TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
November 07, 2011

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2011
OR

o 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 1-11986 (Tanger Factory Outlet Centers, Inc.)
Commission file number 333-3526-01 (Tanger Properties Limited Partnership)

TANGER FACTORY OUTLET CENTERS, INC.
TANGER PROPERTIES LIMITED PARTNERSHIP
(Exact name of Registrant as specified in its charter)

North Carolina (Tanger Factory Outlet Centers, Inc.)	56-1815473
North Carolina (Tanger Properties Limited Partnership)	56-1822494
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Northline Avenue, Suite 360, Greensboro, NC 27408
(Address of principal executive offices)

(336) 292-3010
(Registrant's telephone number)

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.

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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).

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer: and “smaller reporting company” (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934).

Tanger Factory Outlet Centers, Inc.

x Large accelerated filer	o Accelerated filer	o Non-accelerated filer	o Smaller reporting company

Tanger Properties Limited Partnership

o Large accelerated filer	o Accelerated filer	x Non-accelerated filer	o Smaller reporting company

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

Tanger Factory Outlet Centers, Inc.	Yes o No x
Tanger Properties Limited Partnership	Yes o No x

As of October 31, 2011, there were 86,693,656 common shares of Tanger Factory Outlet Centers, Inc. outstanding, $.01 par value.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2011 of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership. Unless the context indicates otherwise, the term, Company, refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, Operating Partnership, refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. The Company is a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through its controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. The outlet centers and other assets are held by, and all of the operations are conducted by, the Operating Partnership and its subsidiaries. Accordingly, the descriptions of the business, employees and properties of the Company are also descriptions of the business, employees and properties of the Operating Partnership.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, the Tanger GP Trust and the Tanger LP Trust. The Tanger GP Trust controls the Operating Partnership as its sole general partner. The Tanger LP Trust holds a limited partnership interest. Prior to June 1, 2011, the Tanger family, through its ownership of the Tanger Family Limited Partnership held the remaining units as a limited partner. On June 1, 2011, the Tanger Family Limited Partnership was dissolved, and the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the individual beneficial owners of the Tanger Family Limited Partnership. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

As of September 30, 2011, the Company, through its ownership of the GP Trust and LP Trust, owned 21,673,414 units of the Operating Partnership and the Family Limited Partners collectively owned 2,872,973 units. Each unit held by the Family Limited Partners is exchangeable for four of the Company's common shares, subject to certain limitations to preserve the Company's REIT status. Prior to the Company's 2 for 1 splits of its common shares on January 24, 2011 and December 28, 2004, respectively, the exchange ratio was one for one.

Management operates the Company and the Operating Partnership as one enterprise. The management of the Company consists of the same members as the management of the Operating Partnership. These individuals are officers of the Company and employees of the Operating Partnership. The individuals that comprise the Company's Board of Directors are also the same individuals that make up the Tanger GP Trust's Board of Trustees.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- enhancing investors' understanding of the 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 since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated consolidated company. As stated above, the Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership through its wholly-owned subsidiaries, the Tanger GP Trust and Tanger LP Trust. As a result, the Company does not conduct business itself, other than issuing public equity from time to time and incurring expenses required to operate as a public company. However, all operating expenses incurred by the Company are reimbursed by the Operating Partnership, thus the only material item on the Company's income statement is its equity in the earnings of the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. The Company itself does not hold any indebtedness but does guarantee certain debt of the Operating Partnership, as disclosed in this report. The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's consolidated and unconsolidated joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by the Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, by the Operating Partnership's incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership interests in the Operating Partnership held by the Family Limited Partners are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements;
- Debt;
- Shareholders' Equity of the Company and Partners' Equity of the Operating Partnership;
- Share-based compensation of the Company and equity-based compensation of the Operating Partnership;
- Other Comprehensive Income of the Company and Other Comprehensive Income of the Operating Partnership;
- Earnings Per Share and Earnings Per Unit and
- Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial condition and Results of Operations.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.
As the 100% owner of Tanger GP Trust, the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

TANGER FACTORY OUTLET CENTERS, INC. AND TANGER PROPERTIES LIMITED PARTNERSHIP
Index

PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements of Tanger Factory Outlet Centers, Inc.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, unaudited)

	September 30, 2011	December 31, 2010
ASSETS:		
Rental property		
Land	$148,002	$141,577
Buildings, improvements and fixtures	1,747,149	1,411,404
Construction in progress	1,800	23,233
	1,896,951	1,576,214
Accumulated depreciation	(494,518)	(453,145)
Rental property, net	1,402,433	1,123,069
Cash and cash equivalents	3,694	5,758
Rental property held for sale	—	723
Investments in unconsolidated joint ventures, net	9,447	6,386
Deferred lease costs and other intangibles, net	120,933	33,953
Deferred debt origination costs, net	6,327	7,593
Prepaids and other assets	50,856	39,452
Total assets	$1,593,690	$1,216,934
LIABILITIES AND EQUITY:		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,302 and $2,594, respectively)	$547,698	$554,616
Senior, unsecured bridge loan	150,000	—
Mortgages payable (including premiums of $7,666 and $0, respectively)	112,235	—
Unsecured lines of credit	172,300	160,000
Total debt	982,233	714,616
Construction trade payables	19,331	31,831
Accounts payable and accrued expenses	44,127	31,594
Other liabilities	16,249	16,998
Total liabilities	1,061,940	795,039
Commitments and contingencies		
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 86,693,656 and 80,996,068 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	867	810
Paid in capital	718,318	604,359
Accumulated distributions in excess of net income	(257,930)	(240,024)
Accumulated other comprehensive income	1,516	1,784
Equity attributable to Tanger Factory Outlet Centers, Inc.	462,771	366,929
Equity attributable to noncontrolling interests:		
Noncontrolling interests in Operating Partnership	61,344	54,966
Noncontrolling interests in other consolidated partnerships	7,635	—

Total equity	531,750	421,895
Total liabilities and equity	$1,593,690	$1,216,934

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues				
Base rentals	$55,018	$44,857	$149,630	$132,322
Percentage rentals	2,684	1,910	5,212	4,263
Expense reimbursements	22,973	20,139	64,794	58,087
Other income	2,568	2,567	6,447	6,138
Total revenues	83,243	69,473	226,083	200,810
Expenses				
Property operating	25,181	22,567	73,054	66,674
General and administrative	7,943	6,403	21,895	17,832
Acquisition costs	978	—	2,519	—
Abandoned development costs	—	—	158	365
Impairment charges	—	—	—	735
Depreciation and amortization	22,964	16,805	58,787	60,388
Total expenses	57,066	45,775	156,413	145,994
Operating income	26,177	23,698	69,670	54,816
Interest expense	(11,958)	(8,767)	(32,996)	(24,666)
Loss on early extinguishment of debt	—	—	—	(563)
Loss on termination of derivatives	—	—	—	(6,142)
Income before equity in losses of unconsolidated joint ventures and discontinued operations	14,219	14,931	36,674	23,445
Equity in losses of unconsolidated joint ventures	(27)	(75)	(823)	(194)
Income from continuing operations	14,192	14,856	35,851	23,251
Discontinued operations	—	(103)	—	(103)
Net income	14,192	14,753	35,851	23,148
Noncontrolling interests in Operating Partnership	(1,730)	(1,754)	(4,569)	(2,488)
Noncontrolling interests in other consolidated partnerships	2	—	2	—
Net income attributable to Tanger Factory Outlet Centers, Inc.	$12,464	$12,999	$31,284	$20,660
Basic earnings per common share:				
Income from continuing operations	$0.14	$0.14	$0.38	$0.20
Net income	$0.14	$0.14	$0.38	$0.20
Diluted earnings per common share:				
Income from continuing operations	$0.14	$0.14	$0.37	$0.20
Net income	$0.14	$0.14	$0.37	$0.20
Dividends paid per common share	$0.2000	$0.1938	$0.5938	$0.5788

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

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share data, unaudited)

	Preferred shares	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Total equity
Balance, December 31, 2009	$75,000	$806	$595,671	$(202,997)	$(5,809)	$462,671	$58,392	$521,063
Comprehensive income:								
Net income	—	—	—	20,660	—	20,660	2,488	23,148
Other comprehensive income	—	—	—		7,637	7,637	1,156	8,793
Total comprehensive income	—	—	—	20,660	7,637	28,297	3,644	31,941
Compensation under Incentive Award Plan	—	—	4,224	—	—	4,224	—	4,224
Issuance of 106,700 common shares upon exercise of options	—	—	893	—	—	893	—	893
Grant of 312,720 restricted shares, net of forfeitures	—	4	(4)	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	—	(376)	—	—	(376)	376	—
Preferred dividends ($1.41 per share)	—	—	—	(4,219)	—	(4,219)	—	(4,219)
Common dividends ($.5788 per share)	—	—	—	(46,831)	—	(46,831)	—	(46,831)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	—	(7,022)	(7,022)
Balance, September 30, 2010	$75,000	$810	$600,408	$(233,387)	$1,828	$444,659	$55,390	$500,049

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share data, unaudited)

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2010	$810	$604,359	$(240,024)	$1,784	$366,929	$54,966	$—	$421,895
Comprehensive income:								
Net income	—	—	31,284	—	31,284	4,569	(2)	35,851
Other comprehensive loss	—	—	—	(268)	(268)	(39)	—	(307)
Total comprehensive income	—	—	31,284	(268)	31,016	4,530	(2)	35,544
Issuance of 4.6 million common shares, net of issuance costs of $0.5 million	46	117,493	—	—	117,539	—	—	117,539
Compensation under Incentive Award Plan	—	5,458	—	—	5,458	—	—	5,458
Issuance of 7,500 common shares upon exercise of options	1	71	—	—	72	—	—	72
Grant of 312,400 restricted shares, net of forfeitures	3	(3)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	(9,051)	—	—	(9,051)	9,051	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	(2)	2	—	—	—	7,637	7,637
Exchange of 160,332	6	(6)	—	—	—	—	—	—

Operating Partnership units for 641,328 common shares								
Issuance of 136,360 common shares upon exchange of exchangeable notes	1	(1)	—	—	—	—	—	—
Common dividends ($.5938 per share)	—	—	(49,192)	—	(49,192)	—	—	(49,192)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	(7,203)	—	(7,203)
Balance, September 30, 2011	$867	$718,318	$(257,930)	$1,516	$462,771	$61,344	$ 7,635	$531,750

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine Months Ended September 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income	$35,851	$23,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	58,787	60,475
Impairment charges (including discontinued operations)	—	846
Loss on termination of derivatives	—	6,142
Gain on sale of outparcels of land	—	(161)
Amortization of deferred financing costs	1,540	916
Loss on early extinguishment of debt	—	563
Equity in losses of unconsolidated joint ventures	823	194
Share-based compensation expense	5,458	4,224
Amortization of debt (premiums) and discounts, net	(54)	(197)
Distributions of cumulative earnings from unconsolidated joint ventures	315	568
Net accretion of market rent rate adjustments	(278)	(576)
Straight-line rent adjustments	(3,041)	(2,171)
Changes in other assets and liabilities:		
Other assets	(6,377)	(4,461)
Accounts payable and accrued expenses	11,786	7,688
Net cash provided by operating activities	104,810	97,198
INVESTING ACTIVITIES		
Additions to rental property	(44,911)	(55,588)
Acquisition of rental property	(262,488)	—
Additions to investments in unconsolidated joint ventures	(5,424)	—
Termination payments related to derivatives	—	(6,142)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	585	682
Increases in escrow deposits	(1,500)	—
Net proceeds from the sale of real estate	723	2,025
Additions to deferred lease costs	(9,570)	(3,066)
Net cash used in investing activities	(322,585)	(62,089)
FINANCING ACTIVITIES		
Cash dividends paid	(49,192)	(51,050)
Distributions to noncontrolling interests in Operating Partnership	(7,203)	(7,022)
Proceeds from issuance of common shares	117,539	—
Proceeds from debt issuances	485,350	567,530
Repayments of debt	(330,566)	(543,300)
Additions to deferred financing costs	(289)	(2,592)
Proceeds from exercise of options	72	893
Net cash provided by (used in) financing activities	215,711	(35,541)
Net decrease in cash and cash equivalents	(2,064)	(432)
Cash and cash equivalents, beginning of period	5,758	3,267
Cash and cash equivalents, end of period	$3,694	$2,835

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

Item 1 - Financial Statements of Tanger Properties Limited Partnership

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	September 30, 2011	December 31, 2010
ASSETS:		
Rental property		
Land	$148,002	$141,577
Buildings, improvements and fixtures	1,747,149	1,411,404
Construction in progress	1,800	23,233
	1,896,951	1,576,214
Accumulated depreciation	(494,518)	(453,145)
Rental property, net	1,402,433	1,123,069
Cash and cash equivalents	3,626	5,671
Rental property held for sale	—	723
Investments in unconsolidated joint ventures, net	9,447	6,386
Deferred lease costs and other intangibles, net	120,933	33,953
Deferred debt origination costs, net	6,327	7,593
Prepaids and other assets	50,568	39,081
Total assets	$1,593,334	$1,216,476
LIABILITIES AND EQUITY:		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,302 and $2,594, respectively)	$547,698	$554,616
Senior, unsecured bridge loan	150,000	—
Mortgages payable (including premiums of $7,666 and $0, respectively)	112,235	—
Unsecured lines of credit	172,300	160,000
Total debt	982,233	714,616
Construction trade payables	19,331	31,831
Accounts payable and accrued expenses	43,771	31,136
Other liabilities	16,249	16,998
Total liabilities	1,061,584	794,581
Commitments and contingencies		
Equity attributable to:		
Partners' Equity		
General partner	5,016	5,221
Limited partners	517,658	414,926
Accumulated other comprehensive income	1,441	1,748
Total partners' equity	524,115	421,895
Noncontrolling interests in consolidated partnerships	7,635	—
Total equity	531,750	421,895
Total liabilities and equity	$1,593,334	$1,216,476

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

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data, unaudited)

	Three months ended, September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues				
Base rentals	$55,018	$44,857	$149,630	$132,322
Percentage rentals	2,684	1,910	5,212	4,263
Expense reimbursements	22,973	20,139	64,794	58,087
Other income	2,568	2,567	6,447	6,138
Total revenues	83,243	69,473	226,083	200,810
Expenses				
Property operating	25,181	22,567	73,054	66,674
General and administrative	7,943	6,403	21,895	17,832
Acquisition costs	978	—	2,519	—
Abandoned development costs	—	—	158	365
Impairment charges	—	—	—	735
Depreciation and amortization	22,964	16,805	58,787	60,388
Total expenses	57,066	45,775	156,413	145,994
Operating income	26,177	23,698	69,670	54,816
Interest expense	(11,958)	(8,767)	(32,996)	(24,666)
Loss on early extinguishment of debt	—	—	—	(563)
Loss on termination of derivatives	—	—	—	(6,142)
Income before equity in losses of unconsolidated joint ventures and discontinued operations	14,219	14,931	36,674	23,445
Equity in losses of unconsolidated joint ventures	(27)	(75)	(823)	(194)
Income from continuing operations	14,192	14,856	35,851	23,251
Discontinued operations	—	(103)	—	(103)
Net income	14,192	14,753	35,851	23,148
Noncontrolling interests in consolidated partnerships	2	—	2	—
Net income available to partners	14,194	14,753	35,853	23,148
Net income available to limited partners	14,048	14,616	35,485	22,954
Net income available to general partner	$146	$137	$368	$194
Basic earnings per common unit:				
Income from continuing operations	$0.58	$0.57	$1.50	$0.80
Net income	$0.58	$0.57	$1.50	$0.80
Diluted earnings per common unit:				
Income from continuing operations	$0.57	$0.57	$1.49	$0.80
Net income	$0.57	$0.57	$1.49	$0.80
Distribution paid per common unit	$0.800	$0.775	$2.375	$2.315

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

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per unit data, unaudited)

	General partner	Limited partners	Accumulated other comprehensive income (loss)	Total equity
Balance, December 31, 2009	$5,633	$522,425	$(6,995)	$521,063
Comprehensive income:				
Net income	194	22,954	—	23,148
Other comprehensive income	—	—	8,793	8,793
Total comprehensive income	194	22,954	8,793	31,941
Compensation under Incentive Award Plan	—	4,224	—	4,224
Issuance of 26,675 common units upon exercise of options	—	893	—	893
Preferred distributions ($1.41 per units)	—	(4,219)	—	(4,219)
Common distributions ($2.315 per unit)	(543)	(53,310)	—	(53,853)
Balance, September 30, 2010	$5,284	$492,967	$1,798	$500,049

	General partner	Limited partners	Accumulated other comprehensive income	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2010	$5,221	$414,926	$ 1,748	$421,895	$ —	$421,895
Comprehensive income:						
Net income	368	35,485	—	35,853	(2)	35,851
Other comprehensive loss	—	—	(307)	(307)	—	(307)
Total comprehensive income	368	35,485	(307)	35,546	(2)	35,544
Compensation under Incentive Award Plan	—	5,458	—	5,458	—	5,458
Issuance of 1,875 common units upon exercise of options	—	72	—	72	—	72
Issuance of 1.2 million common units, net of issuance costs of $0.5 million	—	117,539	—	117,539	—	117,539
Common distributions ($2.375 per unit)	(573)	(55,822)	—	(56,395)	—	(56,395)
Adjustment for noncontrolling interests in consolidated partnerships	—	—	—	—	7,637	7,637
Balance, September 30, 2011	5,016	517,658	1,441	524,115	7,635	531,750

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine Months Ended September 30,	
	2011	2010

OPERATING ACTIVITIES		
Net income	$35,851	$23,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	58,787	60,475
Impairment charge (including discontinued operations)	—	846
Loss on termination of derivatives	—	6,142
Loss on early extinguishment of debt	—	563
Gain on sale of outparcels of land	—	(161)
Amortization of deferred financing costs	1,540	916
Equity in losses of unconsolidated joint ventures	823	194
Equity-based compensation expense	5,458	4,224
Amortization of debt (premiums) and discounts, net	(54)	(197)
Distributions of cumulative earnings from unconsolidated joint ventures	315	568
Net accretion of market rent rate adjustments	(278)	(576)
Straight-line rent adjustments	(3,041)	(2,171)
Changes in other assets and liabilities:		
Other assets	(6,460)	(4,501)
Accounts payable and accrued expenses	11,888	7,725
Net cash provided by operating activities	104,829	97,195
INVESTING ACTIVITIES		
Additions to rental property	(44,911)	(55,588)
Acquisition of rental property	(262,488)	—
Additions to investments in unconsolidated joint ventures	(5,424)	—
Termination payments related to derivatives	—	(6,142)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	585	682
Increase in escrow deposits	(1,500)	—
Net proceeds from the sale of real estate	723	2,025
Additions to deferred lease costs	(9,570)	(3,066)
Net cash used in investing activities	(322,585)	(62,089)
FINANCING ACTIVITIES		
Cash distributions paid	(56,395)	(58,072)
Contributions from partners	117,539	—
Proceeds from debt issuances	485,350	567,530
Repayments of debt	(330,566)	(543,300)
Additions to deferred financing costs	(289)	(2,592)
Proceeds from exercise of options	72	893
Net cash provided by (used in) financing activities	215,711	(35,541)
Net decrease in cash and cash equivalents	(2,045)	(435)
Cash and cash equivalents, beginning of period	5,671	3,214
Cash and cash equivalents, end of period	$3,626	$2,779

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

TANGER FACTORY OUTLET CENTERS INC. AND SUBSIDIARIES
TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIAIRES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business
Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. We are a fully-integrated, self-administered and self-managed real estate investment trust, or REIT, which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of September 30, 2011, we consolidated 36 outlet centers, with a total gross leasable area of approximately 10.7 million square feet. We also operated and had partial ownership interests in 2 unconsolidated outlet centers totaling approximately 948,000 square feet.
Our outlet centers and other assets are held by, and all of our operations are conducted by, Tanger Properties Limited Partnership and subsidiaries. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.
The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, the Tanger GP Trust and the Tanger LP Trust. The Tanger GP Trust controls the Operating Partnership as its sole general partner. The Tanger LP Trust holds a limited partnership interest. Through May 31, 2011, the Tanger family, through its ownership of the Tanger Family Limited Partnership held the remaining units as a limited partner. On June 1, 2011, the Tanger Family Limited Partnership was dissolved, and the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the individual beneficial owners of the Tanger Family Limited Partnership. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

2. Basis of Presentation
The unaudited consolidated financial statements included herein have been prepared pursuant to accounting principles generally accepted in the United States of America and should be read in conjunction with the consolidated financial statements and notes thereto of the Company's and the Operating Partnership's separate Annual Reports on Form 10-K for the year ended December 31, 2010. The December 31, 2010 balance sheet data in this Form 10-Q was derived from audited financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.
Investments in real estate joint ventures that we do not control are accounted for using the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required under the equity method of accounting. These investments are evaluated for impairment when necessary. Control is determined using an evaluation based on accounting standards related to the consolidation of voting interest entities and variable interest entities. For joint ventures that are determined to be variable interest entities, the primary beneficiary consolidates the entity.

Certain amounts in the consolidated balances sheet as of December 31, 2010 have been reclassified to conform with the presentations made as of September 30, 2011 related to deferred lease costs and other intangibles, net; deferred debt origination costs, net; and prepaids and other assets. These reclassifications had no impact on previously reported total assets.

Certain amounts in the consolidated statements of operations for the three and nine months ended September 30, 2010 have been reclassified from operating expenses to abandoned development costs to conform with the presentations made for the three and nine months ended September 30, 2011. These reclassifications had no impact on previously reported total expenses, income from continuing operations or net income.

3. Development of Rental Properties

Redevelopment at Existing Outlet Centers

During the first quarter of 2011, we completed the redevelopment of our Hilton Head I, SC center and celebrated a grand re-opening on March 31, 2011. As of September 30, 2011, the 177,000 square foot center was 96% occupied. In addition, the property features four pad sites, three of which are currently leased.

Commitments to complete construction of our redevelopment and other capital expenditure requirements amounted to approximately $5.5 million at September 30, 2011. Commitments for construction represent only those costs contractually required to be paid by us.

Interest costs capitalized during the three months ended September 30, 2011 and 2010 amounted to $64,000 and $583,000, respectively, and for the nine months ended September 30, 2011 and 2010 amounted to $302,000 and $1.1 million, respectively.

4. Acquisitions of Rental Property

Jeffersonville, Ohio

On June 28, 2011, we purchased Prime Outlets at Jeffersonville, Ohio, a 410,000 square foot outlet center, from Ohio Factory Stores Partnership, a subsidiary of Simon Property Group, Inc., for a cash price of $134.0 million. The acquisition was funded by amounts available under our senior, unsecured bridge loan.

Atlantic City, New Jersey and Ocean City, Maryland

On July 15, 2011, we closed on our admission as a member into three existing entities that results in our acquiring substantially all of the economic interests from Cordish AC-1 Associates, LLC, Cordish AC-2 Associates, LLC and OCF Holdings LLC in Phase I & II of Atlantic City Outlets The Walk (Atlantic City, New Jersey) and Ocean City Factory Outlets (Ocean City, Maryland) for an acquisition price of $183.5 million, consisting of $110.0 million in cash and the assumption of $73.5 million in indebtedness. The acquisition was funded by amounts available under our unsecured lines of credit.

On November 1, 2011, we closed on our admission as a member into Atlantic City Associates Number Three LLC that resulted in our acquiring substantially all of the economic interests in Phase III of Atlantic City Outlets The Walk. The acquisition price of Atlantic City Phase III, subject to a final earnout calculation, is estimated to be $15.9 million, consisting of $5.9 million in cash and the assumption of $10.0 million in indebtedness.

Atlantic City Outlets The Walk is comprised of approximately 491,000 square feet, built in a series of three phases, and is located across from The Boardwalk at the intersections of Atlantic, Baltic, Michigan and Arkansas Avenues. There are approximately 100 outlet stores, many of whom are current tenants at other Tanger Outlet Centers across the United States.

Ocean City Factory Outlets is comprised of approximately 200,000 square feet with approximately 40 outlet stores.

Hershey, Pennsylvania

On September 30, 2011, we purchased substantially all of the economic interests in The Outlets at Hershey, a 248,000 square foot outlet center, for an acquisition price of $49.8 million, consisting of approximately $18.4 million in cash and the assumption of $31.4 million of indebtedness. Concurrent with the transaction, we made a $6.2 million loan to the noncontrolling interest holder collateralized by their ownership interest in the property.

The aggregate purchase price of the properties acquired during the nine months ended September 30, 2011 has been allocated as follows:

	Value (in thousands)	Weighted-Average Amortization Period (in years)
Land	$6,425	
Buildings, improvements and fixtures	287,933	
Deferred lease costs and other intangibles		
Above/below market lease value, net	4,897	7.0
Below market ground lease value	29,092	86.3
Lease in place value	23,340	3.8
Tenant relationships	27,876	9.9
Lease and legal costs	3,207	2.8
Total deferred lease costs and other intangibles, net	88,412	
Mortgage fair value adjustments	(7,770)	
Net assets acquired	375,000	
Less: noncontrolling interests	(7,635)	
Consideration transferred	367,365	

There was no contingent consideration associated with these acquisitions. We incurred approximately $2.5 million in third-party acquisition costs which were expensed as incurred. The aggregate revenues and net loss from the properties from the acquisition dates through September 30, 2011, were $7.9 million, and $0.2 million, respectively.

Although we do not anticipate any changes in the fair value measurements of the acquisitions, the measurements may be subject to change within 12 months of the business combination date if new facts or circumstances are brought to our attention that were previously unknown but existed as of the business combination date.

The results of operations of the following acquired properties are included in the consolidated statements of operations beginning on their respective acquisition dates. The following unaudited condensed pro forma financial information for the three and nine months ended September 30, 2011 is presented as if the acquisitions had been consummated as of January 1, 2010, the beginning of the previous reporting period:

	(Pro forma) Three months ended September 30,		(Pro forma) Nine months ended September 30,	
	2011	2010	2011	2010
Total Revenue	84,822	79,569	247,178	231,021
Income from continuing operations	13,757	14,321	32,651	21,806

5. Investments in Unconsolidated Real Estate Joint Ventures

Our investments in unconsolidated joint ventures as of September 30, 2011 and December 31, 2010 aggregated $9.4 million and $6.4 million, respectively. We have evaluated the accounting treatment for each of the joint ventures and have concluded based on the current facts and circumstances that the equity method of accounting should be used to account for the individual joint ventures. At September 30, 2011, we were members of the following unconsolidated real estate joint ventures:

Joint Venture	Center Location	Ownership %	Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park (1)	Deer Park, Long Island, New York	33.3 %	683,033	$(0.1)	$269.3
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0 %	265,061	$4.2	$24.3
Galveston/Houston	Texas City, Texas	50.0 %	—	$4.0	$—
RioCan Canada	Various	50.0 %	—	$1.3	$—

(1) Includes a 29,253 square foot warehouse adjacent to the shopping center with a mortgage note of approximately $2.3 million.

These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required by the equity method of accounting as discussed below.

The following management, leasing and marketing fees were earned from services provided to Wisconsin Dells and Deer Park for the three and nine months ended September 30, 2011 and 2010, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fee:				
Management and leasing	$716	$464	$1,689	$1,399
Marketing	37	39	125	119
Total Fees	$753	$503	$1,814	$1,518

Our carrying value of investments in unconsolidated joint ventures differs from our share of the assets reported in the "Summary Balance Sheets – Unconsolidated Joint Ventures" shown below due to adjustments to the book basis, including intercompany profits on sales of services that are capitalized by the unconsolidated joint ventures. Our investments in real estate joint ventures are reduced by 50% of the profits earned for leasing services provided to Wisconsin Dells and by 33.3% of the profits earned for leasing services provided to Deer Park. The differences in basis are amortized over the various useful lives of the related assets.

Deer Park, Long Island, New York

On May 17, 2011, construction mortgage and mezzanine loans to the joint ventures matured. The joint venture did not qualify for the one-year extension options under the loans and therefore began accruing interest expense at a weighted average default interest rate of 9.2% on the outstanding loan balances based on current interest rates. In September 2011, the joint venture partners signed non-binding term sheets with the administrative agent bank of the lender group for a three-year extension on the senior and mezzanine loans from the original maturity date. Upon the signing of the term sheets, the default rate interest was waived and interest at the new stated rates of LIBOR plus 3.50% and LIBOR plus 5.0%, respectively, were recorded from the original maturity date. The joint venture expects to close on the renewal loans during the fourth quarter of 2011. Upon closing, the joint venture will be required to make a $20.0 million paydown on the senior loan, of which one-third or approximately $6.67 million will be funded by the Operating Partnership. As of September 30, 2011, the outstanding principal balances of the senior and mezzanine loans were $252.0 million and $15.0 million, respectively.

In June 2008, the joint venture entered into an interest-only mortgage loan agreement for a warehouse adjacent to the property with an interest rate of LIBOR plus 1.85% and an initial maturity of May 17, 2011. The joint venture did not qualify for the one-year extension option under this loan. As of September 30, 2011, the outstanding principal balance under the warehouse mortgage was $2.3 million.

Galveston/Houston, Texas

On June 30, 2011, we announced the formation of a 50/50 joint venture agreement with Simon Property Group, Inc. for the development, construction, leasing and management of a Tanger Outlet Center south of Houston in Texas City, Texas. When completed, the center will feature over 90 brand name and designer outlet stores in the first phase which will contain approximately 350,000 square feet, with room for expansion for a total build out of approximately 470,000 square feet. On July 27, 2011, the joint venture acquired the land underlying the site for approximately $5.6 million. Ground breaking ceremonies were held August 30, 2011. As of September 30, 2011, we have contributed $4.0 million in cash to the joint venture to fund development activities.

National Harbor, Washington, D.C.

On May 23, 2011, we announced the formation of a 50/50 joint venture agreement with The Peterson Companies for the development, management, construction, leasing and management of Tanger Outlets at National Harbor in the Washington, D.C. area. When completed, the 350,000 square foot Tanger Outlets at National Harbor will feature 80 brand name and designer outlet stores.

RioCan Canada

In January 2011, we announced that we entered into a letter of intent with RioCan Real Estate Investment Trust to form an exclusive joint venture for the acquisition, development and leasing of sites across Canada that are suitable for development or redevelopment as outlet shopping centers similar in concept and design to those within our existing U.S. portfolio. Subsequently, in July 2011, we finalized and executed the co-ownership documentation related to the joint venture. Through September 30, 2011, we have contributed approximately $1.4 million to fund pre-development and due diligence costs for various sites. Any projects developed will be co-owned on a 50/50 basis and will be branded as Tanger Outlet Centers. We have agreed to provide leasing and marketing services to the venture and RioCan will provide development and property management services.

Investment and Variable Interest Entity Evaluations

On a periodic basis, we assess whether there are any indicators that the value of our investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investments, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each joint venture investment are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates and operating costs of the property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the values estimated by us in our impairment analysis may not be realized.

As of September 30, 2011, our net investment in Deer Park is a liability of approximately $82,000 and Deer Park was in default related to the joint venture's loans. Subsequently, negotiations with the administrative agent bank of the lender group have resulted in the signing of non-binding term sheets for a refinance of two of the loans with an associated capital call of $20.0 million expected upon closing.

In accordance with amended guidance related to the consolidation of variable interest entities which became effective January 1, 2010, we performed an analysis of all of our real estate joint ventures to determine whether they would qualify as variable interest entities ("VIE"), and whether the joint venture should be consolidated or accounted for as an equity method investment in an unconsolidated joint venture. As a result of our qualitative assessment, we concluded that Deer Park is a VIE and Wisconsin Dells, Galveston/Houston, National Harbor and RioCan/Canada are not VIEs. Deer Park is considered a VIE because it does not meet the criteria of the members having a sufficient equity investment at risk.

After making the determination that Deer Park was a VIE, we performed an assessment to determine if we would be considered the primary beneficiary and thus be required to consolidate Deer Park's balance sheets and results of operations. This assessment was based upon whether we had the following:

a. The power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance

b. The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity

Based on the provisions of the operating and management agreements of Deer Park, we determined that no one member alone has the power to direct the significant activities that affect the economic performance of Deer Park. We have determined that all three partners share power in the decisions that most significantly impact Deer Park, as well as the financial rights and obligations, and therefore we are not required to consolidate Deer Park.

Condensed combined summary financial information of unconsolidated joint ventures accounted for using the equity method is as follows (in thousands):

Summary Balance Sheets - Unconsolidated Joint Ventures	As of September 30, 2011	As of December 31, 2010
Assets		
Investment properties at cost, net	$289,318	$283,902
Cash and cash equivalents	16,141	13,838
Deferred lease costs, net	2,840	2,563
Deferred debt origination costs, net	724	1,427
Prepaids and other assets	9,969	6,291
Total assets	$318,992	$308,021
Liabilities and Owners' Equity		
Mortgages payable	$293,534	$294,034
Construction trade payables	4,958	341
Accounts payable and other liabilities	5,378	4,810
Total liabilities	303,870	299,185
Owners' equity	15,122	8,836
Total liabilities and owners' equity	$318,992	$308,021

Summary Statements of Operations - Unconsolidated Joint Ventures	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues	$9,488	$9,632	$28,802	$28,167
Expenses				
Property operating	4,718	4,575	13,292	12,985
General and administrative	58	107	114	466
Depreciation and amortization	3,534	3,567	10,772	10,610
Total expenses	8,310	8,249	24,178	24,061
Operating income	1,178	1,383	4,624	4,106
Interest expense	1,381	1,771	7,310	5,162
Net loss	$(203)	$(388)	$(2,686)	$(1,056)
The Company and Operating Partnership's share of:				
Net loss	$(27			