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WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q/A
October 25, 2001

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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2001

OR

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

For the transition period from _____ to _____

Commission file number 1-9876

WEINGARTEN REALTY INVESTORS

(Exact name of registrant as specified in its charter)

Texas

74-1464203

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

2600 Citadel Plaza Drive, P.O. Box 924133, Houston, Texas

77292-4133

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (713) 866-6000

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes X. No.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

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PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 11, 2001, there were 32,348,057 common shares of beneficial interest of Weingarten Realty Investors, \$.03 par value, outstanding.

PART 1 FINANCIAL INFORMATION

This amendment on Form 10-Q/A is being filed to give effect to the restatement of the Company's financial statements, as discussed in Note 10 thereto.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WEINGARTEN REALTY INVESTORS STATEMENTS OF CONSOLIDATED INCOME (UNAUDITED) (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31,	
	2001	2000
	(As restated, Note 10)	
Revenues:		
Rentals	\$ 66,479	\$ 57,888
Interest income	870	1,378
Other	869	433
	-----	-----
Total	68,218	59,699
	-----	-----
Expenses:		
Depreciation and amortization	15,751	12,935
Interest	10,873	10,046
Operating	9,961	8,491
Ad valorem taxes	8,511	7,387
General and administrative	2,375	1,874
	-----	-----

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Total	47,471	40,733
	-----	-----
Income Before Equity in Earnings of Joint Ventures, Minority Interest in Income of Partnerships and Gain on Sales of Property	20,747	18,966
Equity in Earnings of Joint Ventures	1,005	1,040
Minority Interest in Income of Partnerships.	(660)	(555)
Gain on Sales of Property.	4,310	
	-----	-----
Net Income	25,402	19,451
Dividends on Preferred Shares.	5,010	5,010
	-----	-----
Net Income Available to Common Shareholders.	\$ 20,392	\$ 14,441
	=====	=====
Net Income Per Common Share - Basic.	\$.68	\$.54
	=====	=====
Net Income Per Common Share - Diluted.	\$.68	\$.54
	=====	=====
Net Income	\$ 25,402	\$ 19,451
	-----	-----
Other Comprehensive Loss:		
Cumulative effect of change in accounting principle (SFAS 133) on other comprehensive loss.	(1,877)	
Unrealized derivative losses on interest rate swaps.	(1,269)	
	-----	-----
Other Comprehensive Loss	(3,146)	
	-----	-----
Comprehensive Income	\$ 22,256	\$ 19,451
	=====	=====

See Notes to Consolidated Financial Statements.

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(As restated,

ASSETS

Property	\$ 1,797,200	\$
Accumulated Depreciation	(373,716)	

Property - net	1,423,484	
Investment in Real Estate Joint Ventures	27,852	

Total	1,451,336	
Notes Receivable from Real Estate Joint Ventures and Partnerships	40,568	
Unamortized Debt and Lease Costs	36,717	
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$1,905 in 2001 and \$1,884 in 2000)	19,496	
Cash and Cash Equivalents	4,193	
Other	24,320	

Total	\$ 1,576,630	\$
	=====	

LIABILITIES AND SHAREHOLDERS' EQUITY

Debt	\$ 691,339	\$
Accounts Payable and Accrued Expenses	37,198	
Other	7,244	

Total	735,781	
Minority Interest	29,796	

Commitments and Contingencies		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
7.44% Series A cumulative redeemable preferred shares of beneficial interest; 3,000 shares issued and outstanding; liquidation preference \$25 per share	90	
7.125% Series B cumulative redeemable preferred shares of beneficial interest; 3,600 shares issued and 3,543 and 3,552 shares outstanding in 2001 and 2000; liquidation preference \$25 per share	106	
7.0% Series C cumulative redeemable preferred shares of beneficial interest; 2,300 shares issued and 2,260 and 2,266 shares outstanding in 2001 and 2000; liquidation preference \$50 per share	68	
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 150,000; shares issued and outstanding: 31,658 in 2001 and 26,921 in 2000	949	
Capital Surplus	947,161	
Accumulated Dividends in Excess of Net Income	(134,175)	
Accumulated Other Comprehensive Loss	(3,146)	

Shareholders' Equity	811,053	

Total	\$ 1,576,630	\$
	=====	

See Notes to Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
STATEMENTS OF CONSOLIDATED CASH FLOWS
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Three Months Ended March 31,	
	2001	2000
	(As restated, Note 10)	
Cash Flows from Operating Activities:		
Net income	\$ 25,402	\$ 19,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,751	12,935
Minority interest in income of partnerships	660	555
Equity in earnings of joint ventures	(1,005)	(1,040)
Gain on sales of property	(4,310)	
Changes in accrued rent and accounts receivable	4,589	7,434
Changes in other assets	(5,541)	(3,973)
Changes in accounts payable and accrued expenses	(24,476)	(23,076)
Other, net	614	797
	11,684	13,083
Cash Flows from Investing Activities:		
Investment in properties	(77,064)	(18,171)
Notes Receivable:		
Advances	(2,271)	(2,641)
Collections	193	171
Proceeds from sales and disposition of property	5,450	
Real estate joint ventures and partnerships:		
Investments	(550)	(381)
Distributions	921	687
	(73,321)	(20,335)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Debt		33,508
Common shares of beneficial interest	188,830	

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Principal payments of debt	(101,123)	(228)
Common and preferred dividends paid	(30,009)	(25,030)
Other, net.	811	(116)
	-----	-----
Net cash provided by financing activities	58,509	8,134
	-----	-----
Net increase (decrease) in cash and cash equivalents.	(3,128)	882
Cash and cash equivalents at January 1.	7,321	4,603
	-----	-----
Cash and cash equivalents at March 31	\$ 4,193	\$ 5,485
	=====	=====

See Notes to Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

1. INTERIM FINANCIAL STATEMENTS

The consolidated financial statements included in this report are unaudited, except for the balance sheet as of December 31, 2000. In the opinion of WRI, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in WRI's annual financial statements and notes.

2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, WRI adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 establishes accounting and reporting standards for derivative instruments. Specifically SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either shareholders' equity or net income depending on whether the derivative instruments qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

WRI hedges the future cash flows of debt transactions principally through interest rate swaps with major financial institutions. WRI has five interest rate swap contracts with an aggregate notional amount of \$90 million that convert variable interest payments to fixed interest payments

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at rates from 6.8% to 7.87%. These swaps have been designated and qualify as cash flow hedges. We have determined these swap agreements are highly effective in offsetting future variable interest cash flows of the related debt instruments. As of January 1, 2001, the adoption of the new standard resulted in a cumulative transition adjustment of \$1.9 million to accumulated other comprehensive loss, a component of shareholders' equity, and a corresponding liability of the same amount. For the three months ended March 31, 2001, the change in fair market value of our interest rate swaps was \$1.2 million and was recorded in accumulated other comprehensive loss. We do not anticipate any material reclassifications to earnings from accumulated other comprehensive loss over the next 12 months.

In July 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on EITF Issue No. 00-1, "Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures." This consensus requires that the proportionate share method of presenting balance sheet and income statement information for partnerships and other ventures in which entities have joint interest and control be discontinued, except in limited circumstances. WRI was required to conform with the guidance provided in this Issue effective December 31, 2000. Accordingly, the consolidated financial statements for all periods presented in this Form 10-Q have been restated to conform with the revised presentation.

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3. PER SHARE DATA

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

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Numerator:		
Net income available to common shareholders - basic	\$ 20,392	\$ 14,441
Income attributable to operating partnership units.	35	39
	-----	-----
Net income available to common shareholders - diluted	\$ 20,427	\$ 14,480
	=====	=====
Denominator:		
Weighted average shares outstanding - basic	30,109	26,707
Effect of dilutive securities:		
Share options and awards.	97	19
Operating partnership units	51	132
	-----	-----
Weighted average shares outstanding - diluted	30,257	26,858
	=====	=====

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4. DEBT

WRI's debt consists of the following (in thousands):

	March 31, 2001	December 31, 2000
	-----	-----
Fixed-rate debt payable to 2015 at 6.0% to 10.0% . . .	\$ 470,080	\$ 472,271
Variable-rate unsecured notes payable to 2003	50,000	50,000
Notes payable under revolving credit agreements . . .	131,190	230,100
Obligations under capital leases	33,576	33,467
Industrial revenue bonds to 2015 at 3.65% to 6.0% . .	5,975	6,010
Other	518	505
	-----	-----
Total	\$ 691,339	\$ 792,353
	=====	=====

At March 31, 2001, the variable interest rate for notes payable under the \$20 and \$350 million revolving credit agreement was 5.7%.

In January 2000, WRI issued \$10.5 million of ten-year 8.25% fixed-rate, unsecured medium term notes. In connection with this debt issuance, we entered into a ten-year interest rate swap agreement with a notional amount of \$10.5 million to swap 8.25% fixed-rate interest for floating-rate interest. On January 4, 2001, we terminated this interest rate swap with the counter-party, resulting in the receipt of \$.9 million. As the swap was accounted for as a hedge of the medium term note, the gain will be amortized over the remaining life of the note, which lowers the effective interest rate on the note to 7.4%

In March 2001, we filed a \$500 million shelf registration statement which can be utilized for the issuance of either debt or equity securities. This registration statement is not yet effective.

WRI's debt can be summarized as follows (in thousands):

March 31, 2001	December 31, 2000
-------------------	----------------------

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As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	\$ 581,202	\$ 572,783
Variable-rate debt.	110,137	219,570

Total	\$ 691,339	\$ 792,353
=====		
As to collateralization:		
Unsecured debt.	\$ 570,208	\$ 669,106
Secured debt.	121,131	123,247

Total	\$ 691,339	\$ 792,353
=====		

5. PROPERTY

WRI's property consists of the following (in thousands):

	March 31, 2001	December 31, 2000
	-----	-----
Land	\$ 338,471	\$ 328,462
Land held for development.	24,855	24,013
Land under development	45,675	42,430
Buildings and improvements	1,344,347	1,302,092
Construction in-progress	43,852	33,620

Total.	\$ 1,797,200	\$ 1,730,617
=====		

Interest and ad valorem taxes capitalized to land under development or buildings under construction was \$2.0 million and \$.7 million, respectively, for the quarters ended March 31, 2001 and 2000.

6. INVESTMENTS IN REAL ESTATE JOINT VENTURES

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WRI owns interests in 17 joint ventures or limited partnerships where we do not exercise financial and operating control. These partnerships are accounted for under the equity method since WRI exercises significant influence. Our interests range from 20% to 75% and, with the exception of our partnership with American National Insurance Company ("AN") discussed further below, each venture owns a single real estate asset. Combined condensed financial information of these ventures is summarized as follows (in thousands):

	March 31, 2001	December 31, 2000
	-----	-----
Combined Balance Sheets		
Property	\$ 176,733	\$ 176,247
Accumulated Depreciation	(22,768)	(21,755)
	-----	-----
Property - net	153,965	154,492
Other Assets	8,933	10,800
	-----	-----
Total	\$ 162,898	\$ 165,292
	=====	=====
Debt	\$ 77,128	\$ 77,274
Amounts Payable to WRI	16,318	16,622
Other liabilities	3,062	5,359
Accumulated Equity	66,390	66,037
	-----	-----
Total	\$ 162,898	\$ 165,292
	=====	=====

Combined Statements of Income

	Three Months Ended	
	March 31,	
	2001	2000
	-----	-----
Revenues	\$ 6,321	\$ 4,349
	-----	-----
Expenses:		
Depreciation and amortization	1,103	720
Operating	894	639
Interest	1,851	1,243
Ad valorem taxes	809	539
General and administrative	16	4
	-----	-----

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Total	4,673	3,145
	-----	-----
Net Income	\$ 1,648	\$ 1,204
	=====	=====

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Our investment in real estate joint ventures, as reported on the balance sheets, differs from our proportionate share of the joint ventures' underlying net assets due to basis differentials which arose upon the transfer of assets from WRI to the joint ventures. This basis differential which totaled \$2.0 million at March 31, 2001 and December 31, 2000, respectively, is depreciated over the useful lives of the related assets.

Fees earned by WRI for the management of these joint ventures totaled \$.1 million and \$.07 million, respectively, for the quarters ended March 31, 2001 and 2000.

In 1999, we entered into a limited partnership, Weingarten-Murphy, LTD., which was formed to develop a shopping center in a suburb of Dallas. WRI is the general partner and owns a 50% interest in the partnership.

In December 1999, WRI sold seven industrial properties totaling 2.0 million square feet to a limited partnership, AN/WRI PARTNERSHIP, LTD. in which we retained 20% ownership. WRI serves as general partner. WRI loaned \$41.4 million to the partnership until August of 2000, at which time the loan was replaced with a ten-year non-recourse third party mortgage with an interest rate of 8.1%.

In March 2000, WRI formed a strategic joint venture with an institutional investor to acquire \$200 million of real estate assets using limited leverage. Each asset purchase is made by a separate limited partnership in which WRI has a 30% interest. As general partner in the joint venture, WRI is responsible for the acquisition process, as well as, the on-going leasing and management activities of the acquired properties, subject to limited partner approval of significant transactions. Two shopping centers were acquired in June and one in August of 2000 under this joint venture arrangement. WRI loaned these three partnerships an aggregate of \$32.0 million which was replaced with ten-year non-recourse third party mortgages with a weighted average rate of 7.8%.

7. SEGMENT INFORMATION

The operating segments presented are the segments of WRI for which separate financial information is available and operating performance is evaluated regularly by senior management in deciding how to allocate resources and in assessing performance. WRI evaluates the performance of its operating segments based on net operating income that is defined as total revenues less operating expenses and ad valorem taxes.

The shopping center segment is engaged in the acquisition, development and

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management of real estate, primarily anchored neighborhood and community shopping centers located in Texas, Louisiana, Arizona, Nevada, Arkansas, New Mexico, Oklahoma, Tennessee, Kansas, Colorado, Missouri, Illinois, Florida and Maine. The customer base includes supermarkets, drugstores and other retailers who generally sell basic necessity-type commodities. The industrial segment is engaged in the acquisition, development and management of bulk warehouses and office/service centers. Its properties are located in Texas, Nevada and Tennessee, and the customer base is diverse. Included in "Other" are corporate-related items, insignificant operations and costs that are not allocated to the reportable segments.

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Information concerning WRI's reportable segments is as follows (in thousands):

	SHOPPING CENTER	INDUSTRIAL	OTHER	TO
	-----	-----	-----	-----
Three Months Ended				
March 31, 2001:				
Revenues	\$ 58,661	\$ 7,662	\$ 1,895	\$
Net operating income	42,698	5,443	1,605	
Equity in earnings of joint ventures	913	125	(33)	
Investment in real estate joint ventures	25,305	1,512	1,035	
Total assets	1,283,265	185,356	108,009	1,5
Three Months Ended				
March 31, 2000:				
Revenues	\$ 51,068	\$ 6,449	\$ 2,182	\$
Net operating income	36,944	4,584	2,293	
Equity in earnings of joint ventures	820	291	(71)	
Investment in real estate joint ventures	16,892	1,474	420	
Total assets	1,047,972	161,899	120,464	1,3

Net operating income reconciles to net income as shown on the Statements of Consolidated Income as follows (in thousands):

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Total segment net operating income	\$ 49,746	\$ 43,821
Less:		
Depreciation and amortization	15,751	12,935
Interest	10,873	10,046

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General and administrative	2,375	1,874
Minority interest in income of partnerships . . .	660	555
Equity in earnings of joint ventures	(1,005)	(1,040)
Gain on sales of property	(4,310)	
	-----	-----
Net Income	\$ 25,402	\$ 19,451
	=====	=====

8. COMMON SHARES OF BENEFICIAL INTEREST

On January 29, 2001, we issued 4.5 million common shares of beneficial interest in a secondary public offering. In February 2001, the underwriters exercised their over-allotment option and purchased an additional 200,000 shares. Net proceeds of 188.1 million based on a price of \$42.19 per share were used to pay down the amounts outstanding under our \$350 million revolving line of credit.

On May 7, 2001, we issued an additional 690,000 common shares of beneficial interest in a secondary public offering. Net proceeds of \$28.1 million based on a price of \$42.85 per share were used to pay down amounts

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outstanding under our \$350 million revolving line of credit. Had this transaction occurred on January 1, 2001, earnings per common share - basic and earnings per common share - diluted would have both decreased by \$.02 per share.

9. SUBSEQUENT EVENT

On April 2, 2001, we purchased 19 supermarket-anchored shopping centers, aggregating 2.5 million square feet, in California from Burnham Pacific Properties, Inc. The purchase price for the properties was \$277.5 million, including the assumption of approximately \$132 million in debt secured by all 19 properties. These properties, which are over 96% leased, are located in the Sacramento/San Francisco Bay area (13 properties) and in the Los Angeles area (six properties).

These 19 properties having a net book value of approximately \$277.5 million at April 2, 2001 (collectively the "Bankruptcy Remote Properties", and each a "Bankruptcy Remote Property"), are wholly-owned by various "Bankruptcy Remote Entities". Each Bankruptcy Remote Entity is an indirect subsidiary of the Company. The assets of each Bankruptcy Remote Entity, including the respective Bankruptcy Remote Property or Properties owned by each, are owned by that Bankruptcy Remote Entity alone and are not available to satisfy claims that any creditor may have against the Company, its affiliates, or any other person or entity. No Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of the Company, any of its affiliates, or any other person or entity. Neither the Company

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nor any of its affiliates has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity (other than any agreement by a Bankruptcy Remote Entity to pay its own creditors). No affiliate of any Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity.

The accounts of the Bankruptcy Remote Entities are included in WRI's consolidated financial statements as WRI owns, indirectly, 100% of each of the entities. Additionally, WRI, through its wholly-owned subsidiaries, makes all day to day operating and financial decisions with respect to these properties, subject to approval by the loan servicing agent for certain significant transactions. WRI has the right to prepay the loan at any time, which would eliminate all encumbrances and restrictions.

10. RESTATEMENT

Subsequent to the issuance of its financial statements for the quarters ended March 31, 2001 and 2000, WRI determined that 17 joint ventures or partnerships which had previously been consolidated should have been accounted for under the equity method. The accompanying financial statements have been restated to present these joint ventures and

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partnerships on the equity method. The restatement did not change net income or shareholders' equity. The effect of the restatement on specific line items on the statements of consolidated income and consolidated balance sheets is as follows (in thousands):

	Three Months Ended March 31,		
	2001		2000
	As Previously Reported	As Restated	As Previously Reported
Operating results:			
Rental revenues	\$ 72,696	\$ 66,479	\$ 62,154
Interest Income	923	870	1,403
Other	880	869	415
Expenses:			
Depreciation and amortization	16,855	15,751	13,655
Interest	12,421	10,873	10,143
Operating	10,663	9,961	9,007
Ad valorem taxes	9,319	8,511	7,926
General and administrative	2,377	2,375	1,874
Minority interest in income of partnerships	1,772	660	1,916
Equity in earnings of joint ventures		1,005	

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	March 31, 2001		December 31,
	As Previously Reported	As Restated	As Previously Reported
Balance sheet:			
Property	\$ 1,973,500	\$ 1,797,200	\$ 1,906,431
Accumulated Depreciation	(396,503)	(373,716)	(387,118)
Investment in real estate joint ventures . .		27,852	
Notes receivable from real estate joint ventures and partnerships.	33,522	40,568	31,002
Unamortized Debt and Lease Costs	38,178	36,717	38,453
Accrued Rent and Accounts Receivable	15,549	19,496	22,273
Cash and Cash Equivalents.	9,277	4,193	14,825
Other Assets	27,498	24,320	20,145
Debt	771,613	691,339	869,627
Accounts Payable and Accrued Interest	40,496	37,198	69,561
Other Liabilities.	3,409	7,244	4,263
Minority Interest.	74,450	29,796	72,693

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PART I

FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

WRI's financial statements for the three months ended March 31, 2001 and 2000

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have been restated as discussed in Note 10 to the accompanying consolidated financial statements. The information included in the following discussion gives effect to that restatement. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations.

Weingarten Realty Investors owned and operated 198 anchored shopping centers, 55 industrial properties, one multi-family residential property and one office building at March 31, 2001. Of WRI's 255 developed properties, 186 are located in Texas (including 98 in Houston and Harris County). Our remaining properties are located in Arizona (12), Louisiana (11), Nevada (9), Arkansas (6), New Mexico (6), Kansas (5), Colorado (5), Oklahoma (4), Tennessee (4), Florida (3), Missouri (2), Illinois (1) and Maine (1). WRI has 5,000 leases and 3,900 different tenants. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants; leases generally include minimum lease payments and contingent rentals for payment of taxes, insurance and maintenance and for an amount based on a percentage of the tenants' sales. The majority of our anchor tenants are supermarkets, value-oriented apparel and discount stores and other retailers, which generally sell basic necessity-type items.

CAPITAL RESOURCES AND LIQUIDITY

WRI anticipates that cash flows from operating activities will continue to provide adequate capital for all dividend payments in accordance with REIT requirements. Cash on hand, borrowings under our existing credit facilities, issuance of unsecured debt and the use of project financing, as well as other debt and equity alternatives, will provide the necessary capital to achieve growth. Cash flow from operating activities as reported in the Statements of Consolidated Cash Flows was \$11.7 million for the first three months of 2001 as compared to \$13.1 million for the same period of 2000. The decrease was due primarily to the timing of cash receipts and payments.

Our Board of Trust Managers approved a quarterly dividend per common share of \$.79 for the first quarter of 2001. Our dividend payout ratio on common equity for the first quarter of 2001 and 2000 was 79% and 73%, respectively, based on funds from operations for the applicable period.

WRI invested \$54.4 million for the acquisition of two shopping centers during the first quarter. In February, a community shopping center in Orlando, Florida was purchased for \$54 million. Strategically located near downtown Orlando, Colonial Plaza contains 488,000 square feet of building area and is anchored by Barnes and Noble, Old Navy, Stein Mart, Linens 'N Things, Marshalls, Babies 'R' Us, Rhodes, Staples, Ross Dress For Less, Circuit City and Just For Feet. This center, which is currently 97% leased, represents our third property in the Florida market. In March, our second acquisition was purchased in Lake Charles, Louisiana, a 23,000 square foot building.

With respect to new development, in March we acquired land in Chandler, Arizona, a suburb of Phoenix, for the development of retail space adjacent to a corporately-owned Target. Including this Arizona development, WRI has fourteen new development projects at various stages of completion that represents an investment of approximately \$152 million and will add 1.3 million square feet to the portfolio. We expect to invest approximately \$75.3 million in these properties during 2001. These projects will come on-line beginning in early 2001 through mid 2002. Additionally, we commenced an \$11 million redevelopment of a shopping center in Las Vegas which will include a new 220,000 square foot

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Super Wal-Mart and a 120,000 square foot Home Depot.

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On April 2, 2001, we completed the largest acquisition in the history of the Company, purchasing 19 supermarket-anchored shopping centers, an aggregate of 2.5 million square feet, in California from Burnham Pacific Properties, Inc. This purchase provides an outstanding platform for our entry into the California market as the 19 centers immediately give us the critical mass of properties necessary for efficient and effective leasing and management. These properties, which are over 96% leased, are located in the Sacramento/San Francisco Bay area (13 properties) and in the Los Angeles area (six properties). Anchor merchants include the market's major supermarket companies such as Ralph's (Kroger), Albertson's, Safeway, Raley's and Food 4 Less (Fleming Company). Additionally, the properties include other well-known anchor retailers including Target, K-Mart, Home Depot, and Walgreens, with whom we have solid long-standing relationships. The properties are located in trade areas with high population density and have significant barriers to entry for new competition. The purchase price for the properties was \$277.5 million, including the assumption of approximately \$132 million in debt secured by all 19 properties.

In January, we issued 4.5 million common shares of beneficial interest in a secondary public offering and an additional 200,000 shares in February, as the underwriters exercised their over-allotment option. Net proceeds of \$188.1 million, based on a price of \$42.19 per share, were used to pay down amounts outstanding under our \$350 million revolving line of credit.

On May 7, 2001, we issued an additional 690,000 common shares of beneficial interest in a secondary public offering. Net proceeds of \$28.1 million based on a price of \$42.85 per share were used to pay down amounts outstanding under our \$350 million revolving line of credit.

Total debt outstanding decreased to \$691.3 million at quarter-end from \$792.4 at December 31, 2000. This decrease was primarily due to the retirement of debt with the \$188.1 million of net proceeds from the common share offering, offset by the funding of acquisitions and ongoing development and redevelopment efforts. Included in total debt outstanding of \$691.3 at March 31, 2001 is variable-rate debt of \$84.1 million, after recognizing the effect of \$90.0 million of interest rate swaps and \$26.0 million of variable-rate notes receivables from joint venture partners.

In January 2000, WRI issued \$10.5 million of ten-year 8.25% fixed-rate, unsecured medium term notes. In connection with this debt issuance, we entered into a ten-year interest rate swap agreement with a notional amount of \$10.5 million to swap 8.25% fixed-rate interest for floating-rate interest. On January 4, 2001, we terminated this swap with the counter-party, resulting in the receipt of \$.9 million. As the swap was accounted for as a hedge of the medium term note, the gain will be amortized over the remaining life of the note, which lowers the effective interest rate on the note to 7.4%.

In March 2001, we filed a \$500 million shelf registration statement that can be utilized for the issuance of either debt or equity securities. This registration statement is not yet effective.

FUNDS FROM OPERATIONS

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The Board of Governors of the National Association of Real Estate Investment Trusts defines funds from operations (FFO) as net income (loss) computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, NAREIT recommends that extraordinary items not be considered in arriving at FFO. We calculate FFO in a manner consistent with the NAREIT definition. Most industry analysts and equity REITS, including Weingarten, believe FFO is an appropriate measure of performance relative to other REITs. FFO provides investors with an understanding of our ability to incur and service debt, make capital expenditures and pay common share dividends. There can be no assurance that FFO presented by Weingarten is

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

Funds from operations - diluted for the three months ended March 31, 2001 and 2000 is calculated as follows:

	Three Months Ended March 31,	
	2001	2000
Net income available to common shareholders	\$ 20,392	\$ 14,441
Depreciation and amortization	15,211	12,793
Depreciation and amortization of unconsolidated joint ventures	462	311
Gain on sales of property	(4,310)	
	31,755	27,545
Funds from operations		
Funds from operations attributable to operating partnership units	60	83
	\$ 31,815	\$ 27,628
	30,109	26,707
Weighted average shares outstanding - basic		
Effect of dilutive securities:		
Share options and awards	97	19
Operating partnership units	51	132
	30,257	26,858
Weighted average shares outstanding - diluted		

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RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001

Net income available to common shareholders increased to \$20.4 million, or \$.68 per diluted share, from \$14.4 million, or \$.54 per diluted share for the first quarter of 2001 as compared with the same quarter of 2000. Included in net income available to common shareholders for 2001 is a gain on the sale of a shopping center of \$4.3 million. No comparable transaction occurred in the first quarter of 2000.

Rental revenues were \$66.5 million in 2001, as compared to \$57.9 million in 2000, representing an increase of approximately \$8.6 million or 14.8%. Of these increases, property acquisitions and new development contributed \$6.1 million in 2001, as compared to \$5.8 million for the same period of 2000. The remaining portion of these increases is due to activity at our existing properties. Occupancy of the total portfolio increased to 92.3% as compared to 91.5% as of March 31, 2000. The occupancy of the retail portfolio was 92.5%, up from 91.5% at March 31, 2000, while the industrial portfolio decreased from 94.1% at March 31, 2000 to 91.6%. During the first three months of 2001, WRI completed 205 renewals or leases comprising 1.0 million square feet at an average rental rate increase of 8.1%. Net of the amortized portion of capital costs for tenant improvements, the increased averaged 6.8%.

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Gross interest costs, before capitalization of interest, increased by \$2.2 million from \$10.7 million in the first quarter of 2000 to \$12.9 million in the first quarter of 2001. The increase is due primarily to an increase in the average debt outstanding between periods of \$593.5 in 2000 to \$695.0 million in 2001. The average interest rate increased from 7.2% in 2000 to 7.3% in 2001. The amount of interest capitalized during the period was \$2.0 million and \$.6 million in 2001 and 2000, respectively.

The increases in depreciation and amortization, operating expenses and ad valorem taxes were primarily the result of WRI's acquisitions and new development programs.

NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, WRI adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 establishes accounting and reporting standards for derivative instruments. Specifically SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either shareholders' equity or net income depending on whether the derivative instruments qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

WRI hedges the future cash flows of debt transactions principally through interest rate swaps with major financial institutions. WRI has five interest

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rate swap contracts with an aggregate notional amount of \$90 million that convert variable interest payments to fixed interest payments at rates from 6.8% to 7.87%. These swaps have been designated and qualify as cash flow hedges. We have determined these swaps agreements are highly effective in offsetting future variable interest cash flows of the related debt instruments. As of January 1, 2001, the adoption of the new standard resulted in a cumulative transition adjustment of \$1.9 million to accumulated other comprehensive loss, a component of shareholders' equity and a corresponding liability of the same amount. For the three months ended March 31, 2001, the change in fair market value of our interest rate swaps was \$1.2 million and was recorded in accumulated other comprehensive loss. We do not anticipate any material reclassifications to earnings from accumulated other comprehensive loss over the next 12 months.

In July 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on EITF Issue No. 00-1, "Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures." This consensus requires that the proportionate share method of presenting balance sheet and income statement information for partnerships and other ventures in which entities have joint interest and control be discontinued, except in limited circumstances. WRI was required to conform with the guidance provided in this Issue effective December 31, 2000. Accordingly, the consolidated financial statements for all periods presented in this Form 10-Q have been restated to conform with the revised presentation.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

WRI uses fixed and floating-rate debt to finance its capital requirements. These transactions expose WRI to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate swap agreements with major financial institutions. These swap agreements expose WRI to credit risk in the event of non-performance by the counter-parties to the swaps. We do not engage in the trading of derivative financial instruments in the normal course of business. At March 31, 2001, WRI had fixed-rate debt of \$581.2 million and variable-rate debt of \$84.1 million, after adjusting for the effect of \$90 million of interest rate swaps and \$26.0 million of variable-rate notes receivables from joint venture partners.

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits (numbered in accordance with Item 601 of Regulation S-K)

(12) A statement of computation of ratios of earnings and funds from operations to combined fixed charges and preferred dividends.

(b) Reports on Form 8-K

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A Form 8-K, dated January 22, 2001, was filed to report a significant acquisition in response to Item 5., Other Events and Item 7., Financial Statements, Pro Forma Financial Information and Exhibits.

A Form 8-K, dated March 22, 2001, was filed to report significant acquisitions in response to Item 2., Acquisitions or Dispositions of Assets and Item 7., Financial Statements, Pro Forma Financial Information and Exhibits.

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SIGNATURES

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

WEINGARTEN REALTY INVESTORS

(Registrant)

BY: /s/ Andrew M. Alexander

Andrew M. Alexander
President/Chief Executive Officer
(Principal Executive Officer)

BY: /s/ Joe D. Shafer

Joe D. Shafer
Vice President/Controller
(Principal Accounting Officer)

DATE: October 25, 2001

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