

KIMCO REALTY CORP
Form 10-Q
November 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 30, 2008

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 1-10899

Kimco Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland

13-2744380

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

3333 New Hyde Park Road, New Hyde Park, NY 11042

(Address of principal executive offices - zip code)

(516) 869-9000

(Registrant's telephone number, including area code)

(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 ___

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 definition of "accelerated filer and large accelerated filer" in Rule 12-b of the Exchange Act.

Large Accelerated filer **X** Accelerated filer

Non-accelerated filer Smaller Reporting
Company

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

Yes ___

No **X**

APPLICABLE ONLY TO CORPORATE ISSUERS:

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Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

266,284,199 shares outstanding as of October 24, 2008.

PART I

FINANCIAL INFORMATION

Item 1.

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KIMCO REALTY CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(in thousands, except share information)**

	September 30, 2008	December 31, 2007
Assets:		
Operating real estate, net of accumulated depreciation		\$
of \$1,116,523 and \$977,444, respectively	\$ 5,520,735	5,203,185
Investments and advances in real estate joint ventures	1,265,109	1,246,917
Real estate under development	1,250,276	1,144,406
Other real estate investments	582,659	615,016
Mortgages and other financing receivables	210,995	153,847
Cash and cash equivalents	124,091	87,499
Marketable securities	348,748	212,988
Accounts and notes receivable	109,710	88,017
Other assets	344,339	345,941
		\$
Total assets	\$ 9,756,662	9,097,816
Liabilities:		
		\$
Notes payable	\$ 3,247,729	3,131,765
Mortgages payable	882,254	838,736
Construction loans payable	266,091	245,914
Dividends payable	128,964	112,052
Other liabilities	443,628	426,616
Total liabilities	4,968,666	4,755,083
Minority interests	532,692	448,159
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1.00 par value, authorized 3,232,000 shares		
Class F Preferred Stock, \$1.00 par value, authorized 700,000 shares		
Issued and outstanding 700,000 shares	700	700
Aggregate liquidation preference \$175,000		

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Class G Preferred Stock, \$1.00 par value, authorized 184,000 shares	184	184
Issued and outstanding 184,000 shares		
Aggregate liquidation preference \$460,000		
Common stock, \$.01 par value, authorized 750,000,000		
Issued 266,779,187 and 253,350,144, respectively		
Outstanding 266,232,607 and 252,803,564, respectively	2,662	2,528
Paid-in capital	4,139,789	3,677,509
Retained earnings	124,458	180,005
	4,267,793	3,860,926
Accumulated other comprehensive income	(12,489)	33,648
Total stockholders' equity	4,255,304	3,894,574
		\$
Total liabilities and stockholders' equity	\$ 9,756,662	9,097,816

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

KIMCO REALTY CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****For the Three and Nine Months Ended September 30, 2008 and 2007****(Unaudited)****(in thousands, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	
Revenues from rental property	190,503	172,237	563,381	\$ 497,424
Rental property expenses:				
Rent	(3,320)	(3,029)	(9,804)	(9,010)
Real estate taxes	(24,012)	(20,764)	(70,811)	(58,798)
Operating and maintenance	(26,824)	(21,515)	(77,845)	(64,514)
Mortgage and other financing income	5,136	4,084	13,601	11,809
Management and other fee income	12,959	12,700	35,817	43,486
Depreciation and amortization	(52,939)	(47,813)	(152,674)	(135,322)
General and administrative expenses	(30,992)	(29,552)	(81,442)	(77,041)
Interest, dividends and other investment income	1,190	16,082	38,932	30,637
Other expense, net	(1,643)	(1,283)	(1,869)	(5,930)
Interest expense	(52,775)	(58,830)	(160,336)	(157,374)
Income from continuing operations before income taxes, income from other real estate investments, equity in income of joint ventures, minority interests in income and gain on sale of development properties	17,283	22,317	96,950	75,367
(Provision)/benefit for income taxes	(12,336)	(348)	(20,607)	32,740
Income from other real estate investments	24,032	19,846	77,444	66,815
Equity in income of joint ventures, net	78,469	39,310	138,016	111,685
Minority interests in income, net	(11,858)	(10,660)	(26,337)	(24,513)
Gain on sale of development properties net of tax of \$1,863, \$3,352, \$13,699	2,795	5,028	20,549	12,731

and \$8,487 respectively

Income from continuing operations	98,385	75,493	286,015	274,825
Discontinued operations:				
Income from discontinued operating properties	350	2,047	5,385	33,985
Minority interests in income	(148)	(178)	(1,281)	(5,698)
Loss on operating properties held for sale/sold	-	-	-	(1,832)
Gain on disposition of operating properties	8,809	267	9,531	5,538
Income from discontinued operations	9,011	2,136	13,635	31,993
Gain on transfer of operating properties	1,188	-	1,188	-
Gain on sale of operating properties, net of tax	-	376	587	2,708
Total gain on transfer or sale of operating properties, net of tax	1,188	376	1,775	2,708
Income before extraordinary item	108,584	78,005	301,425	309,526
Extraordinary gain from joint venture resulting from purchase price allocation, net of tax and minority interest	-	-	-	50,265
Net income	108,584	78,005	301,425	359,791
Preferred stock dividends	(11,822)	(2,909)	(35,466)	(8,728)
Net income available to common shareholders	\$ 96,762	\$ 75,096	\$ 265,959	\$ 351,063
Per common share:				
Income from continuing operations:				
-Basic	\$ 0.34	\$ 0.29	\$ 0.99	\$ 1.07
-Diluted	\$ 0.34	\$ 0.28	\$ 0.98	\$ 1.05
Net income :				
-Basic	\$ 0.38	\$ 0.30	\$ 1.05	\$ 1.39
-Diluted	\$ 0.37	\$ 0.29	\$ 1.03	\$ 1.37
Weighted average shares:				
-Basic	256,164	252,327	254,286	251,925
-Diluted	258,933	256,497	257,376	257,090

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

KIMCO REALTY CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the Three and Nine Months Ended September 30, 2008 and 2007****(Unaudited)****(in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 108,584	\$ 78,005	\$ 301,425	\$ 359,791
Other comprehensive income:				
Change in unrealized loss on marketable securities	(38,848)	(8,129)	(70,763)	(7,513)
Change in unrealized gain/(loss) on interest rate swaps	376	-	(318)	-
Change in unrealized (loss)/gain on foreign currency hedge agreements	-	(197)	-	1,243
Change in foreign currency translation adjustment	21,345	3,385	24,944	6,497
Other comprehensive income	(17,127)	(4,941)	(46,137)	227
Comprehensive income	\$ 91,457	\$ 73,064	\$ 255,288	\$ 360,018

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

KIMCO REALTY CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in thousands)**

	Nine Months Ended September 30,	
	2008	2007
Cash flow from operating activities:		
Net income	\$ 301,425	\$ 359,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	153,603	137,884
Extraordinary item	-	(50,265)
Loss on operating properties held for sale/sold/transferred	-	1,832
Gain on sale of development properties	(34,248)	(21,218)
Gain on sale/transfer of operating properties	(11,306)	(9,800)
Minority interests in income of partnerships, net	27,618	30,212
Equity in income of joint ventures, net	(138,016)	(111,685)
Income from other real estate investments	(71,209)	(54,852)
Distributions from joint ventures	208,044	302,946
Cash retained from excess tax benefits	(1,928)	(2,408)
Change in accounts and notes receivable	(16,710)	(997)
Change in accounts payable and accrued expenses	45,513	41,649
Change in other operating assets and liabilities	16,517	(62,762)
Net cash flow provided by operating activities	479,303	560,327
Cash flow from investing activities:		
Acquisition of and improvements to operating real estate	(202,807)	(937,834)
Acquisition of and improvements to real estate under development	(311,065)	(502,998)
Investment in marketable securities	(263,947)	(35,127)
Proceeds from sale of marketable securities	52,212	32,670
Proceeds from transferred operating/development properties	32,400	61,211
Investments and advances to real estate joint ventures	(131,436)	(330,550)
Reimbursements of advances to real estate joint ventures	85,815	198,420
Other real estate investments	(57,860)	(177,030)
Reimbursements of advances to other real estate investments	65,256	81,380
Investment in mortgage loans receivable	(68,525)	(85,601)

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Collection of mortgage loans receivable	37,914	65,906
Other investments	(19,466)	(20,439)
Reimbursements of other investments	17,189	53,228
Proceeds from sale of operating properties	74,185	59,450
Proceeds from sale of development properties	47,811	175,871
Net cash flow used for investing activities	(642,324)	(1,361,443)
Cash flow from financing activities:		
Principal payments on debt, excluding normal amortization of rental property debt	(61,004)	(67,964)
Principal payments on rental property debt	(10,763)	(10,812)
Principal payments on construction loan financings	(23,473)	(53,903)
Proceeds from mortgage/construction loan financings	66,438	117,293
Borrowings under unsecured revolving credit facilities	536,443	627,369
Repayment of borrowings under unsecured revolving credit facilities	(272,886)	(938)
Proceeds from issuance of unsecured senior notes	-	300,000
Repayment of unsecured senior notes	(125,000)	(105,000)
Financing origination costs	(2,848)	(4,369)
Redemption of minority interests in real estate partnerships	(14,020)	(59,334)
Dividends paid	(340,060)	(280,526)
Cash retained from excess tax benefits	1,928	2,408
Proceeds from issuance of stock	444,858	37,266
Net cash flow provided by financing activities	199,613	501,490
Change in cash and cash equivalents	36,592	(299,626)
Cash and cash equivalents, beginning of period	87,499	345,065
Cash and cash equivalents, end of period	\$ 124,091	\$ 45,439
Interest paid during the period (net of capitalized interest of \$22,343, and \$19,549, respectively)	\$ 141,675	\$ 133,611
Income taxes paid during the period	\$ 10,906	\$ 12,323

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

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

1.

Interim Financial Statements

Principles of Consolidation -

The accompanying Condensed Consolidated Financial Statements include the accounts of Kimco Realty Corporation (the Company), its subsidiaries, all of which are wholly-owned, and all entities in which the Company has a controlling interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity, (VIE), in accordance with the provisions and guidance of Financial Accounting Standards Board (FASB) Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)) or meets certain criteria of a sole general partner or managing member as identified, in accordance with Emerging Issues Task Force (EITF) Issue 04-5, Investors Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights (EITF 04-5). All inter-company balances and transactions have been eliminated in consolidation. The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's 2007 Annual Report on Form 10-K.

Income Taxes -

The Company has made an election to qualify, and believes it is operating so as to qualify, as a Real Estate Investment Trust (a REIT) for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under Sections 856 through 860 of the Internal Revenue Code, as amended (the Code). However, in connection with the Tax Relief Extension Act of 1999, which became effective January 1, 2001, the Company is permitted to participate in certain activities which it was previously precluded from in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries under the Code. As such, the Company will be subject to federal and state income taxes on the income from these activities.

Earnings Per Share -

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<i>Computation of Basic Earnings Per Share:</i>				
Income from continuing operations before extraordinary gain	\$ 98,385	\$ 75,493	\$ 286,015	\$ 274,825
Gain on transfer of operating properties	1,188	-	1,188	-
Gain on sale of operating properties, net of tax	-	376	587	2,708
Preferred stock dividends	(11,822)	(2,909)	(35,466)	(8,728)
Income from continuing operations before extraordinary gain applicable to common shares	87,751	72,960	252,324	268,805
Income from discontinued operations	9,011	2,136	13,635	31,993
Extraordinary gain	-	-	-	50,265
Net income applicable to common shares	\$ 96,762	\$ 75,096	\$ 265,959	\$ 351,063
Weighted average common shares outstanding	256,164	252,327	254,286	251,925

Basic Earnings Per Share:

Income from continuing operations before extraordinary gain	\$ 0.34	\$ 0.29	\$ 0.99	\$ 1.07
Income from discontinued operations	0.04	0.01	0.06	0.12
Extraordinary gain	-	-	-	0.20
Net income	\$ 0.38	\$ 0.30	\$ 1.05	\$ 1.39

Computation of Diluted Earnings Per Share:

Income from continuing operations before extraordinary gain for diluted earnings per share	\$ 87,751	\$ 72,960	\$ 252,324	\$ 268,805
Distributions on convertible units (a)	5	-	5	-
Income from discontinued operations	9,011	2,136	13,635	31,993

Extraordinary gain	-	-	-	50,265
Net income for diluted earnings per common share	\$ 96,767	\$ 75,096	\$ 265,964	\$ 351,063
Weighted average common shares outstanding basic	256,164	252,327	254,286	251,925
Effect of dilutive securities:				
Stock options	2,748	4,170	3,069	5,165
Assumed conversion of convertible units (a)	21	-	21	-
Shares for diluted earnings per common share	258,933	256,497	257,376	257,090

Diluted Earnings Per Share:

Income from continuing operations before extraordinary gain	\$ 0.34	\$ 0.28	\$ 0.98	\$ 1.05
Income from discontinued operations	0.03	0.01	0.05	0.12
Extraordinary gain	-	-	-	0.20
Net income	\$ 0.37	\$ 0.29	\$ 1.03	\$ 1.37

(a)

For the three and nine months ended September 30, 2008 and 2007, the effect of certain convertible units would have an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations.

There were approximately 8,056,555 and 2,971,150 stock options that were anti-dilutive at September 30, 2008 and 2007, respectively.

New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurement (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. During February 2008, the FASB issued two Staff Positions that (i) partially deferred the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities and (ii) removed certain leasing transactions from the scope of SFAS No. 157. The impact of partially adopting SFAS No. 157 did not have a material impact on the Company's financial position or results of operations. (See footnote 11 for additional disclosure).

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The impact of adopting SFAS No. 159 did not have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). The objective of this statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this statement establishes principles and requirements for how the acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination and (iv) requires expensing of transaction costs associated with a business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company is currently assessing the impact the adoption of SFAS No. 141(R) will have on the Company's financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (FAS 160). FAS 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated statement of income; changes in a parent's ownership interest while the parent retains its controlling

financial interest in its subsidiary be accounted for consistently; when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be initially measured at fair value; and entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The objective of the guidance is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. FAS 160 is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently assessing the impact the adoption of SFAS No. 160 will have on the Company's financial position and results of operations.

In March 2008, the FASB issued FAS 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133", (SFAS No. 161) which amends and expands the disclosure requirements of FAS 133 to require qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is to be applied prospectively for the first annual reporting period beginning on or after November 15, 2008, with early application encouraged. SFAS No. 161 also encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The adoption of SFAS No. 161 is not expected to have a material impact on the Company's disclosures.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 removes the requirement under SFAS No. 142, *Goodwill and Other Intangible Assets* to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. FSP 142-3 also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. FSP 142-3 is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of FSP 142-3 is not expected to have a material impact on the Company's financial position and results of operations.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," (EITF 03-6-1), which classifies unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities and requires them to be included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, "Earnings per Share." EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Earlier adoption is prohibited. All prior-period earnings per share data presented are to be adjusted retrospectively. The Company adoption of EITF 03-6-1 is not expected to have a material impact on the Company's financial position and results of operations.

2.

Operating Property Activities

Acquisitions

During the nine months ended September 30, 2008, the Company acquired, in separate transactions, 10 operating properties, comprising an aggregate 1.2 million square feet of a gross leasable area (GLA), for an aggregate purchase price of approximately \$215.9 million including the assumption of approximately \$96.2 million of non-recourse mortgage debt encumbering four of the properties. Details of these transactions are as follows (in thousands):

Purchase Price

<u>Property Name</u>	<u>Location</u>	<u>Month Acquired</u>	<u>Cash</u>	<u>Debt Assumed</u>	<u>Total</u>	<u>GLA</u>
108 West Germania	Chicago, IL	Jan-08	\$ 9,250	\$ -	\$ 9,250	41
1429 Walnut St	Philadelphia, PA	Jan-08	22,100	6,400	28,500	76
168 North Michigan Ave	Chicago, IL	Jan-08 (1)	13,000	-	13,000	74

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118 Market St	Philadelphia, PA	Feb-08 (1)	600	-	600	1
Alison Building	Philadelphia, PA	Apr-08 (1)	15,875	-	15,875	58
Lorden Plaza	Milford, NH	Apr-08	5,650	26,000	31,650	149
East Windsor Village	East Windsor, NJ	May-08 (2)	10,370	19,780	30,150	249
Valinhos	Valinhos, Brazil	Jun-08 (3)	17,384	-	17,384	121
Vicuna Mackenna	Santiago, Chile	Aug-08 (4)	4,025	-	4,025	26
Potomac Run Plaza	Sterling, VA	Sep-08 (5)	21,430	44,046	65,476	361
			\$ 119,684	\$ 96,226	\$ 215,910	1,156

1)

Property is scheduled for redevelopment.

2)

The Company acquired this property from a joint venture in which the Company had an approximate 15% non-controlling ownership interest.

3)

The Company provided \$12.2 million as part of its 70% economic interest in this newly formed joint venture for the acquisition of this operating property and land parcel. The Company has determined, under the provisions of FIN 46(R), that this joint venture is a VIE and that the Company is the primary beneficiary. As such, the Company has consolidated this entity for accounting and reporting purposes.

4)

The Company provided a \$3.0 million equity investment to a newly formed joint venture in which the Company has a 75% economic interest for the acquisition of this operating property and has determined under the provisions of FIN 46(R) that this joint venture is a VIE and that the Company is the primary beneficiary. As such, the Company has consolidated this entity for accounting and reporting purposes.

5)

The Company acquired this property from a joint venture in which the Company holds a 20% non-controlling interest.

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The aggregate purchase price of these properties has been allocated to the tangible and intangible assets and liabilities of the properties at the date of acquisition, based on evaluation of information and estimates available at such date. As final information regarding the fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments will be made to the purchase price allocation. The allocations are finalized no later than twelve months from the acquisition date. The total aggregate purchase price was allocated as follows (in thousands):

Land	\$	55,323
Buildings		121,927
Above Market Rents		2,167
Below Market Rents		(8,926)
In-Place Leases		6,879
Other Intangibles		2,739
Building Improvements		28,589
Tenant Improvements		7,147
Mortgage Fair Value Adjustment		65
	\$	215,910

Dispositions -

During the nine months ended September 30, 2008, the Company disposed of four operating properties and a portion of two operating properties, in separate transactions, for an aggregate sales price of approximately \$30.5 million, which resulted in an aggregate gain of approximately \$10.1 million. In addition, the Company partially recognized deferred gains of approximately \$1.2 million on three properties relating to their transfer and partial sale in connection with the Kimco Income Fund II transaction described below.

During 2007 the Company transferred 11 operating properties to a wholly-owned consolidated joint venture, Kimco Income Fund II (KIF II), for an aggregate purchase price of approximately \$278.2 million, including non-recourse mortgage debt of \$180.9 million, encumbering 11 of the properties. During 2008, the Company transferred an additional three properties for \$73.9 million, including \$50.6 million in non-recourse mortgage debt. During the nine months ended September 30, 2008 the Company sold a 26.4% non-controlling ownership interest in the entity to third parties for approximately \$32.5 million, which approximated the Company's cost. The Company continues to consolidate this entity.

Additionally, during the nine months ended September 30, 2008, the Company disposed of an operating property for approximately \$21.4 million. The Company provided seller financing for approximately \$3.6 million, which bears interest at 10% per annum and is scheduled to mature on May 1, 2011. Due to the terms of this financing the Company has deferred its gain of \$3.7 million from this sale.

Additionally, during the nine months ended September 30, 2008, a consolidated joint venture in which the Company had a preferred equity investment disposed of a property for a sales price of approximately \$35.0 million. As a result of this capital transaction, the Company received approximately \$3.5 million of profit participation, before minority interest of approximately \$1.1 million. This profit participation has been recorded as income from other real estate investments and is reflected in Income from discontinued operating properties in the Company's Condensed Consolidated Statements of Income.

During the nine months ended September 30, 2008, FNC Realty Corporation, a consolidated entity in which the Company holds a 53% controlling ownership interest, disposed of a property for a sales price of approximately \$3.3 million. This transaction resulted in a pre-tax profit of approximately \$2.1 million, before minority interest of \$1.0 million. This income has been recorded as Income from other real estate investments in the Company's Condensed Consolidated Statements of Income.

3.

Discontinued Operations

The Company reports as discontinued operations properties held-for-sale and operating properties sold in the current period. The results of these discontinued operations are included in a separate component of income on the Condensed Consolidated Statements of Income under the caption Discontinued operations. This reporting has resulted in certain reclassifications of 2007 financial statement amounts.

The components of income and expense relating to discontinued operations for the three and nine months ended September 30, 2008 and 2007 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2008 and 2007 and the operations for the applicable period for those assets classified as held-for-sale as of September 30, 2008 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Discontinued operations:				
Revenues from rental property	\$ 668	\$ 2,201	\$ 3,696	\$ 8,198
Rental property expenses	(244)	(793)	(830)	(2,984)
Depreciation and amortization	(81)	(751)	(930)	(2,563)
Interest expense	6	(153)	(116)	(452)
Income from other real estate investments	-	1,412	3,451	34,709
Other income/(expense)	1	131	114	(2,923)
Income from discontinued operating properties	350	2,047	5,385	33,985
Minority interests in income	(148)	(178)	(1,281)	(5,698)
Loss on operating properties held for sale/sold	-	-	-	(1,832)
Gain on disposition of operating properties	8,809	267	9,531	5,538
Income from discontinued operations	\$ 9,011	\$ 2,136	\$ 13,635	\$ 31,993

During the nine months ended September 30, 2008, the Company classified as held-for-sale three shopping center properties comprising approximately 0.2 million square feet of GLA. The book value of each of these properties, aggregating approximately \$10.7 million, net of accumulated depreciation of approximately \$10.5 million, did not exceed each of their estimated fair value. As a result, no adjustment of property carrying value has been recorded. The Company's determination of the fair value for these properties, aggregating approximately \$22.5 million, is based upon executed contracts of sale with third parties less estimated selling costs. During the nine months ended September 30, 2008, the Company reclassified two properties previously classified as held-for-sale into held-for-use.

4.

Ground-Up Development

The Company is engaged in ground-up development projects which consist of (i) merchant building through the Company's wholly-owned taxable REIT subsidiaries, which develop neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) U.S. ground-up development projects which will be held as long-term investments by the Company and (iii) various ground-up development projects located in Latin America for long-term investment. The ground-up development projects generally have significant pre-leasing prior to the commencement of construction. As of September 30, 2008, the Company had 54 ground-up development projects

with a total of 47 ground-up development projects in progress, consisting of 13 merchant building projects, three U.S. ground-up development projects, and 31 ground-up development projects located throughout Mexico, Chile, Brazil, and Peru.

Merchant Building -

During the nine months ended September 30, 2008, the Company acquired three land parcels, in separate transactions, for an aggregate purchase price of approximately \$9.7 million.

During the nine months ended September 30, 2008, the Company sold, in separate transactions, (i) one completed merchant building project, (ii) 15 out-parcels, (iii) a partial sale of one property and (iv) a partnership interest in one project for aggregate proceeds of approximately \$64.3 million and received approximately \$4.1 million of proceeds from completed earn-out requirements on three previously sold merchant building projects. These sales resulted in gains of approximately \$20.5 million, net of income taxes of \$13.7 million.

During the nine months ended September 30, 2008, the Company obtained construction financing on three ground-up development projects with total loan commitment amounts up to \$35.4 million, of which \$7.1 million was outstanding as of September 30, 2008. As of September 30, 2008, total loan commitments on the Company's 16 outstanding construction loans aggregated approximately \$371.7 million of which approximately \$266.1 million has been funded.

These loans have scheduled maturities ranging from two months to 45 months (excluding any extension options which may be available to the Company) and bear interest at rates ranging from 5.30% to 6.18% at September 30, 2008.

Long-term Investment Projects -

During the nine months ended September 30, 2008, the Company acquired (i) nine land parcels located throughout Mexico for an aggregate purchase price of approximately 512.7 million Mexican Pesos (MXP) (approximately USD \$48.8 million), (ii) one land parcel located in Lima, Peru for a purchase price of approximately 1.9 million Peruvian Nuevo Sol (PEN) (approximately USD \$0.7 million) and (iii) one land parcel located in Vina Del Mar, Chile for a purchase price of approximately 7.7 billion Chilean Pesos (CLP) (approximately USD \$15.7 million). Six of the land parcels in Mexico will be held for investment or possible future development. The remaining five land parcels will be developed into retail centers aggregating approximately 1.0 million square feet of gross leasable area with a total estimated aggregate project cost of approximately USD \$123.7 million.

Additionally, during the nine months ended September 30, 2008, the Company acquired, through an existing consolidated joint venture, a redevelopment property in Bronx, NY, for a purchase price of approximately \$5.2 million. The property will be redeveloped into a retail center with a total estimated project cost of approximately \$17.7 million.

5.

Kimsouth

On May 12, 2006, the Company acquired an additional 48% interest in Kimsouth Realty Inc. (Kimsouth) a joint venture investment in which the Company had previously held a 44.5% non-controlling interest, for approximately \$22.9 million. As a result of this transaction, the Company's total ownership increased to 92.5% and the Company became the controlling shareholder. The Company commenced consolidation of Kimsouth upon the closing date.

The acquisition of the additional 48% ownership interest has been accounted for as a step acquisition with the purchase price being allocated to the identified assets and liabilities of Kimsouth. As of May 12, 2006, Kimsouth consisted of five properties, all of which have been subsequently sold and/or transferred.

As of May 12, 2006, Kimsouth had approximately \$133.0 million of net operating loss carry-forwards (NOLs) which could be utilized to offset future taxable income of Kimsouth. The Company evaluated the need for a valuation allowance based on projected taxable income and determined that a valuation allowance of approximately \$34.2

million was required. As such, a purchase price adjustment of \$17.5 million was recorded. As of December 31, 2007, Kimsouth had a remaining valuation allowance of approximately \$3.1 million.

During June 2006, Kimsouth contributed approximately \$51.0 million, of which \$47.2 million or 92.5% was provided by the Company, to fund its 15% non-controlling interest in a newly formed joint venture with an investment group to acquire a portion of Albertson's Inc. To maximize investment returns, the investment group's strategy with respect to this joint venture, includes refinancing, selling selected stores and the enhancement of operations at the remaining stores. Kimsouth accounts for this investment under the equity method of accounting. During 2007, this joint venture completed the disposition of certain operating stores and a refinancing of the remaining assets in the joint venture. As a result of these transactions Kimsouth received a cash distribution of approximately \$148.6 million. Kimsouth had a remaining capital commitment obligation to fund up to an additional \$15.0 million for general purposes. This amount was included in Other liabilities in the Condensed Consolidated Balance Sheets. During March 2008, the Albertson's partnership agreement was amended to release the Company of its remaining capital commitment obligation, as a result the Company recognized pre-tax income of \$15.0 million from cash received in excess of the Company's investment.

During the nine months ended September 30, 2008, the Albertson's joint venture disposed of 121 operating properties for an aggregate sales price of approximately \$564.0 million with a gain of approximately \$552.3 million, which resulted in a gain to Kimsouth of approximately \$73.1 million. During the nine months ended September 30, 2008, Kimsouth recognized equity in income from the Albertson's joint venture of approximately \$63.4 million, before taxes. As a result of these transactions, Kimsouth had fully reduced its valuation allowance and utilized all of its remaining NOLs.

Additionally, during the nine months ended September 30, 2008, the Albertson's joint venture acquired five operating properties and four leasehold properties for approximately \$23.2 million, including the assumption of approximately \$5.8 million in non-recourse mortgage debt encumbering one of the properties.

6.

Investments and Advances in Real Estate Joint Ventures

Kimco Prudential Joint Venture (KimPru) -

On October 31, 2006, the Company completed the merger of Pan Pacific Retail Properties Inc. (Pan Pacific), which had a total transaction value of approximately \$4.1 billion, including Pan Pacific's outstanding debt totaling approximately \$1.1 billion. As of October 31, 2006, Pan Pacific owned interests in 138 operating properties, which comprised approximately 19.9 million square feet of GLA, located primarily in California, Oregon, Washington and Nevada.

Immediately following the merger, the Company commenced its joint venture agreements with Prudential Real Estate Investors (PREI) through three separate accounts managed by PREI. In accordance with the joint venture agreements, all Pan Pacific assets and respective non-recourse mortgage debt and a newly obtained \$1.2 billion credit facility used to fund the transaction were transferred to the separate accounts. PREI contributed approximately \$1.1 billion on behalf of institutional investors in three of its portfolios. The Company holds a 15% non-controlling ownership interest in each of the joint ventures, collectively, KimPru. The Company accounts for its investment in KimPru under the equity method of accounting. In addition, the Company manages the portfolios and earns acquisition fees, leasing commissions, property management fees and construction management fees. For the nine months ended September 30, 2008 and 2007, the Company earned management fees of approximately \$8.3 million and \$7.9 million, respectively. The Company also earned other transaction related fees of approximately \$6.2 million during the nine months ended September 30, 2007.

During the nine months ended September 30, 2008, KimPru sold four operating properties for an aggregate sales price of approximately \$45.3 million. Proceeds from this property sale were used to repay a portion of the outstanding balance on the \$1.2 billion credit facility.

During August 2008, KimPru entered into a new \$650.0 million credit facility which matures in August 2009, with the option to extend for one year and bears interest at a rate of LIBOR plus 1.15%. This facility is guaranteed by the Company with a guarantee from PREI to the Company for 85% of any guaranty payment the Company is obligated to make. Proceeds from this new credit facility were used to repay the outstanding balance of \$658.7 million under the \$1.2 billion credit facility, referred to above, which was scheduled to mature in October 2008 and bore interest at a rate of LIBOR plus 0.45%. As of September 30, 2008, the outstanding balance on the new credit facility was \$650.0 million.

As of September 30, 2008, the KimPru portfolio was comprised of 106 shopping center properties aggregating approximately 16.0 million square feet of GLA located in 5 states.

Kimco Income REIT (KIR) -

The Company holds a 45% non-controlling limited partnership interest in KIR and accounts for its investment under the equity method of accounting. KIR has a master management agreement with the Company, whereby, the Company performs services for fees relating to the management, operation, supervision and maintenance of the joint venture properties. For the nine months ended September 30, 2008 and 2007, the Company earned management fees of approximately \$2.0 million and \$2.7 million, respectively.

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During the nine months ended September 30, 2008, KIR refinanced five non-recourse mortgages aggregating approximately \$109.1 million which were scheduled to mature in 2008 and bore interest at rates ranging from 6.57% to 6.94%, with five individual non-recourse mortgages aggregating approximately \$180.3 million, bearing interest at rates ranging from 6.0% to 6.5% with maturity dates ranging from 2015 to 2018.

During the nine months ended September 30, 2008, KIR disposed of one operating property for a sales price of approximately \$1.9 million. This sale resulted in an aggregate loss of approximately \$0.6 million of which the Company's share was approximately \$0.3 million.

As of September 30, 2008, the KIR portfolio was comprised of 62 operating properties aggregating 13.1 million square feet of GLA located in 18 states.

Other Real Estate Joint Ventures -

During the nine months ended September 30, 2008, the Company acquired 14 operating properties, one leasehold interest and two land parcels through joint ventures in which the Company has non-controlling interests for an aggregate purchase price of approximately \$195.8 million including the assumption of approximately \$90.1 million of non-recourse mortgage debt encumbering 11 of the properties. The Company accounts for its investment in these joint ventures under the equity method of accounting. The Company's aggregate investment resulting from these transactions was approximately \$60.1 million. Details of these transactions are as follows (in thousands):

<u>Property Name</u>	<u>Location</u>	<u>Month Acquired</u>	<u>Purchase Price</u>		
			<u>Cash</u>	<u>Debt</u>	<u>Total</u>
Intown Suites (2 extended stay residential properties, 299 units)	Houston, TX	Feb-08	\$ 8,750	\$ -	\$ 8,750
American Industries (land parcel)	Chihuahua, Mexico	Feb-08	1,933	-	1,933
American Industries	Monterrey, Mexico	Apr-08	8,700	-	8,700
Little Ferry(leasehold interest)	Little Ferry, NJ	June-08	5,000	-	5,000
H & R Portfolio (10 retail properties)	Various, Canada	June-08	72,337	81,075	153,412

Tacoma Plaza	Dartmouth, Canada	Sept-08	8,714	9,026	17,740
American Industries (land parcel)	San Luis Potosi, Mexico	Sept-08	224	-	224
			\$ 105,658	\$ 90,101	\$ 195,759

In addition, two joint venture investments in which the Company holds a 50% interest in each obtained individual non-recourse mortgages totaling \$77.0 million. These mortgages have interest rates ranging from 6.38% to 6.47% and maturities ranging from 2018 to 2019. Proceeds from these mortgages were used to retire \$36.0 million of mortgage debt encumbering two properties held by the joint ventures.

The Company's maximum exposure to losses associated with its Investments and advances in real estate joint ventures is primarily limited to its carrying value which was approximately \$1.3 billion as of September 30, 2008.

7.

Other Real Estate Investments

Preferred Equity Capital -

The Company maintains a preferred equity program, which provides capital to developers and owners of real estate. During the nine months ended September 30, 2008, the Company provided an aggregate of approximately \$39.0 million in investment capital to developers and owners of 25 real estate properties. As of September 30, 2008, the Company's net investment under the Preferred Equity program was approximately \$554.7 million relating to 632 properties, including 402 net leased properties. During the nine months ended September 30, 2008, the Company earned approximately \$58.9 million from these investments, including \$24.4 million in profit participation earned from eight capital transactions. During the nine months ended September 30, 2007, the Company earned approximately \$54.7 million from these investments including \$30.3 million in profit participation earned from 18 capital transactions.

Included in the capital transactions described above for the nine months ended September 30, 2008, was the sale of the Company's preferred equity investment in an operating property to its partner for approximately \$29.5 million. The Company provided seller financing to the partner for approximately CAD 24.0 million (approximately USD \$23.5 million), which bears interest at a rate of 8.5% per annum and has a maturity date of June 2013. This sale resulted in profit participation of approximately USD \$10.8 million.

Other-

Additionally, during the nine months ended September 30, 2008, the Company sold its 18.7% interest in a real estate company located in Mexico for approximately \$23.2 million resulting in a gain of approximately \$7.2 million.

8.

Mortgages and Other Financing Receivables

During April 2007, the Company provided a \$30.0 million Debtor-in-Possession (DIP) facility to a medical center. The DIP facility bore interest at LIBOR plus 400 basis points per annum and was collateralized by certain real estate interests of the borrower. The loan was scheduled to mature at the earlier of (i) two years or (ii) the borrower's emergence from bankruptcy. During February 2008, the medical center was sold as part of the borrower's exit from bankruptcy and the outstanding balance on the DIP facility of approximately \$14.7 million was paid in full. As a result of this transaction the Company provided the purchaser of the medical center a loan of up to \$17.5 million which

bears interest at LIBOR plus 600 basis points (9.9% at September 30, 2008) and has a maturity date of February 2009, with an option to extend for one year. As of September 30, 2008, the outstanding balance on this loan was approximately \$16.0 million.

During April 2008, the Company provided approximately \$25.0 million as its share of a \$195.0 million five year secured term loan to a retail company. This loan bears interest at LIBOR plus 12.5% or Prime plus 11.5% per annum determinable at the option of the borrower, based on each Interest Period, as defined. As of September 30, 2008, the Company's outstanding balance on this loan participation was approximately \$18.1 million.

During September 2008, the Company provided \$18.0 million as its share of a five-year \$50.0 million term loan to a retailer. The loan bears interest at the greater of LIBOR plus 8% or 12% in the first year and the greater of LIBOR plus 12% or 16% in the remaining years, which is payable monthly with any unpaid accrued interest and principal payable at maturity. As of September 30, 2008, the outstanding balance on this loan was approximately \$18.0 million.

9.

Marketable Securities

During February 2008, the Company acquired an aggregate \$190 million Australian denominated (AUD) (approximately \$170.1 million USD) convertible notes issued by a subsidiary of Valad Property Group (Valad), a publicly traded Australian company listed on the Australian stock exchange that is a diversified, property fund manager, investor, developer, and property investment banker with property investments in Australia, Europe and Asia. The notes are guaranteed by Valad and bear interest at 9.5% payable semi-annually in arrears. The notes are repayable after five years with an option for Valad to extend up to 18 months, subject to certain interest rate and conversion price resets. The notes are convertible anytime into publicly traded Valad securities at a price of AUD\$1.33.

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), the Company has bifurcated the conversion option within the Valad convertible notes and will separately account for this option as an embedded derivative. The original host instrument is recorded at fair value and is included in Marketable securities on the Company's Condensed Consolidated Balance Sheets with changes in the fair value recorded through Stockholders' equity as a component of other comprehensive income. At September 30, 2008, the Company had an unrealized loss associated with these notes of approximately \$14.1 million. Interest payments on the notes are current and all amounts due in accordance with contractual terms are considered probable by the Company. The Company has the intent and ability to hold the notes to maturity and therefore, does not believe that the decline in value at September 30, 2008, is other-than-temporary. The embedded derivative is recorded at fair value and is included in Other assets on the Company's Condensed Consolidated Balance Sheets with changes in fair value recognized in the Company's Condensed Consolidated Statements of Income. The value attributed to the embedded convertible option was approximately AUD 14.3 million, (approximately USD \$13.8 million). As a result of the fair value remeasurement of this derivative instrument at September 30, 2008, there was an AUD 9.4 million (approximately USD \$8.6 million) unrealized decrease in the fair value of the convertible option. This unrealized decrease is included in Other expense, net on the Company's Condensed Consolidated Statements of Income.

During the nine months ended September 30, 2008, the Company received approximately \$50.3 million in proceeds from the sale of certain marketable securities. The Company recognized gross realizable gains of approximately \$15.9 million and gross realizable losses of approximately \$1.9 million from its marketable securities during the nine months ended September 30, 2008.

For each of the securities in the Company's portfolio with unrealized losses, the Company reviews the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In the Company's evaluation, the Company considers its ability and intent to hold these investments for a reasonable period of time sufficient for the Company to recover its cost basis. During the nine months ended September 30, 2008, the Company determined that the decline in three of its marketable securities was other-than-temporary and therefore wrote down such investments to their respective market values. As a result, the Company realized approximately \$9.7 million in marketable security impairment losses.

At September 30, 2008, the Company's investment in marketable securities was approximately \$348.7 million which includes an aggregate unrealized loss of approximately \$49.2 million related to marketable equity security investments. The Company does not believe that the declines in value of any of its securities with unrealized losses are other-than-temporary at September 30, 2008.

The unrealized loss of \$49.2 million includes an unrealized loss of \$33.4 million related to the Company's investment in 62.1 million shares of Valad equity securities at an average cost of \$0.77 per share. The amount of unrealized loss has further increased subsequent to September 30, 2008. In determining that the unrealized loss associated with this investment was not other-than-temporary the Company considered both positive and negative factors including that the unrealized loss on this security has been for less than four months, the overall state of current market conditions which have negatively impacted equity securities in general, net asset per share amounts provided by the issuing investee and securities analysis exceed the Company's cost basis per share and conditions related to the financial health of the investee including the adequacy of their liquidity and their underlying profitability.

The Company will continue to assess declines in value of its marketable securities on an on going basis. Based on these assessments, the Company may determine that a decline in value for one or more of its investments may be other-than-temporary and would therefore write-down its cost basis accordingly.

10.

Notes Payable

The Company had a three-year MXP 500.0 million unsecured revolving credit facility which bore interest at the TIE Rate, as defined therein, plus 1.00%, subject to change in accordance with the Company's senior debt ratings, and was scheduled to mature in May 2008. During March 2008, the Company obtained a MXP 1.0 billion term loan, which bears interest at a fixed rate of 8.48% and is scheduled to mature in March 2013. The Company utilized proceeds from this term loan to fully repay the outstanding balance of the MXP 500.0 million unsecured revolving credit facility, which has been terminated. Remaining proceeds from this term loan were used for funding MXP denominated investments. As of September 30, 2008, the outstanding balance on this term loan was MXP 1.0 billion (approximately USD \$99.7 million).

During the nine months ended September 30, 2008, the Company repaid its \$100.0 million 3.95% medium term notes, which matured on August 5, 2008 and its \$25.0 million 7.2% senior notes, which matured on September 15, 2008.

11.

Fair Value Measurements

On January 1, 2008, the Company adopted the provisions required by Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157) relating to financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is minimal, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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The Company has certain financial instruments that must be measured under the new fair value standard including: available for sale securities, convertible notes and derivatives. The Company currently does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

Available for sale securities are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy.

The Company has an investment in convertible notes for which it separately accounts for the conversion option as an embedded derivative. The convertible notes and conversion option are measured at fair value determined using widely accepted valuation techniques including pricing models. These models reflect the contractual terms of the convertible notes, including the term to maturity, and uses observable market-based inputs, including interest rate curves, implied volatilities, stock price, dividend yields and foreign exchange rates. Based on these inputs the Company has determined that its convertible notes and conversion option valuations are classified within Level 2 of the fair value hierarchy.

The Company uses interest rate swaps to manage its interest rate risk. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. Based on these inputs the Company has determined that its interest rate swap valuations are classified within Level 2 of the fair value hierarchy.

To comply with the provisions of SFAS No. 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. The credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2008 (in thousands):

Balance at	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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September 30, 2008

Assets:

Marketable securities	\$ 105,734	\$ 105,734	\$ -	\$ -
Convertible notes	\$ 145,156	\$ -	\$ 145,156	\$ -
Conversion option	\$ 4,027	\$ -	\$ 4,027	\$ -

Liabilities:

Interest rate swaps	\$ 346	\$ -	\$ 346	\$ -
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The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of September 30, 2008.

12.

Common Stock Transactions

During September 2008, the Company completed a primary public stock offering of 11,500,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately \$409.4 million (after related transaction costs of \$0.6 million) were used to partially repay the outstanding balance under the Company's U.S. revolving credit facility.

13.

Supplemental Schedule of Non-Cash Investing / Financing Activities

The following schedule summarizes the non-cash investing and financing activities of the Company for the nine months ended September 30, 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
Acquisition of real estate interests by assumption of mortgage debt	\$ 96,226	\$ 51,445
Acquisition of real estate interests through proceeds held in escrow	\$ -	\$ 68,031
Disposition/transfer of real estate interests by origination of mortgage debt	\$ 27,175	\$ -
Proceeds held in escrow through sale of real estate interests	\$ 11,195	\$ -
Investment in real estate joint venture by contribution of properties	\$ -	\$ 740
Deconsolidation of Joint Venture:		
Decrease in real estate and other assets	\$ -	\$ 113,074
Decrease in construction loan and other liabilities	\$ -	\$ 113,074
Declaration of dividends paid in succeeding period	\$ 128,964	\$ 103,976

14.

Incentive Plans

The Company maintains an equity participation plan (the Plan) pursuant to which a maximum of 47,000,000 shares of the Company's common stock may be issued for qualified and non-qualified options and restricted stock grants.

Unless otherwise determined by the Board of Directors at its sole discretion, options granted under the Plan generally vest ratably over a range of three to five years, expire ten years from the date of grant and are exercisable at the market price on the date of grant. Restricted stock grants vest 100% on the fourth or fifth anniversary of the grant. In addition, the Plan provides for the granting of certain options and restricted stock to each of the Company's non-employee directors (the Independent Directors) and permits such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

The Company recognized stock options expense of approximately \$9.1 million and \$9.0 million for the nine months ended September 30, 2008 and 2007, respectively. As of September 30, 2008, the Company had approximately \$36.3 million of total unrecognized compensation cost related to unvested stock compensation granted under the Company's Plan. That cost is expected to be recognized over a weighted average period of approximately 3.6 years.

15.

Pro Forma Financial Information

As discussed in Note 2, the Company and certain of its affiliates acquired and disposed of interests in certain operating properties during the nine months ended September 30, 2008. The pro forma financial information set forth below is based upon the Company's historical Condensed Consolidated Statements of Income for the nine months ended September 30, 2008 and 2007, adjusted to give effect to these transactions at the beginning of each year.

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The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred at the beginning of each year, nor does it purport to represent the results of future operations. (Amounts presented in millions, except per share figures.)

	Nine Months ended September 30,	
	<u>2008</u>	<u>2007</u>
Revenues from rental property	\$575.6	\$513.1
Income before extraordinary gain	\$288.3	\$277.1
Net income	\$288.3	\$327.3
Income before extraordinary gain per common share:		
Basic	\$0.98	\$1.07
Diluted	\$0.98	\$1.04
Net income per common share:		
Basic	\$0.98	\$1.26
Diluted	\$0.98	\$1.24

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q, together with other statements and information publicly disseminated by the Company contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general U.S. and international economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) store closings by tenants, (iv) financing risks, such as the inability to obtain equity, debt or other sources of financing on favorable terms, (v) changes in governmental laws and regulations, (vi) the level and volatility of interest rates, (vii) the availability of suitable acquisition opportunities and (viii) increases in operating costs. Accordingly, there is no assurance that the Company's expectations will be realized.

The following discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes thereto. These unaudited financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

Executive Summary

Kimco Realty Corporation is one of the nation's largest publicly-traded owners and operators of neighborhood and community shopping centers. As of September 30, 2008, the Company had interests in 1,945 properties, totaling approximately 182.0 million square feet of gross leaseable area (GLA) located in 45 states, Puerto Rico, Canada, Mexico, Chile, Brazil, and Peru.

The Company is self-administered and self-managed through present management, which has owned and managed neighborhood and community shopping centers for over 50 years. The executive officers are engaged in the day-to-day management and operation of real estate exclusively with the Company, with nearly all operating

functions, including leasing, asset management, maintenance, construction, legal, finance and accounting administered by the Company.

The Company, through its taxable REIT subsidiaries, is engaged in various retail real estate-related opportunities including (i) merchant building, which is primarily the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services, which primarily focuses on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions. The Company will consider other investments through taxable REIT subsidiaries should suitable opportunities arise.

In addition, the Company continues to capitalize on its established expertise in retail real estate by establishing other ventures in which the Company owns a smaller equity interest and provides management, leasing and operational support for those properties. The Company also provides preferred equity capital for real estate entrepreneurs and provides real estate capital and advisory services to both healthy and distressed retailers. The Company also makes selective investments in secondary market opportunities where a security or other investment is, in management's judgment, priced below the value of the underlying real estate.

The Company's strategy is to maintain a strong balance sheet while investing opportunistically and selectively. The Company intends to continue to execute its plan of delivering solid earnings and dividends.

Results of Operations

Comparison three months ended September 30, 2008 to 2007

	Three Months Ended		Increase/ (Decrease)	<u>% change</u>
	<u>September 30,</u>			
	<u>2008</u>	<u>2007</u>		
	(amounts in millions)			
Revenues from rental property (1)	\$ 190.5	\$ 172.2	\$ 18.3	10.6 %
Rental property expenses: (2)				
Rent	\$ 3.3	\$ 3.0	\$ 0.3	10.0 %
Real estate taxes	24.0	20.8	3.2	15.4 %
Operating and maintenance	26.8	21.5	5.3	24.7 %
	\$ 54.1	\$ 45.3	\$ 8.8	19.4 %
Depreciation and amortization (3)	\$ 52.9	\$ 47.8	\$ 5.1	10.7 %

Comparison nine months ended September 30, 2008 to 2007

	Nine Months Ended		Increase/ (Decrease)	<u>% change</u>
	<u>September 30,</u>			
	<u>2008</u>	<u>2007</u>		
	(amounts in millions)			
Revenues from rental property (1)	\$ 563.4	\$ 497.4	\$ 66.0	13.3 %
Rental property expenses: (2)				
Rent	\$ 9.8	\$ 9.0	\$ 0.8	8.8 %
Real estate taxes	70.8	58.8	12.0	20.4 %
Operating and maintenance	77.8	64.5	13.3	20.6 %
	\$ 158.4	\$ 132.3	\$ 26.1	19.7 %
Depreciation and amortization (3)	\$ 152.7	\$ 135.3	\$ 17.4	12.9 %

(1) Revenues from rental property increased for the three and nine months ended September 30, 2008 as compared to the corresponding periods in 2007 primarily from the combined effect of (i) the acquisition of operating properties during 2008 and 2007, providing incremental revenues for the three and nine months ended September 30, 2008 of \$5.5 million and \$42.3 million, respectively (ii) the completion of certain development and redevelopment projects and tenant buyouts providing incremental revenues of approximately \$12.9 million and \$26.5 million, respectively, for the three and nine months ended September 30, 2008 as compared to the corresponding periods in 2007, partially offset by (iii) a decrease in revenues of approximately \$0.1 million and \$2.8 million for the three and nine months ended September 30, 2008, as compared to the corresponding period last year, respectively, primarily resulting from the transfer of operating properties to various unconsolidated joint venture entities and the sale of certain properties during 2008 and 2007.

(2) Rental property expenses increased for the three and nine months ended September 30, 2008 as compared to the corresponding periods in 2007 primarily due to operating property acquisitions during 2008 and 2007, which were partially offset by operating property dispositions including those transferred to various joint venture entities.

(3) Depreciation and amortization increased for the three and nine months ended September 30, 2008 as compared to the corresponding periods in 2007 primarily due to operating property acquisitions during 2008 and 2007, which were partially offset by operating property dispositions including those transferred to various joint venture entities.

Management and other fee income decreased approximately \$7.7 million for the nine months ended September 30, 2008, as compared to the corresponding period in 2007. This decrease is primarily due to a decrease in other transaction related fees of approximately \$8.7 million, recognized during the nine months ended September 30, 2007, partially offset by an increase in property management fees of approximately \$1.0 million for the nine months ended September 30, 2008.

General and administrative expenses increased approximately \$4.4 million, for the nine months ended September 30, 2008, as compared to the corresponding period in 2007. This increase is primarily due to increased personnel-related costs, primarily due to growth within the Company's co-investment programs and the overall continued growth of the Company.

Interest, dividends and other investment income decreased approximately \$14.9 million to \$1.2 million for the three months ended September 30, 2008, as compared to \$16.1 million for the corresponding period in 2007. This decrease is primarily due to (i) recognition of an other-than-temporary impairment of approximately \$5.9 million related to three of the Company's investments in marketable securities, (ii) a decrease in realized gains of approximately \$12.2 million resulting from the sale of certain marketable securities during the corresponding period in 2007, partially offset by (iii) an increase in interest income of approximately \$3.6 million primarily resulting from increased investments in marketable securities during 2008. Conversely, interest, dividends and other investment income increased approximately \$8.3 million to \$38.9 million for the nine months ended September 30, 2008, as compared to \$30.6 million for the corresponding period in 2007. This increase is primarily due to an increase in interest income of approximately \$12.0 million and an increase in dividend income of approximately \$2.9 million primarily resulting from increased investments in marketable securities during 2008, partially offset by the recognition of an other-than-temporary impairment of approximately \$9.7 million related to three of the Company's investments in marketable securities.

Other expense, net decreased \$4.1 million to \$1.9 million for the nine months ended September 30, 2008, as compared to \$5.9 million for the corresponding period in 2007. This decrease is primarily due to a reduction in Canadian withholdings tax expense relating to a 2007 capital transaction from a Canadian preferred equity investment, partially offset by the recognition of a \$9.7 million unrealized decrease in the fair value of an embedded derivative instrument relating to the convertible option of certain marketable securities.

Interest expense decreased approximately \$6.0 million to \$52.8 million for the three months ended September 30, 2008, as compared to \$58.8 million for the corresponding period in 2007. This decrease is primarily due to lower outstanding levels of debt during this period as compared to the same period in the preceding year. Interest expense increased approximately \$2.9 million to \$160.3 million for the nine months ended September 30, 2008, as compared to \$157.4 million for the corresponding period in 2007. This increase is primarily due to higher outstanding levels of debt during this period as compared to the same period in the preceding year.

(Provision)/benefit for income taxes increased approximately \$12.0 million to a provision of \$12.3 million for the three months ended September 30, 2008, as compared to a provision of \$0.3 million for the corresponding period in 2007. This increase is primarily due to a tax provision of approximately \$18.8 million, partially offset by a reduction of approximately \$3.1 million in NOL valuation allowance, from equity income recognized during 2008 in connection with the Albertson's investment. (Provision)/benefit for income taxes was a provision of \$20.6 million for the nine months ended September 30, 2008, as compared to a benefit of \$32.7 million for the nine months ended September 30, 2007. This change is primarily due to (i) a tax provision of approximately \$24.6 million, partially offset by a reduction of approximately \$3.1 million in NOL valuation allowance, from equity income recognized during 2008 in connection with the Albertson's investment and (ii) a reduction of approximately \$27.4 million of NOL valuation allowance during 2007.

Income from other real estate investments increased \$4.2 and \$10.6 million for the three and nine months ended September 30, 2008, as compared to the corresponding periods in 2007, respectively. These increases are primarily due to (i) an increase of approximately \$4.3 million and approximately \$2.5 million for the three and nine months ended September 30, 2008 as compared to the corresponding periods in 2007, respectively, in profit participation recognized from the Company's Preferred Equity program, and (ii) a gain of approximately \$7.2 million during the nine months ended September 30, 2008 from the sale of the Company's interest in a real estate company located in Mexico.

Equity in income of real estate joint ventures, net increased \$39.2 million and \$26.3 million for the three and nine months ended September 30, 2008, as compared to the corresponding periods in 2007. These increases are primarily the result of (i) the recognition of approximately \$48.6 million and \$63.4 million of equity in income during the three and nine months ended September 30, 2008, respectively, from the Albertson's joint venture resulting from the sale of 121 properties in the joint venture as compared to income of \$7.9 million and operating losses of \$15.2 million recognized during the three and nine months ended September 30, 2007, respectively and (ii) the Company's growth of its various real estate joint ventures due to additional capital investments for the acquisition of additional operating properties by ventures throughout 2007 and the nine months ended September 30, 2008, offset by (iii) lower gains on sales of approximately \$4.2 million and \$23.9 million for the three and nine months ended September 30, 2008, respectively, resulting from the sale of operating properties during the corresponding periods in 2007 and (iv) a decrease in profit participation of approximately \$2.3 million and \$29.7 million for the three and nine months ended September 30, 2008, respectively, as compared to the corresponding periods in 2007, resulting from the sale/transfer of operating properties from the Kimco Retail Opportunity Portfolio joint venture investment.

During the nine months ended September 30, 2008, the Company sold, in separate transactions, (i) one completed merchant building project, (ii) 15 out-parcels, (iii) a partial sale of one property and (iv) a partnership interest in one project for aggregate proceeds of approximately \$64.3 million and received approximately \$4.1 million of proceeds from completed earn-out requirements on three previously sold merchant building projects. These sales resulted in gains of approximately \$20.5 million, net of income taxes of \$13.7 million.

During the nine months ended September 30, 2007, the Company sold, in separate transactions, two completed projects, 19 out-parcels, 67.9 acres of undeveloped land and the residential component of a project for approximately \$179.2 million and received approximately \$2.0 million of proceeds from completed earn-out requirements on previously sold projects. These transactions resulted in gains of approximately \$12.7 million, net of income taxes of \$8.5 million.

During the nine months ended September 30, 2008, the Company disposed of four operating properties and a portion of two operating properties, in separate transactions, for an aggregate sales price of approximately \$30.5 million, which resulted in an aggregate gain of approximately \$10.1 million. In addition, the Company partially recognized deferred gains of approximately \$1.2 million on three properties relating to their transfer and partial sale in connection with KIF II.

Additionally, during the nine months ended September 30, 2008, a consolidated joint venture in which the Company had a preferred equity investment disposed of a property for a sales price of approximately \$35.0 million. As a result of this capital transaction, the Company received approximately \$3.5 million of profit participation, before minority interest of approximately \$1.1 million. This profit participation has been recorded as income from other real estate investments and is reflected in Income from discontinued operating properties in the Company's Condensed Consolidated Statements of Income.

During the nine months ended September 30, 2007, the Company (i) disposed of six operating properties and completed partial sales of three operating properties, in separate transactions, for an aggregate sales price of approximately \$40.0 million, which resulted in an aggregate net gain of approximately \$6.4 million, after income tax of approximately \$1.6 million and (ii) transferred one operating property, which was acquired in the first quarter of 2007, to a joint venture in which the Company holds a 15% non-controlling ownership interest for an aggregate price of approximately \$4.5 million, which represented the net book value.

Additionally, during the nine months ended September 30, 2007, two consolidated joint ventures in which the Company had preferred equity investments disposed of, in separate transactions, their respective properties for an aggregate sales price of approximately \$66.5 million. As a result of these capital transactions, the Company received approximately \$22.1 million of profit participation, before minority interest of approximately \$5.6 million. This profit participation has been recorded as income from other real estate investments and is reflected in Income from discontinued operating properties in the Company's Condensed Consolidated Statements of Income.

Net income for the three and nine months ended September 30, 2008 was \$108.6 million and \$301.4 million, respectively. Net income for the three and nine months ended September 30, 2007 was \$78.0 million and \$359.8 million, respectively. On a diluted per share basis, net income was \$0.37 and \$1.03 for the three and nine month period ended September 30, 2008, respectively, as compared to \$0.29 and \$1.37 for the three and nine month period ended September 30, 2007, respectively. The change in the three months ended September 30, 2008, as compared to the corresponding period in 2007, was primarily attributable to (i) an increase in earnings of approximately \$35.0 million, net of tax and minority interest expense related to the Albertson's investment, (ii) an increase in revenues from rental properties primarily due to acquisitions of operating properties during 2007 and the nine months ended September 30, 2008, partially offset by, (iii) a decrease in income resulting from the sale of certain marketable securities during the corresponding periods in 2007 and other-than-temporary impairments on marketable securities recognized in 2008. The change in the nine months ended September 30, 2008, as compared to the corresponding period in 2007, was primarily attributable to (i) a decrease in the reduction of NOL valuation allowance and the recording of a provision from equity income recognized during 2008 in connection with the Albertson's investment, (ii) a decrease in Income from discontinued operations due to fewer property dispositions during 2008 as compared to 2007, partially offset by, (iii) an increase in revenues from rental properties primarily due to acquisitions of operating properties during 2007 and the nine months ended September 30, 2008.

Tenant Concentration

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At September 30, 2008, the Company's five largest tenants were The Home Depot, TJX Companies, Sears Holdings, Kohl's, and Wal-Mart, which represented approximately 3.2%, 2.8%, 2.4%, 2.1% and 2.0%, respectively, of the Company's annualized base rental revenues including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

Liquidity and Capital Resources

The Company's cash flow activities are summarized as follows (in millions):

Nine Months Ended

	September 30,	
	<u>2008</u>	<u>2007</u>
Net cash flow provided by operating activities	\$ 479.3	\$ 560.3
Net cash flow used for investing activities	\$ (642.3)	\$ (1,361.4)
Net cash flow provided by financing activities	\$ 199.6	\$ 501.5

Operating Activities

Cash flows provided from operating activities for the nine months ended September 30, 2008, were approximately \$479.3 million, as compared to approximately \$560.3 million for the comparable period in 2007. The change of approximately \$81.0 million is primarily attributable to (i) a decrease in distributions from joint ventures primarily resulting from a decrease of approximately \$63.4 million in distributions from the Albertson's investment during the nine months ended September 30, 2008 as compared to the corresponding period in 2007 partially offset by increased cash flows due to (ii) the acquisition of properties during 2008 and 2007 and (iii) growth in rental rates from lease renewals and the completion of certain re-development and development projects.

Recently, the capital and credit markets have become increasingly volatile and constrained as a result of adverse conditions that have caused the failure and near failure of a number of large financial services companies. If the capital and credit markets continue to experience volatility and the availability of funds remains limited, the Company will incur increased costs associated with issuing or obtaining debt. In addition, it is possible that the Company's ability to access the capital and credit markets may be limited by these or other factors. Notwithstanding the foregoing, at this time the Company anticipates that cash flows from operating activities will continue to provide adequate capital to fund its operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short term and long term.

The Company continually evaluates its debt maturities, and based on management's current assessment, believes it has viable financing and refinancing alternatives that will not materially adversely impact its expected financial results. Although the credit environment has become much more difficult since the third quarter of 2008, the Company continues to pursue opportunities with large commercial U.S. and global banks, select life insurance companies and certain local banks. The Company has noticed a trend that the approval process from lenders has slowed, while pricing and loan-to-value ratios remain dependent on specific deal terms, in general, spreads are higher and loan-to-values are lower, but the lenders are continuing to complete financing agreements. Moreover, the Company continues to look beyond 2008 to ensure the Company is prepared if the current credit market dislocation continues.

As of September 30, 2008, the Company had \$ 49.4 million of consolidated debt and the Company's joint ventures had \$167.1 million of unconsolidated joint venture debt maturing during the balance of 2008, assuming the utilization of extension options, where available. The 2008 consolidated debt maturities are anticipated to be repaid with operating cash flows, borrowings from the Company's credit facilities and debt refinancing. The 2008 unconsolidated joint venture debt maturities are anticipated to be repaid through debt refinancing.

The Company's 2009 debt maturities consist of: \$478.6 million of consolidated debt and \$807.0 million of unconsolidated joint venture debt assuming the utilization of extension options, where available. The 2009 consolidated debt maturities are anticipated to be repaid with operating cash flows, borrowings from the Company's credit facilities and debt refinancing. The 2009 unconsolidated joint venture debt maturities are anticipated to be repaid through debt refinancing.

The Company anticipates that cash on hand, borrowings under its revolving credit facilities, issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company.

Net cash flow provided by operating activities for the nine months ended September 30, 2008, was primarily attributable to (i) cash flow from the diverse portfolio of rental properties, (ii) the acquisition of operating properties during 2008 and 2007, (iii) new leasing, expansion and re-tenanting of core portfolio properties and (iv) growth in the Company's joint venture and Preferred Equity programs.

Investing Activities

Cash flows used for investing activities for the nine months ended September 30, 2008, were approximately \$642.3 million, as compared to approximately \$1.4 billion for the comparable period in 2007. This decrease in cash utilization of approximately \$719.1 million resulted primarily from decreases in (i) the acquisition of and improvements to operating real estate, (ii) the acquisition of and improvements to real estate under development and (iii) the Company's investment and advances to joint ventures, partially offset by (iv) an increase in cash utilized for investments in marketable securities including the acquisition of the Valad convertible notes and equity securities during the nine months ended September 30, 2008 and (v) a decrease in proceeds from the sale of development properties during the nine months ended September 30, 2008 as compared to the corresponding period in 2007.

Acquisitions of and Improvements to Operating Real Estate -

During the nine months ended September 30, 2008, the Company expended approximately \$202.9 million towards acquisition of and improvements to operating real estate, including \$48.9 million expended in connection with redevelopment and re-tenanting projects as described below.

The Company has an ongoing program to reformat and re-tenant its properties to maintain or enhance its competitive position in the marketplace. The Company anticipates its capital commitment toward these and other redevelopment projects during 2008 will be approximately \$60.0 million to \$80.0 million. The funding of these capital requirements will be provided by cash flow from operating activities and availability under the Company's revolving lines of credit.

Investments and Advances to Joint Ventures -

During the nine months ended September 30, 2008, the Company expended approximately \$131.4 million for investments and advances to real estate joint ventures and received approximately \$85.8 million from reimbursements of advances to real estate joint ventures.

Ground-up Development

The Company is engaged in ground-up development projects which consist of (i) merchant building through the Company's wholly-owned taxable REIT subsidiaries, which develop neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) U.S. ground-up development projects which will be held as long-term investments by the Company and (iii) various ground-up development projects located in Latin America for long-term investment. The ground-up development projects generally have significant pre-leasing prior to the commencement of construction. As of September 30, 2008, the Company had in progress a total of 47 ground-up development projects including 13 merchant building projects, three U.S. ground-up development projects, and 31 ground-up development projects located throughout Mexico, Chili, Brazil, and Peru.

During the nine months ended September 30, 2008, the Company expended approximately \$311.1 million in connection with the purchase of land and construction costs related to the ground up development projects. The Company anticipates its remaining capital commitment during 2008 toward these and other development projects will be approximately \$20 million to \$50 million. The proceeds from the sales of the completed ground-up development projects, proceeds from construction loans and availability under the Company's revolving lines of credit are expected to be sufficient to fund these anticipated capital requirements.

Dispositions and Transfers -

During the nine months ended September 30, 2008, the Company received net proceeds of approximately \$122.0 million relating to the sale of various operating properties and ground-up development projects.

Financing Activities

Cash flows provided by financing activities for the nine months ended September 30, 2008, were approximately \$199.6 million, as compared to \$501.5 million for the comparable period in 2007. This decrease of approximately \$301.9 million resulted primarily from the repayment of borrowings under credit facilities of approximately \$272.9 million in 2008 as compared to approximately \$1.0 million in 2007, and the increase in dividends paid during the nine months ended September 30, 2008 as compared to the corresponding period in 2007, a decrease of \$300.0 million in proceeds from the issuance of unsecured senior notes during 2007, offset by an increase in proceeds from issuance of stock resulting from the Company's public stock offering of 11,500,000 shares of the Company's common stock, which provided net proceeds of approximately \$409.4 million.

It is management's intention that the Company continually has access to the capital resources necessary to expand and develop its business. As such, the Company intends to operate with and maintain a conservative capital structure with a level of debt to total market capitalization of 50% or less. As of September 30, 2008, the Company's level of debt to total market capitalization was 29%. In addition, the Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings. The Company may, from time-to-time, seek to obtain funds through additional equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other capital alternatives in a manner consistent with its intention to operate with a conservative debt structure.

Since the completion of the Company's IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over \$6.1 billion for the purposes of, among other things, repaying indebtedness, acquiring interests in neighborhood and community shopping centers, funding ground-up development projects, expanding and improving properties in the portfolio and other investments.

The Company has a \$1.5 billion unsecured U.S. revolving credit facility (the "U.S. Credit Facility") with a group of banks, which is scheduled to expire in October 2011. The Company has a one-year extension option related to this facility. This credit facility has made available funds to finance general corporate purposes, including (i) property acquisitions, (ii) investments in the Company's institutional management programs, (iii) development and redevelopment costs, and (iv) any short-term working capital requirements. Interest on borrowings under the U.S. Credit Facility accrues at LIBOR plus 0.375% and fluctuates in accordance with changes in the Company's senior debt ratings. As part of this U.S. Credit Facility, the Company has a competitive bid option whereby the Company may auction up to \$750.0 million of its requested borrowings to the bank group. This competitive bid option provides the Company the opportunity to obtain pricing below the currently stated spread. A facility fee of 0.125% per annum is payable quarterly in arrears. As part of the U.S. Credit Facility, the Company has a \$200.0 million sub-limit which provides it the opportunity to borrow in alternative currencies such as Pounds Sterling, Japanese Yen or Euros. Pursuant to the terms of the U.S. Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum leverage ratios on both unsecured and secured debt, and (ii) minimum interest and fixed coverage ratios. As of September 30, 2008, there was \$400.0 million outstanding under this credit facility.

The Company also has a three-year CAD \$250.0 million unsecured credit facility with a group of banks. This facility bore interest at the CDOR Rate, as defined, plus 0.45%, and was scheduled to expire in March 2008. During October 2007, the facility was amended to modify the covenant package to conform to the Company's U.S. Credit Facility. The facility was further amended in January 2008, to extend the maturity date to 2011, with an additional one-year extension option, at a reduced rate of CDOR plus 0.375%, subject to change in accordance with the Company's senior debt ratings. Proceeds from this facility are used for general corporate purposes, including the funding of Canadian denominated investments. As of September 30, 2008, there was CAD 50.0 million (approximately USD \$47.2 million) outstanding balance under this credit facility.

The Company had a three-year MXP 500.0 million unsecured revolving credit facility which bore interest at the TIEE Rate, as defined therein, plus 1.00%, subject to change in accordance with the Company's senior debt ratings, and was scheduled to mature in May 2008. During March 2008, the Company obtained a MXP 1.0 billion term loan, which bears interest at a fixed rate of 8.48% and is scheduled to mature in March 2013. The Company utilized proceeds from this term loan to fully repay the outstanding balance of the MXP 500.0 million unsecured revolving credit facility, which has been terminated. Remaining proceeds from this term loan were used for funding MXP denominated investments. As of September 30, 2008, the outstanding balance on this term loan was MXP 1.0 billion (approximately USD \$99.7 million).

The Company has a MTN program pursuant to which it may, from time-to-time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company's debt maturities.

During the nine months ended September 30, 2008, the Company repaid its \$100.0 million 3.95% medium term notes, which matured on August 5, 2008 and its \$25.0 million 7.2% senior notes, which matured on September 15, 2008.

During May 2006, the Company filed a shelf registration statement on Form S-3ASR, which is effective for a term of three-years, for the future unlimited offerings, from time-to-time, of debt securities, preferred stock, depositary shares, common stock and common stock warrants.

During September 2008, the Company completed a primary public stock offering of 11,500,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately \$409.4 million (after related transaction costs of \$0.6 million) were used to partially repay the outstanding balance under the Company's U.S. revolving credit facility.

In addition to the public equity and debt markets as capital sources, the Company may, from time-to-time, obtain mortgage financing on selected properties and construction loans to partially fund the capital needs of its ground-up development projects. As of September 30, 2008, the Company had over 390 unencumbered property interests in its portfolio.

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows, which are sourced from property acquisitions, operating income in the existing portfolio and from other investments. Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments. Cash dividends paid for the nine months ended September 30, 2008 and 2007 were \$340.1 million and \$280.5 million, respectively. The Company's Board of Directors declared a quarterly dividend of \$0.44 per common share payable to shareholders of record on October 3, 2008, which was paid on October 15, 2008.

Effects of Inflation

Many of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive payment of additional rent calculated as a percentage of tenants' gross sales above pre-determined thresholds, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses often include increases based upon changes in the consumer price index or similar inflation indices. In addition, many of the Company's leases are for terms of 10 years or less, which permits the Company to seek to increase rents to market rates upon renewal. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. The Company periodically evaluates its exposure to short-term interest rates and foreign currency exchange rates and will, from time to time, enter into interest rate protection agreements and/or foreign currency hedge agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt and fluctuations in foreign currency exchange rates.

Global Market and Economic Conditions-

In the U.S., recent market and economic conditions have been unprecedented and challenging with tighter credit conditions and slower growth through the third quarter of 2008. For the nine-month period ended September 30, 2008, continued concerns about the systemic impact of inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the U.S. have contributed to increased market volatility and diminished expectations for the U.S. economy. In the third quarter, added concerns fueled by the federal government conservatorship of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, the declared bankruptcy of Lehman Brothers Holdings Inc., the U.S. government provided loans to American International Group Inc. and other federal government interventions in the U.S. credit markets led to increased market uncertainty and instability in both U.S. and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment have in recent weeks subsequent to the end of the quarter contributed to volatility of unprecedented levels.

Historically, real estate has been subject to a wide range of cyclical economic conditions that affect various real estate markets and geographic regions with differing intensities and at different times. Different regions of the United States have and may continue to experience varying degrees of economic growth or distress. Adverse changes in general or local economic conditions could result in the inability of some tenants of the Company to meet their lease obligations

and could otherwise adversely affect the Company's ability to attract or retain tenants. The Company's shopping centers are typically anchored by two or more national tenants which generally offer day-to-day necessities, rather than high-priced luxury items. In addition, the Company seeks to reduce its operating and leasing risks through ownership of a portfolio of properties with a diverse geographic and tenant base.

The Company monitors potential credit issues of its tenants, and analyzes the possible effects to the financial statements of the Company and its unconsolidated joint ventures. In addition to the collectability assessment of outstanding accounts receivable, the Company evaluates the related real estate for recoverability as well as any tenant related deferred charges for recoverability, which may include straight-line rents, deferred lease costs, tenant improvements, tenant inducements and intangible assets.

The retail shopping sector has been negatively affected by recent economic conditions. These conditions have forced some weaker retailers, in some cases, to declare bankruptcy and/or close stores. Certain retailers have announced store closings even though they have not filed for bankruptcy protection. However, any of these particular store closings affecting the Company often represent a small percentage of the Company's overall gross leasable area and the Company does not currently expect store closings to have a material adverse effect on the Company's overall performance.

Item 3.

Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposure is interest rate risk and fluctuations in foreign currency exchange rate risk. The following table presents the Company's aggregate fixed rate and variable rate domestic and foreign debt obligations outstanding as of September 30, 2008, with corresponding weighted-average interest rates sorted by maturity date. The table does not include extension options where available. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency. The instruments' actual cash flows are denominated in U.S. dollars, Canadian dollars, and Mexican pesos as indicated by geographic description (\$ in USD equivalent in thousands).

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	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013+</u>	<u>Total</u>	<u>Fair Value</u>
U.S Dollar Denominated								
<u>Secured Debt</u>								
Fixed Rate Average	\$27,957	\$57,064	\$17,378	\$43,822	\$73,708	\$505,255	\$725,184	\$712,681
Interest Rate	6.96%	7.02%	8.47%	7.43%	6.77%	6.14%	6.44%	
Variable Rate Average	\$133,353	\$190,905	\$94,376	-	\$4,284	\$243	\$423,161	\$423,161
Interest Rate	4.28%	4.62%	4.49%	-	4.93%	5.00%	4.49%	
<u>Unsecured Debt</u>								
Fixed Rate Average Interest Rate	\$ -	\$180,000	\$75,776	\$358,008	\$217,000	\$1,527,696	\$2,358,480	\$2,210,972
Average Interest Rate	-	6.98%	5.53%	6.34%	6.00%	5.47%	5.77%	
Variable Rate Average	\$5,061	-	\$7,063	\$400,000	-	-	\$412,124	\$412,124
Interest Rate	5.43%	-	5.43%	2.85%	-	-	2.93%	
Canadian Dollar Denominated								
<u>Unsecured Debt</u>								
Fixed Rate Average Interest Rate	-	-	\$141,549	-	-	\$188,732	\$330,281	\$327,180
Average Interest Rate	-	-	4.45%	-	-	5.18%	4.87%	
Variable Rate Average	-	-	-	\$47,183	-	-	\$47,183	\$47,183
Interest Rate	-	-	-	3.53%	-	-	3.53%	
Mexican Pesos Denominated								
	-	-	-	-	-	\$99,661	\$99,661	\$99,661

Unsecured Debt

Fixed Rate

Average Interest Rate	-	-	-	-	-	8.48%	8.48%
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Based on the Company's variable-rate debt balances, interest expense would have increased by approximately \$6.6 million for the nine months ended September 30, 2008 if short-term interest rates were 1% higher.

As of September 30, 2008, the Company had (i) Canadian investments totaling CAD \$481.0 million (approximately USD \$453.9 million) comprised of real estate joint venture investments and marketable securities, (ii) Mexican real estate investments of approximately MXP 9.5 billion (approximately USD \$870.2 million), (iii) Chilean real estate investments of approximately 10.3 billion Chilean Pesos (approximately USD \$18.7 million), (iv) Peruvian real estate investments of approximately 2.1 million Peruvian Nuevo Sol (approximately USD \$0.7 million), (v) Brazilian real estate investments of approximately 21.1 million Brazilian Real (BRL) (approximately USD \$11.1 million) and (vi) Australian investments in marketable securities of approximately AUD 242.1 million (approximately USD \$198.8 million). The foreign currency exchange risk has been partially mitigated through the use of local currency denominated debt.

The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of September 30, 2008, the Company has no other material exposure to market risk.

Item 4.

Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1.

Legal Proceedings

The Company is not presently involved in any litigation, nor to its knowledge is any litigation threatened against the Company or its subsidiaries, that in management's opinion, would result in any material adverse effect on the Company's ownership, management or operation of its properties taken as a whole, or which is not covered by the Company's liability insurance.

Item 1A. Risk Factors

There are no material changes from risk factors as previously disclosed in our Annual Report on form 10-K for the year ended December 31, 2007.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3.

Defaults upon Senior Securities

None.

Item 4.

Submission of Matters to a Vote of Security Holders

None.

Item 5.

Other Information

Employment Agreement with Michael Pappagallo

On November 3, 2008, the Company entered into an employment agreement with Michael Pappagallo, who will continue to serve as Chief Financial Officer. Mr. Pappagallo's employment agreement was approved by the Executive Compensation Committee, which is composed of independent directors. The term of Mr. Pappagallo's employment agreement continues until April 14, 2011 with a single automatic renewal term of one year unless either party provides timely notice of non-renewal.

Mr. Pappagallo's employment agreement provides for a base salary of \$700,000 or such greater amount as recommended by the Company's CEO and approved by the Compensation Committee. The agreement also provides for a discretionary bonus as determined by the Board of Directors and participation in the Company's Amended and Restated 1998 Equity Participation Plan, including participation in the Company's restricted stock program. In addition, Mr. Pappagallo participates in or receives benefits under the Company's benefits plan for its senior employees and receives the use of a car and reimbursement of reasonable expenses incurred during his employment.

Mr. Pappagallo's employment may be terminated by the Company for Cause or without Cause, by expiration of the employment term, by reason of death or Disability (as such term is defined in the agreement) or by Mr. Pappagallo's voluntary resignation. Cause means any of the following: conviction of a crime, refusal to perform employment duties, fraud or embezzlement, misconduct or negligence in connection with the business of the Company or an affiliate which has a substantial adverse effect, a breach of fiduciary duty, or violation of the Company's harassment or discrimination policies.

Upon a termination of the Mr. Pappagallo's employment by the Company for Cause, by Mr. Pappagallo's voluntary resignation, or by expiration of the employment term, the Company will pay him his base salary for services rendered to the date of termination, any accrued reimbursable expenses, any accrued vacation, and any other compensation or benefits to which he is entitled up to the date of termination (Accrued Amounts). If Mr. Pappagallo is terminated by the Company without Cause, then, subject to his execution of a general release, the Company will pay him any Accrued Amounts, a minimum bonus, and severance equal to the base salary payable for the greater of (i) the duration of the remainder of his term or (ii) one year (the Severance Period). In addition, subject to his timely election to continue health plan coverage under COBRA, the Company will also pay the full cost of continued coverage under the Company's group health plan through the Severance Period; provided that the Company will not pay for continuation of health plan coverage beyond the date of the expiration of the COBRA period. Finally, upon a termination of employment by the Company without Cause, Mr. Pappagallo's unvested stock options and restricted stock will become immediately vested and exercisable. If Mr. Pappagallo engages in competitive activity during the Severance Period, the Company will reduce his severance payments by the amount paid by a competing business during the Severance Period.

Upon a termination of employment by reason of death or Disability, the Company will pay Mr. Pappagallo (or his designee) any Accrued Amounts and six months of base salary. In addition, upon such a termination of employment, any unexercisable stock options will become exercisable.

If, following a Change in Control (as such term is defined in the agreement), Mr. Pappagallo terminates his employment for any reason within sixty days of such Change in Control or, his employment is terminated by the Company without Cause, then the Company will pay him in a lump sum within 30 days of his termination of employment (subject to his execution of a general release of claims against the Company) the lesser amount of either (i) his base salary and bonus he otherwise would have received during the remainder of his term of employment or (ii) the greatest payment that would not trigger the excise tax imposed by Section 4999 of the Internal Revenue Code. The Company also will provide Mr. Pappagallo on a monthly basis an amount sufficient to reimburse him for the cost of premiums for continuation of group health coverage for the duration of the remainder of his term of employment. Further, all outstanding unvested stock options will become immediately vested and fully exercisable upon such a termination of employment.

Mr. Pappagallo must maintain the confidentiality of certain Company information during his term of employment. In addition, for the longer of (i) the period in which Mr. Pappagallo is receiving compensation from the Company or (ii) one year from termination, Mr. Pappagallo may not solicit any employees, sales representatives, agents, customers, clients, landlords, owners, tenants, or business partners of the Company.

The foregoing description of the employment agreement is only a summary and is qualified in its entirety by reference to the complete text of the employment agreement, a copy of which is attached hereto as Exhibit 10.1.

Employment Agreement with David Lukes

On August 18, 2008, the Company entered into an employment agreement with David Lukes (as amended by a letter agreement dated November 3, 2008), by which Mr. Lukes will continue to serve as Executive Vice President. Mr. Lukes' employment agreement was approved by the Executive Compensation Committee, which is composed of independent directors. The term of Mr. Lukes' employment agreement continues until August 18, 2011 and will be automatically extended for successive one-year terms unless either party provides timely notice of non-extension.

Mr. Lukes' employment agreement provides for a base salary of \$700,000 and an annual cash bonus of not less than \$100,000 (Guaranteed Bonus). The Company's Board of Directors or Compensation Committee may increase the amounts of Mr. Lukes' base salary and bonus. Mr. Lukes is eligible to participate in the Company's Amended and Restated 1998 Equity Participation Plan, including participation in the Company's restricted stock program. In addition, Mr. Lukes participates in or receives benefits under the Company's benefits plan for its senior employees (Benefits) and receives the use of a car and reimbursement of reasonable expenses incurred during his employment.

Mr. Lukes' employment may be terminated by the Company for Cause or without Cause, by reason of the expiration of the employment term or the death or disability of Mr. Lukes, or by Mr. Lukes for Good Reason. Cause means any of the following: a finding by the Board that he has materially harmed the Company through a material act of dishonesty, his conviction of a felony, or his failure to perform his material duties under the agreement. Good Reason means the Company's breach of any material term of the agreement.

If Mr. Lukes' employment is terminated by the Company without Cause or by Mr. Lukes for Good Reason, then, subject to his execution of a general release, the Company will pay his base salary, his Guaranteed Bonus, and continue to provide Benefits to him (including, subject to his timely election to continue health plan coverage under COBRA, payment of the full cost of continued coverage under the Company's group health plan) for a period from the effective date of his termination equal to the greater of (i) the duration of the remaining term of employment (without extension) or (ii) one year (the Severance Period); provided that the Company will not pay for continuation of health plan coverage beyond the date of the expiration of the COBRA period. In addition to receiving those payments, Mr. Lukes may exercise any stock options or restricted stock that had not become vested or otherwise expired. However, as set forth in the November 3, 2008 letter agreement, if during the Severance Period Mr. Lukes engages in competitive activity during the Severance Period, then the amount of severance payments that he would otherwise have received will be reduced by the amount of payments payable to him from the competing business during the Severance Period.

Following a Change in Control (as such term is defined in the agreement), Mr. Lukes may terminate his employment for any reason within sixty days or, if his employment is terminated by the Company, then he may receive (upon execution of a general release of claims against the Company), the full vesting of unvested stock options and restricted stock and the lesser amount of either (i) his base salary and Guaranteed Bonus he otherwise would have received during his term of employment or (ii) the greatest payment that would not trigger the excise tax imposed by Section 4999 of the Internal Revenue Code.

If Mr. Lukes' employment is terminated by reason of his death or Disability (as such term is defined in the agreement), the Company will continue to pay his base salary at the time of his death or disability as well as his Guaranteed Bonus, and will make all necessary payments for and provide all Benefits until the effective date of his termination of employment, which shall be the 30th day after his receipt of a notice of termination of employment. Mr. Lukes' stock options and restricted stock will become fully vested as of the effective date of termination.

If Mr. Lukes' employment is terminated for any reasons other than by reason of death or Disability, by the Company without Cause, or by Mr. Lukes for Good Reason, then any stock options and restricted stock not then vested will be forfeited.

Except in the event his employment terminates upon a Change in Control, Mr. Lukes must maintain the confidentiality of certain Company information during his term of employment, and he may not solicit business, employees, vendors, customers, or business partners of the Company (or affiliates) upon termination of employment for the longer of (i) the period in which he is receiving compensation from the Company or (ii) one year from termination.

The foregoing description of the employment agreement is only a summary and is qualified in its entirety by reference to the complete text of the employment agreement and the November 3, 2008 letter agreement, attached hereto as Exhibit 10.2.

Separation Agreement with Jerald Friedman

The Company entered into a separation and general release agreement (the Agreement) with Jerald Friedman on November 3, 2008, and will enter into a supplemental release with Mr. Friedman on or after his last day of employment, which is December 31, 2008. Mr. Friedman has served as the Company's Executive Vice President since September 21, 2005. The Agreement terminates Mr. Friedman's employment agreement with the Company, dated September 21, 2005, in its entirety as of November 3, 2008.

The Agreement provides for a severance payment of \$625,000 (equal to fifteen months of Mr. Friedman's base salary), to be paid by the Company over the course of fifteen months in equal weekly installments. Subject to Mr. Friedman's timely election to continue medical coverage under the Company's group medical and dental plans in accordance with the continuation requirements of COBRA, the Company will pay his premiums under its group medical plan for the period ending on the earlier of (i) March 31, 2010, or (ii) the date Mr. Friedman becomes eligible for medical coverage under another employer's plan. After such period, Mr. Friedman may elect to continue to participate in the Company's group medical and dental coverage under COBRA at his own expense for the remainder of the COBRA period. Finally, the Company will cause all of Mr. Friedman's stock options to fully vest and become exercisable. Each option will remain outstanding and exercisable until the earlier of (i) the date Mr. Friedman engages in activities in competition with the Company (as defined in the agreement) or (ii) the expiration of the original 10-year term under the applicable option agreement.

In order to receive these payments and benefits, Mr. Friedman must (i) execute the Agreement and not revoke his acceptance of the Agreement during the 7-day revocation period (as defined in the agreement), (ii) execute a supplemental release agreement and not revoke his acceptance of such supplemental release during such supplemental release's revocation period (as defined therein), and (iii) perform his job functions in a satisfactory manner through December 31, 2008.

Mr. Friedman affirms that the Company does not owe him any compensation for his term of employment except for (i) any unused and accrued vacation and reimbursable expenses, which will be paid out to Mr. Friedman as of his last day of employment, and (ii) the fourth installment of Mr. Friedman's 2008 bonus, which will be paid on or about January 2009. Mr. Friedman will continue to be covered under the Company's directors and officer's liability insurance for activities conducted within the scope of his employment during the term of his employment. Mr. Friedman agrees to maintain the confidentiality of the Company's proprietary and confidential information and that he will not assist in commencing or prosecuting legal action against the Company. The Agreement also contains a broad general mutual release by both the Company and Mr. Friedman and a mutual non-disparagement covenant.

The foregoing description of the Agreement is only a summary and is qualified in its entirety by reference to the complete text of the Agreement, a copy of which is attached hereto as Exhibit 10.3.

Item 6.

Exhibits

Exhibits

4.1 Agreement to File Instruments

Kimco Realty Corporation (the Registrant) hereby agrees to file with the Securities and Exchange Commission, upon request of the Commission, all instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries, and for any of its unconsolidated subsidiaries for which financial statements are required to be filed, and for which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis.

10.1 Employment Agreement dated November 3, 2008 between the Company and Michael Pappagallo.

10.2 Letter Agreement dated November 3, 2008 and Employment Agreement dated August 18, 2008 between the Company and David Lukes.

10.3 Agreement and General Release dated November 3, 2008 between the Company and Jerald Friedman.

12.1 Computation of Ratio of Earnings to Fixed Charges

12.2 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

31.1 Certification of the Company's Chief Executive Officer, Milton Cooper, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Company's Chief Financial Officer, Michael V. Pappagallo, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Company's Chief Executive Officer, Milton Cooper, and the Company's Chief Financial Officer, Michael V. Pappagallo, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

KIMCO REALTY
CORPORATION

November 7,
2008

(Date)

/s/ Milton Cooper

Milton Cooper
Chairman of the Board

November 7,
2008

(Date)

/s/ Michael V. Pappagallo

Michael V. Pappagallo

Chief Financial Officer