

# Weingarten Realty Investors

# 2003

a year of  
accomplishments



Weingarten Realty Investors is a Houston-based equity real estate investment trust (REIT). Founded in 1948, we restructured to a REIT and listed on the New York Stock Exchange in August 1985, trading under the symbol "WRI". Since that time we have provided a positive total return in sixteen of the eighteen years (twelve of these representing double-digit returns), and have increased the dividend per share component of our return every year.

Weingarten's business activities encompass the long-term ownership, management, acquisition, development and redevelopment of strategically located neighborhood and community shopping centers and select industrial properties. The vast majority of our shopping centers are anchored by either a supermarket or a national value-oriented retailer. Combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, this helps to ensure the long-term success of our merchants and the viability of our portfolio. At the close of 2003, our portfolio contained 327 income-producing and new development properties totalling 43.1 million square feet.

Our properties are primarily located in the highest growth regions of the country, the South and West. Our footprint encompasses major metropolitan markets in 19 states that span the southern part of the United States from coast to coast. We concentrate our growth in the areas we currently serve, allowing us to effectively lease and manage our assets through our regional offices. We also strive to stay abreast of changing demographics such that we continue to offer retailers with the products and services desired in each community, and we keep our properties looking fresh from decade to decade. Our conservative underwriting practices in both acquisitions and new development projects, combined with continuous, diligent leasing, management and remerchandising of existing properties, have earned us the reputation as one of the premier REITs in the nation.

Additionally, Weingarten has one of the strongest balance sheets in the industry. Our solid balance sheet, the ongoing discipline exhibited by our seasoned management team and the proven results achieved year after year have afforded us the ability to boast an A/A3 credit rating from Standard and Poor's and Moody's, respectively, the highest combined credit ratings of any publicly-traded REIT. We want to assure you that every member of the Weingarten Realty Investors team continually strives to preserve your confidence in us, and we are pleased to share with you our many accomplishments of 2003.

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# Financial Highlights

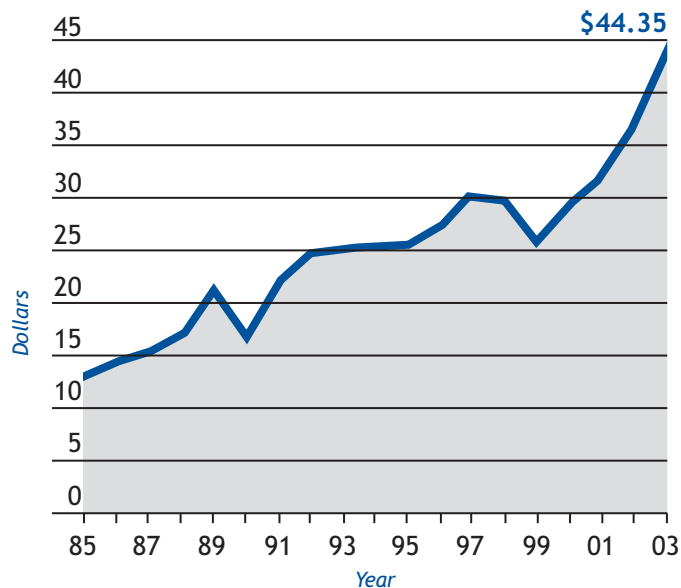
Weingarten Realty Investors

*In thousands, except per share amounts*

	2003	2002	2001	2000	1999
Revenues	<b>\$ 419,160</b>	\$ 363,087	\$ 306,808	\$ 243,068	\$ 219,129
Funds from Operations:					
Net Income	<b>\$ 116,280</b>	\$ 131,867	\$ 108,542	\$ 79,001	\$ 96,130
Preferred Share Dividends	<b>(15,912)</b>	(19,756)	(19,703)	(20,040)	(19,593)
Redemption Costs of Series A Preferred Shares	<b>(2,488)</b>				
Net Income Available to Common Shareholders	<b>97,880</b>	112,111	88,839	58,961	76,537
Depreciation and Amortization	<b>88,853</b>	76,855	67,803	55,344	49,256
Gain on Sale of Properties	<b>(7,273)</b>	(18,614)	(9,795)	(382)	(20,596)
Funds from Operations—Basic	<b>179,460</b>	170,352	146,847	113,923	105,197
Funds from Operations Attributable to Operating Partnership Units	<b>4,554</b>	3,644	180	305	318
Funds from Operations—Diluted	<b>\$ 184,014</b>	\$ 173,996	\$ 147,027	\$ 114,228	\$ 105,515
Property (at cost)	<b>\$3,200,091</b>	\$2,695,286	\$2,352,393	\$1,728,414	\$1,486,224
Weighted Average Number of Common Shares Outstanding—Diluted	<b>54,383</b>	53,360	48,369	40,397	40,335
Per Common Share:					
Funds from Operations—Diluted	<b>\$ 3.38</b>	\$ 3.26	\$ 3.04	\$ 2.83	\$ 2.62
Net Income—Diluted	<b>\$ 1.86</b>	\$ 2.15	\$ 1.84	\$ 1.46	\$ 1.90
Cash Dividends	<b>\$ 2.34</b>	\$ 2.22	\$ 2.11	\$ 2.00	\$ 1.89

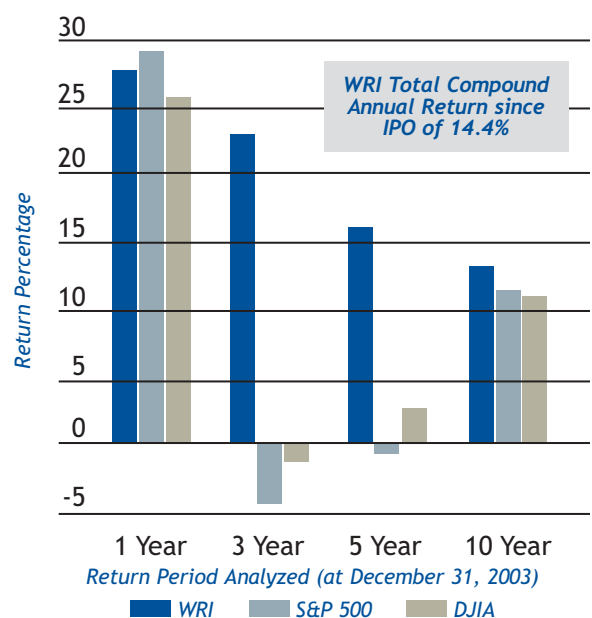
## Share Price History

*Since August 1985 IPO*



## Annual Total Returns Comparison

*Assumes quarterly reinvestment of dividends*



# Letter to Our Shareholders

It is with great pride that we report to you that Weingarten Realty Investors provided a total 2003 return (share price appreciation plus dividends, assuming quarterly dividend reinvestment) of 27.2%. While we have produced 20-plus percent returns in each of the past two years, we believe it is even more significant to point out that, through all economic cycles and stock market trends during the 18 years we have been a publicly-traded company, we have increased our annual dividend every year while generating a compound total annual return of 14.4% for our shareholders.

This was a year of significant accomplishments for our company. The portfolio performed well while we continued our trend of growth through acquisitions and new development projects. We successfully raised capital through both debt and equity sources while maintaining our exemplary credit ratings of A/A3 by Standard and Poor's and Moody's, respectively. In addition, while interest rates remained low, we took further advantage of them by redeeming our 7.44% Series A and 7.125% Series B Cumulative Redeemable Preferred Shares. Our financial and operating results once again confirmed that the retail real estate sector, more specifically the neighborhood and community shopping center niche, is relatively safe from economic fluctuations primarily due to the necessity-based nature of our retailers.

## Financial Results

*(All per share amounts reflect our 3 for 2 share split effective April 15, 2002, but not the share split occurring in 2004 discussed herein, unless otherwise noted.)*

Rental revenues increased to \$410.5 million as compared to \$356.9 million for 2002, a 15.0% increase. A significant portion of this increase was attributable to our acquisition and new development programs, as well as to the overall performance of our existing portfolio.

Funds from Operations (FFO), which is considered the most meaningful performance measurement within the REIT industry, for the year ended December 31, 2003 was \$189.2 million on a diluted basis (\$3.48 per diluted share), excluding non-cash charges of \$5.2 million (\$.10 per diluted share) for original issuance costs related to the Company's Series A and B Cumulative Redeemable Preferred Shares. This compares to \$174.0 million (\$3.26 per diluted share) of FFO in 2002, an increase of 8.7% (6.7% on a diluted per share basis). Including the \$.10 of non-cash charges, reported FFO was \$3.38 per diluted share for the year ending December 31, 2003.

## Total Revenues

*In Millions of Dollars*

2003	15.5% increase	419.2
2002		363.1
2001		306.8
2000		243.1
1999		219.1

Diluted net income available to common shareholders for the year was \$100.9 million as compared to \$114.5 million for 2002, or \$1.86 per diluted share as compared to \$2.15 per diluted share for the prior year. Net income available to common shareholders during 2003 was also affected by the non-cash charges of \$5.2 million (\$.10 per diluted share) related to the original

issuance costs associated with the preferred shares as discussed above. In addition, net income for the year 2002 benefited from gains of \$19.7 million on the sale of properties and miscellaneous assets as compared to a smaller gain of \$6.8 million in 2003. Also affecting 2003 net income as compared to 2002 is the Company's election to further reduce the weighted average of variable-rate debt outstanding under its revolving credit agreements from 25% to 18%, replacing 2.5% floating-rate debt with longer-term fixed-rate debt with an interest rate of approximately 5.2%. The short-term effect was a reduction of both net income and FFO in 2003. Nevertheless, these actions resulted in a material reduction in interest rate risk and an all-important matching of long-term liabilities with the significant amount of long-term assets purchased during the year.

## Operating Performance - Core Portfolio

Our 2003 operating results once again validate our long-standing belief that well-anchored community and neighborhood shopping centers perform well in all economic environments. Weingarten's portfolio remains extremely stable due to the nature of our retailers that provide basic, everyday consumer necessities. In fact, the vast majority of our shopping centers are anchored by either a supermarket or a national discount department store such as Wal-Mart or Target. Combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, this helps to ensure the long-term success of our merchants and the viability of our portfolio. Additionally, we have tremendous tenant diversification. Our largest tenant represents only 3.2% of our total revenues. Our top ten tenants at December 31, 2003 represented only 14.5% of our business, and, after number two, every one of our 4,800 tenants was less than 1.5% of our revenues. That is a powerful statement, and another significant reason for our stability.

We were very successful in 2003 in all measurements of our existing portfolio. We completed 1,215 new leases or renewals during the year totaling 6.7 million square feet. This was a result of solid leasing performance in both our retail and industrial divisions. Rental rate increases on a same-space basis averaged 9.2%, and, net of the amortized portion of capital costs for tenant improvements, the rental rate increase averaged 5.1%.

Occupancy in the portfolio increased as compared to prior periods as follows:

<i>Property Type</i>	<i>December 31, 2003</i>	<i>September 30, 2003</i>	<i>December 31, 2002</i>
Shopping Centers	<b>93.5%</b>	93.1%	92.5%
Industrial Properties	<b>92.4%</b>	91.0%	88.7%
<b>Total</b>	<b>93.3%</b>	<b>92.6%</b>	<b>91.7%</b>

It is important to note that our overall occupancy level has remained above 90% for the 54 years we have been in business, and, with current levels of leasing activity and other factors, we anticipate the upward trend in occupancy will continue throughout 2004.

## Expansion of the Portfolio

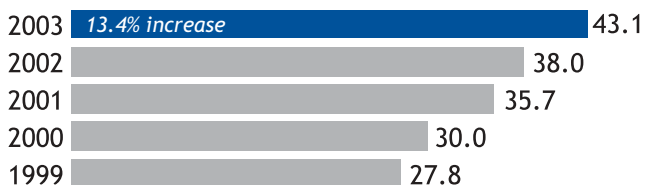
Growing popularity of our product type has brought increased competition in the acquisitions arena over the past couple of years, driving financial returns to levels not seen before in our industry. As we have stated in the past, we are opportunistic in our acquisitions approach, and will only invest if and when a property meets our stringent investment criteria. This year we surpassed our acquisitions goals as we identified excellent acquisition candidates, closing on 16 shopping centers and five industrial properties. The 21 acquisitions comprise 4.5 million square feet, and represent a total investment of \$413.8 million with a weighted average stabilized return of 8.3%. Our 2003 purchases include six properties in Florida, four each in Georgia and Texas, two in California, one each in Colorado, Illinois and North Carolina, and our first two in the state of Utah. Utah represents our 19th state, and was a logical expansion given our geographic footprint in the southern part of the United States from coast to coast.

Our philosophy for new development is consistent with our acquisitions discipline. Pre-leasing commitments with solid anchor retailers and appropriate projected returns are necessary before we will begin construction. We completed twelve new development projects during 2003 totaling 1.1 million square feet and representing

an investment of \$151.1 million. These properties are 98% leased and have a return of over 10%. We currently have 13 shopping centers in various stages of development. These projects will add 944,000 square feet to

## Total Building Area

*In Millions of Square Feet*



the portfolio with a total investment upon completion of \$129.0 million, and are 84% leased. The developments are located in Arizona, Colorado, Louisiana, Nevada, Texas and Utah, and we anticipate that the majority of them will come on-line during 2004.

We continued to execute our disposition program in 2003, as we determined which properties no longer met our long-term strategy due to their size, geographic location

or lack of sufficient growth opportunities. The 2003 property sales represented a total of 404,000 square feet and provided proceeds of \$17.9 million, generating a gain of \$6.5 million.

## Financing our Business Activities

As Weingarten continues to manage and expand its portfolio in a disciplined manner, we remain committed to maintaining the financial strength and stability of our balance sheet upon which our shareholders have come to expect and rely. The rating agencies have rewarded these attributes by assigning us the highest debt ratings of any public REIT, "A" by Standard & Poor's and "A3" by Moody's.

We were extremely active in the financing arena during 2003. On May 5, we redeemed our \$75 million 7.44% Series A Cumulative Redeemable Preferred Shares. The redemption of these shares was financed by the issuance of three million depositary shares representing \$75 million of 6.75% Series D Cumulative Redeemable Preferred Shares. The net effect of these preferred share transactions will be a savings to the Company and our shareholders of over \$500,000 annually.

In October 2003, we sold 1,150,000 common shares of beneficial interest at \$45.50 per share with net proceeds from the offering of \$50.9 million, and in November 2003, an additional 1,000,000 common shares were sold at \$45.70 per share with net proceeds of \$44.5 million. The proceeds from these offerings were used primarily to redeem our 7.125% Series B Cumulative Redeemable Preferred Shares in December 2003.

On several occasions throughout the year, we issued medium term notes in order to take advantage of the continued low interest rate environment. The result was the issuance of \$211 million of unsecured fixed-rate medium term notes with a weighted average maturity of 10.7 years and a weighted average interest rate of 5.2%. Net proceeds from these transactions were used to pay down amounts outstanding under our revolving credit facilities, where the annual weighted average interest rate was 2.3% during 2003. Our weighted average balance of debt outstanding in 2002 totaled \$1.2 billion, with floating-rate debt representing 25% of this amount. In 2003, the floating-rate percentage declined to 18% of a weighted average balance outstanding of \$1.5 billion. These transactions have a short-term negative impact on our cost of debt, but this disciplined strategy is, among other things, prudent as insurance against rising interest costs.

In November 2003, Weingarten finalized a new \$400 million unsecured revolving credit facility, which replaced our existing \$350 million line and a \$50 million term loan. The new facility, which matures in 2006, allows the Company to increase the capacity to \$600 million, has a one-year extension option and bears interest at a rate of LIBOR plus 50 basis points.

## Looking to the Future

To those who have followed Weingarten for many years, it will come as no surprise that our plans for 2004 are not unlike those of years past. Our goals include growth in our existing assets through increasing occupancy and rental rates, as well as upgrading our properties where appropriate. We will also expand our portfolio through making accretive acquisitions and completing selective new development projects. Finally, we will continue to manage the business in a prudent and disciplined manner with the ultimate goal of maximizing shareholder value.

The first couple of months of 2004 have already yielded substantial activity. We have closed on acquisitions totaling 1.5 million square feet with a total investment of \$231.9 million, and our acquisitions activity remains strong with many outstanding properties in our pipeline in various stages of due diligence. In addition, as previously mentioned, occupancy levels of the overall portfolio are trending upward for the foreseeable future. Activity in early 2004 has also resulted in further strengthening of our balance sheet. We have issued an additional \$150 million of ten-year medium term notes with a weighted average effective interest rate of 5.1%, and on March 2, 2004, we issued 2.4 million common shares at \$50.46 per share. The net proceeds from this offering of \$118 million will be used to redeem our Series C preferred shares, which were called on March 2, 2004. In February 2004, our Board of Trust Managers declared a 3 for 2 share split effective in the form of a fifty percent common share dividend payable March 30, 2004 to shareholders of record on March 16, 2004. They also approved a 6.4% increase in dividends to our common shareholders to an annual amount of \$2.49 per share (\$.6225 per share quarterly) on a pre-2004 split basis and \$1.66 per share annually (\$.415 per share quarterly) on a post-2004 split basis. We are cautiously optimistic that, considering these factors, as well as the overall growth and improvement of our existing portfolio, we will enjoy an outstanding 2004.

### Dividends per Share

*In Dollars*

2003	5.4% increase	2.34
2002		2.22
2001		2.11
2000		2.00
1999		1.89

Our sincere thanks goes out to the Weingarten associates, each of whom made these results possible, to our Board of Trust Managers for their valuable counsel and guidance, and to our valued shareholders who continue to loyally support us.



*Andrew M. Alexander*

Andrew M. Alexander  
*President / Chief Executive Officer*

*Stanford Alexander*

Stanford Alexander  
*Chairman*

*Martin Debrovner*

Martin Debrovner  
*Vice Chairman*

# 2003 Portfolio Expansion

Weingarten Realty Investors

## Acquisitions

### Retail (Shopping Centers)

	WRI Square Feet	Total Square Feet <sup>‡</sup>	Primary Anchor <sup>‡</sup>
Brookwood Square – Austell (Atlanta), GA	253,000	253,000	Home Depot
Durham Festival – Durham, NC	134,000	134,000	Kroger
Fiesta Trails – San Antonio, TX	312,000	488,000	HEB, Target
Hollywood Hills Plaza – Hollywood (Fort Lauderdale), FL	365,000	365,000	Publix, Target
Lincoln Place II – Fairview Heights, IL (St. Louis, MO)	170,000	170,000	Marshall's, Old Navy
Overton Park Plaza – Fort Worth, TX	353,000	463,000	Albertson's
Publix at Laguna Isles – Pembroke Pines (Fort Lauderdale), FL	69,000	69,000	Publix
Rancho San Marcos Village – San Marcos, CA	121,000	121,000	Vons (Safeway)
Sandy Plains Exchange – Marietta (Atlanta), GA	73,000	73,000	Publix
Tamiami Trail Shops – Miami, FL	111,000	111,000	Publix
Taylorville Town Center – Taylorville (Salt Lake City), UT	94,000	134,000	Albertson's
Thousand Oaks Centre – San Antonio, TX	163,000	163,000	HEB
University Palms – Oveido (Orlando), FL	99,000	99,000	Publix
University Park* – Highlands Ranch (Denver), CO	35,000	88,000	Whole Foods Market
West Jordan Town Center – West Jordan (Salt Lake City), UT	178,000	301,000	Albertson's, Target
Westland Terrace – Orlando, FL	68,000	68,000	TJ Maxx, Petco
<b>Total Retail (16)</b>	<b>2,598,000</b>	<b>3,100,000</b>	

### Industrial

1801 Massaro Boulevard – Tampa, FL	159,000	159,000
Atlanta Industrial Park – Atlanta, GA	502,000	502,000
Sears Logistics Distribution Center – Atlanta, GA	403,000	403,000
Siempre Viva Business Park – San Diego, CA	727,000	727,000
Westgate Service Center – Houston, TX	119,000	119,000
<b>Total Industrial (5)</b>	<b>1,910,000</b>	<b>1,910,000</b>

### Total Acquisitions (21)

**4,508,000**    **5,010,000**

\* Represents a property in which WRI is a partial owner through a joint venture. WRI's interest is 40%.

‡ Includes property owned by others.

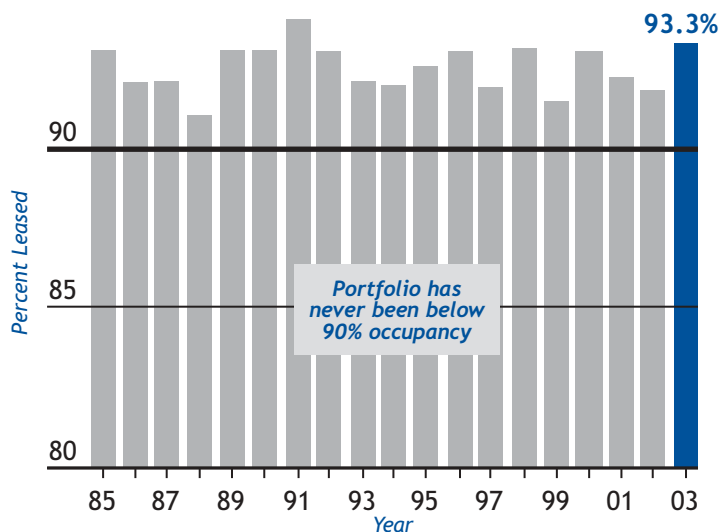
## Top Ten Tenants

Percentage of rental revenues

Top 25 Tenants  
represent only 23.7%  
of rental revenues

Kroger <i>Fry's, King Soopers, Dillon's, Ralph's, Smith's Foods</i>	3.2%
Safeway <i>Randall's, Vons, Tom Thumb</i>	2.4%
Ross Stores, Inc.	1.4%
TJX Companies <i>Marshall's, TJ Maxx</i>	1.2%
Blockbuster Video	1.2%
Albertson's <i>Osco Drugs, Sav-On Drugs</i>	1.1%
Barnes & Noble <i>Bookstop Booksellers</i>	1.0%
GAP Inc. <i>Old Navy, Banana Republic</i>	1.0%
Home Depot, Inc.	1.0%
JC Penney Co. <i>Eckerd Drug</i>	.9%

## Occupancy



## New Development

### Completed During 2003

#### Retail (Shopping Centers)

	<i>WRI</i> Square Feet	<i>Total</i> Square Feet <sup>‡</sup>	<i>Primary</i> Anchor <sup>‡</sup>
Ambassador Plaza – Lafayette, LA	33,000	106,000	Albertson's
Aurora City Place* – Aurora (Denver), CO	173,000	528,000	Target
Boswell Town Center – Saginaw (Fort Worth), TX	32,000	94,000	Albertson's
CityCenter Englewood – Englewood (Denver), CO	103,000	191,000	Wal-Mart
Lowry Town Center* – Denver, CO	39,000	131,000	Albertson's
Eastern Horizon – Henderson (Las Vegas), NV	67,000	211,000	Kmart
Palmilla Center, Phase II – Avondale (Phoenix), AZ	59,000	168,000	Fry's
Red Mountain Gateway – Mesa (Phoenix), AZ	70,000	206,000	Target
Siegen Plaza – Baton Rouge, LA	156,000	353,000	Target
Thorncreek Crossing* – Denver, CO	106,000	386,000	Target
University Place – Shreveport, LA	199,000	373,000	Target
Total Retail (11)	<u>1,037,000</u>	<u>2,747,000</u>	

#### Industrial

Railwood Industrial Park (20%)* – Houston, TX	<u>60,000</u>	<u>300,000</u>	Shell Oil
Total Completed During 2003 (12)	<u>1,097,000</u>	<u>3,047,000</u>	

### Under Development

*(Square Footage represents totals upon completion)*

Alpine Valley Center (33%)* – American Fork (Salt Lake City), UT	33,000	240,000	Target
Golden Beach Marketplace – Fort Worth, TX	49,000	102,000	Albertson's
Green Valley Ranch Town Center (38%)* – Denver, CO	22,000	116,000	King Soopers
Lake Pointe Market Center – Rowlett (Dallas), TX	54,000	121,000	Tom Thumb (Safeway)
Laveen Village Marketplace – Laveen (Phoenix), AZ	45,000	117,000	Fry's (Kroger)
Manhattan Place – Harvey (New Orleans), LA	139,000	265,000	Target
Monte Vista Village – Mesa (Phoenix), AZ	44,000	102,000	Safeway
Murphy Crossing, Phase II – Murphy (Dallas), TX	16,000	116,000	Albertson's
Prien Lake Plaza – Lake Charles, LA	144,000	269,000	Target
River Marketplace – Lafayette, LA	169,000	342,000	Target
Round Rock Town Centre – Round Rock (Austin), TX	59,000	118,000	Randall's (Safeway)
Shoppes at Deer Creek – Crowley (Fort Worth), TX	47,000	99,000	Albertson's
Tropicana Beltway Center* – Las Vegas, NV	123,000	643,000	Wal-Mart
Total Under Development (13)	<u>944,000</u>	<u>2,650,000</u>	

#### Total New Development

2,041,000<sup>§</sup> 5,697,000

\* Represents a property in which WRI is a partial owner through a joint venture or partnership. WRI's interest is 50% except where noted.

‡ Includes property owned by others.

§ Leases were commenced on approximately 900,000 square feet of this total in 2003.



▲ **University Palms**

Anchored by Publix, this 99,000 square foot center is located in Oveido (Orlando), Florida.

Weingarten employs stringent, conservative underwriting practices in the acquisition of properties, and will only purchase assets that meet our yield criteria and that have long-term growth potential.



▶ **Fiesta Trails**

This 488,000 square foot shopping center located in San Antonio, Texas, is anchored by a corporately-owned HEB and Target, as well as Marshall's, Office Max and Barnes & Noble.



**University Park**  
Located in Highlands Ranch (Denver), Colorado, this 88,000 square foot shopping center, anchored by Whole Foods Market, is the first acquisition made through our joint venture with AEW Capital Management.



# acquisitions



◀ **Siempre Viva Business Park**  
This industrial service center, located in San Diego, California, is a 727,000 square foot, seven-building complex whose tenants include Hitachi, Bose Corporation, Pioneer and UPS Supply Chain Solutions.



# new development

- ▶ **Tropicana Beltway Center**  
Located in Las Vegas, Nevada, WRI has a 50% joint venture interest in this 643,000 square foot shopping center, which represents our 11th investment in this market.





#### ◀ Aurora City Place

As part of a plan to revitalize this Denver-area suburb, this 528,000 square foot shopping center was developed by Miller-Weingarten, our Denver-based development partner, as part "lifestyle center" coupled with a large center format.

Weingarten will not undertake a new development project until we have pre-leasing commitments from strong anchor merchants and favorable projected returns.





# redevelopment

► **North Towne Plaza**  
Located in Albuquerque, New Mexico, we invested \$4.1 million remodeling and retenanting this property, enhancing the appearance and stability of the center for the long term while increasing our return.

BEFORE





### ◀ Champions Village

This 408,000 square foot Randall's (Safeway)-anchored shopping center located in Houston, Texas underwent a \$5.8 million dollar redevelopment, well-positioning the center for the demographically-strong community in which it is located.

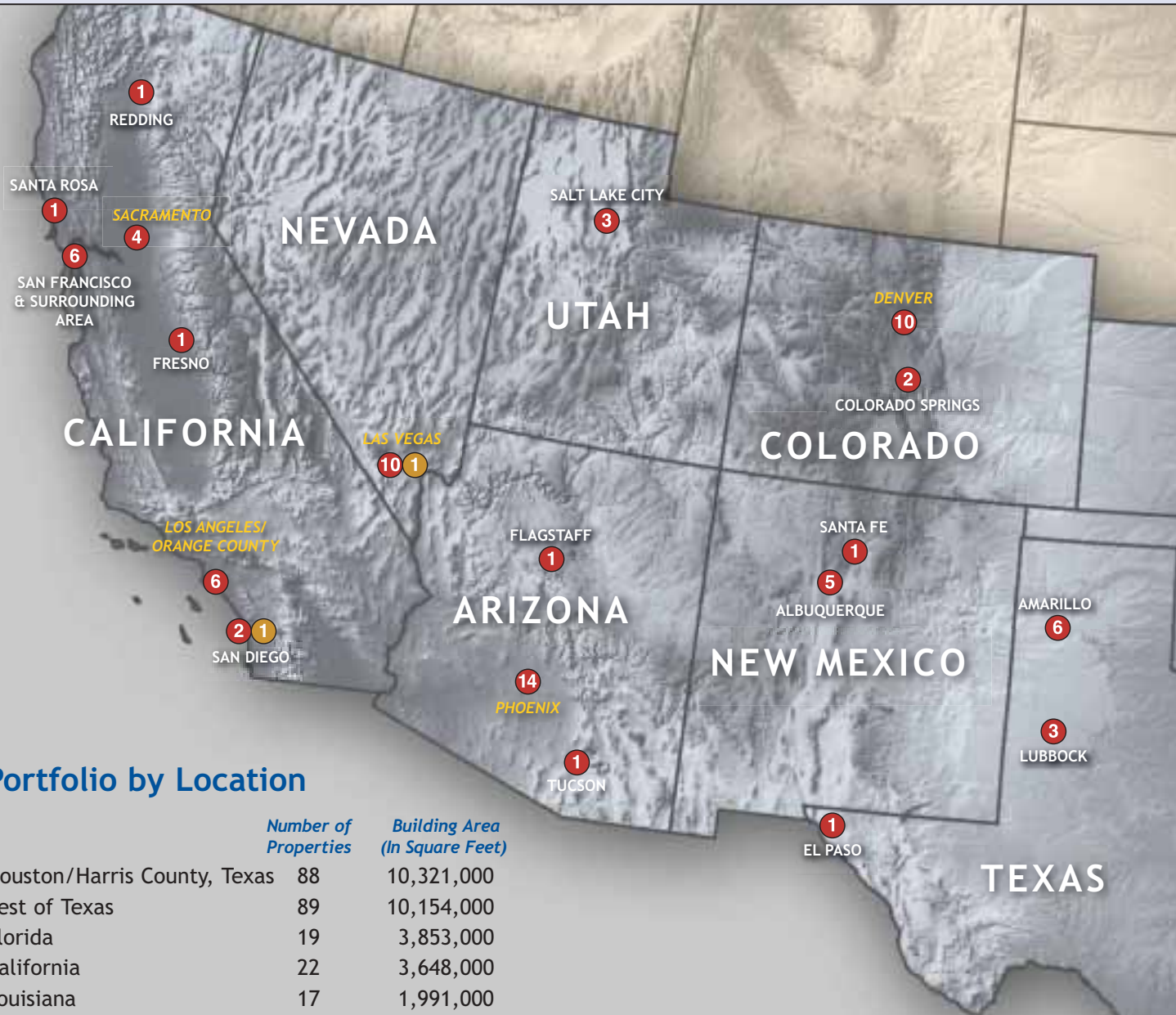
Weingarten evaluates the effectiveness of its centers on an ongoing basis, and invests capital accordingly in order to ensure attractive properties, traffic flow for our merchants and appropriate long-term returns.

AFTER



# 2003 Portfolio Map

Weingarten Realty Investors



## Portfolio by Location

	<i>Number of Properties</i>	<i>Building Area (In Square Feet)</i>
Houston/Harris County, Texas	88	10,321,000
Rest of Texas	89	10,154,000
Florida	19	3,853,000
California	22	3,648,000
Louisiana	17	1,991,000
Nevada	11	1,978,000
Georgia	5	1,594,000
Tennessee	8	1,492,000
North Carolina	10	1,468,000
Arizona	16	1,327,000
New Mexico	6	952,000
Colorado	12	905,000
Kansas	5	784,000
Oklahoma	4	702,000
Arkansas	6	679,000
Missouri	2	338,000
Illinois	2	273,000
Utah	3	273,000
Maine	1	249,000
Mississippi	1	117,000
<b>Totals (19 states)</b>	<b><u>327</u></b>	<b><u>43,098,000</u></b>

## Portfolio by Classification

	<i>Number of Properties</i>	<i>Building Area (In Thousands of Square Feet)</i>	<i>Land Area</i>
Shopping Centers	266	33,121	144,706
Industrial	61	9,977	26,555
Unimproved Land			3,785
<b>Totals</b>	<b><u>327</u></b>	<b><u>43,098</u></b>	<b><u>175,046</u></b>



# Officers



- 1 Andrew M. (Drew) Alexander  
*President/Chief Executive Officer*
- 2 Stanford Alexander  
*Chairman*
- 3 Martin Debrovner  
*Vice Chairman*



- 4 Patricia A. Bender  
*Senior Vice President/  
Regional Director of  
Leasing*
- 5 M. Candace DuFour  
*Senior Vice President/  
Director of Acquisitions  
and Secretary*
- 6 Johnny L. Hendrix  
*Senior Vice President/  
Director of Leasing*
- 7 Brent Mann  
*Senior Vice President/  
Regional Director of  
Leasing*
- 8 Stephen C. Richter  
*Senior Vice President/  
Chief Financial Officer*
- 9 Jeffrey A. Tucker  
*Senior Vice President/  
General Counsel*
- 10 Steven R. Weingarten  
*Senior Vice President/  
Regional Director of  
Leasing*



- 11 Timothy M. Frakes  
*Vice President/Regional  
Director of New  
Development and  
Acquisitions*
- 12 Gary Greenberg  
*Vice President/Capital  
Markets*
- 13 Daniel J. Holland  
*Vice President/Regional  
Director of Acquisitions*
- 14 Alan R. Kofoed  
*Vice President/Construction*
- 15 Greg Murphy  
*Vice President/Director of  
Industrial Properties*
- 16 Lee Pearson  
*Vice President/Chief  
Information Officer*
- 17 Mitchell Rippe  
*Vice President/Regional  
Director of Acquisitions*
- 18 Miles R. Sanchez  
*Vice President/Leasing*
- 19 Joe D. Shafer  
*Vice President/Controller*
- 20 Robert Smith  
*Vice President/Director of  
New Development*
- 21 John M. Stacy  
*Vice President/Director of  
Human Resources*
- 22 George A. Weatherall  
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# Financial Review

2003

# Management's Discussion & Analysis of Financial Condition & Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. The results of operations and financial condition of the company, as reflected in the accompanying statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors which could affect the ongoing viability of the company's tenants.

## Executive Overview

WRI focuses on increasing Funds from Operations and dividend payments to the company's common shareholders through hands-on leasing and management of the existing portfolio of properties and through disciplined growth from selective acquisitions and new developments. The company is also committed to maintaining a conservative balance sheet, a well-staggered debt maturity schedule and strong credit agency ratings.

At December 31, 2003, WRI owned or operated under long-term leases, either directly or through its interest in joint ventures or partnerships, a total of 327 developed income-producing properties located in 19 states that span the southern half of the United States from coast to coast. Included in the portfolio are 266 shopping centers and 61 industrial properties. WRI has approximately 6,600 leases and 4,800 different tenants. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Leases generally include minimum lease payments (which often increase over the lease term), reimbursements of property operating expenses, including ad valorem taxes, and additional rent payments based on a percentage of the tenants' sales. The majority of our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. The stability of our anchor tenants, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should ensure the long-term success of our merchants and the viability of our portfolio.

In assessing the performance of the company's properties, management carefully tracks the occupancy of the company's portfolio. Occupancy for the total portfolio was 93.3% as of year-end 2003 compared to 91.7% as of year-end 2002. Another important indicator of performance is the spread in rental rates on a same-space basis as we complete new leases and renew existing leases. In 2003, WRI completed 1,215 new leases or renewals for the year totaling 6.7 million square feet, increasing rental rates an average of 9.2% on a same space basis. Net of capital costs, the average increase in rental rates was 5.1%.

With respect to external growth through acquisitions and new developments, management closely monitors movements in returns in relation to its blended weighted average cost of capital, the amount of product in its acquisition and new development pipelines and the geographic areas in which opportunities are present. The company purchased 16 shopping centers and five industrial properties during 2003, comprising 4.5 million square feet, and representing a total investment of \$413.8 million. These purchases included six properties in Florida, four each in Georgia and Texas, two in California, one each in Colorado, Illinois and North Carolina, and two in the state of Utah. Utah represents the 19th state in which WRI operates, and was a logical expansion given WRI's geographic footprint in the southern part of the United States from coast to coast.

With respect to new development, WRI completed 12 projects during 2003 totaling 1.1 million square feet, representing an investment of \$151.1 million. As with acquisitions, management closely monitors returns on new opportunities as well as performance against underwritten returns on projects under development. Projects completed in 2003 are 97.5% leased. WRI also has 13 shopping centers in various stages of development in Arizona, Colorado, Louisiana, Nevada, Texas and Utah, and the company anticipates that the majority of them will come on-line during 2004.

Continuing its strategy of selling assets that no longer meet its ownership criteria, the company disposed of eight properties during the year. These property sales represented a total of 404,000 square feet and provided proceeds of \$17.9 million, generating a gain of \$6.5 million, which includes \$.5 million from an unconsolidated joint venture.

Management is also committed to maintaining a strong, conservative capital structure, which provides constant access to a variety of capital sources. The strength of WRI's balance sheet is evidenced by unsecured debt rat-

ings of “A” by Standard and Poor’s and “A3” by Moody’s rating services, the highest combined ratings of any public REIT. The company carefully balances obtaining low cost financing with minimizing exposure to interest rate movements, matching long-term liabilities with the long-term assets acquired or developed and maintaining adequate debt to market capitalization, fixed charge coverage and other ratios as necessary to retain our current credit ratings. In executing this strategy, the company redeemed its Series A and B Cumulative Redeemable Preferred Shares during the year through issuance of \$75 million of depository shares, each representing one-thirtieth of a 6.75% Series D Cumulative Redeemable Preferred Share, and 2.2 million common shares of beneficial interest, respectively. The company also issued \$211 million of unsecured fixed-rate medium term notes during the year with a weighted average rate of 5.2% and a weighted average term of 10.7 years.

With respect to future trends, management expects continued improvement in the performance of the existing portfolio through increased occupancy and rental rate increases as the economy trends upward. With respect to external growth, we have already closed seven acquisitions totaling \$231.9 million in 2004 and have nearly \$140 million of properties in the pipeline. Each of these potential acquisitions is still subject to a stringent due diligence process and, therefore, there is no assurance that any or all will be purchased. Management anticipates an increase in interest rates over the course of 2004. In managing this risk and maintaining adequate capacity to fund external growth, the company has issued \$150 million of ten-year unsecured fixed-rate medium term notes with a weighted average interest rate, net of the effect of related swaps, of 5.1% thus far in 2004.

## Summary of Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

### Valuation of Receivables

An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon an analysis of balances outstanding, historical bad debt levels, tenant credit worthiness and current economic trends. Balances outstanding include base rents, tenant reimbursements and receivables attributable to the straight-lining of rental commitments. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy is considered in assessing the collectibility of the related receivables.

### Property

Real estate assets are stated at cost less accumulated depreciation, which, in the opinion of management, is not in excess of the individual property’s estimated undiscounted future cash flows, including estimated proceeds from disposition. Depreciation is computed using the straight-line method, generally over estimated useful lives of 18-50 years for buildings and 10-20 years for parking lot surfacing and equipment. Major replacements where the betterment extends the useful life of the asset are capitalized and the replaced asset and corresponding accumulated depreciation are removed from the accounts. All other maintenance and repair items are charged to expense as incurred.

Upon acquisitions of real estate, the company assesses the fair value of acquired assets (including land, buildings on an “as if vacant” basis, acquired out-of-market and in-place leases, and tenant relationships) and acquired liabilities, and allocates the purchase price based on these assessments. The company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and specific market/economic conditions that may affect the property.

Property also includes costs incurred in the development of new operating properties. These costs include preacquisition costs directly identifiable with the specific project, development and construction costs, interest and real estate taxes. Indirect development costs, including salaries and benefits, travel and other related costs that are clearly attributable to the development of the property, are also capitalized. The capitalization of such costs ceases at the earlier of one year from the completion of major construction or when the property, or any completed portion, becomes available for occupancy.

WRI's properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to estimated fair value to reflect an impairment in the value of the asset.

## Results of Operations

### Comparison of the Year Ended December 31, 2003 to the Year Ended December 31, 2002

#### Revenues

Total revenues increased by \$56.1 million or 15.4% in 2003 (\$419.2 million in 2003 versus \$363.1 million in 2002). This increase resulted primarily from the increase in rental revenues of \$53.6 million and other income of \$2.0 million. Property acquisitions and new development activity contributed \$45.7 million of the rental income increase with the remainder of \$7.9 million due to the activity at our existing properties, as described below.

Occupancy (leased space) of the total portfolio increased as compared to the prior year as follows:

December 31,	2003	2002
Shopping Center	93.5%	92.5%
Industrial	92.4%	88.7%
Total	93.3%	91.7%

In 2003, we completed 1,215 renewals and new leases comprising 6.7 million square feet at an average rental rate increase of 9.2%. Net of the amortized portion of capital costs for tenant improvements, the increase averaged 5.1%.

Other income increased by \$2.0 million or 39.2% in 2003 (\$7.1 million in 2003 versus \$5.1 million in 2002). This increase is due primarily to an increase in lease cancellation payments from various tenants.

#### Expenses

Total expenses increased by \$58.0 million or 22.8% in 2003 (\$312.1 million in 2003 versus \$254.1 million in 2002).

The increases in 2003 for depreciation and amortization expense (\$16.3 million), operating expenses (\$9.8 million) and ad valorem taxes (\$3.5 million) are primarily a result of the properties acquired and developed during the year. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues declined from 28% in 2002 to 27% in 2003.

Interest expense as reported represents the gross interest expense on our indebtedness plus interest expense on our preferred shares classified as liabilities less interest that is capitalized for properties under development and over-market interest payments on mortgages assumed through acquisitions. Interest expense as reported in 2003 increased by \$23.0 million due to the combination of increased gross interest expense, increased interest expense from preferred shares, decreased interest capitalization and increased over-market interest. Gross interest expense increased by \$17.3 million in 2003 due to an increase in the average debt outstanding from \$1.2 billion in 2002 to \$1.5 billion in 2003. This was offset by a decrease in the weighted-average interest rate between the two periods from 6.3% in 2002 to 6.2% in 2003. Interest on preferred shares increased by \$3.4 million and represents the dividends paid or accrued as of December 31, 2003 on WRI's Series B and Series C Cumulative Redeemable Preferred Shares that are classified as liabilities in 2003 versus equity in 2002, as a result

of the adoption of SFAS No. 150. Interest capitalized in 2003 decreased by \$3.3 million versus 2002 due to completion of new development projects in 2003. Interest from our over-market mortgages increased from zero in 2002 to \$1.0 million in 2003.

General and administrative expenses increased by \$2.7 million or 24.3% in 2003 (\$13.8 million in 2003 versus \$11.1 million in 2002). This increase results primarily from normal compensation increases as well as increases in staffing necessitated by the growth in the portfolio. General and administrative expense as a percentage of rental revenues was 3% in 2003 and 2002, respectively.

Loss on early redemption of preferred shares of \$2.7 million represents the unamortized original issuance costs related to the Series B Cumulative Redeemable Preferred Shares redeemed in December 2003.

#### Other

Equity in earnings of joint ventures increased by \$.7 million or 17.5% in 2003 (\$4.7 million in 2003 versus \$4.0 million in 2002). This increase is due primarily to the gain on the sale of a shopping center in Lake Charles, Louisiana in a 50%-owned unconsolidated joint venture.

Income allocated to minority interests decreased by \$.8 million or 22.9% in 2003 (\$2.7 million in 2003 versus \$3.5 million in 2002). This decrease resulted primarily from a \$1.1 million gain on the sale of a shopping center in a consolidated partnership in 2002 that did not recur in 2003. Offsetting this decrease is higher minority interest expense from the acquisition of an industrial park in Atlanta in March 2003 and seven shopping centers in Raleigh in April 2002, both of which utilized a DownREIT structure. These limited partnerships are included in our consolidated financial statements because we exercise financial and operating control.

WRI began reporting discontinued operations effective January 2002 based on the guidelines established in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which broadened the definition of discontinued operations to include components of an entity whose operations and cash flows are clearly distinguishable from the rest of the entity for operational and financial reporting purposes. Income from discontinued operations decreased \$15.7 million in 2003 (\$6.5 million in 2003 versus \$22.2 million in 2002). Included in this caption for 2003 are the operating results and gain from the disposition of seven properties in 2003 totaling 371,000 square feet of gross leasable area. Included in the 2002 amounts are the operating results and gain from the disposition of seven properties in 2002 totaling 681,000 square feet of gross leasable area plus the operating income of the seven properties sold in 2003.

## Results of Operations

### Comparison of the Year Ended December 31, 2002 to the Year Ended December 31, 2001

#### Revenues

Total revenues increased by \$56.3 million or 18.4% in 2002 (\$363.1 million in 2002 versus \$306.8 million in 2001). This increase resulted primarily from the increase in rental revenues of \$55.3 million in 2002. Property acquisitions and new development contributed \$53.3 million of this increase. Bad debt expense contributed \$.9 million as it declined from \$2.7 million in 2001 to \$1.8 million in 2002 due to the recovery of previously reserved receivables. The remaining portion of the rental revenue increase is due to activity at our existing properties, as described below, offset by the effect of property dispositions in 2001.

Occupancy (leased space) of the total portfolio decreased as compared to the prior year as follows:

December 31,	2002	2001
Shopping Centers	92.5%	92.8%
Industrial	88.7%	90.1%
Total	91.7%	92.2%

In 2002, we completed 1,301 renewals and new leases comprising 5.1 million square feet at an average rental rate increase of 8.2%. Net of the amortized portion of capital costs for tenant improvements, the increase averaged 5.6%.

## Expenses

Total expenses increased by \$38.9 million or 18.1% in 2002 (\$254.1 million in 2002 versus \$215.3 million in 2001).

The increases in 2002 for depreciation and amortization expense (\$11.4 million), operating expenses (\$8.4 million) and ad valorem taxes (\$6.1 million) are primarily a result of the properties acquired and developed during the year. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues were 28% in 2002 and 2001, respectively.

Interest expense as reported represents the gross interest expense on our indebtedness less interest that is capitalized for properties under development. Gross interest expense increased by \$11.3 million in 2002 due to an increase in the average debt outstanding from \$927.6 million in 2001 to \$1.2 billion in 2002. This was offset by a decrease in the weighted-average interest rate between the two periods from 6.9% in 2001 to 6.3% in 2002. Interest expense as reported increased \$11.4 million in 2002 due primarily to the increase in gross interest expense.

General and administrative expenses increased by \$1.6 million or 16.7% in 2002 (\$11.1 million in 2002 versus \$9.6 million in 2001), which is primarily due to normal compensation increases as well as increases in staffing necessitated by the growth in the portfolio. General and administrative expense as a percentage of rental revenues was 3% in 2002 and 2001, respectively.

## Other

Equity in earnings of joint ventures decreased by \$1.5 million or 27.3% in 2002 (\$4.0 million in 2002 versus \$5.5 million in 2001). This decrease results primarily from the gain on the sale of two mini-storage warehouses in 50%-owned unconsolidated joint ventures in August 2001.

Income allocated to minority interests increased by \$3.1 million in 2002 (\$3.6 million in 2002 versus \$.5 million in 2001). This increase is due primarily to the acquisition of seven supermarket-anchored shopping centers in the Raleigh-Durham market in April 2002 utilizing a DownREIT structure. These limited partnerships are included in our consolidated financial statements because we exercise financial and operating control. Also, \$1.1 million of this increase results from a gain from the sale of a shopping center in a consolidated partnership that is reported as discontinued operations in the Statements of Consolidated Income and Comprehensive Income.

Income from discontinued operations increased \$18.6 million in 2002 (\$22.2 million in 2002 versus \$3.6 million in 2001). Included in this caption for 2002 are the operating results and gain from the disposition of seven properties in 2002 totaling 681,000 square feet of gross leasable area plus the operating results of seven properties disposed in 2003. Included in the 2001 amounts are the operating results of the seven properties sold in 2003 and the seven properties sold in 2002.

The gain on sale of \$8.3 million in continuing operations in 2001 was due primarily to the sale of nine properties. Prior to the application of SFAS No. 144, WRI reported its property dispositions in this caption.

## Funds from Operations

The National Association of Real Estate Investment Trusts defines funds from operations as net income (loss) computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, NAREIT recommends that extraordinary items not be considered in arriving at FFO. We calculate FFO in a manner consistent with the NAREIT definition. We believe FFO is an appropriate supplemental measure of operating performance because it helps investors compare the operating performance of our company relative to other REITs. There can be no assurance that FFO presented by WRI is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

Funds from operations is calculated as follows (in thousands):

Year Ended December 31,	2003	2002	2001
Net income available to common shareholders	\$ 97,880	\$ 112,111	\$ 88,839
Depreciation and amortization	86,913	74,870	65,940
Depreciation and amortization of unconsolidated joint ventures	1,940	1,985	1,863
Gain on sale of properties	(6,765)	(18,614)	(8,368)
Gain on sale of properties of unconsolidated joint ventures	(508)		(1,427)
Funds from operations	179,460	170,352	146,847
Funds from operations attributable to operating partnership units	4,554	3,644	180
Funds from operations assuming conversion of OP units	<u>\$ 184,014</u>	<u>\$ 173,996</u>	<u>\$ 147,027</u>
Weighted average shares outstanding - basic	52,534	51,911	48,104
Effect of dilutive securities:			
Share options and awards	460	327	188
Operating partnership units	1,389	1,122	77
Weighted average shares outstanding - diluted	<u>54,383</u>	<u>53,360</u>	<u>48,369</u>

## Effects of Inflation

The rate of inflation was relatively unchanged in 2003. WRI has structured its leases, however, in such a way as to remain largely unaffected should significant inflation occur. Most of the leases contain percentage rent provisions whereby WRI receives increased rentals based on the tenants' gross sales. Many leases provide for increasing minimum rentals during the terms of the leases through escalation provisions. In addition, many of WRI's leases are for terms of less than ten years, which allows WRI to adjust rental rates to changing market conditions when the leases expire. Most of WRI's leases also require the tenants to pay their proportionate share of operating expenses and ad valorem taxes. As a result of these lease provisions, increases due to inflation, as well as ad valorem tax rate increases, generally do not have a significant adverse effect upon WRI's operating results.

## Capital Resources and Liquidity

WRI anticipates that cash flows from operating activities will continue to provide adequate capital for all dividend payments in accordance with REIT requirements. Cash on hand, internally-generated cash flow, borrowings under our existing credit facilities, issuance of secured and unsecured debt, as well as other debt and equity alternatives, should provide the necessary capital to maintain and operate our properties, refinance debt maturities and achieve planned growth, which are WRI's primary liquidity needs.

### Investing Activities - Acquisitions

During 2003, WRI invested \$404.6 million in the acquisition of operating properties of which \$307.8 million was invested in shopping centers and \$96.8 million was invested in industrial properties. Additionally, we acquired a retail property through an investment of \$9.2 million in a 40%-owned unconsolidated joint venture. We acquired 16 shopping centers adding 2.6 million square feet and five industrial properties adding 1.9 million square feet to our portfolio. Non-recourse secured debt totaling \$180.2 million, of which \$25.2 million is held by joint ventures or partnerships in which we participate, was assumed in conjunction with these purchases. Additionally, operating partnership units valued at \$6.8 million were issued in conjunction with the purchase of three properties that used the DownREIT structure. The cash requirements for all acquisitions in 2003 were initially financed under WRI's revolving credit facilities, funded with excess cash flow from our existing portfolio of properties or with proceeds from property dispositions.

### Investing Activities - New Development and Capital Expenditures

With respect to new development, WRI completed 12 projects during 2003 totaling 1.1 million square feet, representing an investment of \$151.1 million. As of December 31, 2003, WRI has 13 retail developments underway in which we invested \$41.3 million during 2003 and expect to invest \$22.7 million in 2004. Upon completion, these projects will represent a total investment of approximately \$129.0 million and will add 944,000 square feet to the portfolio. These projects will come on-line during 2004. All new development in 2003 was initially financed under WRI's revolving credit facilities, funded with excess cash flow from our existing portfolio of properties or with proceeds from property dispositions.

Capital expenditures for additions to the existing portfolio, acquisitions, and new development totaled \$507.7 million in 2003 and \$351.2 million in 2002. WRI's share of capital expenditures for unconsolidated joint ventures or partnerships, including the purchase and development of properties by newly-formed joint ventures or partnerships was \$20.9 million in 2003 and \$1.8 million in 2002.

### **Financing Activities - Debt**

Total debt outstanding increased to \$1.8 billion at December 31, 2003 from \$1.3 billion at December 31, 2002, due primarily to funding of acquisitions and new development. Total debt at December 31, 2003 includes \$1.5 billion on which interest rates are fixed, including the net effect of our \$112.5 million of interest rate swaps, and \$351.9 million which bears interest at variable rates. Additionally, debt totaling \$593.7 million is secured by operating properties while the remaining \$1.2 billion is unsecured.

In November 2003, WRI closed on an Amended and Restated Credit Agreement for a \$400 million unsecured revolving credit facility with a syndicate of banks. The facility bears an interest rate of LIBOR plus 50 basis points. Additionally, the facility includes a competitive bid option that allows WRI to hold auctions at lower pricing for short-term funds for up to \$200 million and an accordion feature, which can increase the facility amount up to \$600 million at our option. WRI used \$195.0 million under this facility to retire in full its outstanding obligations under a \$350 million unsecured revolving credit facility and a \$50 million unsecured term loan, both of which matured in November 2003. As of December 31, 2003, WRI is in full compliance with the Amended and Restated Credit Agreement currently in place. WRI also has an unsecured and uncommitted overnight credit facility totaling \$20 million to be used for cash management purposes.

During the year ended December 31, 2003, WRI issued a total of \$211 million of unsecured fixed-rate medium term notes with a weighted average interest rate of 5.2% and a weighted average term of 10.7 years. Subsequent to year-end, WRI issued a total of \$150 million of ten-year unsecured fixed-rate medium term notes with a weighted average rate of 5.1%, including the effect of related swap transactions discussed below. Proceeds received from both the 2003 and 2004 medium term note issuances were used to pay down amounts outstanding under our revolving credit facilities. In addition, a \$25 million floating-rate medium term note matured in July 2003, and a \$15 million fixed-rate medium term note matured in December 2003.

WRI hedges the future cash flows of its debt transactions, as well as changes in the fair value of its debt instruments, principally through interest rate swaps with major financial institutions. As of December 31, 2003, we have two interest rate swap contracts, which fix interest rates at 7.7% on an aggregate notional amount of \$20 million and expire in June 2004. We have determined that these swap contracts are highly effective in offsetting future variable interest cash flows of the revolving credit debt and, accordingly, they have been designated as cash flow hedges with a fair value, net of accrued interest, of \$.6 million at December 31, 2003 and are included in Other Liabilities. Also, we have ten interest rate swap contracts with an aggregate notional amount of \$92.5 million at December 31, 2003 that convert fixed interest payments at rates ranging from 6.4% to 7.4% to variable interest payments. These contracts have been designated as fair value hedges. We have determined that they are highly effective in limiting our risk of changes in the fair value of the fixed-rate notes attributable to changes in variable interest rates. The fair value of these ten interest rate swaps, net of accrued interest, at December 31, 2003 was \$5.1 million and is included in Other Assets.

In December 2003, we entered into two forward-starting interest rate swaps with an aggregate notional amount of \$97.0 million in anticipation of the issuance of fixed-rate medium term notes subsequent to year-end. These contracts were designated as a cash flow hedge of forecasted interest payments for \$100 million of unsecured notes with a coupon of 4.9% that were sold in February 2004. Concurrent with the sale of the 4.9% notes, we settled our \$97.0 million forward-starting interest rate swap contracts, resulting in a loss of \$.9 million recorded in accumulated other comprehensive income. This \$.9 million loss is being amortized to earnings over the life of the 4.9% notes. In January 2004, we entered into four additional forward-starting interest rate swaps with an aggregate notional amount of \$194.0 million in anticipation of the issuance of fixed-rate medium term notes before April 2004. Medium term notes totaling \$50 million were issued in January 2004, at which time one of the four forward-starting interest rate swaps with a notional amount of \$48.5 million was settled at a loss of \$.7 million.

In conjunction with acquisitions completed during 2003, we assumed \$155.0 million of non-recourse debt secured by the related properties. The weighted average interest rate on this debt is 7.1%, and the weighted average remaining life is 6.6 years. Additionally, we assumed non-recourse debt secured by three properties that are held by joint ventures or partnerships in which we participate. Our share of this debt totaled \$25.2 million with a weighted average interest rate of 7.6% and a weighted average remaining life of 7.5 years.

In December 2003, \$88.0 million of 7.125% Series B Cumulative Redeemable Preferred Shares were redeemed from the proceeds of the common share offerings in the fourth quarter of 2003.

### Financing Activities - Equity

Common and preferred dividends increased to \$139.3 million in 2003, compared to \$135.2 million in 2002 and \$123.0 million in 2001. WRI satisfied its REIT requirement of distributing at least 90% of ordinary taxable income for each of the three years ending December 31, 2003. Our dividend payout ratio on common equity for 2003, 2002 and 2001 approximated 68.8%, 67.7% and 70.4%, respectively, based on funds from operations for the applicable year.

In April 2003, the SEC declared effective WRI's \$1 billion shelf registration statement, of which \$555.9 million was available as of March 2, 2004. WRI will continue to closely monitor both the debt and equity markets and carefully consider its available financing alternatives, including both public and private placements.

With respect to its preferred shares, WRI has engaged in the following transactions:

In April 2003, the company issued \$75 million of depositary shares. Each depositary share represents one-thirtieth of a 6.75% Series D Cumulative Redeemable Preferred Share at a redemption price of \$25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any other property or securities of WRI and are classified as equity at December 31, 2003.

The 7.44% Series A Cumulative Redeemable Preferred Shares were redeemed in May 2003 with proceeds from the April 2003 issuance of \$75 million of depositary shares. The original issuance costs of \$2.5 million for the Series A shares were reported as a deduction in arriving at Net Income Available to Common Shareholders.

The 7.125% Series B Cumulative Redeemable Preferred Shares were redeemed in December 2003 with proceeds from common share offerings in the fourth quarter of 2003. Due to the adoption of SFAS No. 150 in the third quarter of 2003, these shares were reclassified from equity to liabilities. The unamortized original issuance costs of \$2.7 million for these shares were reported as a loss in arriving at Operating Income.

The 7.0% Series C Cumulative Redeemable Preferred Shares remain outstanding as of December 31, 2003, have a liquidation value of \$50 per share, and, due to the adoption of SFAS No. 150 in the third quarter of 2003, were reclassified from equity to liabilities.

In October 2003, we issued 1.2 million common shares of beneficial interest. Net proceeds to WRI totaled \$50.9 million based on a price of \$45.50 per share. In November 2003, we issued an additional 1.0 million common shares of beneficial interest. Net proceeds to WRI totaled \$44.5 million based on a price of \$45.70 per share. The proceeds from the above offerings were used primarily to redeem our Series B preferred shares.

In March 2004, we issued an additional 2.4 million common shares of beneficial interest. Net proceeds to WRI totaled \$118.0 million based on a price of \$50.46 per share. The proceeds from this offering will be used primarily to redeem our Series C preferred shares on April 1, 2004.

### Contractual Obligations

The following table summarizes the company's principal contractual obligations as of December 31, 2003 (in thousands):

	2004	2005	2006	2007	2008	Thereafter	Total
Unsecured Debt:(1)							
Medium Term Notes	\$ 50,000	\$ 52,500	\$ 37,000	\$ 79,000	\$ 36,000	\$ 500,500	\$ 755,000
7% 2011 Bonds						200,000	200,000
Revolving Credit Facilities	18,050		241,000				259,050
Secured Debt	53,412	21,824	21,063	19,378	163,682	314,349	593,708
Ground Lease Payments	1,468	1,310	1,075	904	874	22,986	28,617
Construction Contracts on Development Projects	22,651						22,651
Total Contractual Obligations	<u>\$ 145,581</u>	<u>\$ 75,634</u>	<u>\$ 300,138</u>	<u>\$ 99,282</u>	<u>\$ 200,556</u>	<u>\$ 1,037,835</u>	<u>\$ 1,859,026</u>

(1) Total unsecured debt obligations as shown above are \$2.9 million less than total unsecured debt as reported due to amortization of the discount on medium term notes and the fair value of interest rate swaps.

As of year-end 2003 and 2002, WRI did not have any off-balance sheet arrangements.

## New Accounting Pronouncements

On January 1, 2002, WRI adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 broadened the definition of discontinued operations to include components of an entity whose operations and cash flows are clearly distinguishable from the rest of the entity for operational and financial reporting purposes. Included in Income from Discontinued Operations for 2003 are the operating results and gain from the disposition of seven properties in 2003 totaling 371,000 square feet of gross leasable area. Included in the 2002 amounts are the operating results and gain from the disposition of seven properties in 2002 totaling 681,000 square feet of gross leasable area plus the operating income of the seven properties sold in 2003.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others". FIN 45 establishes new disclosure and liability-recognition requirements for direct and indirect debt guarantees with specified characteristics. The initial measurement and recognition requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on WRI's financial position, results of operations or cash flows.

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In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities". FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46, as amended, requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest (other than a majority voting interest). WRI has assessed its joint ventures and believes that the adoption of FIN 46 will not have a material impact on our financial position, results of operations or cash flows.

In May 2003, FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which was effective for the first interim period beginning after June 15, 2003. SFAS No. 150 requires that certain financial instruments that incorporate an obligation by the issuer to transfer assets or issue equity be reported as liabilities. Financial instruments that fall within the scope of SFAS No. 150 include equity shares and non-controlling interests in subsidiaries that are mandatorily redeemable. WRI's Series B and Series C Cumulative Redeemable Preferred Shares fall within the scope of SFAS No. 150, since they are mandatorily redeemable and redemption is through transfer of cash or a variable number of WRI common shares. Accordingly, we reclassified the redemption value, net of unamortized issuance costs of \$6.3 million, from equity to liabilities identified as "Preferred Shares Subject to Mandatory Redemption" as of September 30, 2003.

## Forward-Looking Statements

This Annual Report includes certain forward-looking statements reflecting WRI's expectations in the near term that involve a number of risks and uncertainties; however, many factors may materially affect the actual results, including demand for our properties, changes in rental and occupancy rates, changes in property operating costs, interest rate fluctuations, and changes in local and general economic conditions. Accordingly, there is no assurance that WRI's expectations will be realized.

# Independent Auditors' Report

## To the Board of Trust Managers and Shareholders of Weingarten Realty Investors:

We have audited the accompanying consolidated balance sheets of Weingarten Realty Investors and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related statements of consolidated income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Weingarten Realty Investors and subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in 2002 the Company changed its method of accounting for the impairment and disposal of long-lived assets to conform to Statement of Financial Accounting Standards No. 144.

*Deloitte & Touche LLP*

Houston, Texas  
March 9, 2004

# Statements of Consolidated Income & Comprehensive Income

Weingarten Realty Investors

*In thousands, except per share amounts*

Year Ended December 31,	2003	2002	2001
Revenues:			
Rentals	\$ 410,490	\$ 356,887	\$ 301,578
Interest income	1,594	1,054	1,167
Other	7,076	5,146	4,063
Total	<u>419,160</u>	363,087	306,808
Expenses:			
Depreciation and amortization	94,108	77,822	66,434
Interest	88,871	65,863	54,473
Operating	65,022	55,232	46,865
Ad valorem taxes	47,553	44,076	37,933
General and administrative	13,820	11,148	9,570
Loss on early redemption of preferred shares	2,739		
Total	<u>312,113</u>	254,141	215,275
Operating Income	107,047	108,946	91,533
Equity in Earnings of Joint Ventures	4,743	4,043	5,547
Income Allocated to Minority Interests	(2,723)	(3,553)	(475)
Gain on Sale of Properties	714	188	8,339
Income Before Discontinued Operations	<u>109,781</u>	109,624	104,944
Operating Income from Discontinued Operations	460	2,771	3,598
Gain on Sale of Properties	6,039	19,472	
Income from Discontinued Operations	<u>6,499</u>	22,243	3,598
Net Income	<u>\$ 116,280</u>	<u>\$ 131,867</u>	<u>\$ 108,542</u>
Preferred Share Dividends	(15,912)	(19,756)	(19,703)
Redemption Costs of Series A Preferred Shares	(2,488)		
Net Income Available to Common Shareholders	<u>\$ 97,880</u>	<u>\$ 112,111</u>	<u>\$ 88,839</u>
Net Income Per Common Share - Basic:			
Income Before Discontinued Operations	\$ 1.74	\$ 1.73	\$ 1.78
Discontinued Operations	.12	.43	.07
Net Income	<u>\$ 1.86</u>	<u>\$ 2.16</u>	<u>\$ 1.85</u>
Net Income Per Common Share - Diluted:			
Income Before Discontinued Operations	\$ 1.74	\$ 1.73	\$ 1.77
Discontinued Operations	.12	.42	.07
Net Income	<u>\$ 1.86</u>	<u>\$ 2.15</u>	<u>\$ 1.84</u>
Net Income	<u>\$ 116,280</u>	<u>\$ 131,867</u>	<u>\$ 108,542</u>
Other Comprehensive Income (Loss):			
Cumulative effect of change in accounting principle (SFAS No. 133) on other comprehensive loss			(1,877)
Unrealized derivative gain (loss) on interest rate swaps	1,451	2,065	(2,579)
Unrealized derivative gain (loss) on forward-starting interest rate swaps	(159)	(159)	1,520
Minimum pension liability adjustment	959	(1,572)	
Other Comprehensive Income (Loss)	<u>2,251</u>	334	(2,936)
Comprehensive Income	<u>\$ 118,531</u>	<u>\$ 132,201</u>	<u>\$ 105,606</u>

*See Notes to Consolidated Financial Statements.*

## Consolidated Balance Sheets

Weingarten Realty Investors

*In thousands, except per share amounts*

December 31,	2003	2002
<b>Assets</b>		
Property	\$3,200,091	\$2,695,286
Accumulated Depreciation	(527,375)	(460,832)
Property - net	2,672,716	2,234,454
Investment in Real Estate Joint Ventures	32,742	28,738
Total	2,705,458	2,263,192
Notes Receivable from Real Estate Joint Ventures and Partnerships	36,825	14,747
Unamortized Debt and Lease Costs	70,895	48,377
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$4,066 in 2003 and \$4,302 in 2002)	43,368	38,156
Cash and Cash Equivalents	20,255	27,420
Other	46,993	31,997
Total	\$2,923,794	\$2,423,889
<b>Liabilities and Shareholders' Equity</b>		
Debt	\$1,810,706	\$1,330,369
Preferred Shares Subject to Mandatory Redemption, net	109,364	
Accounts Payable and Accrued Expenses	79,686	81,488
Other	52,671	23,636
Total	2,052,427	1,435,493
Minority Interest	49,804	54,983
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
7.44% Series A cumulative redeemable preferred shares of beneficial interest; 3,000 shares issued and outstanding at December 31, 2002		90
7.125% Series B cumulative redeemable preferred shares of beneficial interest; 3,600 shares issued and 3,518 shares outstanding at December 31, 2002		106
7.0% Series C cumulative redeemable preferred shares of beneficial interest; 2,300 shares issued and 2,253 shares outstanding at December 31, 2002		67
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued and outstanding at December 31, 2003; liquidation preference \$75,000	90	
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 150,000; shares issued and outstanding: 54,592 in 2003 and 52,076 in 2002	1,632	1,559
Capital Surplus	993,570	1,082,046
Accumulated Dividends in Excess of Net Income	(173,378)	(147,853)
Accumulated Other Comprehensive Loss	(351)	(2,602)
Shareholders' Equity	821,563	933,413
Total	\$2,923,794	\$2,423,889

See Notes to Consolidated Financial Statements.

## Statements of Consolidated Cash Flows

Weingarten Realty Investors

*In thousands*

Year Ended December 31,

	2003	2002	2001
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 116,280	\$ 131,867	\$ 108,542
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	94,455	79,344	68,316
Loss on early redemption of preferred shares	2,739		
Equity in earnings of joint ventures	(4,743)	(4,043)	(5,547)
Income allocated to minority interests	2,723	3,553	475
Gain on sale of properties	(6,753)	(19,660)	(8,339)
Changes in accrued rent and accounts receivable	(5,596)	(9,016)	(12,680)
Changes in other assets	(31,579)	(16,947)	(22,869)
Changes in accounts payable and accrued expenses	(3,491)	2,940	17,307
Other, net	(490)	450	1,454
Net cash provided by operating activities	<u>163,545</u>	<u>168,488</u>	<u>146,659</u>
<b>Cash Flows from Investing Activities:</b>			
Investment in properties	(339,287)	(214,128)	(471,174)
Notes receivable:			
Advances	(22,577)	(9,663)	(2,895)
Collections	509	2,285	7,943
Proceeds from sale of properties	21,713	45,763	23,146
Real estate joint ventures and partnerships:			
Investments	(3,888)	(5,355)	(1,011)
Distributions	5,064	5,229	4,774
Net cash used in investing activities	<u>(338,466)</u>	<u>(175,869)</u>	<u>(439,217)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of:			
Debt	467,625	275,997	442,650
Common shares of beneficial interest	100,250	13,850	307,722
Preferred shares of beneficial interest	72,758		
Redemption of preferred shares	(162,995)		
Principal payments of debt	(170,408)	(132,189)	(329,824)
Common and preferred dividends paid	(139,317)	(135,160)	(123,015)
Other, net	(157)	(131)	138
Net cash provided by financing activities	<u>167,756</u>	<u>22,367</u>	<u>297,671</u>
Net increase (decrease) in cash and cash equivalents	(7,165)	14,986	5,113
Cash and cash equivalents at January 1	27,420	12,434	7,321
Cash and cash equivalents at December 31	<u>\$ 20,255</u>	<u>\$ 27,420</u>	<u>\$ 12,434</u>

See Notes to Consolidated Financial Statements.

## Statements of Consolidated Shareholders' Equity

Weingarten Realty Investors

*In thousands*

Year Ended December 31, 2003, 2002 and 2001	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Capital Surplus	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss
Balance, January 1, 2001	\$ 265	\$ 1,326	\$ 758,363	\$ (130,087)	
Net income				108,542	
Issuance of common shares		216	301,824		
Shares issued under benefit plans		4	6,571		
Dividends declared - common shares				(103,312)	
Dividends declared - preferred shares				(19,703)	
Redemption of Series B preferred shares	(1)	1			
Redemption of Series C preferred shares	(1)	1	(1)		
Other comprehensive loss					\$ (2,936)
Balance, December 31, 2001	263	1,548	1,066,757	(144,560)	(2,936)
Net income				131,867	
Issuance of common shares		6	9,482		
Shares issued under benefit plans		5	5,807		
Dividends declared - common shares				(115,404)	
Dividends declared - preferred shares				(19,756)	
Other comprehensive income					334
Balance, December 31, 2002	263	1,559	1,082,046	(147,853)	(2,602)
Net income				116,280	
Issuance of common shares		65	95,201		
Shares issued under benefit plans		5	4,708		
Shares issued in exchange for interests in limited partnerships		3	5,410		
Dividends declared - common shares				(123,405)	
Dividends declared - preferred shares				(15,912)	
Redemption of Series A preferred shares	(90)		(72,422)	(2,488)	
Issuance of Series D preferred shares	90		72,668		
Effect of adoption of SFAS No. 150	(173)		(194,041)		
Other comprehensive income					2,251
Balance, December 31, 2003	<u>\$ 90</u>	<u>\$ 1,632</u>	<u>\$993,570</u>	<u>\$ (173,378)</u>	<u>\$ (351)</u>

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## Note 1. Summary of Significant Accounting Policies

### Business

Weingarten Realty Investors, a Texas real estate investment trust, is engaged in the management, acquisition and development of real estate, primarily anchored neighborhood and community shopping centers and, to a lesser extent, industrial properties. Over 45% of the building square footage of WRI's portfolio is in Texas, with the remainder located primarily in the southern half of the United States. WRI's major tenants include supermarkets, discount retailers, drugstores and other merchants who generally sell basic, necessity-type goods and services. WRI currently operates, and intends to operate in the future, as a real estate investment trust.

### Basis of Presentation

The consolidated financial statements include the accounts of WRI and its subsidiaries, as well as 100% of the accounts of joint ventures and partnerships over which WRI exercises financial and operating control and the related amounts of minority interests. All significant intercompany balances and transactions have been eliminated. Investments in joint ventures and partnerships where WRI has the ability to exercise significant influence, but does not exercise financial and operating control, are accounted for using the equity method.

### Revenue Recognition

Rental revenue is generally recognized on a straight-line basis over the life of the lease. Revenue from tenant reimbursements of taxes, maintenance expenses and insurance is recognized in the period the related expense is recorded. Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint.

### Accrued Rent and Accounts Receivable

An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon an analysis of balances outstanding, historical bad debt levels, customer credit worthiness and current economic trends. Balances outstanding include base rents, tenant reimbursements and receivables attributable to the straight-lining of rental commitments. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy is considered in assessing the collectibility of the related receivables.

### Property

Real estate assets are stated at cost less accumulated depreciation, which, in the opinion of management, is not in excess of the individual property's estimated undiscounted future cash flows, including estimated proceeds from disposition. Depreciation is computed using the straight-line method, generally over estimated useful lives of 18-50 years for buildings and 10-20 years for parking lot surfacing and equipment. Major replacements where the betterment extends the useful life of the asset are capitalized and the replaced asset and corresponding accumulated depreciation are removed from the accounts. All other maintenance and repair items are charged to expense as incurred.

Acquisitions of properties are accounted for utilizing the purchase method (as set forth in SFAS No. 141 and SFAS No. 142) and, accordingly, the results of operations are included in the company's results of operations from the respective dates of acquisition. The company has used estimates of future cash flows and other valuation techniques to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, and other identifiable intangibles. Other identifiable intangibles include the effect of out-of-market leases, the value of having leases in place, out-of-market assumed mortgages and tenant relationships.

Property also includes costs incurred in the development of new operating properties. These costs include pre-acquisition costs directly identifiable with the specific project, development and construction costs, interest and real estate taxes. Indirect development costs, including salaries and benefits, travel and other related costs that are clearly attributable to the development of the property, are also capitalized. The capitalization of such costs ceases at the earlier of one year from the completion of major construction or when the property, or any completed portion, becomes available for occupancy.

WRI's properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to estimated fair value to reflect an impairment in the value of the asset.

### Interest Capitalization

Interest is capitalized on land under development and buildings under construction based on rates applicable to borrowings outstanding during the period and the weighted average balance of qualified assets under construction during the period.

### Deferred Charges

Debt and lease costs are amortized primarily on a straight-line basis, which approximates the effective interest method, over the terms of the debt and over the lives of leases, respectively. Lease costs represent the initial direct costs incurred in origination, negotiation and processing of a lease agreement. Such costs include outside broker commissions and other independent third party costs as well as salaries and benefits, travel and other related internal costs incurred in completing the leases. Costs related to supervision, administration, unsuccessful origination efforts and other activities not directly related to completed lease agreements are charged to expense as incurred.

### Stock-Based Compensation

As a result of adopting SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123", beginning January 1, 2003, WRI recognized stock-based employee compensation as new shares were awarded. With respect to share options awarded prior to January 1, 2003, WRI accounted for stock-based employee compensation using the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. In accordance with APB Opinion No. 25, no stock-based employee compensation had been recognized in WRI's financial statements prior to January 1, 2003.

The following table illustrates the effect on net income available to common shareholders and net income per common share if the fair value-based method had been applied to all outstanding and unvested awards in each period (in thousands, except per share amounts):

Year Ended December 31,	2003	2002	2001
Net income available to common shareholders	\$ 97,880	\$ 112,111	\$ 88,839
Stock-based employee compensation included in net income available to common shareholders	7		
Stock-based employee compensation determined under the fair value-based method for all awards	(410)	(344)	(531)
Pro forma net income available to common shareholders	\$ 97,477	\$ 111,767	\$ 88,308
Net income per common share:			
Basic - as reported	\$ 1.86	\$ 2.16	\$ 1.85
Basic - pro forma	\$ 1.86	\$ 2.15	\$ 1.84
Net income per common share:			
Diluted - as reported	\$ 1.86	\$ 2.15	\$ 1.84
Diluted - pro forma	\$ 1.85	\$ 2.14	\$ 1.83

The weighted average fair value per share of options granted during 2003, 2002 and 2001 was \$2.46, \$2.62 and \$2.43, respectively. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing method with the following weighted-average assumptions in 2003, 2002 and 2001, respectively: dividend yield of 6.6%, 6.0% and 6.6%; expected volatility of 15.1%, 16.5% and 15.3%; expected lives of 6.8, 7.4 and 7.4 and risk-free interest rates of 3.7%, 3.6% and 5.1%.

### Use of Estimates

The preparation of financial statements requires management to make use of estimates and assumptions that affect amounts reported in the financial statements as well as certain disclosures. Actual results could differ from those estimates.

### Per Share Data

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

Year Ended December 31,	2003	2002	2001
Numerator:			
Net income available to common shareholders - basic	\$ 97,880	\$ 112,111	\$ 88,839
Income attributable to operating partnership units	3,040	2,388	83
Net income available to common shareholders - diluted	<u>\$ 100,920</u>	<u>\$ 114,499</u>	<u>\$ 88,922</u>
Denominator:			
Weighted average shares outstanding - basic	52,534	51,911	48,104
Effect of dilutive securities:			
Share options and awards	460	327	188
Operating partnership units	1,389	1,122	77
Weighted average shares outstanding - diluted	<u>54,383</u>	<u>53,360</u>	<u>48,369</u>

Options to purchase, in millions: .3, .4 and .4 common shares of beneficial interest in 2003, 2002 and 2001, respectively, were not included in the calculation of net income per common share - diluted as the exercise prices were greater than the average market price for the year.

### Statements of Cash Flows - Additional Data

WRI considers all highly liquid investments with original maturities of three months or less as cash equivalents. WRI issued .1 million common shares of beneficial interest in 2003 valued at \$5.4 million in exchange for interests in limited partnerships which had been formed to acquire operating properties. We assumed debt totaling \$180.2 million, \$105.1 million and \$165.0 million in connection with purchases of property during 2003, 2002 and 2001, respectively.

### Reclassifications

Certain reclassifications of prior years' amounts have been made to conform with the current year presentation.

## Note 2. Newly Adopted Accounting Pronouncements

On January 1, 2002, WRI adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 broadened the definition of discontinued operations to include components of an entity whose operations and cash flows are clearly distinguishable from the rest of the entity for operational and financial reporting purposes. Included in Income from Discontinued Operations for 2003 are the operating results and gain from the disposition of seven properties in 2003 totaling 371,000 square feet of gross leasable area. Included in the 2002 amounts are the operating results and gain from the disposition of seven properties in 2002 totaling 681,000 square feet of gross leasable area plus the operating income of the seven properties sold in 2003.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others". FIN 45 establishes new disclosure and liability-recognition requirements for direct and indirect debt guarantees with specified characteristics. The initial measurement and recognition requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on WRI's financial position, results of operations or cash flows.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123", which was effective for fiscal years beginning after December 15, 2002. This statement provides alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We adopted this statement effective January 1, 2003 using the prospective method, which requires us to recognize stock-based employee compensation as an expense when new share options are awarded, and determined that the adoption of SFAS No. 148 did not have a material impact on our results of operations or cash flows.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities". FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46, as amended, requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest (other than a majority voting interest). WRI has assessed its joint ventures and believes that the adoption of FIN 46 will not have a material impact on our financial position, results of operations or cash flows.

In May 2003, FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which was effective for the first interim period beginning after June 15, 2003. SFAS No. 150 requires that certain financial instruments that incorporate an obligation by the issuer to transfer assets or issue equity be reported as liabilities. Financial instruments that fall within the scope of SFAS No. 150 include equity shares and non-controlling interests in subsidiaries that are mandatorily redeemable. WRI's Series B and Series C Cumulative Redeemable Preferred Shares fall within the scope of SFAS No. 150, since they are mandatorily redeemable and redemption is through transfer of cash or a variable number of WRI common shares. Accordingly, we reclassified the redemption value, net of unamortized issuance costs of \$6.3 million, from equity to liabilities identified as "Preferred Shares Subject to Mandatory Redemption" as of September 30, 2003.

### **Note 3. Derivatives and Hedging**

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

WRI hedges the future cash flows of its debt transactions, as well as changes in the fair value of its debt instruments, principally through interest rate swaps with major financial institutions. As of December 31, 2003, we have two interest rate swap contracts, which fix interest rates at 7.7% on an aggregate notional amount of \$20 million and expire in June 2004. We have determined that these swap contracts are highly effective in offsetting future variable interest cash flows of the revolving credit debt and, accordingly, they have been designated as cash flow hedges with a fair value, net of accrued interest, of \$.6 million at December 31, 2003 and are included in Other Liabilities. Also, we have ten interest rate swap contracts with an aggregate notional amount of \$92.5 million at December 31, 2003 that convert fixed interest payments at rates ranging from 6.4% to 7.4% to variable interest payments. These contracts have been designated as fair value hedges. We have determined that they are highly

effective in limiting our risk of changes in the fair value of fixed-rate notes attributable to changes in variable interest rates. The fair value of these ten interest rate swaps, net of accrued interest, at December 31, 2003 was \$5.1 million and is included in Other Assets.

In December 2003, we entered into two forward-starting interest rate swaps with an aggregate notional amount of \$97.0 million in anticipation of the issuance of fixed-rate medium term notes subsequent to year-end. These contracts were designated as a cash flow hedge of forecasted interest payments for \$100 million of unsecured notes with a coupon of 4.9% that were sold in February 2004. Concurrent with the sale of the 4.9% notes, we settled our \$97.0 million forward-starting interest rate swap contracts, resulting in a loss of \$.9 million recorded in accumulated other comprehensive income. This \$.9 million loss is being amortized to earnings over the life of the 4.9% notes. In January 2004, we entered into four additional forward-starting interest rate swaps with an aggregate notional amount of \$194.0 million in anticipation of the issuance of fixed-rate medium term notes before April 2004. Medium term notes totaling \$50 million were issued in January 2004, at which time one of the four forward-starting interest rate swaps with a notional amount of \$48.5 million was settled at a loss of \$.7 million.

On December 31, 2003 and 2002, the derivative instruments designated as cash flow hedges were reported at their fair values as Other Liabilities, net of accrued interest, of \$0.9 million and \$2.4 million, respectively. The derivative instruments designated as fair value hedges on December 31, 2003 and 2002 were reported at their fair values as Other Assets, net of accrued interest, of \$5.1 million and \$7.7 million, respectively.

Within the next twelve months, the Company expects to reclassify to earnings as interest expense approximately \$0.6 million of the current balance held in accumulated other comprehensive loss. As of December 31, 2003 and 2002, the balance in accumulated other comprehensive income (loss) relating to the derivatives was \$.3 million and (\$1.0) million, respectively. With respect to fair value hedges, both changes in fair market value of the derivative hedging instrument and changes in the fair value of the hedged item will be recorded in earnings each reporting period. These amounts should completely offset with no impact to earnings, except for the portion of the hedge that proves to be ineffective, if any.

The interest rate swaps decreased interest expense and increased net income by \$2.3 million in 2003. In 2002 and 2001, the interest rate swaps increased interest expense and decreased net income by \$.8 million and \$.5 million, respectively. The interest rate swaps decreased the average rate for our debt by .2% for 2003. In 2002 and 2001, the interest rate swaps increased the average rate by .1% for both years. WRI could be exposed to credit losses in the event of non-performance by the counter-party; however, management believes the likelihood of such non-performance is remote.

#### Note 4. Debt

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

December 31,	2003	2002
Fixed-rate debt payable to 2030 at 4.5% to 8.9%	<b>\$1,510,294</b>	\$1,097,185
Variable-rate unsecured notes payable		75,000
Unsecured notes payable under revolving credit agreements	<b>259,050</b>	119,000
Obligations under capital leases	<b>33,458</b>	33,462
Industrial revenue bonds payable to 2015 at 1.3% to 3.0%	<b>7,904</b>	5,722
	<b>\$1,810,706</b>	\$1,330,369
Total		

The grouping of WRI's total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

December 31,	2003	2002
As to interest rate (including the effects of Interest rate swaps):		
Fixed-rate debt	\$1,458,792	\$1,055,688
Variable-rate debt	351,914	274,681
Total	<u>\$1,810,706</u>	<u>\$1,330,369</u>
As to collateralization:		
Unsecured debt	\$1,216,998	\$ 958,719
Secured debt	593,708	371,650
Total	<u>\$1,810,706</u>	<u>\$1,330,369</u>

In November 2003, WRI entered into an Amended and Restated Credit Agreement creating a \$400 million unsecured revolving credit facility. The agreement expires in November 2006, but we can request a one-year extension of the agreement, solely at our option. We also have an agreement for an unsecured and uncommitted overnight credit facility totaling \$20 million with a bank to be used for cash management purposes. WRI had letters of credit totaling \$14.9 million outstanding under the \$400 million revolving credit facility at December 31, 2003. The revolving credit agreements are subject to normal banking terms and conditions and do not adversely restrict our operations or liquidity.

At December 31, 2003, the variable interest rate for notes payable under the \$400 million revolving credit agreement was 1.7%. During 2003, the maximum balance and weighted average balance outstanding under both the \$400 million and the \$20 million revolving credit facilities were \$275.2 million and \$110.6 million, respectively, at a weighted average interest rate of 2.2%. WRI made cash payments for interest on debt, net of amounts capitalized, of \$84.5 million in 2003, \$63.1 million in 2002 and \$42.9 million in 2001.

During the year ended December 31, 2003, WRI issued a total of \$211 million of unsecured fixed-rate medium term notes with a weighted average rate of 5.2% and a weighted average term of 10.7 years. Subsequent to year-end, WRI issued a total of \$150 million of ten-year unsecured fixed-rate medium term notes with a weighted average rate, net of the effect of related swaps, of 5.1%. Proceeds received from both the 2003 and 2004 medium term note issuances were used to pay down amounts outstanding under our revolving credit facilities. In addition, a \$25 million floating-rate medium term note matured in July 2003, and a \$15 million fixed-rate medium term note matured in December 2003.

In conjunction with property acquisitions completed during 2003, we assumed \$155.0 million of non-recourse debt secured by the related properties. The weighted average interest rate on this debt is 7.1% and the weighted average remaining life is 6.6 years. Additionally, we assumed non-recourse debt secured by three properties that are held by joint ventures or partnerships in which we participate. Our share of this debt totaled \$25.2 million with a weighted average interest rate of 7.6% and a weighted average remaining life of 7.5 years. This non-recourse assumed debt falls within the scope of SFAS No. 141 and 142 since the contractual interest rate was higher than current market rates. The over-market mortgage adjustment on all debt assumed in 2003 was \$24.4 million and is reported in Other Liabilities.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At December 31, 2003 and 2002, the carrying value of such property aggregated \$933.5 million and \$688.5 million, respectively.

Scheduled principal payments on our debt (excluding \$259 million due under our revolving credit agreements, \$21.0 million of capital leases and \$5.1 million market value of rate swaps) are due during the following years (in thousands):

2004	\$ 82,402
2005	74,324
2006	58,063
2007	98,378
2008	199,682
2009	94,277
2010	71,021
2011	282,778
2012	144,879
2013	240,745
Thereafter	181,162

Various debt agreements contain restrictive covenants, the most restrictive of which requires WRI to maintain a pool of qualifying assets, as defined, of not less than 160% of unsecured debt. Other restrictions include minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and both secured and unsecured debt to total asset value measures. Management believes that WRI is in compliance with all restrictive covenants.

### Note 5. Preferred Shares Subject to Mandatory Redemption

In May 2003, FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which was effective for the first interim period beginning after June 15, 2003. SFAS No. 150 requires that certain financial instruments that incorporate an obligation by the issuer to transfer assets or issue equity be reported as liabilities. Financial instruments that fall within the scope of SFAS No. 150 include equity shares and non-controlling interests in subsidiaries that are mandatorily redeemable. WRI's Series B and Series C Cumulative Redeemable Preferred Shares fall within the scope of SFAS No. 150, since they are mandatorily redeemable and redemption is through transfer of cash or a variable number of WRI common shares. Accordingly, we reclassified the redemption value of these shares, net of unamortized issuance costs of \$6.3 million, from equity to liabilities identified as "Preferred Shares Subject to Mandatory Redemption" as of September 30, 2003.

In December 2003, WRI redeemed \$88.0 million of 7.125% Series B Cumulative Redeemable Preferred Shares. This early redemption resulted in a loss equal to the unamortized original issuance cost of \$2.7 million. Proceeds from the common share offerings in October and November 2003 were used to redeem these shares.

Preferred Shares Subject to Mandatory Redemption at December 31, 2003 of \$109.4 million represents the redemption value, net of unamortized issuance costs totaling \$3.6 million, of the 7.0% Series C Cumulative Redeemable Preferred Shares. These shares, with a liquidation preference of \$50 per share and no stated maturity, can be redeemed by the holder only upon their death in either cash or a variable number of common shares at our option. There are limitations on the number of shares per shareholder and in the aggregate that may be redeemed per year. These shares are also redeemable by WRI any time on or after March 15, 2004. On March 2, 2004, WRI called for the redemption of all of these shares effective April 1, 2004.

### Note 6. Preferred Shares

In February 1998, WRI issued \$75 million of 7.44% Series A Cumulative Redeemable Preferred Shares with a liquidation preference of \$25 per share, which were called for redemption in April 2003. Upon the redemption of these shares, the related original issuance costs of \$2.5 million were reported as a deduction in arriving at Net Income Available to Common Shareholders. The redemption in May 2003 was financed through the issuance of

\$75 million of depositary shares in April 2003. Each depositary share represents one-thirtieth of a Series D Cumulative Redeemable Preferred Share. The depositary shares are redeemable, in whole or in part, for cash on or after April 30, 2008 at the option of WRI, at a redemption price of \$25 per depositary share, plus any accrued and unpaid dividends thereon. The depositary shares are not convertible or exchangeable for any other property or securities of WRI. The Series D preferred shares pay a 6.75% annual dividend and have a liquidation value of \$750 per share.

## Note 7. Common Shares

In October 2003, we issued 1.2 million common shares of beneficial interest. Net proceeds to WRI totaled \$50.9 million based on a price of \$45.50 per share. In November 2003, we issued an additional 1.0 million common shares of beneficial interest. Net proceeds to WRI totaled \$44.5 million based on a price of \$45.70 per share. The proceeds from the above offerings were used primarily to redeem our 7.125% Series B Cumulative Redeemable Preferred Shares.

In February 2004, a three-for-two share split, to be affected in the form of a 50% share dividend, was declared for shareholders of record on March 16, 2004, payable March 30, 2004. In March 2004, we issued an additional 2.4 million common shares of beneficial interest. Net proceeds to WRI totaled \$118.0 million based on a price of \$50.46 per share. The proceeds from this offering will be used primarily to redeem our 7.0% Series C Cumulative Redeemable Preferred Shares.

In February 2002, a three-for-two share split, affected in the form of a 50% share dividend, was declared for shareholders of record on April 1, 2002, payable April 15, 2002. We issued 17.3 million common shares of beneficial interest as a result of the share split. All references to the number of shares and per share amounts have been restated to reflect the share split, and an amount equal to the par value of the number of common shares issued has been reclassified to common shares from retained earnings. Also in February 2002, we completed the sale of .3 million common shares of beneficial interest. Net proceeds to WRI totaled \$9.5 million based on a price of \$33.65 per share and were used to pay down amounts outstanding under our revolving credit facilities.

## Note 8. Property

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

December 31,	2003	2002
Land	\$ 603,972	\$ 497,168
Land held for development	21,112	23,613
Land under development	22,459	44,847
Buildings and improvements	2,483,414	2,051,065
Construction in-progress	69,134	77,006
Property held for sale		1,587
Total	\$3,200,091	\$2,695,286

The following carrying charges were capitalized (in thousands):

Year Ended December 31,	2003	2002	2001
Interest	\$ 6,361	\$ 9,642	\$ 9,698
Ad valorem taxes	945	974	383
Total	\$ 7,306	\$ 10,616	\$ 10,081

Acquisitions of properties are accounted for utilizing the purchase method (as set forth in SFAS No. 141 and SFAS No. 142) and, accordingly, the results of operations are included in the company's results of operations from the respective dates of acquisition. The company has used estimates of future cash flows and other valuation techniques to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, and other identifiable intangibles. Other identifiable intangibles include the effect of out-of-market leases, the value of having leases in place and out-of-market assumed mortgages. At December 31, 2003, the company included deferred charges of \$5.2 million for above-market leases in Other Assets, deferred credits of \$4.9 million for below-market leases and \$24.4 million for out-of-market assumed mortgages in Other Liabilities and deferred charges of \$12.4 million for lease origination costs in Unamortized Debt and Lease Costs. These identifiable debit and credit intangibles are amortized over the terms of the acquired leases or the remaining lives of the mortgages.

During 2003, WRI invested \$404.6 million in the acquisition of operating properties of which \$307.8 million was invested in shopping centers and \$96.8 million was invested in industrial properties. Additionally, we acquired a retail property through an investment of \$9.2 million in a 40%-owned unconsolidated joint venture. We acquired 16 shopping centers adding 2.6 million square feet and five industrial properties adding 1.9 million square feet to our portfolio. Non-recourse secured debt totaling \$180.2 million, of which \$25.2 million is held by joint ventures or partnerships in which we participate, was assumed in conjunction with these purchases. Additionally, operating partnership units valued at \$6.8 million were issued in conjunction with the purchase of three properties that used the DownREIT structure. The cash requirements for all acquisitions in 2003 were initially financed under WRI's revolving credit facilities, funded with excess cash flow from our existing portfolio of properties or with proceeds from property dispositions.

In 2003, WRI acquired land, either directly or through its interests in joint ventures, at four separate locations for the development of three retail shopping centers and one industrial distribution warehouse. During 2003, we invested \$64.0 million in new developments.

## **Note 9. Discontinued Operations**

On January 1, 2002, WRI adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses accounting and reporting for the impairment or disposal of a component of a business. More specifically, this Statement broadens the presentation of discontinued operations to include a component of an entity whose operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

In 2003, we sold five retail projects located in San Antonio (1), McKinney (1), Nacogdoches (1) and Houston (2), Texas. Also, a warehouse building in Memphis, Tennessee and a retail building in Houston, Texas were sold. The operating results and the gain on sale of these properties have been reclassified and reported as discontinued operations in the Statements of Consolidated Income and Comprehensive Income. Included in the Consolidated Balance Sheet at December 31, 2002 is \$1.6 million reported as property held for sale for the warehouse building and \$14.3 million of Property and \$4.7 million of Accumulated Depreciation associated with the remaining 2003 property dispositions.

In 2002, we sold five retail projects located in Houston (3), Grand Prairie and San Antonio, Texas, one industrial building located in Houston, Texas and the River Pointe Apartments located in Conroe, Texas. Accordingly, the operating results and the gain on sale of the disposed properties have been reclassified and reported as discontinued operations in the Statements of Consolidated Income and Comprehensive Income.

The Company's discontinued operations in 2003 and 2002 had no debt that was required to be repaid upon their disposition. In addition, we elected not to allocate other consolidated interest to discontinued operations since the interest savings to be realized from the proceeds of the sale of these operations was not material.

## Note 10. Related Party Transactions

WRI has mortgage bonds and notes receivable from WRI Holdings, Inc. of \$2.8 million, net of deferred gain of \$3.0 million at both December 31, 2003 and 2002. WRI and WRI Holdings share certain directors and are under common management. Unimproved land collateralizes these receivables. Management believes that the fair market value of the collateral exceeds the carrying value of the bonds and notes. The bonds and notes bear interest at rates of 16% and prime plus 1%, respectively. However, due to WRI Holdings' poor financial condition, WRI has limited the recognition of interest income for financial statement purposes to the amount of cash payments received. WRI did not receive any interest payments in 2003 or 2002, and does not anticipate receiving such payments in the near term. No interest income has been recognized for financial reporting purposes in the last three years.

In 2002, undeveloped land from WRI Holdings of 6.9 acres was sold and the net proceeds of \$1.4 million were used to pay down amounts outstanding under mortgage bonds and notes payable to WRI.

WRI's unrecorded receivable for interest on the mortgage bonds and notes receivable was \$30.0 million and \$28.1 million at December 31, 2003 and 2002, respectively. Interest income not recognized by WRI for financial reporting purposes aggregated, in millions, \$1.9, \$1.9 and \$2.5 for 2003, 2002 and 2001, respectively. WRI does not anticipate recovery of the unrecorded receivable in the future.

WRI owns interests in several joint ventures and partnerships. Notes receivable from these entities bear interest at 3.5% to 10% at December 31, 2003, are due at various dates through 2028 and are generally secured by real estate assets. WRI recognized interest income on these notes as follows, in millions: \$.5 in 2003; \$.3 in 2002 and \$.6 in 2001.

## Note 11. Investment in Real Estate Joint Ventures

WRI owns interests in joint ventures or limited partnerships where we do not exercise financial and operating control. These partnerships are accounted for under the equity method since WRI exercises significant influence. Our interests in these joint ventures and limited partnerships range from 20% to 75% and, with the exception of one partnership which owns seven industrial properties, each venture owns a single real estate asset. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

### Combined Balance Sheets

December 31,

	2003	2002
Property	\$ 229,285	\$ 177,396
Accumulated depreciation	(26,845)	(23,877)
Property - net	202,440	153,519
Other assets	15,788	11,898
Total	<u>\$ 218,228</u>	<u>\$ 165,417</u>
Debt	\$ 92,839	\$ 71,985
Amounts payable to WRI	38,105	16,334
Other liabilities	4,729	4,152
Accumulated equity	82,555	72,946
Total	<u>\$ 218,228</u>	<u>\$ 165,417</u>

## Combined Statements of Income

Year Ended December 31,

	2003	2002	2001
Revenues	<u>\$ 24,572</u>	\$ 25,094	\$ 25,548
Expenses:			
Interest	6,212	6,311	7,082
Depreciation and amortization	4,730	4,902	4,519
Operating	3,586	3,430	3,578
Ad valorem taxes	3,238	3,220	3,294
General and administrative	81	44	46
Total	<u>17,847</u>	17,907	18,519
Gain on sale of properties	<u>1,016</u>		2,854
Net income	<u>\$ 7,741</u>	\$ 7,187	\$ 9,883

Our investment in real estate joint ventures, as reported on the balance sheets, differs from our proportionate share of the joint ventures' underlying net assets due to basis differentials, which arose upon the transfer of assets from WRI to the joint ventures. This basis differential, which totaled \$4.8 million at December 31, 2003 and 2002, respectively, is depreciated over the useful lives of the related assets.

Fees earned by WRI for the management of these joint ventures totaled, in millions, \$.6 in 2003 and \$.5 in both 2002 and 2001.

In April 2003, a 38%-owned limited partnership commenced construction on a 116,000 square foot center in Denver, Colorado, which will include a corporate-owned King Sooper Supermarket of 67,000 square feet. In July 2003, a 20%-owned limited partnership commenced construction on a 300,000 square foot state-of-the-art distribution warehouse, which is located in Houston, Texas. In August 2003, a 50%-owned joint venture sold a shopping center in Lake Charles, Louisiana, resulting in a gain of \$1.0 million. In October 2003, a 40%-owned joint venture acquired an 88,000 square foot shopping center in Highlands Ranch, Colorado.

In May 2002, a 50%-owned joint venture commenced construction on a 660,000 square foot center in Las Vegas, Nevada, which will include a corporate-owned Wal-Mart of 224,000 square feet and a corporate-owned Lowe's of 170,000 square feet. In August 2002, a 33%-owned limited partnership commenced construction on a 240,000 square foot center in American Fork, Utah, which will include a corporate-owned Target of 147,000 square feet. Also, in August 2002, WRI acquired a joint venture partner's 50% interest in a shopping center in Lewiston, Maine.

## Note 12. Federal Income Tax Considerations

Federal income taxes are not provided because WRI qualifies as a REIT under the provisions of the Internal Revenue Code. Shareholders of WRI include their proportionate taxable income in their individual tax returns. As a REIT, we must distribute at least 90% of our ordinary taxable income to our shareholders and meet certain income source and investment restriction requirements.

Taxable income differs from net income for financial reporting purposes principally because of differences in the timing of recognition of interest, ad valorem taxes, depreciation, rental revenue and pension expense. As a result of these differences, the tax basis exceeds the book value of our net assets by \$6.7 million at December 31, 2003.

For federal income tax purposes, the cash dividends distributed to common shareholders are characterized as follows:

	2003	2002	2001
Ordinary income	91.0%	97.1%	92.2%
Return of capital (generally non-taxable)	8.7		6.2
Capital gain distributions	0.3	2.9	1.6
Total	100.0%	100.0%	100.0%

### Note 13. Leasing Operations

WRI's lease terms range from less than one year for smaller tenant spaces to over twenty-five years for larger tenant spaces. In addition to minimum lease payments, most of the leases provide for contingent rentals (payments for taxes, maintenance and insurance by lessees and an amount based on a percentage of the tenants' sales). Future minimum rental income from non-cancelable tenant leases at December 31, 2003, in millions, is: \$341.5 in 2004; \$301.7 in 2005; \$255.1 in 2006; \$207.8 in 2007; \$164.6 in 2008 and \$660.2 thereafter. The future minimum rental amounts do not include estimates for contingent rentals. Such contingent rentals, in millions, aggregated \$82.1 in 2003, \$72.5 in 2002 and \$64.0 in 2001.

### Note 14. Commitments and Contingencies

On certain properties, WRI leases from the landowners and then subleases these properties to other parties. Future minimum rental payments under these operating leases, in millions, are: \$1.5 in 2004; \$1.3 in 2005; \$1.1 in 2006; \$.9 in 2007; \$.9 in 2008; and \$23.0 thereafter. Future minimum rental payments on these leases have not been reduced by future minimum sublease rentals aggregating \$19.1 million through 2023 that are due under various non-cancelable subleases. Rental expense (including insignificant amounts for contingent rentals) for operating leases was, in millions: \$2.8 in 2003; \$2.7 in 2002 and \$2.8 in 2001. Sublease rental revenue (excluding amounts for improvements constructed by WRI on the leased land) from these leased properties was as follows, in millions: \$3.2 in 2003, \$3.0 in 2002 and \$3.1 in 2001.

Property under capital leases, consisting of four shopping centers, aggregated \$29.1 million at December 31, 2003 and 2002, respectively, and is included in buildings and improvements. Amortization of property under capital leases is included in depreciation and amortization expense. Future minimum lease payments under these capital leases total \$61.6 million, with annual payments due, in millions, of \$1.9 in 2004; \$2.0 in each of 2005, 2006 and 2007; \$2.1 in 2008 and \$51.6 thereafter. The amount of these total payments representing interest is \$28.1 million. Accordingly, the present value of the net minimum lease payments is \$33.5 million at December 31, 2003.

WRI owns interests in six limited partnerships (referred to as DownREITs) that have acquired properties in Utah, Georgia, Arkansas and North Carolina. These limited partnerships allow the outside limited partners to put their interest to the partnership for WRI common shares of beneficial interest or an equivalent amount in cash. WRI may assume the right to acquire any limited partnership interests that are put to the limited partnership and may, at its option, settle the put in cash or a fixed number of WRI common shares. In 2003, WRI paid \$4.2 million and issued .1 million common shares of beneficial interest valued at \$5.4 million in exchange for certain of these limited partnership interests. WRI, as general partner, exercises operating and financial control of the partnerships and consolidates their operations in the accompanying consolidated financial statements.

WRI expects to invest \$22.7 million in 2004 to complete construction of properties currently under development.

WRI is involved in various matters of litigation arising in the normal course of business. While WRI is unable to predict with certainty the amounts involved, WRI's management and counsel are of the opinion that, when such litigation is resolved, WRI's resulting liability, if any, will not have a material effect on WRI's consolidated financial statements.

## Note 15. Fair Value of Financial Instruments

The fair value of WRI's financial instruments was determined using available market information and appropriate valuation methodologies as of December 31, 2003. Unless otherwise described below, all other financial instruments are carried at amounts which approximate their fair values.

Based on rates currently available to WRI for debt with similar terms and average maturities, fixed-rate debt with carrying values of \$1.5 billion and \$1.1 billion have fair values of approximately \$1.6 billion and \$1.2 billion at December 31, 2003 and 2002, respectively. The fair value of WRI's variable-rate debt approximates its carrying values of \$351.9 million and \$274.7 million at year-end 2003 and 2002, respectively.

## Note 16. Share Options and Awards

WRI had an incentive share option plan, which provided for the issuance of options and share awards up to a maximum of 1.1 million common shares that expired in December 1997. Options granted under this plan generally became exercisable in equal increments over a three-year period. WRI has an additional share option plan, which grants 100 share options to every employee of WRI, excluding officers, upon completion of each five-year interval of service. This plan, which expires in 2012, provides options for a maximum of 150,000 common shares. Options granted under this plan are exercisable immediately. For both of these share option plans, options are granted to employees of WRI at an exercise price equal to the quoted fair market value of the common shares on the date the options are granted and expire upon termination of employment or ten years from the date of grant.

WRI has another share option plan, which expired in 2002, that provided for the issuance of up to 2.6 million common shares, either in the form of restricted shares or share options. Prior to 2000, the restricted shares generally vested over a ten-year period, with potential acceleration of vesting due to appreciation in the market value of our common shares. Beginning in 2000, the vesting period is five years. During 2003 and 2002, the vesting of certain restricted share grants was accelerated pursuant to the terms of the award agreements, due to appreciation in the market share price, resulting in additional compensation expense of \$.7 million for both 2003 and 2002. The share options granted to non-officers vest over a three-year period beginning one year after the date of grant, and over a seven-year period beginning two years after the date of grant for officers. Share options were granted at the quoted fair market value on the date of grant. Restricted shares are issued at no cost to the employee, and as such we recognized compensation expense relating to restricted shares, excluding the effect of accelerated vesting, as follows, in millions: \$.5 in 2003, \$.7 in 2002 and \$.8 in 2001.

In April 2001, WRI adopted the 2001 Long Term Incentive Plan for the issuance of options and share awards up to a maximum of 1.5 million common shares. The plan expires in April 2011. In December 2003, .3 million share options were granted. The share options granted to non-officers vest over a three-year period beginning one year after the date of grant and, for officers over a five-year period one year after the date of grant.

Following is a summary of the option activity for the three years ended December 31, 2003:

	<i>Shares Under Option</i>	<i>Weighted Average Exercise Price</i>
Outstanding, January 1, 2001	2,123,687	\$ 26.19
Granted	527,460	31.06
Canceled	(166,350)	25.20
Exercised	(429,651)	24.51
Outstanding, December 31, 2001	2,055,146	27.87
Granted	394,784	36.59
Canceled	(33,316)	29.84
Exercised	(376,455)	25.19
Outstanding, December 31, 2002	2,040,159	29.98
Granted	<b>332,722</b>	<b>45.01</b>
Canceled	<b>(5,200)</b>	<b>33.42</b>
Exercised	<b>(305,990)</b>	<b>26.08</b>
Outstanding, December 31, 2003	<b><u>2,061,691</u></b>	<b><u>\$ 33.02</u></b>

The number of share options exercisable at December 31, 2003, 2002 and 2001 was, in millions: .7, .8 and 1.1, respectively. Options exercisable at year-end 2003 had a weighted average exercise price of \$28.00. The weighted average fair value per share of options granted during 2003, 2002 and 2001 was \$2.46, \$2.62 and \$2.43, respectively. There were 1.3 million common shares available for the future grant of options or awards at December 31, 2003.

The following table summarizes information about share options outstanding and exercisable at December 31, 2003:

<i>Range of Exercise Prices</i>	<i>Outstanding</i>			<i>Exercisable</i>	
	<i>Number</i>	<i>Weighted Average Remaining Contractual Life</i>	<i>Weighted Average Exercise Price</i>	<i>Number</i>	<i>Weighted Average Exercise Price</i>
\$24.67 - \$36.87	1,734,545	6.50 years	\$ 30.73	693,938	\$ 28.00
\$36.88 - \$45.13	327,146	10.00 years	\$ 45.13		
Total	<b><u>2,061,691</u></b>	<b><u>7.06 years</u></b>	<b><u>\$ 33.02</u></b>	<b><u>693,938</u></b>	<b><u>\$ 28.00</u></b>

## Note 17. Bankruptcy Remote Properties

WRI has 41 properties, having a net book value of approximately \$711.8 million at December 31, 2003 (collectively the "Bankruptcy Remote Properties", and each a "Bankruptcy Remote Property"), which are wholly owned by various "Bankruptcy Remote Entities". Each Bankruptcy Remote Entity is either a direct or an indirect subsidiary of WRI. The assets of each Bankruptcy Remote Entity, including the respective Bankruptcy Remote Property or Properties owned by each, are owned by that Bankruptcy Remote Entity alone and are not available to satisfy claims that any creditor may have against WRI, its affiliates, or any other person or entity. No Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of WRI, any of its affiliates, or any other person or entity. Neither WRI nor any of its affiliates has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity (other than any agreement by a Bankruptcy Remote Entity to pay its own creditors). No affiliate of any Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity.

The accounts of the Bankruptcy Remote Entities are included in WRI's consolidated financial statements because WRI exercises financial and operating control over each of these entities.

## Note 18. Employee Benefit Plans

WRI has a Savings and Investment Plan pursuant to which eligible employees may elect to contribute from 1% of their salaries to the maximum amount established annually by the Internal Revenue Service. Employee contributions are matched by WRI at the rate of \$.50 per \$1.00 for the first 6% of the employee's salary. The employees vest in the employer contributions ratably over a six-year period. Compensation expense related to the plan was \$.5 million in both 2003 and 2002 and \$.4 million in 2001.

WRI also has an Employee Share Purchase Plan under which .4 million of WRI common shares have been authorized. These shares, as well as common shares purchased by WRI on the open market, are made available for sale to employees at a discount of 15%. Shares purchased by the employee under the plan are restricted from being sold for two years from the date of purchase or until termination of employment with WRI. A total of 12,813, 15,355 and 15,861 shares were purchased by employees at an average price of \$43.36, \$30.11 and \$25.84 during 2003, 2002 and 2001, respectively.

Prior to April 1, 2002, WRI maintained a non-contributory pension plan covering substantially all of its employees. Effective April 1, 2002, WRI converted to a non-contributory cash balance retirement plan under which each participant received an actuarially-determined opening balance. Annual additions to each participant's account include a service credit ranging from 3-5% of compensation, depending on years of service, and an interest credit based on the ten-year US Treasury Bill rate. Vesting generally occurs after five years of service. Certain participants were grandfathered under the prior pension plan. Reconciliation of the benefit obligation, plan assets at fair value, funded status of the plan and net amount recognized are as follows (in thousands):

	2003	2002
Benefit obligation at beginning of year	\$ 13,290	\$ 12,197
Service cost	509	384
Interest cost	870	807
Amendments		(1,407)
Assumption changes		1,607
Actuarial loss	704	115
Benefit payments	(433)	(413)
Benefit obligation at end of year	<u>\$ 14,940</u>	<u>\$ 13,290</u>
Fair value of plan assets at beginning of year	\$ 9,183	\$ 10,826
Actual return on plan assets	2,089	(1,230)
Employer contributions	550	
Benefit payments	(433)	(413)
Fair value of plan assets at end of year	<u>\$ 11,389</u>	<u>\$ 9,183</u>
Funded status	\$ (3,551)	\$ (4,107)
Unrecognized actuarial loss	2,680	3,481
Unrecognized prior service cost	(1,151)	(1,279)
Pension liability	<u>\$ (2,022)</u>	<u>\$ (1,905)</u>
Amounts recognized in the Consolidated Balance Sheets:		
Accrued benefit liability	\$ (2,635)	\$ (3,477)
Accumulated other comprehensive loss	613	1,572
Net amount recognized	<u>\$ (2,022)</u>	<u>\$ (1,905)</u>

The components of net periodic benefit cost are as follows (in thousands):

	2003	2002	2001
Service cost	\$ 509	\$ 384	\$ 556
Interest cost	870	807	825
Expected return on plan assets	(807)	(961)	(1,092)
Prior service cost	(128)	(128)	
Recognized (gain) loss	224		(158)
Total	\$ 668	\$ 102	\$ 131

The assumptions used to develop periodic expense are shown below.

	2003	2002	2001
Discount rate for net periodic benefit cost	6.50%	7.50%	7.50%
Salary scale increases for net periodic benefit cost	4.00%	5.00%	5.00%
Long-term rate of return on assets	8.75%	9.00%	9.00%

The selection of the discount rate follows the guidance provided in SFAS No. 87, "Employers' Accounting for Pensions". The selection of the discount rate is made annually after comparison to yields based on high quality fixed-income investments. The salary scale is the composite rate which reflects anticipated inflation, merit increases, and promotions for the group of covered participants. The long-term rate of return is a composite rate for the trust. It is derived as the sum of the percentages invested in each principal asset class included in the portfolio multiplied by their respective expected rates of return. WRI considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This analysis resulted in the selection of 8.75% as the long-term rate of return assumption for 2003.

The assumptions used to develop the actuarial present value of the benefit obligations were:

	2003	2002	2001
Discount rate	6.25%	6.50%	7.50%
Salary scale increases	4.00%	4.00%	5.00%

Contributions expected to be paid to the plan during 2004 are approximately \$500,000.

The measurement dates for the non-contributory pension plan were December 31, 2003 and December 31, 2002. The participant data used in determining the liabilities and costs was collected as of January 1, 2003.

The fair value of the major categories of plan assets as provided by the plan trustee is as follows (in thousands):

As of December 31,	2003	
Cash and short-term investments	\$ 357	3%
Mutual funds - equity	8,062	71%
Mutual funds - fixed-income	2,970	26%
Total	\$ 11,389	100%

WRI's investment policy and strategy for plan assets require that plan assets be allocated based on a "Broad Market Diversification" model. For purposes of classifying domestic stock funds, approximately 65% of plan assets will be allocated to large company funds and 20% to mid and small-company funds. Approximately 15% of the

overall stock allocation will be in the foreign stock category. The remaining balance of plan assets is in the fixed-income component of the portfolio that is divided between a short-term bond option and at least two intermediate-term bond options. On a semi-annual basis, the plan assets are rebalanced to maintain this asset allocation. Selected investment funds are monitored as reasonably necessary to permit the WRI Investment Committee to evaluate any material changes to the investment fund's performance.

WRI also has a non-qualified supplemental retirement plan for officers of WRI, which provides for benefits in excess of the statutory limits of its non-contributory cash balance retirement plan. The obligation is funded in a grantor trust with a mix of assets similar to the non-contributory cash balance retirement plan. We recognized expense of \$.6 million in 2003 and \$.4 million in both 2002 and 2001.

## Note 19. Segment Information

The operating segments presented are the segments of WRI for which separate financial information is available, and operating performance is evaluated regularly by senior management in deciding how to allocate resources and in assessing performance. WRI evaluates the performance of its operating segments based on net operating income that is defined as total revenues less operating expenses and ad valorem taxes. Management does not consider the effect of gains or losses from the sale of property in evaluating ongoing operating performance.

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

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

	<i>Shopping Center</i>	<i>Industrial</i>	<i>Other</i>	<i>Total</i>
<b>2003</b>				
Revenues	\$ 374,550	\$ 42,389	\$ 2,221	\$ 419,160
Net operating income	274,819	30,268	1,498	306,585
Equity in earnings of joint ventures	4,704	118	(79)	4,743
Investment in real estate joint ventures	32,453		289	32,742
Total assets	2,397,273	295,611	230,910	2,923,794
Capital expenditures	429,666	105,773	1,914	537,353
<b>2002</b>				
Revenues	\$ 324,959	\$ 36,123	\$ 2,005	\$ 363,087
Net operating income	237,629	24,653	1,497	263,779
Equity in earnings of joint ventures	3,779	314	(50)	4,043
Investment in real estate joint ventures	28,469		269	28,738
Total assets	2,075,764	212,189	135,936	2,423,889
Capital expenditures	374,864	6,395	7,752	389,011
<b>2001:</b>				
Revenues	\$ 272,465	\$ 31,576	\$ 2,767	\$ 306,808
Net operating income	198,084	22,065	1,861	222,010
Equity in earnings of joint ventures	3,696	1,909	(58)	5,547
Investment in real estate joint ventures	25,094		648	25,742
Total assets	1,775,131	215,782	104,834	2,095,747
Capital expenditures	615,144	44,083	3,306	662,533

Net operating income reconciles to income before discontinued operations as shown on the Statements of Consolidated Income and Comprehensive Income as follows (in thousands):

	2003	2002	2001
Total segment net operating income	<b>\$ 306,585</b>	\$ 263,779	\$ 222,010
Less:			
Depreciation and amortization	<b>94,108</b>	77,822	66,434
Interest	<b>88,871</b>	65,863	54,473
General and administrative	<b>13,820</b>	11,148	9,570
Loss on early redemption of preferred shares	<b>2,739</b>		
Income allocated to minority interests	<b>2,723</b>	3,553	475
Equity in earnings of joint ventures	<b>(4,743)</b>	(4,043)	(5,547)
Gain on sale of properties	<b>(714)</b>	(188)	(8,339)
Income before discontinued operations	<b><u>\$ 109,781</u></b>	<u>\$ 109,624</u>	<u>\$ 104,944</u>

## Note 20. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data is as follows (in thousands, except per share amounts):

	First	Second	Third	Fourth
<b>2003:</b>				
Revenues	<b>\$ 97,647</b>	<b>\$ 102,781</b>	<b>\$ 107,134</b>	<b>\$ 111,598</b>
Net income available to common shareholders	<b>24,969</b>	<b>21,060<sup>(1)</sup></b>	<b>28,381<sup>(2)</sup></b>	<b>23,470<sup>(1)</sup></b>
Net income per common share - basic	<b>0.48</b>	<b>0.40<sup>(1)</sup></b>	<b>0.54<sup>(2)</sup></b>	<b>0.44<sup>(1)</sup></b>
Net income per common share - diluted	<b>0.48</b>	<b>0.40<sup>(1)</sup></b>	<b>0.54<sup>(2)</sup></b>	<b>0.43<sup>(1)</sup></b>
<b>2002:</b>				
Revenues	\$ 83,852	\$ 90,342	\$ 92,773	\$ 96,120
Net income available to common shareholders	24,478	26,395	34,486 <sup>(2)</sup>	26,752
Net income per common share - basic	0.47	0.51	0.66 <sup>(2)</sup>	0.51
Net income per common share - diluted	0.47	0.51	0.65 <sup>(2)</sup>	0.51

*(1) The change is primarily the result of non-cash charges for the redemption of preferred shares during the quarter.*

*(2) The change is primarily the result of gains on the sale of properties during the quarter.*

## Selected Financial Data

Weingarten Realty Investors

*Amounts in thousands, except per share amounts*

Year Ended December 31,	2003	2002	2001	2000	1999
Revenues (primarily real estate rentals)	\$ 419,160	\$ 363,087	\$ 306,808	\$ 243,068	\$ 219,129
Expenses:					
Depreciation and amortization	94,108	77,822	66,434	52,856	47,501
Interest	88,871	65,863	54,473	43,190	32,982
Other	129,134	110,456	94,368	74,818	67,774
Total	312,113	254,141	215,275	170,864	148,257
Income from operations	107,047	108,946	91,533	72,204	70,872
Equity in earnings of joint ventures	4,743	4,043	5,547	4,143	3,654
Income allocated to minority interests	(2,723)	(3,553)	(475)	(630)	(789)
Gain on sale of properties	714	188	8,339	382	20,594
Discontinued operations(1)	6,499	22,243	3,598	2,902	1,799
Net income	\$ 116,280	\$ 131,867	\$ 108,542	\$ 79,001	\$ 96,130
Net income available to common shareholders	\$ 97,880	\$ 112,111	\$ 88,839	\$ 58,961	\$ 76,537
Cash flows from operations	\$ 163,545	\$ 168,488	\$ 146,659	\$ 119,043	\$ 113,351
Per share data - basic:					
Income before discontinued operations	\$ 1.74	\$ 1.73	\$ 1.78	\$ 1.40	\$ 1.87
Net income	\$ 1.86	\$ 2.16	\$ 1.85	\$ 1.47	\$ 1.91
Weighted average number of shares	52,534	51,911	48,104	40,163	40,035
Per share data - diluted:					
Income before discontinued operations	\$ 1.74	\$ 1.73	\$ 1.77	\$ 1.39	\$ 1.86
Net income	\$ 1.86	\$ 2.15	\$ 1.84	\$ 1.46	\$ 1.90
Weighted average number of shares	54,383	53,360	48,369	40,397	40,335
Cash dividends per common share	\$ 2.34	\$ 2.22	\$ 2.11	\$ 2.00	\$ 1.89
Property (at cost)	\$3,200,091	\$2,695,286	\$2,352,393	\$1,728,414	\$1,486,224
Total assets	\$2,923,794	\$2,423,889	\$2,095,747	\$1,498,477	\$1,312,746
Debt	\$1,810,706	\$1,330,369	\$1,070,835	\$ 792,353	\$ 592,978
Other data:					
Funds from operations:(2)					
Net income available to common shareholders	\$ 97,880	\$ 112,111	\$ 88,839	\$ 58,961	\$ 76,537
Depreciation and amortization	88,853	76,855	67,803	55,344	49,256
Gain on sale of properties	(7,273)	(18,614)	(9,795)	(382)	(20,596)
Total	\$ 179,460	\$ 170,352	\$ 146,847	\$ 113,923	\$ 105,197

(1) SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" requires the operating results and gain (loss) on the sale of operating properties to be reported as discontinued operations.

(2) The National Association of Real Estate Investment Trusts defines funds from operations as net income (loss) computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, NAREIT recommends that extraordinary items not be considered in arriving at FFO. We calculate FFO in a manner consistent with the NAREIT definition. We believe FFO is an appropriate supplemental measure of operating performance because it helps investors compare the operating performance of our company relative to other REITs. There can be no assurance that FFO presented by WRI is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

# Board of Trust Managers & Officers

## Board of Trust Managers

Stanford Alexander	<i>Chairman, Weingarten Realty Investors; Member of Pricing and Executive Committees</i>
Andrew M. Alexander	<i>President/Chief Executive Officer, Weingarten Realty Investors; Member of Pricing and Executive Committees</i>
J. Murry Bowden	<i>Co-Chairman/Founding Partner, The Hanover Company; Member of Audit and Governance Committees</i>
James W. Crownover	<i>Former Director, McKinsey &amp; Company; Chairman of Audit Committee, Member of Governance Committee</i>
Robert J. Cruikshank	<i>Private Investor; Chairman of Management, Development &amp; Compensation Committee, Member of Audit and Executive Committees</i>
Melvin A. Dow	<i>Shareholder, Winstead, Sechrest &amp; Minick P.C.; Member of Pricing and Executive Committees</i>
Stephen A. Lasher	<i>President, The GulfStar Group, Inc.; Member of Management, Development &amp; Compensation, Pricing and Executive Committees</i>
Douglas W. Schnitzer	<i>Chairman/Chief Executive Officer, Senterra Real Estate Group, L.L.C.</i>
Marc J. Shapiro	<i>Former Vice Chairman, J.P. Morgan Chase &amp; Co., Private Investor; Chairman of Governance Committee, Member of Management, Development &amp; Compensation Committee</i>

## Officers

Andrew M. Alexander	<i>President/Chief Executive Officer</i>
Stanford Alexander	<i>Chairman</i>
Martin Debrovner	<i>Vice Chairman</i>
Patricia A. Bender	<i>Senior Vice President/Regional Director of Leasing</i>
M. Candace DuFour	<i>Senior Vice President/Director of Acquisitions and Secretary</i>
Johnny L. Hendrix	<i>Senior Vice President/Director of Leasing</i>
Brent Mann	<i>Senior Vice President/Regional Director of Leasing</i>
Stephen C. Richter	<i>Senior Vice President/Chief Financial Officer</i>
Jeffrey A. Tucker	<i>Senior Vice President/General Counsel</i>
Steven R. Weingarten	<i>Senior Vice President/Regional Director of Leasing</i>
Timothy M. Frakes	<i>Vice President/Regional Director of New Development and Acquisitions</i>
Gary Greenberg	<i>Vice President/Capital Markets</i>
Daniel J. Holland	<i>Vice President/Regional Director of Acquisitions</i>
Alan R. Kofoed	<i>Vice President/Construction</i>
Greg Murphy	<i>Vice President/Director of Industrial Properties</i>
Lee Pearson	<i>Vice President/Chief Information Officer</i>
Mitchell Rippe	<i>Vice President/Regional Director of Acquisitions</i>
Miles R. Sanchez	<i>Vice President/Leasing</i>
Joe D. Shafer	<i>Vice President/Controller</i>
Robert Smith	<i>Vice President/Director of New Development</i>
John M. Stacy	<i>Vice President/Director of Human Resources</i>
George A. Weatherall	<i>Vice President/Regional Director of Leasing</i>
Brian Wechsler	<i>Vice President/Leasing</i>

# Shareholder Information & Services

## Stock Listings

New York Stock Exchange

- Common Shares - WRI
- Series C Preferred Shares - WRIPrC
- Series D Preferred Shares (depository shares of) - WRIPrD

## Memberships

National Association of Real Estate Investment Trusts  
 International Council of Shopping Centers  
 National Association of Industrial and Office Properties

## Auditors

Deloitte & Touche LLP, Houston, Texas

## Counsel

Winstead Sechrest & Minick P.C., Houston, Texas  
 Locke Liddell & Sapp LLP, Dallas, Texas

## Transfer Agent & Registrar

Mellon Investor Services LLC  
 85 Challenger Road  
 Ridgefield Park, NJ 07760  
 800-550-4689

TDD for Hearing Impaired: 800-231-5469

Foreign Shareholders: 201-329-8660

TDD Foreign Shareholders: 201-329-8354

[www.melloninvestor.com](http://www.melloninvestor.com)

## Direct Stock Purchase & Dividend Reinvestment

WRI offers a convenient way to purchase WRI common shares of beneficial interest, and to automatically rein-

vest dividends. For a complete information package on the WRI Investor Services Program, please contact:  
 Mellon Investor Services LLC  
 P.O. Box 3338  
 South Hackensack, NJ 07606-1938  
 888-887-2966 or  
[www.melloninvestor.com](http://www.melloninvestor.com)

## Direct Deposit

WRI offers shareholders direct deposit of dividends. Interested shareholders should contact Mellon Investor Services at 800-550-4689 or visit the investor website at [www.melloninvestor.com](http://www.melloninvestor.com)

## Annual Meeting of Shareholders

Shareholders are cordially invited to attend the 2004 Annual Shareholders' Meeting scheduled to be held on Friday, April 23, 2004 at 9:00 a.m. at Weingarten Realty Investors' company headquarters, 2600 Citadel Plaza Drive, Houston, Texas, on the Plaza Level.

## Form 10-K

A copy of the Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to security holders, without charge, via the WRI website. Simply go to [www.weingarten.com](http://www.weingarten.com), then go to the "Investor Relations" link and then the "Request Info" link. You can also contact our Investor Relations department directly using the company contact information provided in the Company Directory on the inside back cover of this report.

## Share Price & Dividend Information

	Closing Share Price		Dividends Paid Per Common Share(1)(2)
	High	Low	
<b>2003:</b>			
Fourth Quarter	\$ 45.87	\$ 42.59	\$ .585
Third Quarter	\$ 46.05	\$ 41.95	\$ .585
Second Quarter	\$ 42.42	\$ 39.50	\$ .585
First Quarter	\$ 40.40	\$ 35.70	\$ .585
2003 Annual Dividend			\$ 2.34
<b>2002:</b>			
Fourth Quarter	\$ 38.25	\$ 34.45	\$ .555
Third Quarter	\$ 38.64	\$ 30.85	\$ .555
Second Quarter	\$ 36.90	\$ 33.55	\$ .555
First Quarter	\$ 34.43	\$ 32.13	\$ .555
2002 Annual Dividend			\$ 2.22

(1) WRI has paid quarterly dividends to its shareholders, and has increased the dividend rate, every year since its initial public offering in 1985.

(2) The Company has determined that the dividends per common share paid during 2003 represented 91.0% ordinary income to its shareholders, .3% capital gains distributions and 8.7% return of capital. The dividends per common share paid during 2002 represented 97.1% ordinary income to its shareholders and 2.9% capital gains distributions. Please visit our website, or contact our Investor Relations department, for the dividend breakdown of Weingarten's preferred shares.

# Company Directory

## Executive Offices

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Suite 300  
Houston, TX 77008  
P 713-866-6000  
F 713-866-6049

### Company Contact:

Tracy Pursell, *Director/Investor Relations*

P 713-866-6050

Toll-free 800-298-9974

Electronic Mail Address: [ir@weingarten.com](mailto:ir@weingarten.com)

Company Website: [www.weingarten.com](http://www.weingarten.com)

## Regional Offices

**Phoenix, AZ**  
P 602-263-1166  
F 602-263-8852

**Las Vegas, NV**  
P 702-642-8645  
F 702-642-5673

**Los Angeles, CA**  
P 714-899-6888  
F 714-899-6898

**Raleigh, NC**  
P 919-841-9250  
F 919-841-9706

**Sacramento, CA**  
P 916-727-1005  
F 916-727-1030

**Austin, TX**  
P 512-912-1577  
F 512-912-1295

**Denver, CO**  
P 303-799-6300  
F 303-996-6361

**Dallas, TX**  
P 972-907-0004  
F 972-907-3703

**Fort Lauderdale, FL**  
P 954-351-7002  
F 954-351-7010

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