net capital gain or loss) that is distributed currently to our shareholders. This treatment substantially eliminates the “double taxation” at the corporate and stockholder levels that generally results from an investment in a non-REIT “C” corporation. A non-REIT “C” corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the shareholder level when the income is distributed. In general, the income that we generate is taxed only at the shareholder level upon a distribution of dividends to our shareholders.

U.S. shareholders generally will be subject to taxation on dividends distributed by us (other than designated capital gain dividends and “qualified dividend income”) at rates applicable to ordinary income, instead of at lower capital gain rates. For taxable years beginning after December 31, 2017 and before January 1, 2026, generally, U.S. shareholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Capital gain dividends and qualified dividend income will continue to be subject to a maximum 20% rate.

Any net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to its shareholders, subject to special rules for certain items such as the capital gains that the REIT recognizes.

Even if we qualify for taxation as a REIT, we will be subject to U.S. federal income tax in the following circumstances:

1. We will be taxed at regular corporate rates on any undistributed REIT taxable income (computed without regard to the dividends paid deduction and its net capital gain or loss).
2. For years beginning prior to December 31, 2017, we may be subject to the “alternative minimum tax” on our undistributed items of tax preference, if any.
3. If we have (1) net income from the sale or other disposition of “foreclosure property” that is held primarily for sale to customers in the ordinary course of business, or (2) other non-qualifying income from foreclosure property, such income will be subject to tax at the highest corporate rate.
4. Our net income from “prohibited transactions” will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.
5. If we fail to satisfy either the 75% gross income test or the 95% gross income test, as discussed below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our qualification as a REIT because of specified cure provisions, we will be subject to a 100% tax on an amount equal to (a) the greater of (1) the amount by which we fail the 75% gross income test or (2) the amount by which we fail the 95% gross income test, as the case may be, multiplied by (b) a fraction intended to reflect our profitability.
6. We will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the sum of amounts actually distributed, excess distributions from the preceding tax year and amounts retained for which U.S. federal income tax was paid, if we fail to make the required distributions by the end of a calendar year. The required distribution for each calendar year is equal to the sum of:
 - 85% of our REIT ordinary income for the year;
 - 95% of our REIT capital gain net income for the year other than capital gains we elect to retain and pay tax on as described below; and
 - any undistributed taxable income from prior taxable years.
7. We will be subject to a 100% penalty tax on certain rental income we receive when a taxable REIT subsidiary provides services to our tenants, on certain expenses deducted by a taxable REIT subsidiary on payments made to us and, effective for our taxable years beginning after December 31, 2015, on income for services rendered to us by a taxable REIT subsidiary, if the arrangements among us, our tenants, and our taxable REIT subsidiaries do not reflect arm’s-length terms.
8. If we acquire any assets from a non-REIT “C” corporation in a carry-over basis transaction, we would be liable for corporate income tax, at the highest applicable corporate rate for the “built-in gain” with respect to those assets if we disposed of those assets within 5 years after they were acquired. To the

extent that assets are transferred to us in a carry-over basis transaction by a partnership in which a corporation owns an interest, we will be subject to this tax in proportion to the non-REIT "C" corporation's interest in the partnership. Built-in gain is the amount by which an asset's fair market value exceeds its adjusted tax basis at the time we acquire the asset. The results described in this paragraph assume that the non-REIT "C" corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired by us. On July 1, 2014, we completed a merger with Inland Diversified Real Estate Trust, Inc. ("Inland Diversified", the "Merger") and we were the "successor" to Inland Diversified for U.S. federal income tax purposes as a result of the Merger. If Inland Diversified failed to qualify as a REIT for a taxable year before the Merger or for the year that includes the Merger, and no relief is available, as a result of the Merger we would be subject to tax on the built-in gain on each asset of Inland Diversified existing at the time of the Merger if we were to dispose of the Inland Diversified asset within five years following the Merger (i.e., before July 1, 2019).

9. We may elect to retain and pay U.S. federal income tax on our net long-term capital gain. In that case, a U.S. shareholder would include its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the shareholder) in its income, would be deemed to have paid the tax we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the U.S. shareholder in our common shares.
10. If we violate the asset tests (other than certain de minimis violations) or other requirements applicable to REITs, as described below, but our failure is due to reasonable cause and not due to willful neglect and we nevertheless maintain our REIT qualification because of specified cure provisions, we will be subject to a tax equal to the greater of \$50,000 or the amount determined by multiplying the net income generated by such non-qualifying assets by the highest rate of tax applicable to non-REIT "C" corporations during periods when such assets would have caused us to fail the asset test.
11. If we fail to satisfy a requirement under the Code which would result in the loss of our REIT qualification, other than a failure to satisfy a gross income test, or an asset test as described in paragraph 10 above, but nonetheless maintain our qualification as a REIT because the requirements of certain relief provisions are satisfied, we will be subject to a penalty of \$50,000 for each such failure.
12. If we fail to comply with the requirements to send annual letters to our shareholders requesting information regarding the actual ownership of our shares and the failure was not due to reasonable cause or was due to willful neglect, we will be subject to a \$25,000 penalty or, if the failure is intentional, a \$50,000 penalty.
13. The earnings of any subsidiaries that are non-REIT "C" corporations, including any taxable REIT subsidiary, are subject to U.S. federal corporate income tax.
14. As the "successor" to Inland Diversified for U.S. federal income tax purposes as a result of the Merger, if Inland Diversified failed to qualify as a REIT for a taxable year before the Merger or for the taxable year that includes the Merger, and no relief is available, as a result of the Merger we would inherit any corporate tax liabilities of Inland Diversified for Inland Diversified's open tax years (possibly extending back six years to Inland Diversified's 2012 tax year), including penalties and interest.

Notwithstanding our qualification as a REIT, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and foreign income, property and other taxes on our assets, operations and/or net worth. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification as a REIT

The Code defines a "REIT" as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;
- (3) that would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code;

- (4) that is neither a financial institution nor an insurance company within the meaning of certain provisions of the Code;
- (5) that is beneficially owned by 100 or more persons;
- (6) not more than 50% in value of the outstanding shares or other beneficial interest of which is owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities and as determined by applying certain attribution rules) during the last half of each taxable year;
- (7) that makes an election to be a REIT for the current taxable year, or has made such an election for a previous taxable year that has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
- (8) that uses a calendar year for U.S. federal income tax purposes;
- (9) that meets other applicable tests, described below, regarding the nature of its income and assets and the amount of its distributions; and
- (10) that has no earnings and profits from any non-REIT taxable year at the close of any taxable year.

The Code provides that conditions (1), (2), (3) and (4) above must be met during the entire taxable year and condition (5) above must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. Condition (6) must be met during the last half of each taxable year. For purposes of determining share ownership under condition (6) above, a supplemental unemployment compensation benefits plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered an individual. However, a trust that is a qualified trust under Code Section 401(a) generally is not considered an individual, and beneficiaries of a qualified trust are treated as holding shares of a REIT in proportion to their actuarial interests in the trust for purposes of condition (6) above.

We believe that we have been organized, have operated and have issued sufficient shares of beneficial interest with sufficient diversity of ownership to allow us to satisfy the above conditions. In addition, our declaration of trust contain restrictions regarding the transfer of shares of beneficial interest that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, we will fail to qualify as a REIT unless we qualify for certain relief provisions described below.

To monitor our compliance with condition (6) above, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of specified percentages of our shares pursuant to which the record holders must disclose the actual owners of the shares (i.e., the persons required to include in gross income the dividends paid by us). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. A shareholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of our stock and other information. If we comply with the record-keeping requirement and we do not know or, exercising reasonable diligence, would not have known of our failure to meet condition (6) above, then we will be treated as having met condition (6) above.

To qualify as a REIT, we cannot have at the end of any taxable year any undistributed earnings and profits that are attributable to a non-REIT taxable year. We elected to be taxed as a REIT beginning with our first taxable year in 2004 and we have not succeeded to any earnings and profits of a non-REIT "C" corporation. Therefore, we do not believe we have had any undistributed non-REIT earnings and profits. As the "successor" to Inland Diversified for U.S. federal income tax purposes as a result of the Merger, if Inland Diversified failed to qualify as a REIT for a taxable year before the Merger or the taxable year that includes the Merger, and no relief is available, in connection with the Merger we would succeed to any earnings and profits accumulated by Inland Diversified for the taxable periods that it did not qualify as a REIT, and we would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including significant interest payments to the IRS) to eliminate such earnings and profits. Although Inland Diversified believed that it was organized and operated in conformity with the requirements for qualification and taxation as a REIT for each of its taxable years prior to the taxable year that includes the Merger, Inland Diversified did not request a ruling from the IRS that it qualified as a REIT and thus no assurance can be given that it qualified as a REIT.

Effect of Subsidiary Entities

Ownership of Interests in Partnerships and Limited Liability Companies. In the case of a REIT which is a partner in a partnership or a member in a limited liability company treated as a partnership for U.S. federal income tax purposes, Treasury regulations provide that the REIT will be deemed to own its pro rata share of the assets of the partnership or limited liability company, as the case may be, based on its capital interests in such partnership or limited liability company. Also, the REIT will be deemed to be entitled to the income of the partnership or limited liability company attributable to its pro rata share of the assets of that entity. The character of the assets and gross income of the partnership or limited liability company retains the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership's share of these items of any partnership or limited liability company in which it owns an interest, are treated as our assets and items of income for purposes of applying the requirements described in this prospectus, including the income and asset tests described below.

We have included a brief summary of the rules governing the U.S. federal income taxation of partnerships and limited liability companies and their partners or members below in “-Tax Aspects of Our Ownership of Interests in the Operating Partnership and other Partnerships and Limited Liability Companies.” We have control of our operating partnership and substantially all of the subsidiary partnerships and limited liability companies in which our operating partnership has invested and intend to continue to operate them in a manner consistent with the requirements for our qualification and taxation as a REIT. In the future, we may be a limited partner or non-managing member in some of our partnerships and limited liability companies. If such a partnership or limited liability company were to take actions which could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT income or asset test, and that we would not become aware of such action in a time frame which would allow us to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless entitled to relief, as described below.

Under the Bipartisan Budget Act of 2015, Congress revised the rules applicable to U.S. federal income tax audits of partnerships (such as certain of our subsidiaries) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, the partnership itself may be liable for a hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners, subject to a higher rate of interest than otherwise would apply. Many questions remain as to how the new rules will apply, especially with respect to partners that are REITs, and it is not clear at this time what effect this new legislation will have on us. However, these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by us in the event of a U.S. federal income tax audit of a subsidiary partnership.

Ownership of Interests in Qualified REIT Subsidiaries. We may acquire 100% of the stock of one or more corporations that are qualified REIT subsidiaries. A corporation will qualify as a qualified REIT subsidiary if we own 100% of its stock and it is not a taxable REIT subsidiary. A qualified REIT subsidiary will not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a qualified REIT subsidiary will be treated as our assets, liabilities and such items (as the case may be) for all purposes of the Code, including the REIT qualification tests. For this reason, references in this discussion to our income and assets should be understood to include the income and assets of any qualified REIT subsidiary we own. Our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the voting power or value of such issuer's securities or more than 5% of the value of our total assets, as described below in “-Asset Tests Applicable to REITs.”

Ownership of Interests in Taxable REIT Subsidiaries. A taxable REIT subsidiary of ours is a corporation other than a REIT in which we directly or indirectly hold stock, and that has made a joint election with us to be treated as a taxable REIT subsidiary under Section 856(l) of the Code. A taxable REIT subsidiary also includes any corporation

other than a REIT in which a taxable REIT subsidiary of ours owns, directly or indirectly, securities (other than certain “straight debt” securities), which represent more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to our tenants without causing us to receive impermissible tenant service income under the REIT gross income tests. A taxable REIT subsidiary is required to pay regular U.S. federal income tax, and state and local income tax where applicable, as a non-REIT “C” corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt as discussed below in “-New Interest Deduction Limitation Enacted by H.R. 1.” If dividends are paid to us by one or more of our taxable REIT subsidiaries, then a portion of the dividends we distribute to shareholders who are taxed at individual rates will generally be eligible for taxation at lower capital gains rates, rather than at ordinary income rates. See “-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Qualified Dividend Income.”

Generally, a taxable REIT subsidiary can perform impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests. However, several provisions applicable to the arrangements between us and our taxable REIT subsidiaries ensure that such taxable REIT subsidiaries will be subject to an appropriate level of U.S. federal income taxation. For example, taxable REIT subsidiaries are limited in their ability to deduct interest payments in excess of a certain amount made directly or indirectly to us. In addition, we will be obligated to pay a 100% penalty tax on some payments we receive or on certain expenses deducted by our taxable REIT subsidiaries, and, for tax years beginning after December 31, 2015, on income earned by our taxable REIT subsidiaries for services provided to, or on behalf of, us, if the economic arrangements between us, our tenants and such taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties. Our taxable REIT subsidiaries, and any future taxable REIT subsidiaries acquired by us, may make interest and other payments to us and to third parties in connection with activities related to our properties. There can be no assurance that our taxable REIT subsidiaries will not be limited in their ability to deduct interest payments made to us. In addition, there can be no assurance that the IRS might not seek to impose the 100% penalty tax on a portion of payments received by us from, or expenses deducted by, or service income imputed to, our taxable REIT subsidiaries. See “-Failure to Satisfy the Gross Income Tests” for further discussion of these rules and the 100% penalty tax.

We own subsidiaries that have elected to be treated as taxable REIT subsidiaries for U.S. federal income tax purposes. Each of our taxable REIT subsidiaries is taxable as a non-REIT “C” corporation and has elected, together with us, to be treated as our taxable REIT subsidiary or is treated as a taxable REIT subsidiary under the 35% subsidiary rule discussed above. We may elect, together with other corporations in which we may own directly or indirectly stock, for those corporations to be treated as our taxable REIT subsidiaries.

Gross Income Tests

To qualify as a REIT, we must satisfy two gross income tests which are applied on an annual basis. First, in each taxable year at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, as described below, and certain foreign currency transactions) must be derived from investments relating to real property or mortgages on real property, including:

- “rents from real property”;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- again from the sale of real property or mortgages on real property, in either case, not held for sale to customers;
- interest income derived from mortgage loans secured by real property; and
- income attributable to temporary investments of new capital in stocks and debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings or issuance of debt obligations with at least a five-year term.

Second, at least 95% of our gross income in each taxable year (excluding gross income from prohibited transactions, certain hedging transactions, as described below, and certain foreign currency transactions) must be derived from some combination of income that qualifies under the 75% gross income test described above, as well as (a) other dividends, (b) interest, and (c) gain from the sale or disposition of stock or securities, in either case, not held for sale to customers.

Beginning with our taxable years beginning on or after January 1, 2005, gross income from certain hedging transactions is excluded from gross income for purposes of the 95% gross income requirement. Similarly, gross income from certain hedging transactions entered into after July 30, 2008 is excluded from gross income for purposes of the 75% gross income test. See “-Requirements for Qualification as a REIT-Gross Income Tests-Income from Hedging Transactions.”

Rents from Real Property. Rents we receive will qualify as “rents from real property” for the purpose of satisfying the gross income requirements for a REIT described above only if several conditions are met. These conditions relate to the identity of the tenant, the computation of the rent payable, and the nature of the property lease.

- First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term “rents from real property” solely by reason of being based on a fixed percentage or percentages of receipts or sales;
- Second, we, or an actual or constructive owner of 10% or more of our shares, must not actually or constructively own 10% or more of the interests in the tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents received from such tenant that is a taxable REIT subsidiary, however, will not be excluded from the definition of “rents from real property” as a result of this condition if either (i) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are comparable to rents paid by our other tenants for comparable space or (ii) the property is a qualified lodging facility or a qualified health care property and such property is operated on behalf of the taxable REIT subsidiary by a person who is an “eligible independent contractor” (as described below) and certain other requirements are met;
- Third, rent attributable to personal property, leased in connection with a lease of real property, must not be greater than 15% of the total rent received under the lease. If this requirement is not met, then the portion of rent attributable to personal property will not qualify as “rents from real property”; and
- Fourth, for rents to qualify as rents from real property for the purpose of satisfying the gross income tests, we generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an “independent contractor” who is adequately compensated and from whom we derive no revenue or through a taxable REIT subsidiary. To the extent that impermissible services are provided by an independent contractor or taxable REIT subsidiary, the cost of the services generally must be borne by the independent contractor or taxable REIT subsidiary. We anticipate that any services we provide directly to tenants will be “usually or customarily rendered” in connection with the rental of space for occupancy only and not otherwise considered to be provided for the tenants’ convenience. We may provide a minimal amount of “non-customary” services to tenants of our properties, other than through an independent contractor or taxable REIT subsidiary, but we intend that our income from these services will not exceed 1% of our total gross income from the property. If the impermissible tenant services income exceeds 1% of our total income from a property, then all of the income from that property will fail to qualify as rents from real property. If the total amount of impermissible tenant services income does not exceed 1% of our total income from the property, the services will not “taint” the other income from the property (that is, it will not cause the rent paid by tenants of that property to fail to qualify as rents from real property), but the impermissible tenant services income will not qualify as rents from real property. We are deemed to have received income from the provision of impermissible services in an amount equal to at least 150% of our direct cost of providing the service.

We monitor (and intend to continue to monitor) the activities provided at, and the non-qualifying income arising from, our properties and believe that we have not provided services at levels that will cause us to fail to meet the income tests. We provide services and may provide access to third party service providers at some or all of our properties. Based upon our experience in the retail markets where the properties are located, we believe that all access to service providers and services provided to tenants by us (other than through a qualified independent contractor or a taxable REIT subsidiary) either are usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant, or, if considered impermissible services, will not result in an amount of impermissible tenant service income that will cause us to fail to meet the income test requirements. However, we cannot provide any assurance that the IRS will agree with these positions.

Income we receive which is attributable to the rental of parking spaces at the properties will constitute rents from real property for purposes of the REIT gross income tests if the services provided with respect to the parking facilities are performed by independent contractors from whom we derive no income, either directly or indirectly, or by a taxable REIT subsidiary. We believe that the income we receive that is attributable to parking facilities will meet these tests and, accordingly, will constitute rents from real property for purposes of the REIT gross income tests.

We may in the future hold one or more hotel properties. We expect to lease any such hotel properties to our taxable REIT subsidiary (or to a joint venture entity in which our taxable REIT subsidiary will have an interest). In order for rent paid pursuant to a REIT's leases to constitute "rents from real property," the leases must be respected as true leases for U.S. federal income tax purposes. Accordingly, the leases cannot be treated as service contracts, joint ventures or some other type of arrangement. The determination of whether the leases are true leases for U.S. federal income tax purposes depends upon an analysis of all the surrounding facts and circumstances. We intend to structure the leases so that the leases will be respected as true leases for U.S. federal income tax purposes. With respect to the management of the hotel properties, the taxable REIT subsidiary (or the taxable REIT subsidiary-joint venture entity-lessee) intends to enter into a management contract with a hotel management company that qualifies as an "eligible independent contractor." A taxable REIT subsidiary must not directly or indirectly operate or manage a lodging or health care facility or, generally, provide to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated. Although a taxable REIT subsidiary may not operate or manage a lodging facility, it may lease or own such a facility so long as the facility is a "qualified lodging facility" and is operated on behalf of the taxable REIT subsidiary by an "eligible independent contractor." A "qualified lodging facility" is, generally, a hotel at which no authorized gambling activities are conducted, and includes the customary amenities and facilities operated as part of, or associated with, the hotel. "Customary amenities" must be customary for other properties of a comparable size and class owned by other owners unrelated to the REIT. An "eligible independent contractor" is an independent contractor that, at the time a management agreement is entered into with a taxable REIT subsidiary to operate a "qualified lodging facility," is actively engaged in the trade or business of operating "qualified lodging facilities" for a person or persons unrelated to either the taxable REIT subsidiary or any REITs with which the taxable REIT subsidiary is affiliated. A hotel management company that otherwise would qualify as an "eligible independent contractor" with regard to a taxable REIT subsidiary of a REIT will not so qualify if the hotel management company and/or one or more actual or constructive owners of 10% or more of the hotel management company actually or constructively own more than 35% of the REIT, or one or more actual or constructive owners of more than 35% of the hotel management company own 35% or more of the REIT (determined with respect to a REIT whose shares are regularly traded on an established securities market by taking into account only the shares held by persons owning, directly or indirectly, more than 5% of the outstanding shares of the REIT and, if the stock of the eligible independent contractor is publicly traded, 5% of the publicly traded stock of the eligible independent contractor). We intend to take all steps reasonably practicable to ensure that none of our taxable REIT subsidiaries will engage in "operating" or "managing" any hotels and that the hotel management companies engaged to operate and manage hotels leased to or owned by the taxable REIT subsidiaries will qualify as "eligible independent contractors" with regard to those taxable REIT subsidiaries. We expect that rental income we receive, if any, that is attributable to the hotel properties will constitute rents from real property for purposes of the REIT gross income tests.

Interest Income. "Interest" generally will be non-qualifying income for purposes of the 75% or 95% gross income tests if it depends in whole or in part on the income or profits of any person. However, interest based on a fixed percentage or percentages of receipts or sales may still qualify under the gross income tests. We do not expect to derive significant amounts of interest that will not qualify under the 75% and 95% gross income tests.

Dividend Income. Our share of any dividends received from any taxable REIT subsidiaries will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. We do not anticipate that we will receive sufficient dividends from any taxable REIT subsidiaries to cause us to exceed the limit on non-qualifying income under the 75% gross income test. Dividends that we receive from other qualifying REITs will qualify for purposes of both REIT income tests.

Income from Hedging Transactions. From time to time we may enter into hedging transactions with respect to one or more of our assets or liabilities. Any such hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap or cap agreements, option agreements, and futures or forward

contracts. Income of a REIT, including income from a pass-through subsidiary, arising from “clearly identified” hedging transactions that are entered into to manage the risk of interest rate or price changes with respect to borrowings, including gain from the disposition of such hedging transactions, to the extent the hedging transactions hedge indebtedness incurred, or to be incurred, by the REIT to acquire or carry real estate assets (each such hedge, a “Borrowings Hedge”), will not be treated as gross income for purposes of either the 95% gross income test or the 75% gross income test. Income of a REIT arising from hedging transactions that are entered into to manage the risk of currency fluctuations with respect to our investments (each such hedge, a “Currency Hedge”) will not be treated as gross income for purposes of either the 95% gross income test or the 75% gross income test provided that the transaction is “clearly identified.” Effective for taxable years beginning after December 31, 2015, this exclusion from the 95% and 75% gross income tests also will apply if we previously entered into a Borrowings Hedge or a Currency Hedge, a portion of the hedged indebtedness or property is disposed of, and in connection with such extinguishment or disposition we enter into a new “clearly identified” hedging transaction to offset the prior hedging position. In general, for a hedging transaction to be “clearly identified,” (1) it must be identified as a hedging transaction before the end of the day on which it is acquired, originated, or entered into; and (2) the items of risks being hedged must be identified “substantially contemporaneously” with entering into the hedging transaction (generally not more than 35 days after entering into the hedging transaction). To the extent that we hedge with other types of financial instruments or in other situations, the resultant income will be treated as income that does not qualify under the 95% or 75% gross income tests unless the hedge meets certain requirements and we elect to integrate it with a specified asset and to treat the integrated position as a synthetic debt instrument. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT but there can be no assurance we will be successful in this regard.

Income from Prohibited Transactions. Any gain that we realize on the sale of any property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. However, effective for sales after July 30, 2008, we will not be treated as a dealer in real property with respect to a property that we sell for the purposes of the 100% tax if (i) we have held the property for at least two years for the production of rental income prior to the sale, (ii) capitalized expenditures on the property in the two years preceding the sale are less than 30% of the net selling price of the property, and (iii) we either (a) have seven or fewer sales of property (excluding certain property obtained through foreclosure) for the year of sale or (b) the aggregate tax basis of property sold during the year is 10% or less of the aggregate tax basis of all of our assets as of the beginning of the taxable year, (c) the fair market value of property sold during the year is 10% or less of the aggregate fair market value of all of our assets as of the beginning of the taxable year; or (d) effective for taxable years beginning after December 31, 2015, the aggregate adjusted basis of property sold during the year is 20% or less of the aggregate adjusted basis of all of our assets as of the beginning of the taxable year and the aggregate adjusted basis of property sold during the 3-year period ending with the year of sale is 10% or less of the aggregate tax basis of all of our assets as of the beginning of each of the three taxable years ending with the year of sale; or (e) effective for taxable years beginning after December 31, 2015, the fair market value of property sold during the year is 20% or less of the aggregate fair market value of all of our assets as of the beginning of the taxable year and the fair market value of property sold during the 3-year period ending with the year of sale is 10% or less of the aggregate fair market value of all of our assets as of the beginning of each of the three taxable years ending with the year of sale. If we rely on clauses (b), (c), (d), or (e) in the preceding sentence, substantially all of the marketing and development expenditures with respect to the property sold must be made through an independent contractor from whom we derive no income or, effective for taxable years beginning after December 31, 2015, our TRS. The sale of more than one property to one buyer as part of one transaction constitutes one sale for purposes of this “safe harbor.”

We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties and to make occasional sales of the properties as are consistent with our investment objectives. However, the IRS may successfully contend that some or all of the sales made by us or our operating partnership or its subsidiary partnerships or limited liability companies are prohibited transactions.

In that case, we would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales.

Income from Foreclosure Property. We generally will be subject to tax at the maximum corporate rate (effective for taxable years beginning after December 31, 2017, 21%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that constitutes qualifying income for purposes of the 75% gross income test. Foreclosure property is real property and any personal property incident to such real property (1) that we acquire as the result of having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default (or upon imminent default) on a lease of the property or a mortgage loan held by us and secured by the property, (2) for which we acquired the related loan or lease at a time when default was not imminent or anticipated, and (3) with respect to which we made a proper election to treat the property as foreclosure property. Any gain from the sale of property for which a foreclosure property election has been made and remains in place generally will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property. To the extent that we receive any income from foreclosure property that does not qualify for purposes of the 75% gross income test, we intend to make an election to treat the related property as foreclosure property if the election is available (which may not be the case with respect to any acquired “distressed loans”).

Failure to Satisfy the Gross Income Tests. If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we are entitled to relief under the Code. These relief provisions will be generally available if (1) our failure to meet these tests was due to reasonable cause and not due to willful neglect and (2) following our identification of the failure to meet the 75% and/or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth a description of each item of our gross income that satisfies the gross income tests for purposes of the 75% or 95% gross income test for such taxable year in accordance with Treasury regulations. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. If these relief provisions are inapplicable to a particular set of circumstances, we will fail to qualify as a REIT. As discussed above, under “- Taxation of our Company as a REIT - General,” even if these relief provisions apply, a tax would be imposed based on the amount of non-qualifying income. We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the income tests applicable to REITs.

Any redetermined rents, redetermined deductions, excess interest, or redetermined TRS service income we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by one of our taxable REIT subsidiaries to any of our tenants, redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary for amounts paid to us that are in excess of the amounts that would have been deducted based on arm’s-length negotiations, and redetermined TRS service income is gross income (less deductions allocable thereto) of a taxable REIT subsidiary attributable to services provided to, or on behalf of, us that is less than the amounts that would have been paid by us to the taxable REIT subsidiary if based on arm’s-length negotiations. Rents we receive will not constitute redetermined rents if they qualify for the safe harbor provisions contained in the Code. Safe harbor provisions are provided where:

- amounts are excluded from the definition of impermissible tenant service income as a result of satisfying the 1% de minimis exception;
- a taxable REIT subsidiary renders a significant amount of similar services to unrelated parties and the charges for such services are substantially comparable;
- rents paid to us by tenants leasing at least 25% of the net leasable space of the REIT’s property who are not receiving services from the taxable REIT subsidiary are substantially comparable to the rents paid by the REIT’s tenants leasing comparable space who are receiving such services from the taxable REIT subsidiary and the charge for the service is separately stated; or
- the taxable REIT subsidiary’s gross income from the service is not less than 150% of the taxable REIT subsidiary’s direct cost of furnishing the service.

While we anticipate that any fees paid to a taxable REIT subsidiary for tenant services will reflect arm’s-length rates, a taxable REIT subsidiary may under certain circumstances provide tenant services which do not satisfy any of the safe-harbor provisions described above. Nevertheless, these determinations are inherently factual, and the IRS has

broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the redetermined rent, redetermined deductions or excess interest, as applicable.

Asset Tests

At the close of each calendar quarter, we must satisfy the following tests relating to the nature and diversification of our assets. For purposes of the asset tests, a REIT is not treated as owning the stock of a qualified REIT subsidiary or an equity interest in any entity treated as a partnership otherwise disregarded for U.S. federal income tax purposes. Instead, a REIT is treated as owning its proportionate share of the assets held by such entity.

- At least 75% of the value of our total assets must be represented by some combination of “real estate assets,” cash, cash items, U.S. government securities, and, in some circumstances, stock or debt instruments purchased with new capital. For purposes of this test, real estate assets include interests in real property, such as land and buildings, leasehold interests in real property, stock of other corporations that qualify as REITs (and, effective for tax years beginning after December 31, 2015, debt instruments issued by publicly offered REITs, interests in mortgages on interests in real property and personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as “rents from real property”), and some types of mortgage-backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% asset test are subject to the additional asset tests described below.
- Not more than 25% of our total assets may be represented by securities other than those described in the first bullet above;
- Except for securities described in the first bullet above and the last bullet below and securities in qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer’s securities owned by us may not exceed 5% of the value of our total assets.
- Except for securities described in the first bullet above and the last bullet below and securities in qualified REIT subsidiaries and taxable REIT subsidiaries we may not own more than 10% of any one issuer’s outstanding voting securities.
- Except for securities described in the first bullet above and the last bullet below and securities in qualified REIT subsidiaries and taxable REIT subsidiaries, and certain types of indebtedness that are not treated as securities for purposes of this test, as discussed below, we may not own more than 10% of the total value of the outstanding securities of any one issuer.
- Not more than 20% (25% for tax years beginning before January 1, 2018) of the value of our total assets may be represented by the securities of one or more TRSs.
- For taxable years beginning after December 31, 2015, not more than 25% of our total assets may be represented by debt instruments issued by publicly offered REITs that are “nonqualified” debt instruments (e.g., not secured by interests in mortgages on interests in real property and personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as “rents from real property”).

The 10% value test does not apply to certain “straight debt” and other excluded securities, as described in the Code, including (1) loans to individuals or estates; (2) obligations to pay rent from real property; (3) rental agreements described in Section 467 of the Code; (4) any security issued by other REITs; (5) certain securities issued by a state, the District of Columbia, a foreign government, or a political subdivision of any of the foregoing, or the Commonwealth of Puerto Rico; and (6) any other arrangement as determined by the IRS. In addition, (1) a REIT’s interest as a partner in a partnership is not considered a security for purposes of the 10% value test; (2) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership’s gross income is derived from sources that would qualify for the 75% REIT gross income test; and (3) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by a partnership to the extent of the REIT’s interest as a partner in the partnership.

For purposes of the 10% value test, debt will meet the “straight debt” safe harbor if (1) neither us, nor any of our controlled taxable REIT subsidiaries (i.e., taxable REIT subsidiaries more than 50% of the vote or value of the outstanding stock of which is directly or indirectly owned by us), own any securities not described in the preceding

paragraph that have an aggregate value greater than one percent of the issuer's outstanding securities, as calculated under the Code, (2) the debt is a written unconditional promise to pay on demand or on a specified date a sum certain in money, (3) the debt is not convertible, directly or indirectly, into stock, and (4) the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower's discretion or similar factors. However, contingencies regarding time of payment and interest are permissible for purposes of qualifying as a straight debt security if either (1) such contingency does not have the effect of changing the effective yield of maturity, as determined under the Code, other than a change in the annual yield to maturity that does not exceed the greater of (i) 5% of the annual yield to maturity or (ii) 0.25%, or (2) neither the aggregate issue price nor the aggregate face amount of the issuer's debt instruments held by the REIT exceeds \$1,000,000 and not more than 12 months of unaccrued interest can be required to be prepaid thereunder. In addition, debt will not be disqualified from being treated as "straight debt" solely because the time or amount of payment is subject to a contingency upon a default or the exercise of a prepayment right by the issuer of the debt, provided that such contingency is consistent with customary commercial practice.

Our operating partnership owns 100% of the interests of one or more taxable REIT subsidiaries. We are considered to own our pro rata share (based on our ownership in the operating partnership) of the interests in each taxable REIT subsidiary equal to our proportionate share (by capital) of the operating partnership. Each taxable REIT subsidiary has elected, together with us, to be treated as our taxable REIT subsidiary. So long as each taxable REIT subsidiary qualifies as such, we will not be subject to the 5% asset test, 10% voting securities limitation or 10% value limitation with respect to our ownership interest in each taxable REIT subsidiary. In the future, we may elect, together with other corporations in which we own directly or indirectly stock, for those corporations to be treated as our taxable REIT subsidiaries. We believe that the aggregate value of our interests in our taxable REIT subsidiaries does not exceed, and believe that in the future it will not exceed, 20% (25% for tax years beginning before January 1, 2018) of the aggregate value of our gross assets. To the extent that we own an interest in an issuer that does not qualify as a REIT, a qualified REIT subsidiary, or a taxable REIT subsidiary, we believe that our pro rata share of the value of the securities, including debt, of any such issuer does not exceed 5% of the total value of our assets. Moreover, with respect to each issuer in which we own an interest that does not qualify as a qualified REIT subsidiary or a taxable REIT subsidiary, we believe that our ownership of the securities of any such issuer complies with the 10% voting securities limitation and 10% value limitation.

No independent appraisals have been obtained to support these conclusions and we cannot provide any assurance that the IRS might disagree with our determinations.

Failure to Satisfy the Asset Tests. The asset tests must be satisfied not only on the last day of the calendar quarter in which we, directly or through pass-through subsidiaries, acquire securities in the applicable issuer, but also on the last day of the calendar quarter in which we increase our ownership of securities of such issuer, including as a result of increasing our interest in pass-through subsidiaries. After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests solely by reason of changes in the relative values of our assets (including, for tax years beginning after July 30, 2008, a discrepancy caused solely by the change in the foreign currency exchange rate used to value a foreign asset). If failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, we can cure this failure by disposing of sufficient non-qualifying assets within 30 days after the close of that quarter. An acquisition of securities could include an increase in our interest in our operating partnership, the exercise by limited partners of their redemption right relating to units in the operating partnership or an additional capital contribution of proceeds of an offering of our shares of beneficial interest. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests and to take any available action within 30 days after the close of any quarter as may be required to cure any noncompliance with the asset tests. Although we plan to take steps to ensure that we satisfy such tests for any quarter with respect to which testing is to occur, there can be no assurance that such steps will always be successful. If we fail to timely cure any noncompliance with the asset tests, we would cease to qualify as a REIT, unless we satisfy certain relief provisions.

The failure to satisfy the 5% asset test, or the 10% vote or value asset tests can be remedied even after the 30-day cure period under certain circumstances. Specifically, if we fail these asset tests at the end of any quarter and such failure is not cured within 30 days thereafter, we may dispose of sufficient assets (generally within six months after the last day of the quarter in which our identification of the failure to satisfy these asset tests occurred) to cure such a

violation that does not exceed the lesser of 1% of our assets at the end of the relevant quarter or \$10,000,000. If we fail any of the other asset tests or our failure of the 5% and 10% asset tests is in excess of the *de minimis* amount described above, as long as such failure was due to reasonable cause and not willful neglect, we are permitted to avoid disqualification as a REIT, after the 30-day cure period, by taking steps including the disposing of sufficient assets to meet the asset test (generally within six months after the last day of the quarter in which our identification of the failure to satisfy the REIT asset test occurred), paying a tax equal to the greater of \$50,000 or the highest corporate income tax rate of the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset test, and filing in accordance with applicable Treasury regulations a schedule with the IRS that describes the assets that caused us to fail to satisfy the asset test(s). We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the asset tests applicable to REITs. In certain circumstances, utilization of such provisions could result in us being required to pay an excise or penalty tax, which could be significant in amount.

Annual Distribution Requirements

To qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our shareholders each year in an amount at least equal to:

- the sum of: (1) 90% of our “REIT taxable income,” (computed without regard to the dividends paid deduction and its net capital gain or loss); and (2) 90% of our after tax net income, if any, from foreclosure property; minus
- the sum of specified items of non-cash income.

For purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount included in our taxable income without the receipt of a corresponding payment, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable.

We generally must make dividend distributions in the taxable year to which they relate. Dividend distributions may be made in the following year in two circumstances. First, if we declare a dividend in October, November, or December of any year with a record date in one of these months and pay the dividend on or before January 31 of the following year. Such distributions are treated as both paid by us and received by each shareholder on December 31 of the year in which they are declared. Second, distributions may be made in the following year if they are declared before we timely file our tax return for the year and if made with or before the first regular dividend payment after such declaration. These distributions are taxable to our shareholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted as satisfying the annual distribution requirement for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be “preferential dividends.” A dividend is not a preferential dividend if the distribution is (1) *pro rata* among all outstanding shares of stock within a particular class, and (2) in accordance with the preferences among different classes of stock as set forth in our organizational documents. This requirement does not apply to publicly offered REITs, including us, with respect to distributions made in tax years beginning after 2014, but would apply to us if we ceased to qualify as a publicly offered REIT and has applied and will continue to apply to subsidiary REITs, if any.

To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our “REIT taxable income” (computed without regard to the dividends paid deduction and its net capital gain or loss), we will be required to pay tax on that amount at regular corporate tax rates. We intend to make timely distributions sufficient to satisfy these annual distribution requirements. In this regard, the partnership agreement of our operating partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements. In certain circumstances we may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect for our shareholders to include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax that we paid. Our shareholders would then increase their adjusted basis of their stock by the difference between (1) the amounts of capital gain dividends that we designated and that they included in their taxable income, minus (2) the tax that we paid on their behalf with respect to that income.

To the extent that in the future we may have available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. Such losses, however, (1) will generally not affect the character, in the hands of our shareholders, of any distributions that are actually made as ordinary dividends or capital gains; and (2) cannot be passed through or used by our shareholders. See “-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Distributions Generally.”

If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed, and (y) the amounts of income we retained and on which we paid corporate income tax.

In addition, if we were to recognize built-in-gain on the disposition of any assets acquired from a non-REIT “C” corporation in a transaction in which our basis in the assets was determined by reference to the non-REIT “C” corporation’s basis (for instance, if the assets were acquired in a tax-free reorganization), we would be required to distribute at least 90% of the built-in-gain net of the tax we would pay on such gain. This distribution requirement could be triggered, for example, if we were to dispose of an Inland Diversified asset within five years following the Merger (i.e., before July 1, 2019) and (a) Inland Diversified failed to qualify as a REIT for a taxable year before the Merger or for the year that includes the Merger, and no relief is available, and (b) the Inland Diversified asset had built-in gain (as measured at the time of the Merger).

We expect that our REIT taxable income (computed without regard to the dividends-paid deduction and its net capital gain or loss) will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income (computed without regard to the dividends paid deduction and its net capital gain or loss). Accordingly, we anticipate that we will generally have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above.

However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in arriving at our taxable income. If these timing differences occur, we may need to arrange for short-term, or possibly long-term, borrowings or need to pay dividends in the form of taxable dividends in order to meet the distribution requirements. Further, under amendments to Section 451 of the Code made by H.R. 1, subject to certain exceptions, we must accrue income for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income.

We may be able to rectify a failure to meet the distribution requirement for a year by paying “deficiency dividends” to our shareholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

New Interest Deduction Limitation Enacted by H.R. 1

Commencing in taxable years beginning after December 31, 2017, Section 163(j) of the Code, as amended by H.R. 1, limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of “adjusted taxable income,” subject to certain exceptions. Any deduction in excess of the limitation is carried forward and may be used in a subsequent year, subject to the 30% limitation. Adjusted taxable income is determined without regard to certain deductions, including those for net interest expense, net operating loss carryforwards and, for taxable years beginning before January 1, 2022, depreciation, amortization and depletion. Provided the taxpayer makes a timely election (which is irrevocable), the 30% limitation does not apply to a trade or business involving real property development, redevelopment, construction, reconstruction, rental, operation, acquisition, conversion, disposition, management, leasing or brokerage, within the meaning of Section 469(c)(7)(C) of the Code. If this election is made, depreciable real property (including certain improvements) held by the relevant trade or business must be

depreciated under the alternative depreciation system under the Code, which is generally less favorable than the generally applicable system of depreciation under the Code. If we do not make the election or if the election is determined not to be available with respect to all or certain of our business activities, the new interest deduction limitation could result in us having more REIT taxable income and thus increase the amount of distributions we must make to comply with the REIT requirements and avoid incurring corporate level tax. Similarly, the limitation could cause our TRSs to have greater taxable income and thus potentially greater corporate tax liability.

Record-Keeping Requirements

We are required to comply with applicable record-keeping requirements. Failure to comply could result in monetary fines.

Failure to Qualify as a REIT

If we fail to satisfy one or more requirements for REIT qualification other than gross income and asset tests that have the specific savings clauses, we can avoid termination of our REIT qualification by paying a penalty of \$50,000 for each such failure, provided that our noncompliance was due to reasonable cause and not willful neglect.

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. If we fail to qualify for taxation as a REIT, we will not be required to make any distributions to shareholders, and any distributions that are made to shareholders will not be deductible by us. As a result, our failure to qualify for taxation as a REIT would significantly reduce the cash available for distributions by us to our shareholders. In addition, if we fail to qualify for taxation as a REIT, all distributions to shareholders, to the extent of our current and accumulated earnings and profits, will be taxable as regular corporate dividends. For taxable years prior to 2026, generally U.S. shareholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Alternatively, such dividends paid to U.S. shareholders that are individuals, trusts and estates may be taxable at the preferential income tax rates (i.e., the 20% maximum U.S. federal rate) for qualified dividends. In addition, subject to the limitations of the Code, corporate distributees may be eligible for the dividends-received deduction. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. As the "successor" to Inland Diversified for U.S. federal income tax purposes as a result of the Merger, the rule against re-electing REIT status following a loss of such status also would apply to us if Inland Diversified failed to qualify as a REIT in any of its 2012 through 2014 tax years. Although Inland Diversified believed that it was organized and operated in conformity with the requirements for qualification and taxation as a REIT for each of its taxable years prior to the Merger, Inland Diversified did not request a ruling from the IRS that it qualified as a REIT and thus no assurance can be given that it qualified as a REIT. In addition, if we merge with another REIT and we are the "successor" to the other REIT, the other REIT's disqualification from taxation as a REIT would prevent us from being taxed as a REIT for the four taxable years following the year during which the other REIT's qualification was lost. There can be no assurance that we would be entitled to any statutory relief. We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the requirements applicable to REITs.

Tax Aspects of Our Ownership of Interests in the Operating Partnership and other Partnerships and Limited Liability Companies

General

Substantially all of our investments are owned indirectly through Kite Realty Group, L.P., our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe are treated as partnerships or as disregarded entities for U.S. federal income tax purposes. In general, entities that are classified as partnerships or as disregarded entities for U.S. federal income tax purposes are "pass-through" entities which are not required to pay U.S. federal income tax. Rather, partners or members of such entities are allocated their pro rata shares of the items of income, gain, loss, deduction and credit of the entity, and are required to include these items in calculating their U.S. federal income tax

liability, without regard to whether the partners or members receive a distribution of cash from the entity. We include in our income our pro rata share of the foregoing items for purposes of the various REIT gross income tests and in the computation of our REIT taxable income (computed without regard to the dividends paid deduction and its net capital gain or loss). Moreover, for purposes of the REIT asset tests, we include our pro rata share of assets, based on capital interests, of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies. See “-Requirements for Qualification as a REIT-Effect of Subsidiary Entities-Ownership of Interests in Partnerships and Limited Liability Companies.”

Entity Classification

Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of one or more of these entities as a partnership or disregarded entity, and assert that such entity is an association taxable as a corporation for U.S. federal income tax purposes. If our operating partnership, or a subsidiary partnership or limited liability company, were treated as an association, it would be taxable as a corporation and would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income could change and could preclude us from satisfying the REIT asset tests and possibly the REIT income tests. See “-Requirements for Qualification as a REIT-Gross Income Tests,” and “-Asset Tests.” This, in turn, would prevent us from qualifying as a REIT. See “-Failure to Qualify as a REIT” for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, a change in our operating partnership’s or a subsidiary partnership’s or limited liability company’s status as a partnership for tax purposes might be treated as a taxable event. If so, we might incur a tax liability without any related cash distributions.

We believe our operating partnership and each of our other partnerships and limited liability companies (other than our taxable REIT subsidiaries) will be treated for U.S. federal income tax purposes as a partnership or disregarded entity. Pursuant to Treasury regulations under Section 7701 of the Code, a partnership will be treated as a partnership for U.S. federal income tax purposes unless it elects to be treated as a corporation or would be treated as a corporation because it is a “publicly traded partnership.” A “publicly traded partnership” is any partnership (i) the interests in which are traded on an established securities market or (ii) the interests in which are readily tradable on a “secondary market or the substantial equivalent thereof.”

The Company and the operating partnership currently take the reporting position for U.S. federal income tax purposes that the operating partnership is not a publicly traded partnership. There is a risk, however, that the right of a holder of operating partnership units to redeem the units for common shares could cause operating partnership units to be considered readily tradable on the substantial equivalent of a secondary market. Under the relevant Treasury regulations, interests in a partnership will not be considered readily tradable on a secondary market or on the substantial equivalent of a secondary market if the partnership qualifies for specified “safe harbors,” which are based on the specific facts and circumstances relating to the partnership. We and the operating partnership believe that the operating partnership will qualify for at least one of these safe harbors at all times in the foreseeable future. The operating partnership cannot provide any assurance that it will continue to qualify for one of the safe harbors mentioned above.

If the operating partnership is a publicly traded partnership, it will be taxed as a corporation unless at least 90% of its gross income consists of “qualifying income” under Section 7704 of the Code. Qualifying income is generally real property rents and other types of passive income. We believe that the operating partnership will have sufficient qualifying income so that it would be taxed as a partnership, even if it were a publicly traded partnership. The income requirements applicable to us in order for us to qualify as a REIT under the Code and the definition of qualifying income under the publicly traded partnership rules are very similar. Although differences exist between these two income tests, we do not believe that these differences would cause the operating partnership not to satisfy the 90% gross income test applicable to publicly traded partnerships.

If our operating partnership were taxable as a corporation, most, if not all, of the tax consequences described herein would be inapplicable. In particular, we would not qualify as a REIT because the value of our ownership interest in our operating partnership would exceed 5% of our assets and we would be considered to hold more than 10% of the voting securities (and more than 10% of the value of the outstanding securities) of another corporation (see “-

Requirements for Qualification as a REIT-Asset Tests” above). In this event, the value of our shares could be materially adversely affected (see “-Failure to Qualify as a REIT” above).

Allocations of Partnership Income, Gain, Loss and Deduction

The partnership agreement generally provides that items of operating income and loss will be allocated to the holders of units in proportion to the number of units held by each such unit holder. Certain limited partners have agreed, or may agree in the future, to guarantee debt of our operating partnership, either directly or indirectly through an agreement to make capital contributions to our operating partnership under limited circumstances. As a result of these guarantees or contribution agreements, such limited partners could under limited circumstances be allocated net loss that would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners’ interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnership’s allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury regulations promulgated under this section of the Code.

Tax Allocations with Respect to the Properties

Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value or book value and the adjusted tax basis of the property at the time of contribution. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The partnership agreement requires that these allocations be made in a manner consistent with Section 704(c) of the Code.

Treasury regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. We and our operating partnership have agreed to use the “traditional method” for accounting for book-tax differences for the properties initially contributed to our operating partnership. Under the traditional method, which is the least favorable method from our perspective, the carryover basis of contributed properties in the hands of our operating partnership (i) may cause us to be allocated lower amounts of depreciation and other deductions for tax purposes than would be allocated to us if all contributed properties were to have a tax basis equal to their fair market value at the time of the contribution and (ii) in the event of a sale of such properties, could cause us to be allocated taxable gain in excess of our corresponding economic or book gain (or taxable loss that is less than our economic or book loss) with respect to the sale, with a corresponding benefit to the contributing partners. Therefore, the use of the traditional method could result in our having taxable income that is in excess of economic income and our cash distributions from the operating partnership. This excess taxable income is sometimes referred to as “phantom income” and will be subject to the REIT distribution requirements described in “-Annual Distribution Requirements.” Because we rely on our cash distributions from the operating partnership to meet the REIT distribution requirements, the phantom income could adversely affect our ability to comply with the REIT distribution requirements and cause our shareholders to recognize additional dividend income without an increase in distributions. See “-Requirements for Qualification as a REIT” and “-Annual Distribution Requirements.” We and our operating partnership have not yet decided what method will be used to account for book-tax differences for other properties acquired by our operating partnership in the future. Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value and, accordingly, Section 704(c) of the Code will not apply.

Taxation of U.S. Shareholders

Taxation of Taxable U.S. Shareholders

This section summarizes the taxation of U.S. shareholders that are not tax-exempt organizations. For these purposes, the term “U.S. shareholder” is a beneficial owner of our shares that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our shares, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our shares should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our shares by the partnership.

Distributions Generally. So long as we qualify as a REIT, distributions out of our current or accumulated earnings and profits that are not designated as capital gains dividends or “qualified dividend income” will be taxable to our taxable U.S. shareholders as ordinary income and will not be eligible for the dividends-received deduction in the case of U.S. shareholders that are corporations. For purposes of determining whether distributions to holders of shares are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to any outstanding preferred shares and then to our outstanding common shares. Dividends received from REITs are generally not eligible to be taxed at the preferential qualified dividend income rates currently available to individual U.S. shareholders who receive dividends from taxable non-REIT “C” corporations. However, for taxable years prior to 2026, generally U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations.

Capital Gain Dividends. We may elect to designate distributions of our net capital gain as “capital gain dividends.” Distributions that we properly designate as “capital gain dividends” will be taxable to our taxable U.S. shareholders as long-term capital gains without regard to the period for which the U.S. shareholder that receives such distribution has held its shares. Designations made by us will only be effective to the extent that they comply with Revenue Ruling 89-81, which requires that distributions made to different classes of shares be composed proportionately of dividends of a particular type. If we designate any portion of a dividend as a capital gain dividend, a U.S. shareholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the shareholder as capital gain. Corporate shareholders, however, may be required to treat up to 20% of some capital gain dividends as ordinary income. Recipients of capital gain dividends from us that are taxed at corporate income tax rates will be taxed at the normal corporate income tax rates on these dividends.

We may elect to retain and pay taxes on some or all of our net long-term capital gains, in which case U.S. shareholders will be treated as having received, solely for U.S. federal income tax purposes, our undistributed capital gains as well as a corresponding credit or refund, as the case may be, for taxes that we paid on such undistributed capital gains. A U.S. shareholder will increase the basis in its shares by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. A U.S. shareholder that is a corporation will appropriately adjust its earnings and profits for the retained capital gain in accordance with Treasury regulations to be prescribed by the IRS. Our earnings and profits will be adjusted appropriately.

We will classify portions of any designated capital gain dividend or undistributed capital gain as either:

- a long-term capital gain distribution, which would be taxable to non-corporate U.S. shareholders at a maximum rate of 20% (excluding the 3.8% tax on “net investment income,”), and, effective for taxable years beginning after December 31, 2017, taxable to U.S. shareholders that are corporations at a maximum rate of 21%; or

- an “unrecaptured Section 1250 gain” distribution, which would be taxable to non-corporate U.S. shareholders at a maximum rate of 25%, to the extent of previously claimed depreciation deductions.

Distributions from us in excess of our current and accumulated earnings and profits will not be taxable to a U.S. shareholder to the extent that they do not exceed the adjusted basis of the U.S. shareholder’s shares in respect of which the distributions were made. Rather, the distribution will reduce the adjusted basis of these shares. To the extent that such distributions exceed the adjusted basis of a U.S. shareholder’s shares of our shares, the U.S. shareholder generally must include such distributions in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend that we declare in October, November or December of any year and that is payable to a shareholder of record on a specified date in any such month will be treated as both paid by us and received by the shareholder on December 31 of such year, *provided* that we actually pay the dividend before the end of January of the following calendar year.

To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. See “-Taxation of our Company as a REIT” and “-Requirements for Qualification as a REIT-Annual Distribution Requirements.” Such losses, however, are not passed through to U.S. shareholders and do not offset income of U.S. shareholders from other sources, nor would such losses affect the character of any distributions that we make, which are generally subject to tax in the hands of U.S. shareholders to the extent that we have current or accumulated earnings and profits. Under amendments made by H.R. 1 to Section 172 of the Code, our deduction for any net operating loss carryforwards arising from losses we sustain in taxable years beginning after December 31, 2017 is limited to 80% of our REIT taxable income (determined without regard to the deduction for dividends paid), and any unused portion of losses arising in taxable years ending after December 31, 2017 may not be carried back, but may be carried forward indefinitely.

The maximum amount of dividends that we may designate as capital gain and as “qualified dividend income” (discussed below) with respect to any taxable year (effective for distributions in tax years beginning after December 31, 2014) may not exceed the dividends actually paid by us with respect to such year, including dividends paid by us in the succeeding tax year that relate back to the prior tax year for purposes of determining our dividends paid deduction.

Qualified Dividend Income. We may elect to designate a portion of our distributions paid to shareholders as “qualified dividend income.” A portion of a distribution that is properly designated as qualified dividend income is taxable to non-corporate U.S. shareholders as capital gain, provided that the shareholder has held the shares with respect to which the distribution is made for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which such shares become ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

- the qualified dividend income received by us during such taxable year from non-REIT corporations (including our taxable REIT subsidiaries);
- the excess of any “undistributed” “REIT taxable income” (computed without regard to the dividends paid deduction and its net capital gain or loss) recognized during the immediately preceding year over the U.S. federal income tax paid by us with respect to such undistributed “REIT taxable income” (computed without regard to the dividends paid deduction and its net capital gain or loss); and
- the excess of (i) any income recognized during the immediately preceding year attributable to the sale of a built-in-gain asset that was acquired in a carry-over basis transaction from a non-REIT “C” corporation with respect to which we are required to pay U.S. federal income tax, over (ii) the U.S. federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of the first bullet above if (A) the dividends are received from (i) a U.S. corporation (other than a REIT or a RIC), (ii) any of our taxable REIT subsidiaries, or (iii) a “qualifying foreign corporation,” and (B) specified holding period requirements and other requirements are met. A foreign corporation (other than a “foreign personal holding company,” a “foreign investment company,” or “passive foreign investment company”) will be a qualifying foreign corporation if it is incorporated in a possession of the United States, the corporation is eligible for benefits of an income tax treaty with the United States

that the Secretary of Treasury determines is satisfactory, or the stock of the foreign corporation on which the dividend is paid is readily tradable on an established securities market in the United States. We generally expect that an insignificant portion, if any, of our distributions from us will consist of qualified dividend income. If we designate any portion of a dividend as qualified dividend income, a U.S. shareholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the shareholder as qualified dividend income.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange by a U.S. shareholder of our shares will not be treated as passive activity income. As a result, U.S. shareholders generally will not be able to apply any “passive losses” against this income or gain. Distributions we make, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation. A U.S. shareholder may elect, depending on its particular situation, to treat capital gain dividends, capital gains from the disposition of shares and income designated as qualified dividend income as investment income for purposes of the investment interest limitation, in which case the applicable capital gains will be taxed at ordinary income rates. We will notify shareholders regarding the portions of our distributions for each year that constitute ordinary income, return of capital and qualified dividend income.

Distributions to Holders of Depositary Shares. Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the underlying preferred shares represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were direct holders of underlying preferred shares. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of certificates evidencing the underlying preferred shares in exchange for depositary receipts, (ii) the tax basis of each share of the underlying preferred shares to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for the underlying preferred shares in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Dispositions of Our Shares. If a U.S. shareholder sells, redeems or otherwise disposes of its shares in a taxable transaction, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder’s adjusted basis in the shares for tax purposes. In general, a U.S. shareholder’s adjusted basis will equal the U.S. shareholder’s acquisition cost, increased by the excess for net capital gains deemed distributed to the U.S. shareholder (discussed above) less tax deemed paid on it and reduced by returns on capital.

In general, capital gains recognized by individuals and other non-corporate U.S. shareholders upon the sale or disposition of shares of our shares will be subject to a maximum U.S. federal income tax rate of 20% (excluding the 3.8% tax on “net investment income”), if our shares are held for more than one year, and will be taxed at ordinary income rates of up to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026 if the stock is held for one year or less. Gains recognized by U.S. shareholders that are corporations are subject to U.S. federal income tax at a maximum rate of 21% effective for taxable years beginning after December 31, 2017, whether or not such gains are classified as long-term capital gains. The IRS has the authority to prescribe, but has not yet prescribed, Treasury regulations that would apply a capital gain tax rate of 25% (which is higher than the long-term capital gain tax rates for non-corporate U.S. shareholders) to a portion of capital gain realized by a non-corporate U.S. shareholder on the sale of our shares that would correspond to the REIT’s “unrecaptured Section 1250 gain.” U.S. shareholders should consult with their own tax advisors with respect to their capital gain tax liability.

Capital losses recognized by a U.S. shareholder upon the disposition of our shares that were held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the shareholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of our shares by a U.S. shareholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that we make that are required to be treated by the U.S. shareholder as long-term capital gain.

If a shareholder recognizes a loss upon a subsequent disposition of our shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving “reportable transactions” could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These regulations, though directed towards “tax shelters,” are broadly written, and apply to transactions that would not typically be considered tax shelters. The Code imposes significant penalties for failure to comply with these requirements. U.S. shareholders should consult their tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of our shares, or transactions that we might undertake directly or indirectly.

Redemption of Preferred Shares and Depositary Shares. Whenever we redeem any preferred shares held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing the preferred shares so redeemed. The treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred shares to a holder of such preferred shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a holder of our preferred shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder’s adjusted tax basis in the preferred shares redeemed (provided the preferred shares are held as a capital asset) if such redemption (i) is “not essentially equivalent to a dividend” with respect to the holder of the preferred shares under Section 302(b)(1) of the Code, (ii) is a “substantially disproportionate” redemption with respect to the shareholder under Section 302(b)(2) of the Code, or (iii) results in a “complete termination” of the holder’s interest in all classes of our shares under Section 302(b)(3) of the Code. In applying these tests, there must be taken into account not only any series or class of the preferred shares being redeemed, but also such holder’s ownership of other classes of our shares and any options (including stock purchase rights) to acquire any of the foregoing. The holder of our preferred shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the holder of preferred shares owns (actually or constructively) none of our voting shares, or owns an insubstantial amount of our voting shares, based upon current law, it is probable that the redemption of preferred shares from such a holder would be considered to be “not essentially equivalent to a dividend.” However, whether a distribution is “not essentially equivalent to a dividend” depends on all of the facts and circumstances, and a holder of our preferred shares intending to rely on any of these tests at the time of redemption should consult its tax advisor to determine their application to its particular situation.

Satisfaction of the “substantially disproportionate” and “complete termination” exceptions is dependent upon compliance with the respective objective tests set forth in Section 302(b)(2) and Section 302(b)(3) of the Code. A distribution to a holder of preferred shares will be “substantially disproportionate” if the percentage of our outstanding voting shares actually and constructively owned by the shareholder immediately following the redemption of preferred shares (treating preferred shares redeemed as not outstanding) is less than 80% of the percentage of our outstanding voting shares actually and constructively owned by the shareholder immediately before the redemption, and immediately following the redemption the shareholder actually and constructively owns less than 50% of the total combined voting power of the Company. Because our preferred shares are nonvoting shares, a shareholder would have to reduce such holder’s holdings (if any) in our classes of voting shares to satisfy this test.

If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred shares will be treated as a distribution on our shares as described under “-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Distributions Generally,” and “-Taxation of Non-U.S. Shareholders-Distributions Generally.” If the redemption of a holder’s preferred shares is taxed as a dividend, the adjusted basis of such holder’s redeemed preferred shares will be transferred to any other shares held by the holder. If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our preferred shares that is treated as a distribution with respect to our shares, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder’s aggregate basis for the shares would be sufficient to absorb the

entire amount of the redemption distribution (in excess of any amount of such distribution treated as a dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis in the redeemed shares of the preferred shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our preferred shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized.

Net Investment Income Tax. In certain circumstances, certain U.S. shareholders that are individuals, estates or trusts are subject to a 3.8% tax on “net investment income,” which includes, among other things, dividends on and gains from the sale or other disposition of REIT shares. U.S. shareholders should consult their own tax advisors regarding this legislation.

Taxation of Tax Exempt Shareholders

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. Such entities, however, may be subject to taxation on their unrelated business taxable income, or UBTI. While some investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity generally do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt shareholder has not held our shares as “debt financed property” within the meaning of the Code (i.e., where the acquisition or holding of our shares is financed through a borrowing by the U.S. tax-exempt shareholder), (2) our shares are not otherwise used in an unrelated trade or business of a U.S. tax-exempt shareholder, and (3) we do not hold an asset that gives rise to “excess inclusion income,” distributions that we make and income from the sale of our shares generally should not give rise to UBTI to a U.S. tax-exempt shareholder.

Tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, or single parent title-holding corporations exempt under Section 501(c)(2) and whose income is payable to any of the aforementioned tax-exempt organizations, are subject to different UBTI rules, which generally require such shareholders to characterize distributions from us as UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its investment in our shares. These shareholders should consult with their tax advisors concerning these set aside and reserve requirements.

In certain circumstances, a pension trust (1) that is described in Section 401(a) of the Code, (2) is tax exempt under Section 501(a) of the Code, and (3) that owns more than 10% of the value of our shares could be required to treat a percentage of the dividends as UBTI, if we are a “pension-held REIT.” We will not be a pension-held REIT unless:

- either (1) one pension trust owns more than 25% of the value of our stock, or (2) one or more pension trusts, each individually holding more than 10% of the value of our shares, collectively own more than 50% of the value of our shares; and
- we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that shares owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding shares of a REIT is owned, directly or indirectly, by five or fewer “individuals” (as defined in the Code to include certain entities), as owned by the beneficiaries of such trusts.

The percentage of any REIT dividend from a “pension-held REIT” that is treated as UBTI is equal to the ratio of the UBTI earned by the REIT, treating the REIT as if it were a pension trust and therefore subject to tax on UBTI, to the total gross income of the REIT. An exception applies where the percentage is less than 5% for any year, in which case none of the dividends would be treated as UBTI. The provisions requiring pension trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the “not closely held requirement” without relying upon the “look-through” exception with respect to pension trusts. As a result of certain limitations on the transfer and

ownership of our common and preferred shares contained in our declaration of trust, we do not expect to be classified as a “pension-held REIT,” and accordingly, the tax treatment described above with respect to pension-held REITs should be inapplicable to our tax-exempt shareholders.

Taxation of Non-U.S. Shareholders

The following discussion addresses the rules governing U.S. federal income taxation of non-U.S. shareholders. For purposes of this summary, “non-U.S. shareholder” is a beneficial owner of our shares that is not a U.S. shareholder (as defined above under “-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders”) or an entity that is treated as a partnership for U.S. federal income tax purposes. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of U.S. federal income taxation and does not address state local or foreign tax consequences that may be relevant to a non-U.S. shareholder in light of its particular circumstances. Prospective non-U.S. shareholders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on their ownership of our common shares or preferred shares, including any reporting requirements.

Distributions Generally. As described in the discussion below, distributions paid by us with respect to our common shares, preferred shares and depositary shares will be treated for U.S. federal income tax purposes as either:

- ordinary income dividends;
- long-term capital gain; or
- return of capital distributions.
- This discussion assumes that our shares will continue to be considered regularly traded on an established securities market for purposes of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, provisions described below. If our shares are no longer regularly traded on an established securities market, the tax considerations described below would materially differ.

Ordinary Income Dividends. A distribution paid by us to a non-U.S. shareholder will be treated as an ordinary income dividend if the distribution is payable out of our earnings and profits and:

- not attributable to our net capital gain; or
- the distribution is attributable to our net capital gain from the sale of U.S. Real Property Interests, or “USRPIs,” and the non-U.S. shareholder owns 10% or less of the value of our common shares at all times during the one-year period ending on the date of the distribution.

In general, non-U.S. shareholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our shares. In cases where the dividend income from a non-U.S. shareholder’s investment in our shares is, or is treated as, effectively connected with the non-U.S. shareholder’s conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such dividends. Such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. shareholder. The income may also be subject to the 30% branch profits tax in the case of a non-U.S. shareholder that is a corporation.

Generally, we will withhold and remit to the IRS 30% (or lower applicable treaty rate) of dividend distributions (including distributions that may later be determined to have been made in excess of current and accumulated earnings and profits) that could not be treated as capital gain distributions with respect to the non-U.S. shareholder (and that are not deemed to be capital gain dividends for purposes of the FIRPTA withholding rules described below) unless:

- a lower treaty rate applies and the non-U.S. shareholder files an IRS Form W-8BEN or Form W-8BEN-E, as applicable, evidencing eligibility for that reduced treaty rate with us; or
- the non-U.S. shareholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. shareholder’s trade or business; or
- the non-U.S. shareholder is a foreign sovereign or controlled entity of a foreign sovereign and also provides an IRS Form W-8EXP claiming an exemption from withholding under section 892 of the Code.

Return of Capital Distributions. Unless (A) our shares constitute a USRPI, as described in “-Dispositions of Our Shares” below, or (B) either (1) the non-U.S. shareholder’s investment in our shares is effectively connected with

a U.S. trade or business conducted by such non-U.S. shareholder (in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain) or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a “tax home” in the United States (in which case the non-U.S. shareholder will be subject to a 30% tax on the individual’s net capital gain for the year), distributions that we make which are not dividends out of our earnings and profits will not be subject to U.S. federal income tax. If we cannot determine at the time a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. The non-U.S. shareholder may seek a refund from the IRS of any amounts withheld if it subsequently is determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If our shares constitute a USRPI, as described below, distributions that we make in excess of the sum of (1) the non-U.S. shareholder’s proportionate share of our earnings and profits, and (2) the non-U.S. shareholder’s basis in its shares, will be taxed under FIRPTA at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. shareholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding tax at a rate of 15% of the amount by which the distribution exceeds the non-U.S. shareholder’s share of our earnings and profits.

Capital Gain Dividends. A distribution paid by us to a non-U.S. shareholder will be treated as long-term capital gain if the distribution is paid out of our current or accumulated earnings and profits and:

- the distribution is attributable to our net capital gain (other than from the sale of USRPIs) and we timely designate the distribution as a capital gain dividend; or
- the distribution is attributable to our net capital gain from the sale of USRPIs and the non-U.S. common shareholder owns more than 10% of the value of common shares at any point during the one-year period ending on the date on which the distribution is paid.

Long-term capital gain that a non-U.S. shareholder is deemed to receive from a capital gain dividend that is not attributable to the sale of USRPIs generally will not be subject to U.S. federal income tax in the hands of the non-U.S. shareholder unless:

- the non-U.S. shareholder’s investment in our shares is effectively connected with a U.S. trade or business of the non-U.S. shareholder, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to any gain, except that a non-U.S. shareholder that is a corporation also may be subject to the 30% (or lower applicable treaty rate) branch profits tax; or
- the non-U.S. shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a “tax home” in the United States in which case the nonresident alien individual will be subject to a 30% tax on his capital gains.

Under FIRPTA, distributions that are attributable to net capital gain from the sale by us of USRPIs and paid to a non-U.S. shareholder that owns more than 10% of the value of our shares at any time during the one-year period ending on the date on which the distribution is paid will be subject to U.S. tax as income effectively connected with a U.S. trade or business. The FIRPTA tax will apply to these distributions whether or not the distribution is designated as a capital gain dividend, and, in the case of a non-U.S. shareholder that is a corporation, such distributions also may be subject to the 30% (or lower applicable treaty rate) branch profits tax.

Any distribution paid by us that is treated as a capital gain dividend or that could be treated as a capital gain dividend with respect to a particular non-U.S. shareholder will be subject to special withholding rules under FIRPTA. We will withhold and remit to the IRS 21% (effective for taxable years beginning after December 31, 2017) (or, to the extent provided in Treasury Regulations, 20%) of any distribution that could be treated as a capital gain dividend with respect to the non-U.S. shareholder, whether or not the distribution is attributable to the sale by us of USRPIs. The amount withheld is creditable against the non-U.S. shareholder’s U.S. federal income tax liability or refundable when the non-U.S. shareholder properly and timely files a tax return with the IRS. In addition, distributions to certain non-U.S. publicly traded shareholders that meet certain record-keeping and other requirements (“qualified shareholders”) are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, distributions to “qualified foreign pension funds” (as defined in the Code) or entities all of the interests of which are held by “qualified

foreign pension funds” are exempt from FIRPTA. Non-U.S. stockholders should consult their tax advisors regarding the application of these rules.

Undistributed Capital Gain. Although the law is not entirely clear on the matter, it appears that amounts designated by us as undistributed capital gains in respect of our shares held by non-U.S. shareholders generally should be treated in the same manner as actual distributions by us of capital gain dividends. Under this approach, the non-U.S. shareholder would be able to offset as a credit against their U.S. federal income tax liability resulting therefrom their proportionate share of the tax paid by us on the undistributed capital gains treated as long-term capital gains to the non-U.S. shareholder, and generally receive from the IRS a refund to the extent their proportionate share of the tax paid by us were to exceed the non-U.S. shareholder’s actual U.S. federal income tax liability on such long-term capital gain. If we were to designate any portion of our net capital gain as undistributed capital gain, a non-U.S. shareholder should consult its tax advisors regarding taxation of such undistributed capital gain.

Dispositions of Our Shares. Unless our shares constitute a USRPI, a sale of our shares by a non-U.S. shareholder generally will not be subject to U.S. federal income taxation under FIRPTA. Generally, subject to the discussion below regarding dispositions by “qualified shareholders” and “qualified foreign pensions funds,” with respect to any particular shareholder, our shares will constitute a USRPI only if each of the following three statements is true:

- Fifty percent or more of our assets on any of certain testing dates during a prescribed testing period consist of interests in real property located within the United States, excluding for this purpose, interests in real property solely in a capacity as creditor;
- We are not a “domestically-controlled qualified investment entity.” A domestically-controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by non-U.S. shareholders at all times during a specified testing period. Although we believe that we are and will remain a domestically-controlled REIT, because our shares are publicly traded, we cannot guarantee that we are or will remain a domestically-controlled qualified investment entity; and
- Either (a) our shares are not “regularly traded,” as defined by applicable Treasury regulations, on an established securities market; or (b) our shares are “regularly traded” on an established securities market and the selling non-U.S. shareholder has held over 10% of our outstanding common shares any time during the five-year period ending on the date of the sale.

In addition, dispositions of our capital stock by qualified shareholders are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. An actual or deemed disposition of our capital stock by such shareholders may also be treated as a dividend. Furthermore, dispositions of our capital stock by “qualified foreign pension funds” or entities all of the interests of which are held by “qualified foreign pension funds” are exempt from FIRPTA. Non-U.S. stockholders should consult their tax advisors regarding the application of these rules.

Specific wash sales rules applicable to sales of shares in a domestically-controlled qualified investment entity could result in gain recognition, taxable under FIRPTA, upon the sale of our shares even if we are a domestically-controlled qualified investment entity. These rules would apply if a non-U.S. shareholder (1) disposes of our shares within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been taxable to such non-U.S. shareholder as gain from the sale or exchange of a USRPI, and (2) acquires, or enters into a contract or option to acquire, other shares of our shares during the 61-day period that begins 30 days prior to such ex-dividend date, and (3) if our shares are “regularly traded” on an established securities market in the United State, such non-US stockholder has owned more than 10% of our outstanding shares at any time during the one-year period ending on the date of such distribution.

If gain on the sale of our shares were subject to taxation under FIRPTA, the non-U.S. shareholder would be required to file a U.S. federal income tax return and would be subject to the same treatment as a U.S. shareholder with respect to such gain, subject to the applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and, if our common shares were not “regularly traded” on an established securities market, the purchaser of the shares generally would be required to withhold 15% of the purchase price and remit such amount to the IRS.

Gain from the sale of our shares that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. shareholder as follows: (1) if the non-U.S. shareholder's investment in our shares is effectively connected with a U.S. trade or business conducted by such non-U.S. shareholder, the non-U.S. shareholder will be subject to the same treatment as a U.S. shareholder with respect to such gain, or (2) if the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Taxation of Holders of Our Warrants and Rights

Warrants. Holders of our warrants will not generally recognize gain or loss upon the exercise of a warrant. A holder's basis in the preferred shares, depositary shares representing preferred shares or common shares, as the case may be, received upon the exercise of the warrant will be equal to the sum of the holder's adjusted tax basis in the warrant and the exercise price paid. A holder's holding period in the preferred shares, depositary shares representing preferred shares or common shares, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by the holder. Upon the expiration of a warrant, the holder will recognize a capital loss in an amount equal to the holder's adjusted tax basis in the warrant. Upon the sale or exchange of a warrant to a person other than us, a holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the holder's adjusted tax basis in the warrant. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the warrant was held for more than one year. Upon the sale of the warrant to us, the IRS may argue that the holder should recognize ordinary income on the sale. Prospective holders of our warrants should consult their own tax advisors as to the consequences of a sale of a warrant to us.

Rights. In the event of a rights offering, the tax consequences of the receipt, expiration, and exercise of the rights we issue will be addressed in detail in a prospectus supplement. Prospective holders of our rights should review the applicable prospectus supplement in connection with the ownership of any rights, and consult their own tax advisors as to the consequences of investing in the rights.

Dividend Reinvestment and Share Purchase Plan

General

We plan to offer shareholders, prospective shareholders and unit holders the opportunity to participate in our Dividend Reinvestment and Share Purchase Plan, which is referred to herein as the "DRIP." Although we do not currently plan to offer any discount in connection with the DRIP, we reserve the right to offer a discount on shares purchased with reinvested dividends or cash distributions and shares purchased through the optional cash investment feature.

Amounts Treated as a Distribution

Generally, a DRIP participant will be treated as having received a distribution with respect to our shares for U.S. federal income tax purposes in an amount determined as described below.

- A shareholder who participates in the dividend reinvestment feature of the DRIP and whose dividends are reinvested in our shares purchased from us will be treated for U.S. federal income tax purposes as having received a distribution from us with respect to our shares equal to the fair market value of our shares credited to the shareholder's DRIP account on the date the dividends are reinvested. The amount of the distribution deemed received (and that will be reported on the Form 1099-DIV received by the shareholder) may exceed the amount of the cash dividend that was reinvested, due to a discount being offered on the purchase price of the shares purchased.
- A shareholder who participates in the dividend reinvestment feature of the DRIP and whose dividends are reinvested in our shares purchased in the open market, will be treated for U.S. federal income tax purposes as having received (and will receive a Form 1099-DIV reporting) a distribution from us with respect to its shares equal to the fair market value of our shares credited to the shareholder's DRIP account (plus any

brokerage fees and any other expenses deducted from the amount of the distribution reinvested) on the date the dividends are reinvested. If we offer a discount on our shares purchased on the open market in the future, the amount of the distribution the shareholder will be treated as receiving (and that will be reported on the Form 1099-DIV received by the shareholder) may exceed the cash distribution reinvested as a result of any such discount.

- A shareholder who participates in both the dividend reinvestment and the cash investment features of the DRIP and who purchases our shares through the cash investment feature of the DRIP will be treated for U.S. federal income tax purposes as having received a distribution from us with respect to its shares equal to the fair market value of our shares credited to the shareholder's DRIP account on the date the shares are purchased less the amount paid by the shareholder for our shares (plus any brokerage fees and any other expenses paid by the shareholder).
- A shareholder who participates in the optional cash purchase through the DRIP will not be treated as receiving a distribution from us if no discount is offered.
- Newly enrolled participants who are making their initial investment in our common shares through the DRIP's optional cash purchase feature and therefore are not currently our shareholders should not be treated as receiving a distribution from us, even if a discount is offered.
- Although the tax treatment with respect to a shareholder who participates only in the cash investment feature of the DRIP and does not participate in the dividend reinvestment feature of the DRIP is not entirely clear, we will report any discount offered as a distribution to that shareholder on Form 1099-DIV. Shareholders are urged to consult with their tax advisor regarding the tax treatment to them of receiving a discount on cash investments in our shares made through the DRIP.

In the situations described above, a shareholder will be treated as receiving a distribution from us even though no cash distribution is actually received. These distributions will be taxable in the same manner as all other distributions paid by us, as described above under “-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders,” “-Taxation of U.S. Shareholders - Taxation of Tax-Exempt Shareholders,” or “-Taxation of Non-U.S. Shareholders,” as applicable.

Basis and Holding Period in Shares Acquired Pursuant to the DRIP. The tax basis for our shares acquired by reinvesting cash distributions through the DRIP generally will equal the fair market value of our shares on the date of distribution (plus the amount of any brokerage fees paid by the shareholder). Accordingly, if we offer a discount on the purchase price of our shares purchased with reinvested cash distributions, the tax basis in our shares would include the amount of any discount. The holding period for our shares acquired by reinvesting cash distributions will begin on the day following the date of distribution.

The tax basis in our shares acquired through an optional cash investment generally will equal the cost paid by the participant in acquiring our shares, including any brokerage fees paid by the shareholder. If we offer a discount on the purchase price of our shares purchased by making an optional cash investment, then the tax basis in those shares also would include any amounts taxed as a dividend. The holding period for our shares purchased through the optional cash investment feature of the DRIP generally will begin on the day our shares are purchased for the participant's account.

Withdrawal of Shares from the DRIP. When a participant withdraws stock from the DRIP and receives whole shares, the participant will not realize any taxable income. However, if the participant receives cash for a fractional share, the participant will be required to recognize gain or loss with respect to that fractional share.

Effect of Withholding Requirements. Withholding requirements generally applicable to distributions from us will apply to all amounts treated as distributions pursuant to the DRIP. See “-Information Reporting and Backup Withholding Tax Applicable to Shareholders-U.S. Shareholders-Generally” and “-Information Reporting and Backup Withholding Tax Applicable to Shareholders-Non-U.S. Shareholders-Generally” for discussion of the withholding requirements that apply to other distributions that we pay. All withholding amounts will be withheld from distributions before the distributions are reinvested under the DRIP. Therefore, if a U.S. shareholder is subject to withholding, distributions which would otherwise be available for reinvestment under the DRIP will be reduced by the withholding amount.

Information Reporting and Backup Withholding Tax Applicable to Shareholders

U.S. Shareholders - Generally

In general, information-reporting requirements will apply to payments of distributions on our shares and payments of the proceeds of the sale of our shares to some U.S. shareholders, unless an exception applies. Further, the payer will be required to withhold backup withholding tax on such payments at the rate of 28% if:

- (1) the payee fails to furnish a taxpayer identification number, or TIN, to the payer or to establish an exemption from backup withholding;
- (2) the IRS notifies the payer that the TIN furnished by the payee is incorrect;
- (3) there has been a notified payee under-reporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code; or
- (4) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the Code.

Some shareholders may be exempt from backup withholding. Any amounts withheld under the backup withholding rules from a payment to a shareholder will be allowed as a credit against the shareholder's U.S. federal income tax liability and may entitle the shareholder to a refund, provided that the required information is furnished to the IRS.

U.S. Shareholders - Withholding on Payments in Respect of Certain Foreign Accounts.

As described below, certain future payments made to "foreign financial institutions" and "non-financial foreign entities" may be subject to withholding at a rate of 30%. U.S. shareholders should consult their tax advisors regarding the effect, if any, of this withholding provision on their ownership and disposition of our common stock. See "- Non-U.S. Shareholders - Withholding on Payments to Certain Foreign Entities" below.

Non-U.S. Shareholders - Generally

Generally, information reporting will apply to payments or distributions on our shares, and backup withholding described above for a U.S. shareholder will apply, unless the payee certifies that it is not a U.S. person or otherwise establishes an exemption. The payment of the proceeds from the disposition of our shares to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and, possibly, backup withholding as described above for U.S. shareholders, or the withholding tax for non-U.S. shareholders, as applicable, unless the non-U.S. shareholder certifies as to its non-U.S. status or otherwise establishes an exemption, provided that the broker does not have actual knowledge that the shareholder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. The proceeds of the disposition by a non-U.S. shareholder of our shares to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, or a foreign person 50% or more of whose gross income from all sources for specified periods is from activities that are effectively connected with a U.S. trade or business, a foreign partnership 50% or more of whose interests are held by partners who are U.S. persons, or a foreign partnership that is engaged in the conduct of a trade or business in the United States, then information reporting generally will apply as though the payment was made through a U.S. office of a U.S. or foreign broker unless the broker has documentary evidence as to the non-U.S. shareholder's foreign status and has no actual knowledge to the contrary.

Applicable Treasury regulations provide presumptions regarding the status of shareholders when payments to the shareholders cannot be reliably associated with appropriate documentation provided to the payor. If a non-U.S. shareholder fails to comply with the information reporting requirement, payments to such person may be subject to the full withholding tax even if such person might have been eligible for a reduced rate of withholding or no withholding under an applicable income tax treaty. Because the application of these Treasury regulations varies depending on the non-U.S. shareholder's particular circumstances, non-U.S. shareholders are urged to consult their tax advisor regarding the information reporting requirements applicable to them.

Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. shareholder's U.S. federal income tax liability if certain required information is furnished to the IRS. Non-U.S. shareholders should consult their own tax advisors regarding application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury regulations.

Non-U.S. Shareholders - Withholding on Payments to Certain Foreign Entities

The Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligations requirements are satisfied.

Under the applicable Treasury Regulations and administrative guidance, FATCA imposes a 30% withholding tax on dividends on, and (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our shares if paid to a foreign entity unless (i) the foreign entity is a "foreign financial institution" that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence and reporting requirements of such agreement, (ii) the foreign entity is not a "foreign financial institution" and either certifies it does not have any "substantial United States Owners" (as defined in the Code) or identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is exempted under FATCA. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of our shares on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

If withholding is required under FATCA on a payment related to our shares, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Prospective investors should consult their tax advisors regarding the effect of FATCA in their particular circumstances.

Taxation of Holders of Debt Securities Issued by our Operating Partnership

The following discussion summarizes certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of debt securities issued by our Operating Partnership. This summary assumes the debt securities will be issued with no more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. This summary only applies to investors that will hold their debt securities as "capital assets" (within the meaning of Section 1221 of the Code) and purchase their debt securities in the initial offering at their issue price. If such debt securities are purchased at a price other than the offering price, the amortizable bond premium or market discount rules may apply which are not described herein. Prospective holders should consult their own tax advisors regarding these possibilities. This section also does not apply to any debt securities treated as "equity," rather than debt, for U.S. federal income tax purposes.

The tax consequences of owning any notes issued with more than *de minimis* original issue discount, floating rate debt securities, convertible or exchangeable notes, indexed notes or other debt securities not covered by this discussion that we offer will be discussed in the applicable prospectus supplement.

U.S. Holders of Debt Securities

This section summarizes the taxation of U.S. Holders of debt securities that are not tax-exempt organizations. For these purposes, the term "U.S. Holder" is a beneficial owner of our debt securities that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;

- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our debt securities, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our debt securities should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our debt securities by the partnership.

Payments of Interest. Interest on a note will generally be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. If the notes are issued at a de minimis discount from their stated principal amount, while such de minimis discount does not result in the notes being issued with original issue discount for U.S. federal income tax purposes, under recently enacted legislation, for taxable years beginning on or after January 1, 2019, U.S. Holders that maintain certain types of financial statements and that are subject to the accrual method of tax accounting will be required to include such de minimis discount in income no later than the time upon which they include such amounts in income on their financial statements. Accordingly, a U.S. Holder of the notes that maintains such financial statements may be required to include any de minimis discount on the notes in income prior to the maturity of the notes. U.S. Holders that maintain financial statements should consult their own tax advisors regarding the tax consequences to them of this legislation.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of the Debt Securities. Upon a sale, exchange, retirement, redemption or other taxable disposition of debt securities, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference, if any, between the "amount realized" on the disposition and the U.S. Holder's adjusted tax basis in such debt securities. The amount realized will include the amount of any cash and the fair market value of any property received for the debt securities (other than any amount attributable to accrued but unpaid interest, which will be taxable as ordinary income (as described above under "-Taxation of Holders of Debt Securities Issued by our Operating Partnership-U.S. Holders of Debt Securities-Payments of Interest") to the extent not previously included in income). A U.S. Holder's adjusted tax basis in a note generally will be equal to the cost of the note to such U.S. Holder decreased by any payments received on the note other than stated interest. Any such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder's holding period for the note is more than one year at the time of disposition. For noncorporate U.S. Holders, long-term capital gain generally will be subject to reduced rates of taxation. The deductibility of capital losses against ordinary income is subject to certain limitations.

Information Reporting and Backup Withholding. Payments of interest on, or the proceeds of the sale, exchange or other taxable disposition (including a retirement or redemption) of, a note are generally subject to information reporting unless the U.S. Holder is an exempt recipient (such as a corporation). Such payments may also be subject to U.S. federal backup withholding unless (1) the U.S. Holder is an exempt recipient (such as a corporation), or (2) prior to payment, the U.S. Holder provides a taxpayer identification number and certifies as required on a duly completed and executed IRS Form W-9 (or permitted substitute or successor form), and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against that U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Net Investment Income. In certain circumstances, certain U.S. Holders that are individuals, estates, or trusts are subject to a 3.8% tax on "net investment income, which includes, among other things, interest income and net gains from the sale, exchange or other taxable disposition (including a retirement or redemption) of the debt securities, unless such interest payments or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive activities or securities or commodities trading activities). Investors

in debt securities should consult their own tax advisors regarding the applicability of this tax to their income and gain in respect of their investment in the debt securities.

Tax-Exempt Holders of Debt Securities

In general, a tax-exempt organization is exempt from U.S. federal income tax on its income, except to the extent of its UBTI (as defined above under “-Taxation of U.S. Shareholders-Taxation of U.S. Tax-Exempt Shareholders”). Interest income accrued on the debt securities and gain recognized in connection with dispositions of the debt securities generally will not constitute UBTI unless the tax-exempt organization holds the debt securities as debt-financed property (e.g., the tax-exempt organization has incurred “acquisition indebtedness” with respect to such note). Before making an investment in the debt securities, a tax-exempt investor should consult its tax advisors with regard to UBTI and the suitability of the investment in the debt securities.

Non-U.S. Holders of Debt Securities

The following discussion addresses the rules governing U.S. federal income taxation of Non-U.S. Holders of debt securities. For purposes of this summary, “Non-U.S. Holder” is a beneficial owner of our debt securities that is not (i) a U.S. Holder (as defined above under “-U.S. Holders of Debt Securities”) or (ii) an entity treated as a partnership for U.S. federal income tax purposes.

Payments of Interest. Subject to the discussions below concerning backup withholding and FATCA (as defined below), all payments of interest on the debt securities made to a Non-U.S. Holder will not be subject to U.S. federal income or withholding taxes under the “portfolio interest” exception of the Code, provided that:

- interest on the note is not effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States (or, if provided by an applicable income tax treaty, is not attributable to a United States permanent establishment),
- the Non-U.S. Holder does not own, actually or constructively, 10% or more of the capital or profits interest in the Operating Partnership,
- the Non-U.S. Holder is not a controlled foreign corporation with respect to which the Operating Partnership is a “related person” (within the meaning of Section 864(d)(4) of the Code),
- the Non-U.S. Holder is not a bank whose receipt of interest on a note is described in Section 881(c)(3)(A) of the Code, and
- either (1) the Non-U.S. Holder provides its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form) and certifies, under penalties of perjury, that it is not a U.S. Holder, or (2) the non-U.S. Holder holds its notes through certain foreign intermediaries and satisfies the certification requirements of applicable United States Treasury regulations. Special certification rules apply to non-U.S. Holders that are pass-through entities rather than corporations or individuals.

The applicable Treasury Regulations provide alternative methods for satisfying the certification requirement described above. In addition, under these Treasury Regulations, special rules apply to pass-through entities and this certification requirement may also apply to beneficial owners of pass-through entities. If a Non-U.S. Holder cannot satisfy the requirements described above, payments of interest will generally be subject to the 30% U.S. federal withholding tax, unless the Non-U.S. Holder provides the applicable withholding agent with a properly executed (1) IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under an applicable income tax treaty or (2) IRS Form W-8ECI (or other applicable form) stating that interest paid on the debt securities is not subject to U.S. federal withholding tax because it is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (as discussed below under “-Non-U.S. Holders of Debt Securities-Income Effectively Connected with a U.S. Trade or Business”).

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of the Debt Securities. Subject to the discussions below concerning backup withholding and FATCA and except with respect to accrued but unpaid interest, which generally will be taxable as interest and may be subject to the rules described above under “-Non-U.S. Holders of Debt Securities-Payments of Interest,” a Non-U.S. Holder generally will not be subject to U.S. federal income or

withholding tax on the receipt of payments of principal on a note, or on any gain recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a note, unless:

- such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, in which case such gain will be taxed as described below under “-Non-U.S. Holders of Debt Securities-Income Effectively Connected with a U.S. Trade or Business,” or
- such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met, in which case such Non-U.S. Holder will be subject to tax at 30% (or, if applicable, a lower treaty rate) on the gain derived from such disposition, which may be offset by U.S. source capital losses.

Income Effectively Connected with a U.S. Trade or Business. If a Non-U.S. Holder is engaged in a trade or business in the United States, and if interest on the debt securities or gain realized on the sale, exchange or other taxable disposition (including a retirement or redemption) of the debt securities is effectively connected with the conduct of such trade or business, the Non-U.S. Holder generally will be subject to regular U.S. federal income tax on such income or gain in the same manner as if the Non-U.S. Holder were a U.S. Holder. If the Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and the Non-U.S. Holder’s country of residence, any “effectively connected” income or gain generally will be subject to U.S. federal income tax only if it is also attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States. In addition, if such a Non-U.S. Holder is a foreign corporation, such holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits, subject to certain adjustments. Payments of interest that are effectively connected with a U.S. trade or business will not be subject to the 30% U.S. federal withholding tax provided that the Non-U.S. Holder claims exemption from withholding. To claim exemption from withholding, the Non-U.S. Holder must certify its qualification, which generally can be done by filing a properly executed IRS Form W-8ECI (or other applicable form).

Information Reporting and Backup Withholding. Generally, we must report annually to the IRS and to Non-U.S. Holders the amount of interest paid to Non-U.S. Holders and the amount of tax, if any, withheld with respect to those payments. Copies of these information returns reporting such interest and withholding may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides. In general, a Non-U.S. Holder will not be subject to backup withholding or additional information reporting requirements with respect to payments of interest that we make, provided that the statement described above in last bullet point under “-Non-U.S Holders of Debt Securities-Interest” has been received and we do not have actual knowledge or reason to know that the holder is a U.S. person, as defined under the Code, that is not an exempt recipient. In addition, proceeds from a sale or other disposition of a note by a Non-U.S. Holder generally will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale or disposition (including a retirement or redemption) of a note within the United States or conducted through certain U.S. or U.S.-related financial intermediaries, unless the statement described above has been received and we do not have actual knowledge or reason to know that the holder is a U.S. person. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability if the required information is furnished in a timely manner to the IRS.

Additional Withholding Requirements. As discussed above under “-Information Reporting and Backup Withholding Tax Applicable to Shareholders-Non-U.S. Shareholders-Withholding on Payments to Certain Foreign Entities,” FATCA imposes a 30% withholding tax on certain types of payments made to “foreign financial institutions” and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligations requirements are satisfied.

As a general matter, payments to Non-U.S. Holders that are foreign entities (whether as beneficial owner or intermediary) of interest on, and the gross proceeds from the sale or other disposition of, a debt obligation of a U.S. issuer will be subject to a withholding tax (separate and apart from, but without duplication of, the withholding tax described above) at a rate of 30%, unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied. Treasury

Regulations and subsequent guidance under FATCA delay application of the withholding tax on gross proceeds until amounts paid on or after January 1, 2019.

If withholding is required under FATCA on a payment related to the debt securities, Non-U.S. Holders that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Prospective investors should consult their tax advisors regarding the effect of FATCA in their particular circumstances.

Other Tax Considerations

State, Local and Foreign Taxes

We may be required to pay tax in various state or local jurisdictions, including those in which we transact business, and our shareholders may be required to pay tax in various state or local jurisdictions, including those in which they reside. Our state and local tax treatment may not conform to the U.S. federal income tax consequences discussed above. In addition, a shareholder's state and local tax treatment may not conform to the U.S. federal income tax consequences discussed above. Consequently, prospective investors should consult with their tax advisors regarding the effect of state and local tax laws on an investment in our shares and depositary shares.

A portion of our income is earned through our taxable REIT subsidiaries. The taxable REIT subsidiaries are subject to U.S. federal, state and local income tax at the full applicable corporate rates. In addition, a taxable REIT subsidiary will be limited in its ability to deduct interest payments in excess of a certain amount made directly or indirectly to us. To the extent that our taxable REIT subsidiaries and we are required to pay U.S. federal, state or local taxes, we will have less cash available for distribution to shareholders.

Tax Shelter Reporting

If a holder recognizes a loss as a result of a transaction with respect to our shares of at least (i) for a holder that is an individual, S corporation, trust or a partnership with at least one non-corporate partner, \$2 million or more in a single taxable year or \$4 million or more in a combination of taxable years, or (ii) for a holder that is either a corporation or a partnership with only corporate partners, \$10 million or more in a single taxable year or \$20 million or more in a combination of taxable years, such holder may be required to file a disclosure statement with the IRS on Form 8886. Direct shareholders of portfolio securities are in many cases exempt from this reporting requirement, but shareholders of a REIT currently are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. We cannot give you any assurances as to whether, or in what form, any proposals affecting REITs or their shareholders will be enacted. Changes to the U.S. federal tax laws and interpretations thereof could adversely affect an investment in our shares. Investors should consult with their tax advisors regarding the effect of potential changes to the federal tax laws and on an investment in our shares.