
KITE
POTTERYBARN
NAREIT - JUNE 2019
INVESTOR UPDATE
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KRG
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KITE REALTY GROUP SNAPSHOT

KRG Quick Facts

Number of Retail Properties	107
Total GLA (SF)	21.3M
Operating Portfolio Percent Leased	95.0%
Annualized Base Rent (ABR) Per SF[3]	$17.16
ABR from centers with grocery component	70%
ABR from shops	52%
Equity Market Capitalization[3]	$1.4B
Enterprise Value[3]	$2.9B
2018 FFO Payout Ratio	63.5%
Net Debt to Adjusted EBITDA[4]	6.5x
Moody's / S&P Ratings	Baa3 /BBB-

Why KRG?

High-quality portfolio with diverse tenant base

Covered dividend with attractive 8.3% yield[1]

Opportunity to exploit current public market dislocation with stock trading at material discount to consensus net asset value ("NAV")[2]

$350-500mm disposition program underway to optimize the portfolio, deleverage an already strong balance sheet and close NAV gap

Experienced, disciplined team focused on operational excellence and value creation

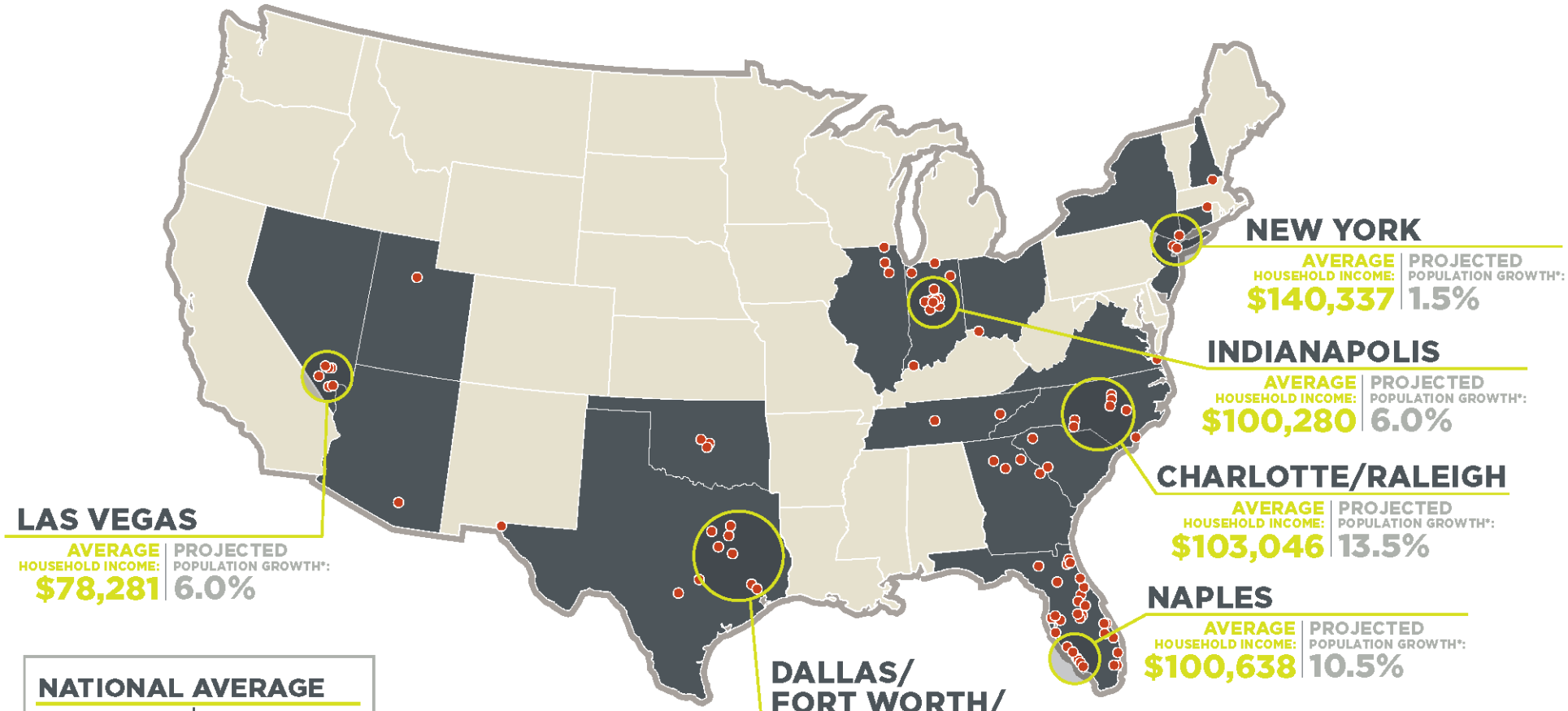
Note: Unless otherwise indicated, the source of all Company data is publicly available information that has been filed with the Securities and Exchange Commission as of March 31, 2019

1. Dividend yield calculated as most recent quarterly dividend, annualized and expressed as a percentage of the share price as of 5/30/19. Future dividends will be decided solely at the discretion of the Board of Trustees.
2. As of 5/30/19 consensus NAV is $22.52 per share
3. As of 5/30/19
4. Pro forma for all asset sales completed as of 5/30/19

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GEOGRAPHIC FOOTPRINT

77% OF ABR FROM TOP 50 MSAs AND DESTINATION LOCATIONS, INCLUDING HIGH-GROWTH MARKETS



Note: Demographic data source: STI: Popstats based on estimated 2018 data on a 5-mile radius from KRG market assets, per the US Census Bureau, weighted by ABR Population Growth 2018 – 2023

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STRATEGIC ASSET MIX

PROPERTY CLASSIFICATION BY ABR[1]

COMMUNITY CENTER PORTFOLIO — 56% of ABR

Average Q1 2019 Household Income	$91,820
Average Q1 2019 Population	178,947



PARKSIDE TOWN COMMONS MSA: Raleigh, NC

NEIGHBORHOOD CENTER/ LIFESTYLE CENTER/ OTHER PORTFOLIO — 24% of ABR

Average Q1 2019 Household Income	$89,612
Average Q1 2019 Population	163,031



COBBLESTONE PLAZA MSA: Miami, FL

POWER CENTER PORTFOLIO — 20% of ABR

Average Q1 2019 Household Income	$84,596
Average Q1 2019 Population	186,613



LANDSTOWN COMMONS MSA: Virginia Beach, VA

(1) STI: Popstats based on estimated 2018 data on a 5-mile radius from the U.S. Census Bureau, weighted by ABR. Property classification based on definition by Green Street Advisors. In summary:
Neighborhood Center: Convenience-oriented center often anchored by a grocery
Community Center: Larger center with general merchandise or convenience-oriented offerings
Power Center: Category-dominant anchors, including discount, off-price, and wholesale clubs with minimal small shop tenants

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PORTFOLIO OF STRONG, HIGH-CREDIT TENANTS

	Top 10 Tenants by ABR	Credit Rating[1]	# of Stores[2]	% of ABR[2]
1	Publix Supermarkets, Inc.	NR	14	2.6%
2	The TJX Companies, Inc.	A+	22	2.5%
3	Ross Stores, Inc.	A+	17	2.0%
4	PetSmart, Inc	CCC	17	2.0%
5	Bed Bath & Beyond, Inc.	B+	18	1.9%
6	Lowe's Companies, Inc.	BBB+	4	1.6%
7	Ascena Retail Group	B-	32	1.5%
8	Michaels Stores, Inc.	BB-	14	1.4%
9	Dick's Sporting Goods, Inc.	NR	7	1.4%
10	LA Fitness	NR	5	1.4%
	Totals		**150**	**18.3%**

Recent Lease Activity

1. Credit rating from S&P as of March 31, 2019
2. Per the 1Q '19 supplement

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KRG Q1 2019 Review



Q1 2019 HIGHLIGHTS

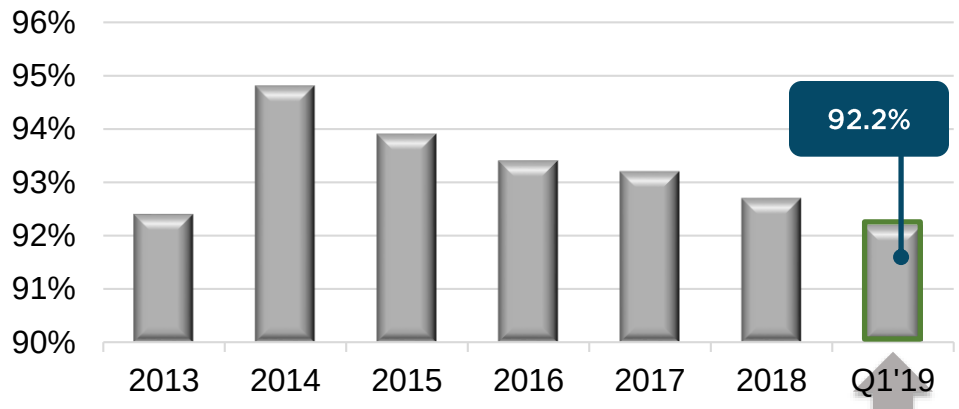
Net Income	Realized net income attributable to common shareholders of $5.7 million ($0.07 per common share) in Q1 2019
FFO	Q1 2019 FFO was $38.2 million ($0.44 per diluted common share), in line with KRG's guidance and analyst consensus
SPNOI	SPNOI for Q1 2019 was 1.8% higher year-over-year, which was slightly above the mid-point of KRG's guidance, and driven by an increase in minimum rent and net recoveries
Leasing	Executed 95 new leases for approximately 640,000 square feet (30% increase compared to last quarter) including 6 anchor leases for 200,000 square feet
Openings	Opened 26 new tenant spaces totaling 170,800 square feet. 58% of Q1 2019 openings were service or entertainment tenants
Small Shop	Increased small shop leased percentage year-over-year by 110 bps to 91.6%; KRG all-time high
Dispositions	During the quarter we sold 1 asset for $13.5M and subsequent to the quarter sold an additional 6 assets for $170.1M. Additionally, we have another $138M of assets under contract.

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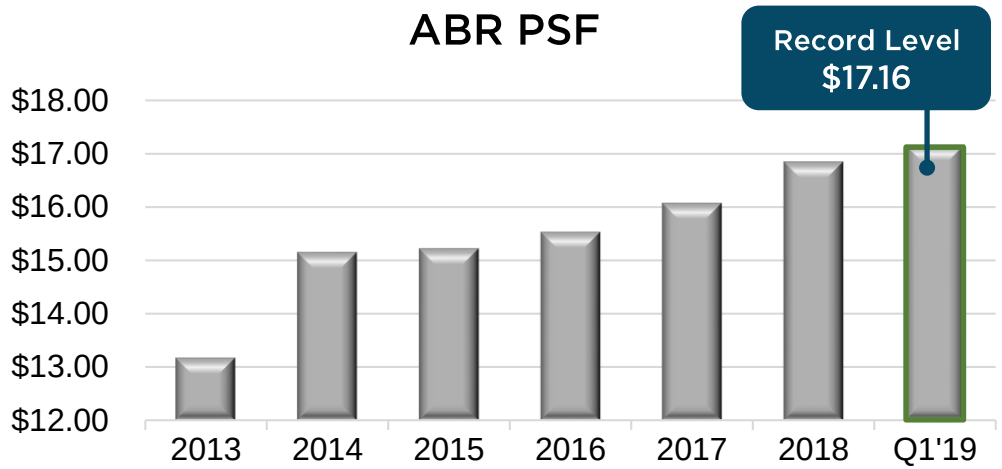
PORTFOLIO STATISTICS

ABR and Shop Space Occupancy Continue to Grow as Overall Occupancy Remains Steady

Total Occupancy Rate

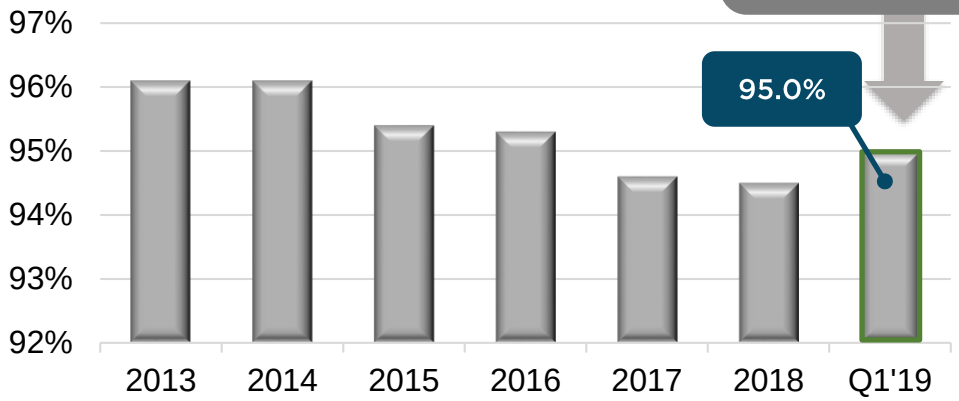


ABR PSF



Larger than average spread due to continued anchor leasing activity

Total Leased Rate



Small Shop Leased Rate

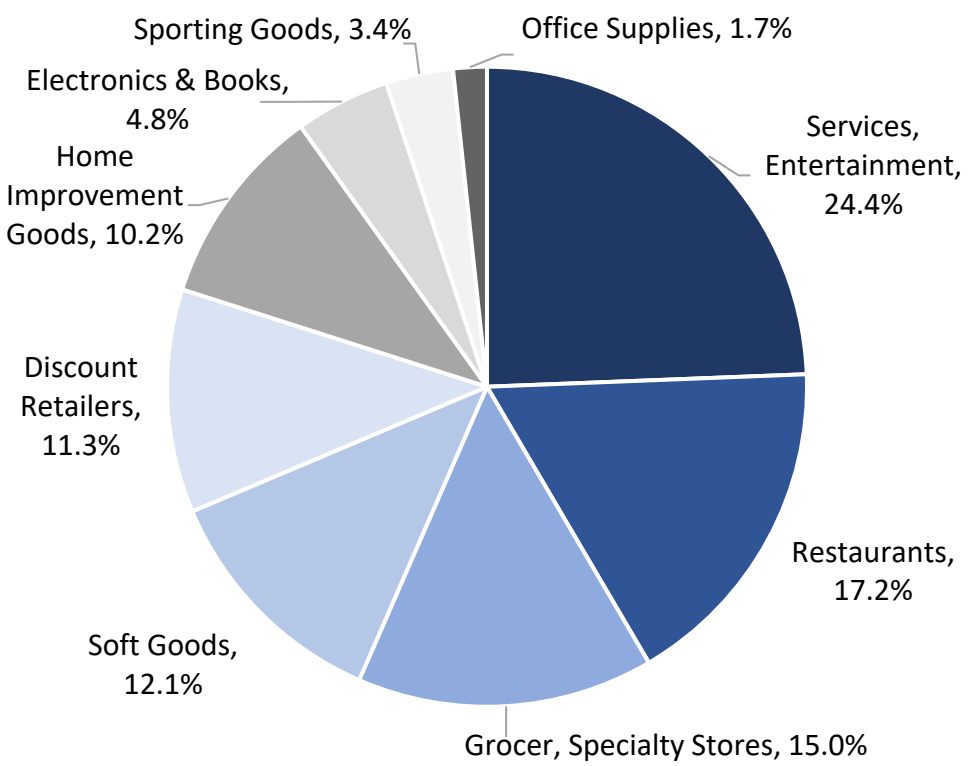


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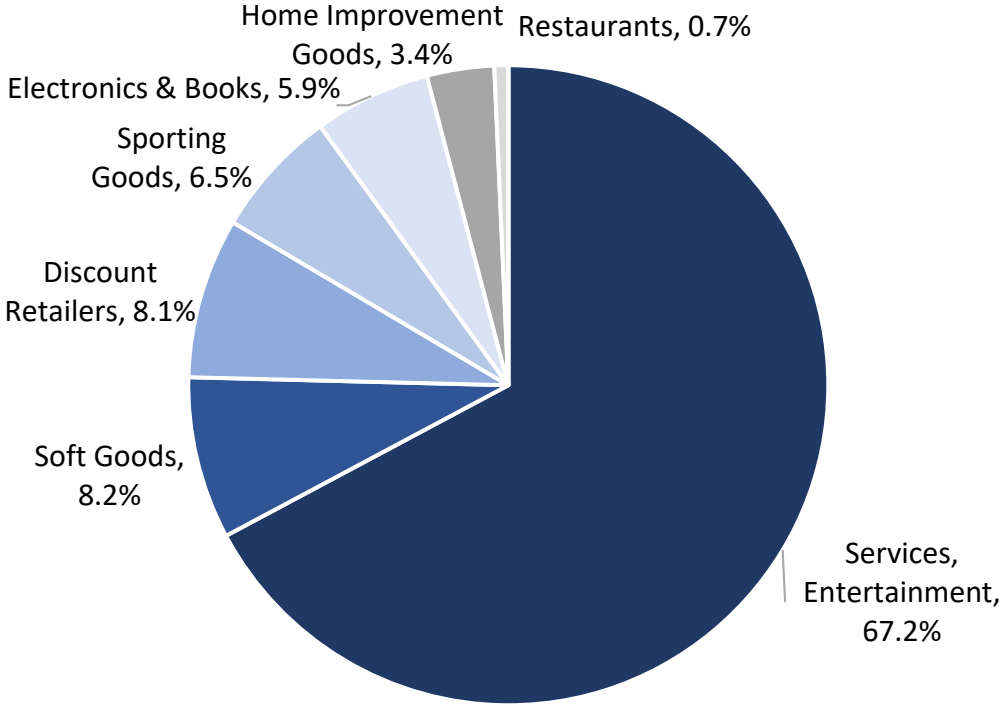
TENANT COMPOSITION CONTINUES TO EVOLVE

Providing shoppers with retail offerings they desire

Q1 2019 ABR TENANT MIX



Q1 2019 ABR OPENING TENANT MIX



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KRG Unique Investment Opportunity

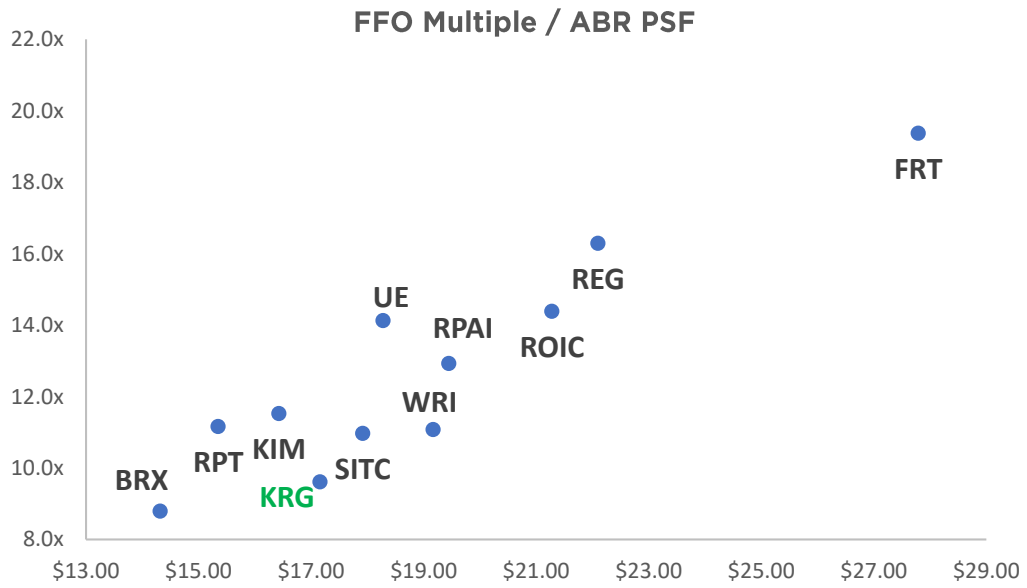


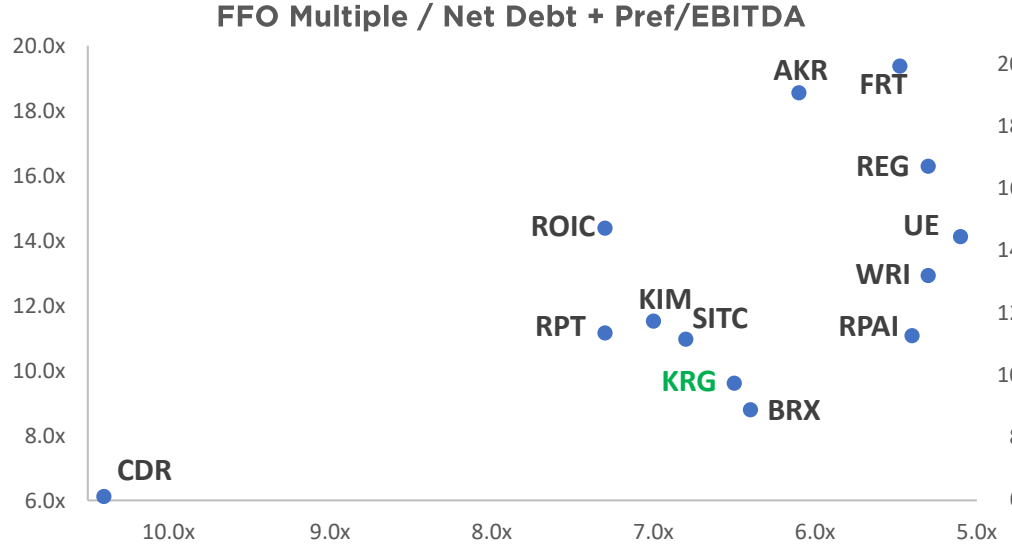
PEER GROUP EVALUATION

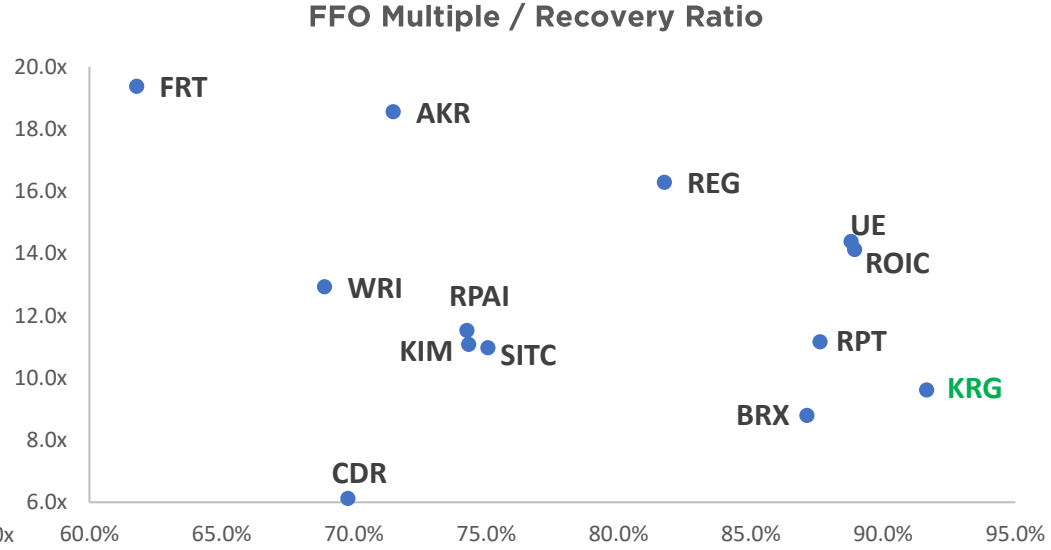
Many of the strip center REITs are valued based on their leverage levels and property quality

Data as of May 30, 2019

Ticker	FFO Multiple[1]	AFFO Multiple	Market Cap	Premium Discount to NAV	ABR PSF[2]	NOI Margin	Recovery Ratio	ND / E[2]	ND + Pref / E[2]
KRG	9.6x	11.3x	1,275	-32.4%	$ 17.28	72.4%	91.6%	6.5x	6.5x
REG	16.3x	19.5x	10,880	-7.8%	$ 22.10	69.7%	81.7%	5.3x	5.3x
AKR	18.5x	22.8x	2,267	-6.0%	$ 29.31	70.7%	71.5%	6.1x	6.1x
FRT	19.4x	23.2x	9,734	-4.1%	$ 27.79	67.8%	61.8%	5.3x	5.5x
RPAI	11.1x	16.7x	2,542	-28.3%	$ 19.17	70.6%	74.3%	5.4x	5.4x
WRI	12.9x	16.2x	3,669	-19.4%	$ 19.45	66.3%	68.9%	5.3x	5.3x
ROIC	14.4x	18.1x	1,912	-15.5%	$ 21.28	74.6%	88.8%	7.3x	7.3x
KIM	11.5x	15.3x	7,301	-12.2%	$ 16.43	71.5%	74.3%	5.7x	7.0x
BRX	8.8x	11.4x	5,119	-24.0%	$ 14.32	74.3%	87.1%	6.4x	6.4x
SITC	11.0x	13.7x	2,317	-19.1%	$ 17.92	67.8%	75.1%	5.5x	6.8x
UE	14.1x	16.5x	2,142	-20.0%	$ 18.28	66.1%	88.9%	5.1x	5.1x
CDR	6.1x	8.9x	245	-51.1%	$ 13.80	66.0%	69.8%	8.4x	10.4x
RPT	11.2x	16.8x	985	-19.8%	$ 15.35	68.2%	87.6%	6.6x	7.3x







1. FFO multiples represents 2020 consensus FFO and $15.22 stock price
2. Pro forma for all asset sales completed as of 5/30/2019

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ABSOLUTE AND RELATIVE DISCOUNT TO NET ASSET VALUE

- At $15.22 per share, KRG currently trades at a 32% discount to consensus NAV of $22.52 per share
- While the entire retail sector has been under pressure for several years, the retail peer group[1] trades at a median NAV discount of 20% to consensus as compared to KRG's 32% to consensus discount[2]

NAV[3]	Applied Capitalization Rate	Current Discount to NAV at $15.22 per Share
29.67	6.00%	49%
27.74	6.25%	45%
25.96	6.50%	41%
24.31	6.75%	37%
22.52	7.02%	32%
21.35	7.25%	29%
20.02	7.50%	24%
18.78	7.75%	19%
17.61	8.00%	14%
16.51	8.25%	8%
15.22	8.57%	0%

	Discount to Consensus NAV[4]
AKR	6%
BRX	24%
CDR	51%
FRT	4%
KIM	12%
REG	8%
ROIC	16%
RPAI	28%
RPT	20%
SITC	19%
UE	20%
WRI	19%
Average	**20%**
KRG[2]	**32%**

1. Peer group includes: AKR, BRX, CDR, SITE, FRT, KIM, REG, ROIC, RPAI, RPT, UE, and WRI
2. Assumes price of $15.22 per share as of 5/30/2019
3. Consensus NAV is from FactSet. NAV is calculated using KRG's 1Q '19 supplemental.
4. As of May 30, 2019

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ADDRESSING THE NAV DISCOUNT

During 2019 KRG is taking the following steps to address the absolute and relative discount to NAV:

Portfolio and Company Leverage

- Sell assets to generate between $350mm and $500mm of proceeds
- Use the proceeds to pay down debt and fortify the balance sheet
- Articulate an asset mix and market/geographic strategy

Tenants

- Campaign for new/underrepresented tenants
- Deepen partnerships with leading retailers

Best-in-Class Operations

- Re-up Big Box Surge program (very successful in 2018)
- Newly chartered office of Portfolio Management

Investors

- Campaign for new/underrepresented investors and better sell-side coverage

JV Partners

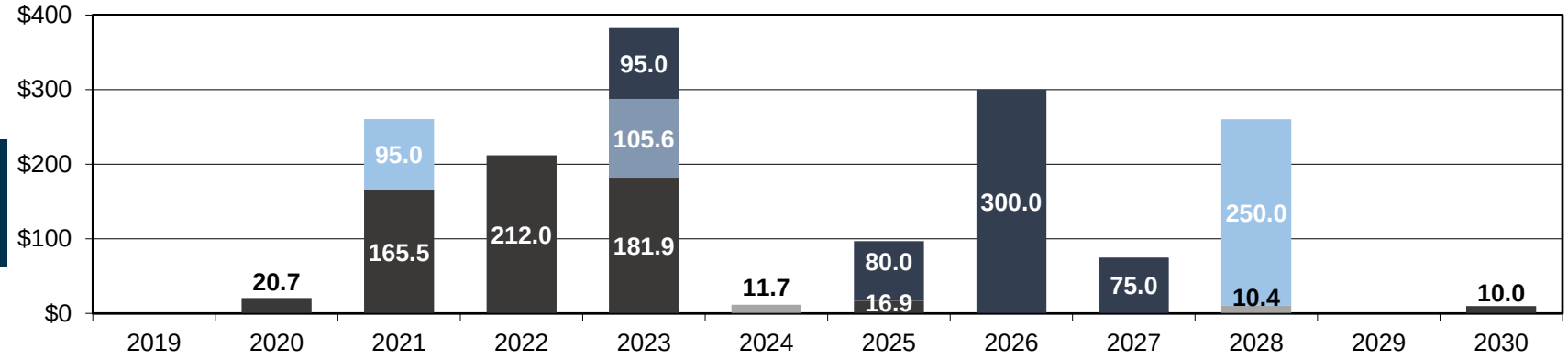
- Deepen and broaden relationships with blue-chip institutions

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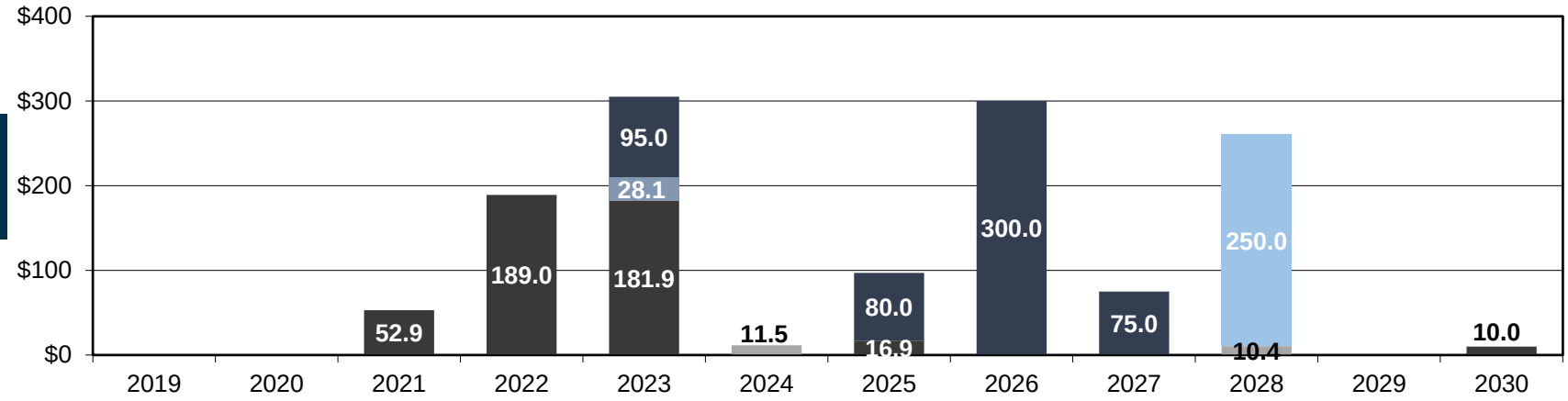
PROFORMA MATURITY LADDERS

$ in millions

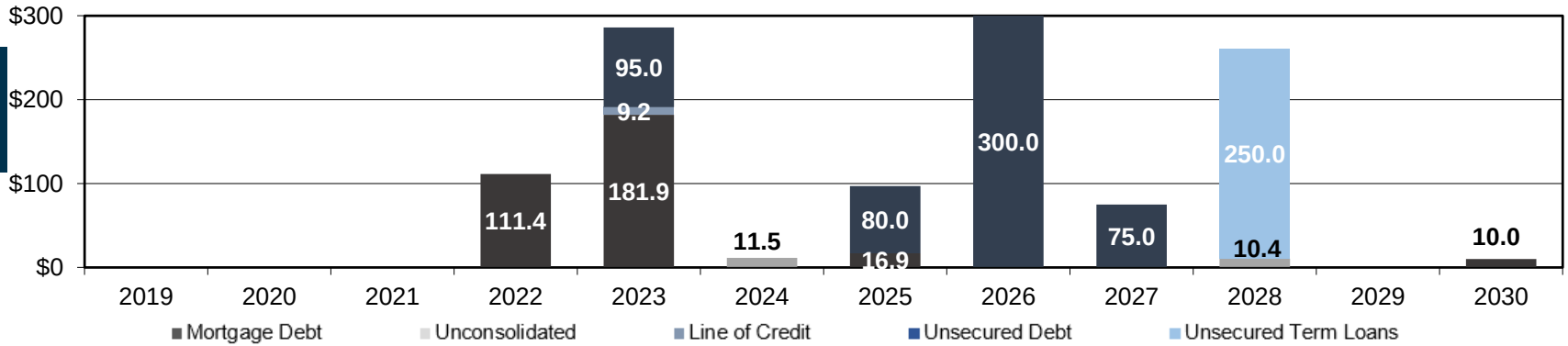
Q1 2019



$350mm Dispositions



$500mm Dispositions



Note: Charts exclude annual principal payments and net premiums on fixed rate debt. Assumes all available sale proceeds are used to pay down debt.

KRG LISTED NYSE
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METRICS IMPACT FROM SALES

Improved metrics relative to peer group based on $500mm of sales[1,2]

ABR PSF	
AKR	$ 29.31
FRT	$ 27.79
REG	$ 22.10
ROIC	$ 21.28
WRI	$ 19.45
RPAI	$ 19.17
UE	$ 18.28
KRG (Proforma)	**$ 18.00+**
SITC	$ 17.92
KRG (Current)[3]	**$ 17.27**
KIM	$ 16.43
RPT	$ 15.35
BRX	$ 14.32
CDR	$ 13.80

Net Debt / EBITDA	
CDR	8.4x
ROIC	7.3x
RPT	6.6x
KRG (Current)[3]	**6.5x**
BRX	6.4x
AKR	6.1x
KRG (Proforma)	**~5.9x**
KIM	5.7x
SITC	5.5x
RPAI	5.4x
FRT	5.3x
WRI	5.3x
REG	5.3x
UE	5.1x

Net Debt + Pref / EBITDA	
CDR	10.4x
ROIC	7.3x
RPT	7.3x
KIM	7.0x
SITC	6.8x
KRG (Current)[3]	**6.5x**
BRX	6.4x
AKR	6.1x
KRG (Proforma)	**~5.9x**
FRT	5.5x
RPAI	5.4x
WRI	5.3x
REG	5.3x
UE	5.1x

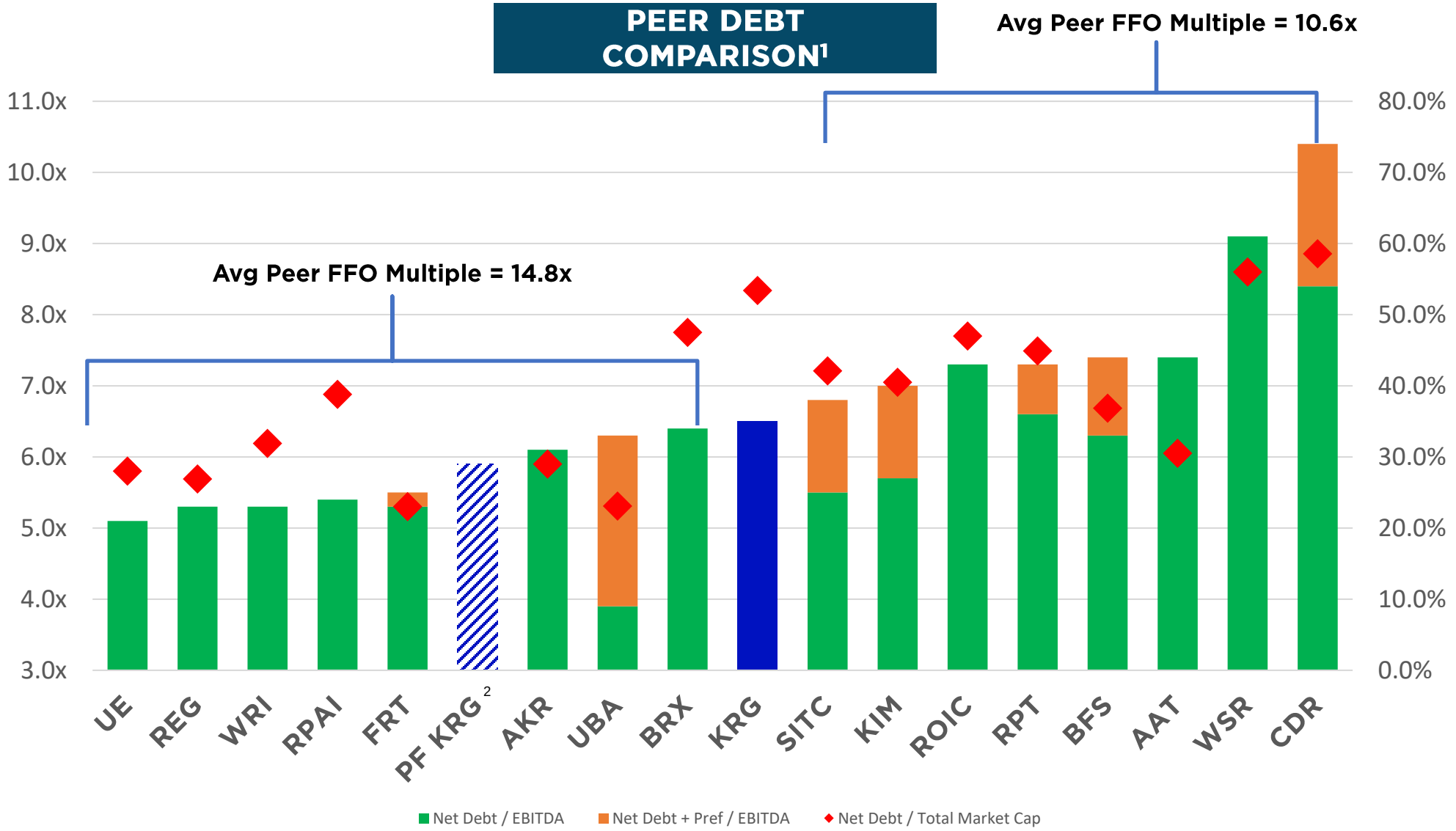
Avg Debt Duration (Yrs)	
KIM	10.2
FRT	10.0
REG	8.0
KRG (Proforma)	**7.0**
UE	6.4
SITC	6.0
KRG (Current)[3]	**5.5**
RPT	5.5
ROIC	5.5
WRI	5.4
BRX	5.0
CDR	4.8
AKR	4.6
RPAI	4.5

Note: Peer metrics sourced from SNL and/or peer supplement and are as of 3/31/2019.
1. Illustrative example that could differ from results of sales. Assumes peer metrics do not change
2. Based on the sale of the full disposition pool as it stands today, which can, and most likely will, change in the future
3. Pro forma for all asset sales completed as of May 30, 2019

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DEBT METRICS POST SALES

KRG has a strong balance sheet that will improve post sales compared to REIT peers

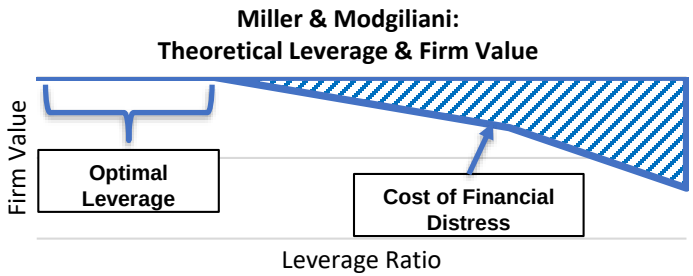


1. Source data from S&P Global and company supplementals using equity pricing as of 5/30/19
2. PF KRG is the proforma impact to KRG assuming $500mm of sales are completed and the proceeds are used to retire debt

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KRG aims to take advantage of an inefficient public market

- Assuming an efficient market and a REIT with "optimal leverage," a dollar-for-dollar asset-for-debt exchange *should not* impact the equity valuation



- Reducing KRG's current leverage levels further could translate into value creation with a better than "break even" multiple expansion

- Due to the perceived risk, the public market attributes a below market value for KRG's assets:
  - Private buyer will pay $50mm[1] for an asset
  - Public investor only assigns company $35mm[1] in capitalization value for the same asset

- Current public market should reward using sale proceeds to reduce debt:
  - Company sells asset for $50mm[1] to private investor and pays off company debt
  - Public investor gives company $50mm[1] in capitalization value for the transaction because company uses proceeds to pay down debt[2]

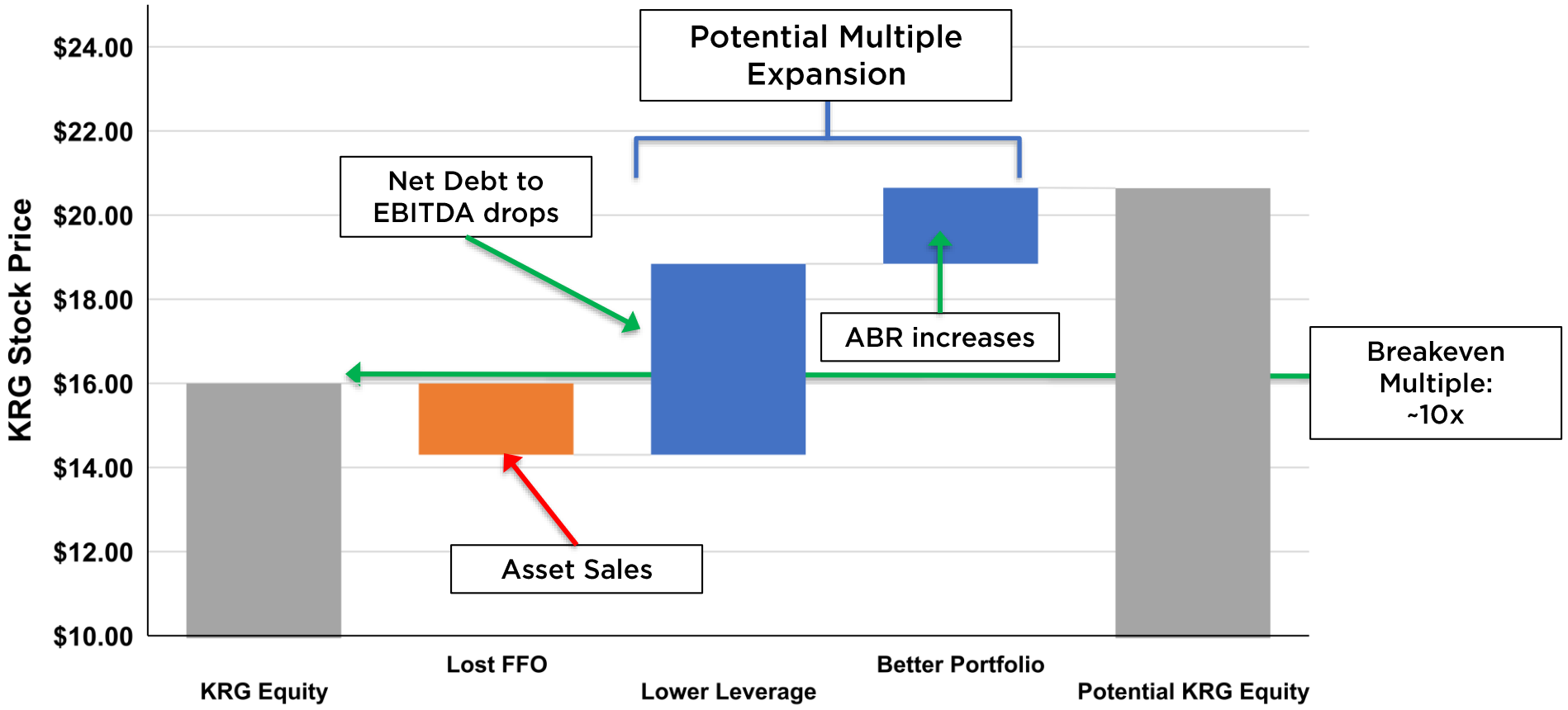
1. Numbers are an illustrative example
2. Assumes no material mark to market on the debt

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ILLUSTRATIVE MULTIPLE EXPANSION

Asset sales reduce FFO, but could result in a higher FFO multiple

Theoretical Equity Value Post Asset Sales & Debt Reduction[1]



Estimated Multiple / Multiple Increase	**8.9x / n/a**	**8.9x / 0.0x**	**11.8x / 2.8x**	**12.9x / 4.0x**	**12.9x / 4.0x**

1. Multiple expansion estimates based on comparable strip center REITs. This chart is illustrative only and assumes current market conditions, positive investor response and other assumptions and expectations that may not be realized and are inherently subject to risks. See p. 33 for more information.

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DISPOSITION UPDATE – 2019 YTD

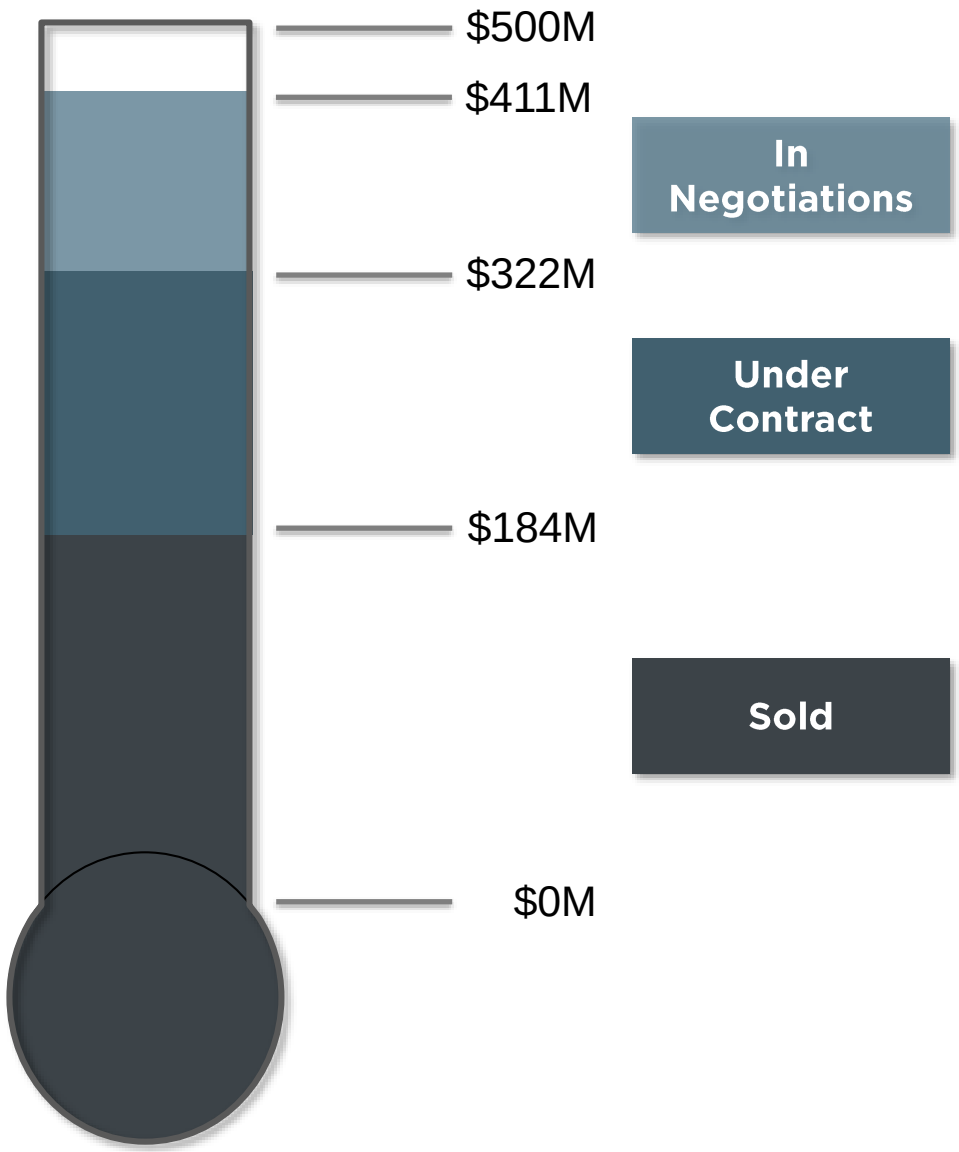
Disposition program has been successful to date in lowering debt levels and improving overall portfolio

DISPOSITION POOL CHARACTERISTICS[1]

Population (3 Mile)	54,000
Population Growth (3 Mile)	1.36%
Average Household Income (3 Mile)	$67,000
ABR / PSF (2019 Budget)	$13.00
Small Shop ABR Ratio	40%
% of ABR With Grocer component	30%
% of ABR in Top 50 Markets	33%
Average 2014-2019 NOI CAGR	1.4%

IMPROVING KRG METRICS

	12/31/18	3/31/19	5/30/19
Asset Sale Count	0	1	6
ABR	$16.84	$17.16	$17.27
Leased %	94.6%	95.0%	95.2%
Net Debt / EBITDA	6.7x	6.9x	6.5x
Demographics (5 MI)			
Avg HH Income	$89,724	$90,293	$91,279
Population	171,998	173,072	173,797
Bach Degree %	39.1%	39.0%	39.6%



1. Based on the disposition pool as it stands today, which may change in the future.

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2019: A Year of Change & Continued Operational Excellence



2019 PRIORITIES

- High performance business as usual in terms of increasing value across the portfolio
- Extreme focus on re-tenanting anchors with Big Box Surge initiative
- Continue to cultivate redevelopment opportunities so they are “shovel ready” when Big Box Surge is complete and capital becomes available
- Swiftly execute disposition program while environment is receptive and pricing remains attractive
- Suffer short term and necessary earnings dilution in 2019 & 2020
- Set the foundation for outsized earnings growth in 2021 and beyond

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INCREASING VALUE OF CURRENT PORTFOLIO



Embedded NOI Growth Opportunities in Portfolio

- $1.8mm of additional cash NOI from in-process development and redevelopment projects
- Continue to identify redevelopment opportunities to enhance portfolio quality
- Undertaking a portfolio optimization strategy in 2019

- ABR of new leases executed in Q1 is 12.1% higher than the ABR for the operating retail portfolio
- Embedded average contractual rent bumps of ~1.5%
- Fixed CAM recovery initiative to increase current operating portfolio from 34% today to 50% in the future

- Big Box Surge Initiative – executed 6 anchor leases in Q1 2019
- Small shop leased at 91.6%
- Economic occupancy (92%) is 300 basis points below leased rate, which equates to approximately $9M of NOI

- Attractive NOI Margin: 74.5% in Q1 2019
- Opportunity Areas: Operating expense savings, overage rent and ancillary income

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BIG BOX LEASING

KRG has successfully addressed big box vacancies with strong retail concepts

- KRG's portfolio is:
  - 48% box and 52% small shop/ground lease by ABR
  - 67% box and 33% small shop by GLA
- 96.7% anchor leased
- KRG has executed complete backfills and box splits between multiple tenants
- New tenants are strong retailers and will drive additional traffic to the properties
- Since 2018 KRG executed 20 anchor leases for over 525k sf at comparable cash spreads of 16%[1]
- Return on cost on these leases has been over 14%



1) Excludes a strategic lease noted in KRG's Q1'19 supplemental.

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MULTIPLE WAYS TO ADDRESS A BOX VACANCY

RE-TENANT

+ No loss of square footage
+ Less capital required
+ Higher return on capital
- Harder to lease as fewer tenants can take space

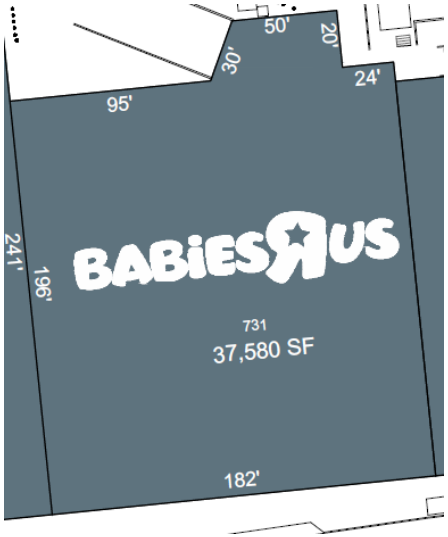
BOX SPLIT

+ More demand for smaller spaces
+ Higher ABR psf
+ De-risk center as less NOI associated with one tenant
- Cost to split box
- Loss of square feet

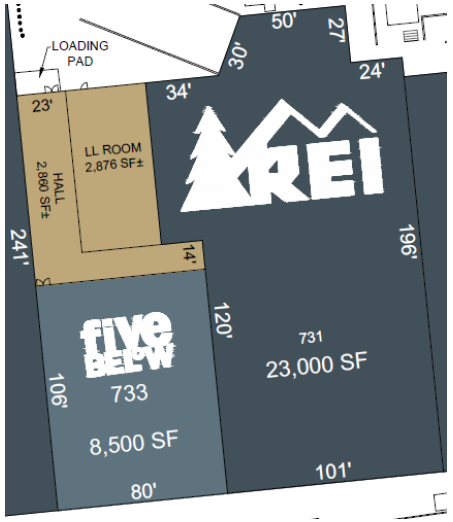
BOX SPLIT CASE STUDY: BELLE ISLE STATION

- Converted 38k sf Babies "R" Us into 2 spaces
  - 8.8k SF Five Below
  - 23.0k SF Old Navy
- Cost of ~$150psf[1]
- Lost ~6k SF, but increase in ABR more than offset lost space
- ABR went from ~$3.80 psf to ~$18.00 psf
- Incremental yield on cost of ~11%

Before



After

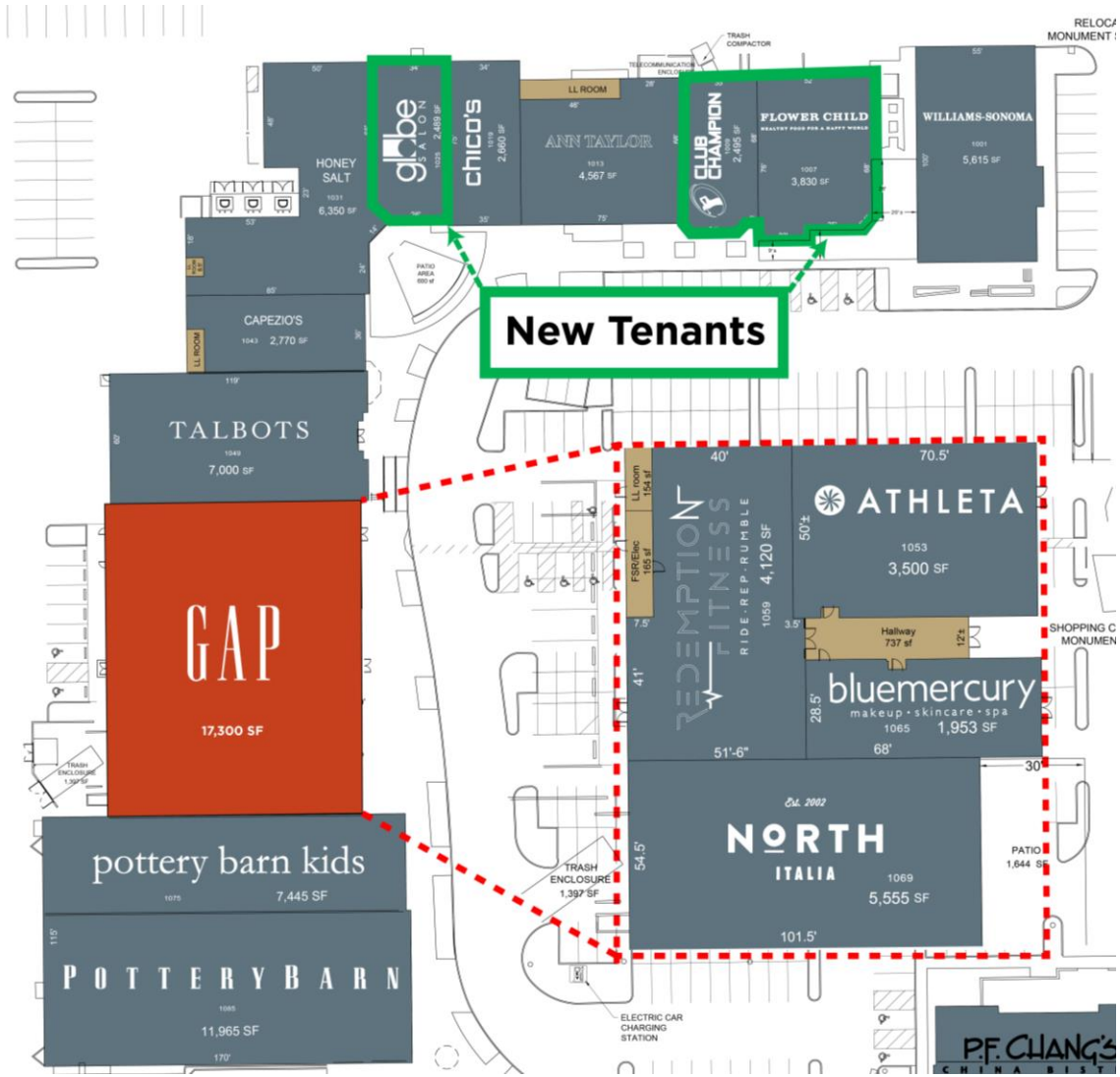


(1) Excludes $10psf related to the buyout of the lease

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RE-TENANT VALUE CREATION

RAMPART COMMONS REDEVELOPMENT



Key actions taken:

- Replaced a 17k SF GAP with a diverse lineup of lifestyle retailers
- Filled 4.5k SF of vacant space with an expansion of restaurant and signing of service retailer
- Relocated soft goods retailer to more appropriate location and backfilled with two new tenants

Redevelopment not only added ABR & NOI…

- ABR psf increase 39%[1]
- NOI increased 22%[1]

…but also de-risked the asset, thereby driving down the cap rate

- Purchased at ~7% cap rate; current 3rd party estimate is sub-6%

(1) 2019 budget versus 2016 actual

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KRG MARKETS

Market Thesis

- KRG's long term to goal is to have at least 80% of its NOI generated from 15-20 focus markets that meet certain data-driven criteria
- Assets outside of the 15-20 focus markets will generally be located in extremely productive submarkets (e.g. Naples) or will be assets that demonstrate the ability to achieve focus market returns (e.g. Eddy Street Commons) ("EPSA Portfolio[1]")
- Upon completion of KRG's disposition program, approximately 62% of KRG's NOI will be from the 15-20 focus markets

Market Criteria

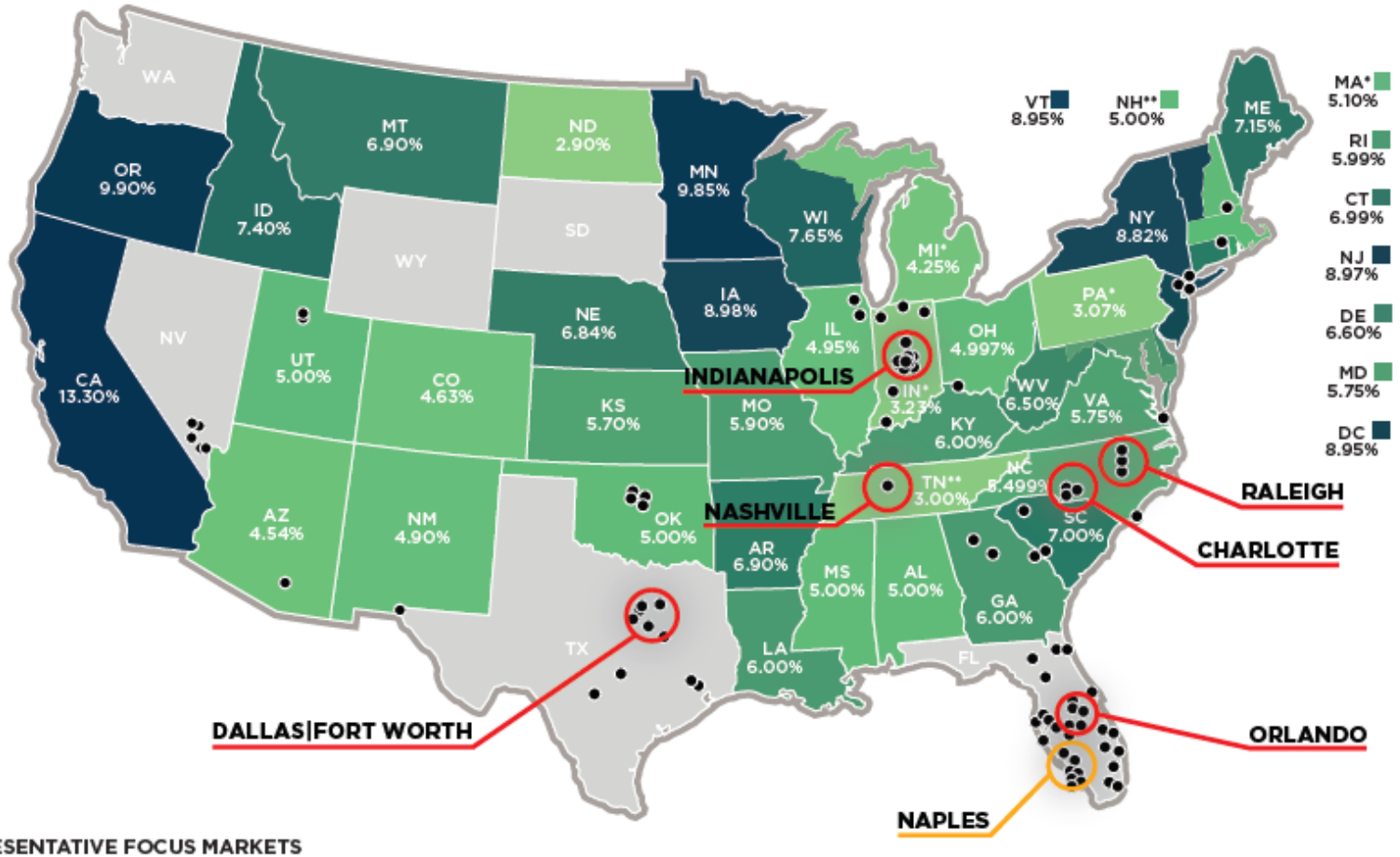
- Top 50 Markets as ranked by Green Street
- Rational ingoing capitalization rates for high-quality assets in best sub-markets relative to KRG's cost of capital
- Attractive spread between ingoing capitalization rates and risk adjusted IRRs
- Above average in purchasing power growth
- Likely beneficiaries of secular and macro trends such as internet penetration, employer and population migration patterns, political landscape and barriers to entry
- Ability to gain scale as retail real estate is still a local business

(1) EPSA Portfolio: comprised of Extremely Productive Submarkets and Assets

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STATE INCOME TAX IMPACTS

High state incomes taxes are magnified by new SALT tax laws



REPRESENTATIVE FOCUS MARKETS

REPRESENTATIVE EPSA
Extremely Productive Submarkets and Assets

DOTS REPRESENT KRG PROPERTIES

Note: (*) State has a flat income tax. (**) State only taxes interest and dividends income. Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.
Source: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.

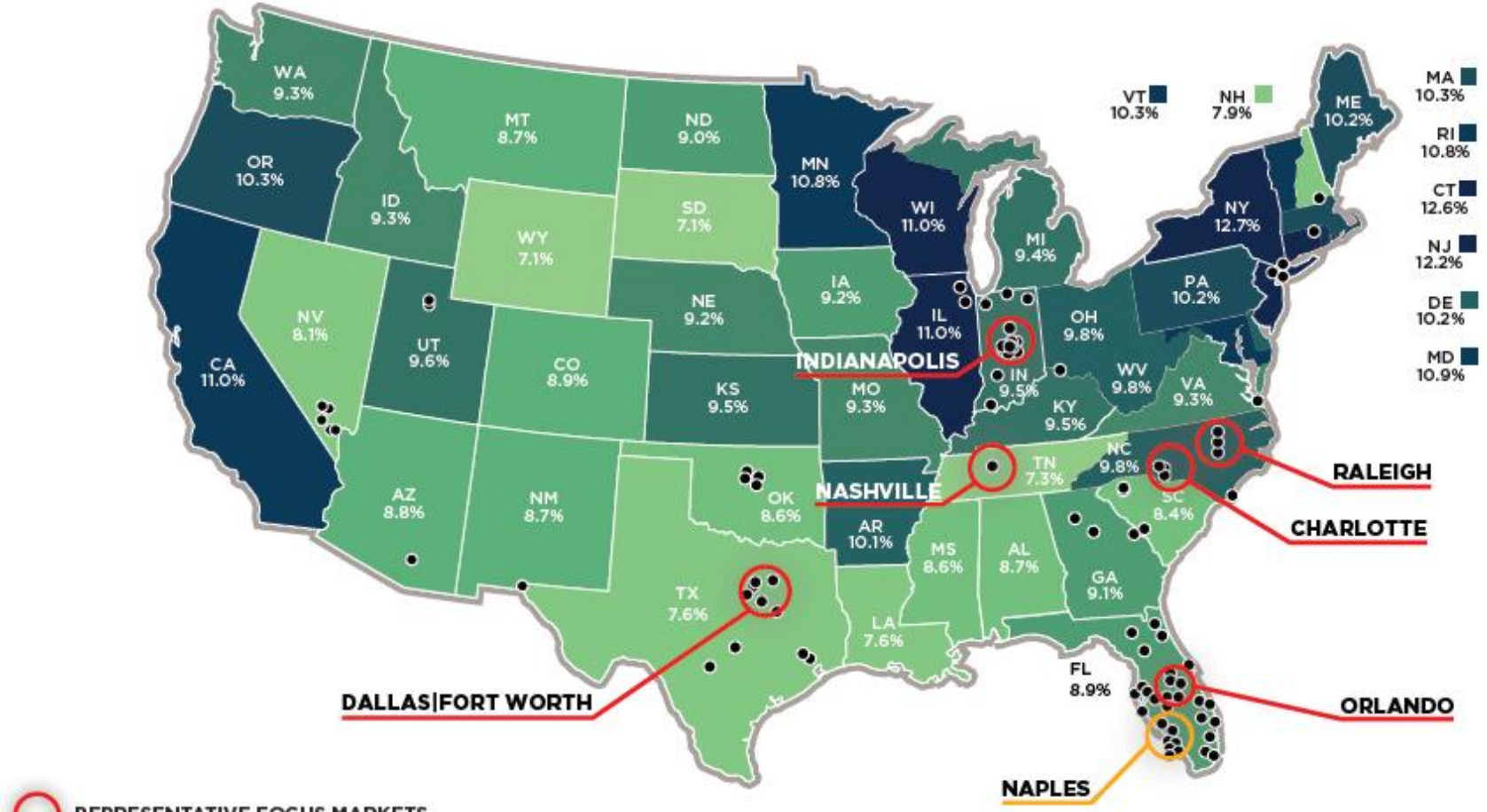
Top State Marginal Individual Income Tax Rate

Lower — Higher

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STATE & LOCAL TAX AS PERCENTAGE OF INCOME

Again, state and local taxes are magnified by new SALT tax laws



REPRESENTATIVE FOCUS MARKETS

REPRESENTATIVE EPSA
Extremely Productive Submarkets and Assets

DOTS REPRESENT KRG PROPERTIES

Source: *Tax Foundation, State-Local Tax Burden Rankings FY2012*

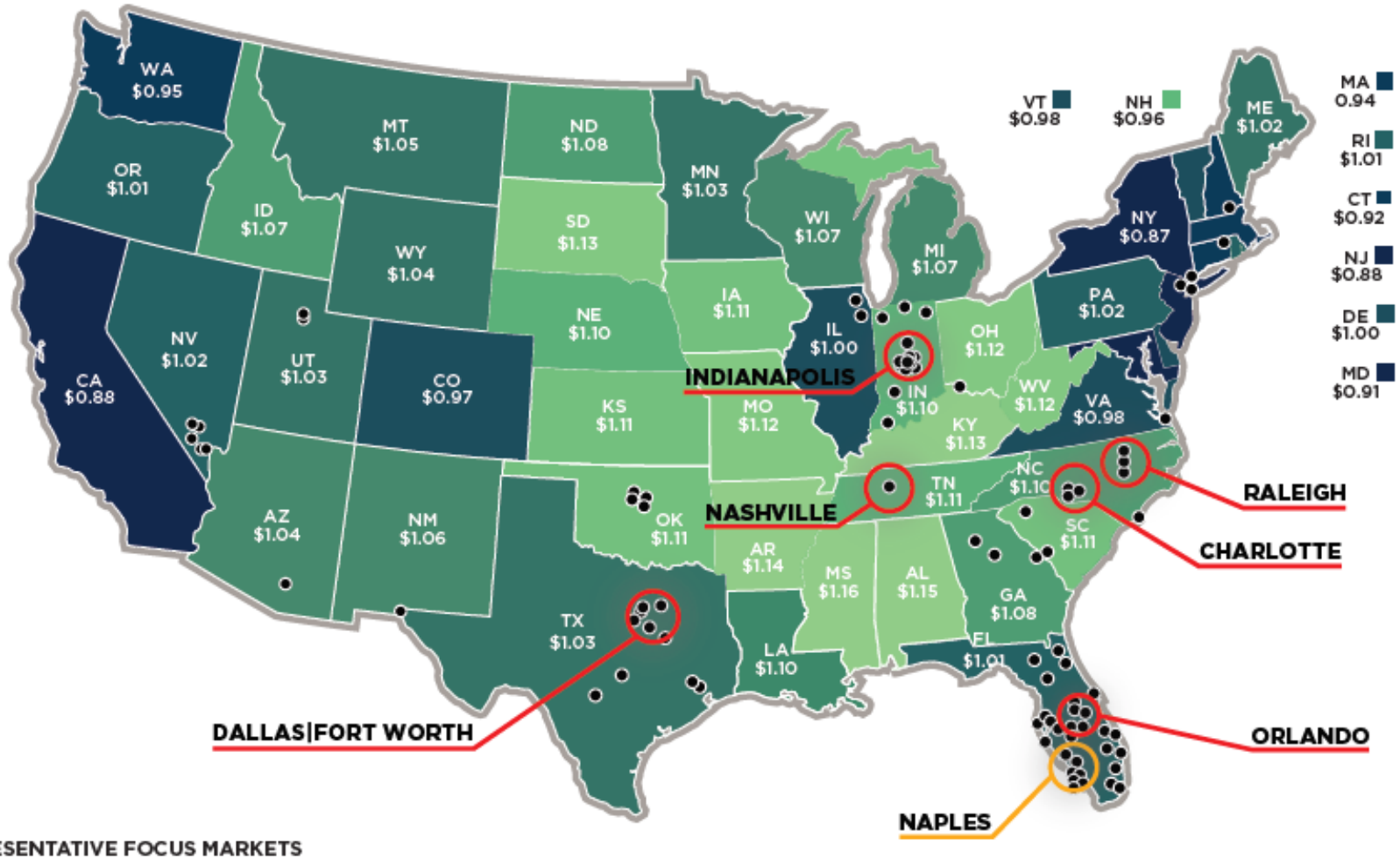
State & Local Tax Burden as Share of State Income

Lower — Higher

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COST OF LIVING AS MEASURED BY $1.00

A dollar of income goes much further in certain states



REPRESENTATIVE FOCUS MARKETS

REPRESENTATIVE EPSA
Extremely Productive Submarkets and Assets

DOTS REPRESENT KRG PROPERTIES

Source: USA Today, Cost of living: The Purchasing power of a dollar in every state

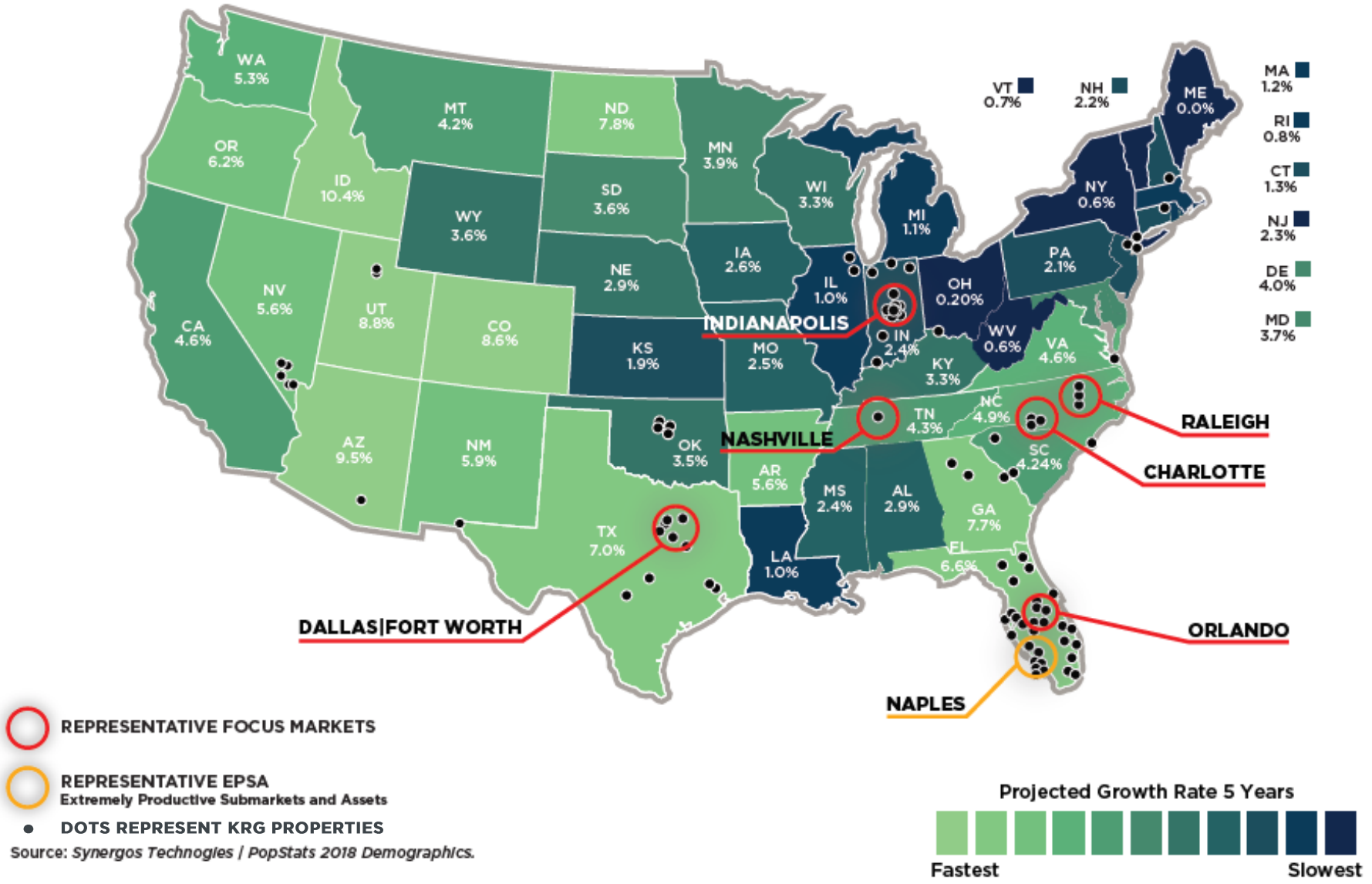
Cost of Living Index

Lower — Higher

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FUTURE MIGRATION ESTIMATES FOR NEXT 5 YEARS

KRG portfolio is positioned well for estimated future migration in US



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Real Estate Thesis

- KRG will focus on holding and/or acquiring best-in-class assets that meet the criteria set forth below
- Until KRG's cost of capital normalizes any near term material acquisition activity would likely be in a JV vehicle with KRG as a minority operating partner

Real Estate Criteria

- Convenience/necessity-based, longer dwell time or both
- Ability to adapt/reconfigure to respond to changing retailer needs
- Main and Main locations
- Densification and/or diversification opportunity
- Strong imbedded growth or value add-opportunity
- Supportive local government

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2019 NET INCOME & FFO GUIDANCE

Net Income to FFO Reconciliation

	Low	High
Net Income Guidance	**$0.10**	**$0.20**
Impairment Charge	(0.05)	(0.05)
Gains on Sale of Properties	0.07	0.07
Depreciation	(1.58)	(1.58)
FFO - Guidance	**$1.66**	**$1.76**

	Low	High
2018 FFO	$2.00	$2.00
2019 Pre-Disposition Adjustments		
2018 Dispositions	(0.05)	(0.05)
Lease Accounting Rules	(0.06)	(0.06)
One-Time Income Items[1]	(0.09)	(0.09)
Same Store NOI (1.25% - 2.25%)	0.03	0.05
Lease Termination & Other Revenue	(0.03)	0.00
G&A	(0.02)	(0.01)
Interest Expense	(0.03)	(0.03)
Subtotal - 2019 Pre-Disposition Adjustments	**(0.24)**	**(0.18)**
2019 FFO - Pre-Dispositions	**1.76**	**1.82**
2019 Disposition Net Impact [2,3]	(0.10)	(0.06)
FFO - Guidance	**$1.66**	**$1.76**
2019 Disposition Net Impact Annualized [3,4]	(0.29)	(0.20)

1. Relates to Eddy Street Commons development fee and cash and non-cash impact of Toys 'R Us bankruptcy. Also includes ($0.03) from business interruption income.
2. Disposition NOI less anticipated interest savings based on weighted-average sale date of August 31, 2019.
3. Low end of range assumes $500 million in proceeds while high end of range assumes $350 million in proceeds.
4. Annualized 2019 disposition NOI less annualized anticipated interest savings.

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DISCLAIMER

FORWARD-LOOKING STATEMENTS

This supplemental information package, 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 insolvency and bankruptcy;
- the competitive environment in which the Company operates;
- 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 federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property the Company owns;
- 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 reports the Company files with the Securities and Exchange Commission (“the SEC”) or in other documents that it publicly disseminates, including, in particular, the section titled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and in our quarterly reports on Form 10-Q.

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

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NON-GAAP FINANCIAL MEASURES

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. The Company calculates 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"), as restated in 2018. The NAREIT white paper defines FFO as net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investments, and after adjustments for unconsolidated partnerships and joint ventures.

Considering the nature of our business as a real estate owner and operator, the Company believes 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. FFO (a) should not be considered as an alternative to net income (calculated in accordance with GAAP) for the purpose of measuring our financial performance, (b) is not an alternative to cash flow from operating activities (calculated in accordance with GAAP) as a measure of our liquidity, and (c) 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. A reconciliation of net income (calculated in accordance with GAAP) to FFO is included in the 1Q'18 Financial Supplement.

NET OPERATING INCOME AND SAME PROPERTY NET OPERATING INCOME

The Company uses property net operating income ("NOI"), a non-GAAP financial measure, to evaluate the performance of our properties. The Company defines 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. The Company believes 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.

The Company also uses same property NOI ("Same Property NOI"), a non-GAAP financial measure, to evaluate the performance of our 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. The Company believes 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 and fully operational for the full quarters presented. The Company believes such presentation eliminates disparities in net income due to the acquisition or disposition of properties during the particular quarters presented and thus provides a more consistent comparison of our properties. The year-to-date results represent the sum of the individual 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, the Company has 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 the Company begins recapturing space from tenants. For the quarter ended March 31, 2019, the Company excluded four redevelopment properties and four recently completed redevelopments from the same property pool that met these criteria and were owned in both comparable periods.

EARNINGS BEFORE INTEREST EXPENSE, INCOME TAX EXPENSE, DEPRECIATION AND AMORTIZATION (EBITDA)

The Company defines EBITDA, a non-GAAP financial measure, as net income before depreciation and amortization, interest expense and income tax expense of taxable REIT subsidiary.

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APPENDIX: RECONCILIATION OF SAME PROPERTY NOI TO NET INCOME

($ in thousands)

	Three Months Ended March 31,		
	2019	2018	% Change
Number of properties for the quarter[1]	100	100	
Leased percentage at period end	95.0%	94.7%	
Economic Occupancy percentage[2]	92.2%	93.2%	
Minimum rent	$ 57,145	$ 56,545	
Tenant recoveries	16,577	16,208	
Bad debt	(564)	(353)	
Other income	383	292	
	73,541	72,692	
Property operating expenses	(8,888)	(9,098)	
Real estate taxes	(9,541)	(9,460)	
	(18,429)	(18,558)	
Same Property NOI[3]	**$ 55,112**	**$ 54,134**	**1.8%**
Reconciliation of Same Property NOI to Most Directly Comparable GAAP Measure:			
Net operating income - same properties	$ 55,112	$ 54,134	
Net operating income - non-same activity[4]	6,766	12,405	
Other expense, net	(529)	(128)	
General, administrative and other	(6,777)	(5,945)	
Impairment charges	(4,077)	(24,070)	
Depreciation and amortization expense	(34,635)	(38,556)	
Interest expense	(16,459)	(16,337)	
Gains on sales of operating properties	6,587	500	
Net (income) loss attributable to noncontrolling interests	(273)	80	
Net income (loss) attributable to common shareholders	$ 5,715	$ (17,917)	

1 Same Property NOI excludes (i) The Corner, Courthouse Shadows, Glendale Town Center, and Hamilton Crossing redevelopments, (ii) the recently completed Beechwood Promenade, City Center, Fishers Station, and Rampart Commons redevelopments and (iii) 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.

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APPENDIX: RECONCILIATION OF FFO TO NET INCOME

($ in thousands)	Three Months Ended March 31,	
	2019	2018
Consolidated net income (loss)	$ 5,988	$ (17,997)
Less: net income attributable to noncontrolling interests in properties	(132)	(351)
Less: gain on sales of operating properties	(6,587)	(500)
Add: impairment charges	4,077	24,070
Add: depreciation and amortization of consolidated and unconsolidated entities, net of noncontrolling interests	34,896	38,278
FFO of the Operating Partnership[1]	**38,242**	**43,500**
Less: Limited Partners' interests in FFO	(918)	(1,022)
Funds From Operations attributable to Kite Realty Group Trust common shareholders[1]	**$ 37,324**	**$ 42,478**

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.

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APPENDIX: RECONCILIATION OF EBITDA TO NET INCOME

($ in thousands)	Three Months Ended March 31, 2019	
Consolidated net income	$	5,988
Adjustments to net income:		
Depreciation and amortization		34,635
Interest expense		16,459
Income tax benefit of taxable REIT subsidiary		(82)
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		57,000
Adjustments to EBITDA:		
Unconsolidated EBITDA		272
Gain on sale of operating property		(6,587)
Impairment charge		4,077
Pro-forma adjustments[3]		734
Other income and expense, net		611
Noncontrolling interest		(132)
Adjusted EBITDA		55,975
Annualized Adjusted EBITDA[1]	**$**	**223,900**
Company share of net debt:		
Mortgage and other indebtedness	$	1,602,604
Plus: Company Share of Unconsolidated Joint Venture Debt		22,096
Plus: Net debt premiums and issuance costs, net		5,008
Less: Partner share of consolidated joint venture debt[2]		(1,127)
Less: Cash, cash equivalents, and restricted cash		(52,624)
Less: Pro-forma adjustment [4]		(27,200)
Company Share of Net Debt	$	1,548,757
Net Debt to Adjusted EBITDA		**6.9x**

1. Represents Adjusted EBITDA for the three months ended March 31, 2019 (as shown in the table above) multiplied by four.
2. Partner share of consolidated joint venture debt is calculated based upon the partner's pro-rata ownership of the joint venture, multiplied by the related secured debt balance. In all cases, this debt is the responsibility of the consolidated joint venture.
3. Relates to current quarter GAAP operating income, annualized, for properties sold and acquired during the quarter and for seasonality with other property related revenue.
4. Relates to timing of quarterly dividend payment being made prior to quarter-end resulting in two payments during the quarter.

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