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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q/A

(Mark One)

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from _____ to _____

Commission file number 1-9876

WEINGARTEN REALTY INVESTORS

(Exact name of registrant as specified in its charter)

Texas

74-1464203

(State or other jurisdiction of
incorporation or organization)

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

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

77292-4133

(Address of principal executive offices)

(Zip Code)

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

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

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APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 31, 2001, there were 32,405,500 common shares of beneficial interest of Weingarten Realty Investors, \$.03 par value, outstanding.

PART 1
FINANCIAL INFORMATION

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months June 30,
	2001	2000	2001
	(As restated, Note 10)		
Revenues:			
Rentals	\$ 77,032	\$ 59,824	\$143,511
Interest income	915	1,527	1,785
Other	1,616	682	2,485
Total	79,563	62,033	147,781
Expenses:			
Depreciation and amortization	16,715	12,960	32,466
Interest	14,522	10,426	25,395
Operating	10,951	9,499	20,912
Ad valorem taxes	9,682	7,516	18,193
General and administrative	2,729	2,049	5,104
Total	54,599	42,450	102,070
Income Before Equity in Earnings of Joint Ventures, Minority Interest in Income of Partnerships and			
Gain on Sales of Property	24,964	19,583	45,711
Equity in Earnings of Joint Ventures	1,049	1,073	2,054
Minority Interest in Income of Partnerships	(706)	(678)	(1,366)
Gain on Sales of Property	674		4,984
Net Income	25,981	19,978	51,383
Dividends on Preferred Shares	5,010	5,010	10,020
Net Income Available to Common Shareholders	\$ 20,971	\$ 14,968	\$ 41,363

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Net Income Per Common Share - Basic	\$.65	\$.56	\$ 1.33	\$
	=====	=====	=====	=====
Net Income Per Common Share - Diluted	\$.65	\$.56	\$ 1.33	\$
	=====	=====	=====	=====
Net Income.	\$ 25,981	\$ 19,978	\$ 51,383	\$
	-----	-----	-----	-----
Other Comprehensive Income:				
Cumulative effect of change in accounting principle				
(SFAS 133) on other comprehensive loss			(1,877)	
Unrealized derivative gain(loss) on interest rate swaps	282		(987)	
Unrealized derivative gain on forward-starting				
interest rate swaps	3,771		3,771	
	-----	-----	-----	-----
Other Comprehensive Income.	4,053		907	
	-----	-----	-----	-----
Comprehensive Income.	\$ 30,034	\$ 19,978	\$ 52,290	\$
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

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WEINGARTEN REALTY INVESTORS
CONSOLIDATED BALANCE SHEETS (unaudited)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	June 30,	D
	2001	
	-----	-----
ASSETS	(As restated	
Property	\$ 2,166,717	\$
Accumulated Depreciation	(388,117)	
	-----	-----
Property - net	1,778,600	
Investment in Real Estate Joint Ventures	27,458	
	-----	-----
Total	1,806,058	
Notes Receivable from Real Estate Joint Ventures and Partnerships	43,499	
Unamortized Debt and Lease Costs	37,814	
Accrued Rent and Accounts Receivable (net of allowance for doubtful		
accounts of \$2,094 in 2001 and \$1,884 in 2000)	20,998	
Cash and Cash Equivalents	5,356	
Other	26,407	
	-----	-----

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Total	\$ 1,940,132	\$
	=====	==
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt	\$ 1,003,364	\$
Accounts Payable and Accrued Expenses	59,815	
Other	5,961	
	-----	--
Total	1,069,140	--
	-----	--
Minority Interest	31,076	--
	-----	--
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
7.44% Series A cumulative redeemable preferred shares of beneficial interest; 3,000 shares issued and outstanding; liquidation preference \$25 per share	90	
7.125% Series B cumulative redeemable preferred shares of beneficial interest; 3,600 shares issued and 3,536 and 3,552 shares outstanding in 2001 and 2000; liquidation preference \$25 per share	106	
7.0% Series C cumulative redeemable preferred shares of beneficial interest; 2,300 shares issued and 2,258 and 2,266 shares outstanding in 2001 and 2000; liquidation preference \$50 per share	68	
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 150,000; shares issued and outstanding: 32,405 in 2001 and 26,921 in 2000	971	
Capital Surplus	976,534	
Accumulated Dividends in Excess of Net Income	(138,760)	
Accumulated Other Comprehensive Income.	907	
	-----	--
Shareholders' Equity	839,916	--
	-----	--
Total	\$ 1,940,132	\$
	=====	==

See Notes to Consolidated Financial Statements.

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

Six Months Ended
June 30,

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	2001	2000
	(As restated, Note 10)	
Cash Flows from Operating Activities:		
Net income	\$ 51,383	\$ 39,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,466	25,895
Equity in earnings of joint ventures	(2,054)	(2,113)
Minority interest in income of partnerships	1,366	1,233
Gain on sales of property	(4,984)	
Changes in accrued rent and accounts receivable	2,194	6,107
Changes in other assets	(16,274)	(7,706)
Changes in accounts payable and accrued expenses	(3,607)	(7,432)
Other, net	1,014	1,471
Net cash provided by operating activities	61,504	56,884
Cash Flows from Investing Activities:		
Investment in properties	(288,669)	(61,237)
Notes Receivable:		
Advances	(5,855)	(25,438)
Collections	336	288
Proceeds from sales and disposition of property	6,811	
Real estate joint ventures and partnerships:		
Investments	(1,010)	(6,808)
Distributions	2,414	1,535
Net cash used in investing activities	(285,973)	(91,660)
Cash Flows from Financing Activities:		
Proceeds from issuance of:		
Debt	166,590	107,563
Common shares of beneficial interest	218,089	14
Principal payments of debt	(102,155)	(25,891)
Common and preferred dividends paid	(60,574)	(50,097)
Other, net	554	(314)
Net cash provided by financing activities	222,504	31,275
Net decrease in cash and cash equivalents	(1,965)	(3,501)
Cash and cash equivalents at January 1	7,321	4,603
Cash and cash equivalents at June 30	\$ 5,356	\$ 1,102

See Notes to Consolidated Financial Statements.

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

1. INTERIM FINANCIAL STATEMENTS

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

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

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

2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

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

WRI hedges the future cash flows of debt transactions principally through interest rate swaps with major financial institutions. WRI has four interest rate swap contracts with an aggregate notional amount of \$70 million that convert variable interest payments to fixed interest payments at rates from 6.80% to 7.87%. These swaps have been designated and qualify as cash flow hedges. We have determined these swap agreements are highly effective in offsetting future variable interest cash flows of the related debt instruments. As of January 1, 2001, the adoption of the new standard resulted in a cumulative transition adjustment of \$1.9 million to accumulated other comprehensive income, a component of shareholders' equity, and a corresponding liability of the same amount. For the six months ended June 30, 2001, the change in fair market value of our interest rate swaps was \$1.0 million and was recorded in accumulated other comprehensive income.

On June 25, 2001, WRI entered into two forward-starting interest rate swap contracts with a notional amount of \$188.7 million. These contracts have been designated and qualify as cash flow hedges of forecasted interest payments. We have determined these contracts are highly effective in offsetting future variable interest cash flows of fixed-rate debt instruments to be issued in future periods. For the six months ended June 30, 2001, the change in fair market value of our forward-starting interest rate swap contracts was \$3.8 million and was recorded in accumulated other comprehensive income and other assets.

We do not anticipate any material reclassifications to earnings from accumulated other comprehensive income over the next 12 months.

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

3. PER SHARE DATA

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

	Three Months Ended June 30,		Six Mon Jun
	2001	2000	2001
Numerator:			
Net income available to common shareholders - basic . . .	\$ 20,971	\$ 14,968	\$ 41,363
Income attributable to operating partnership units. . . .	29	42	64
Net income available to common shareholders - diluted . .	\$ 21,000	\$ 15,010	\$ 41,427
Denominator:			
Weighted average shares outstanding - basic	32,090	26,754	31,105
Effect of dilutive securities:			
Share options and awards.	113	54	95
Operating partnership units	51	103	51
Weighted average shares outstanding - diluted	32,254	26,911	31,251

4. DEBT

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

	June 30, 2001	December 31, 2000
Fixed-rate debt payable to 2015 at 6.0% to 10.0%.	\$ 616,063	\$ 472,271

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Variable-rate unsecured notes payable to 2003	50,000	50,000
Notes payable under revolving credit agreements	297,780	230,100
Obligations under capital leases.	33,569	33,467
Industrial revenue bonds to 2015 at 2.8% to 5.25%	5,939	6,010
Other	13	505
	-----	-----
Total	\$1,003,364	\$ 792,353
	=====	=====

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At June 30, 2001, the variable interest rate for notes payable under the \$20 and \$350 million revolving credit agreements was 4.4% and 4.5%, respectively.

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

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

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

	June 30, 2001	December 31, 2000
	-----	-----
As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	\$ 707,178	\$ 572,783
Variable-rate debt.	296,186	219,570
	-----	-----
Total	\$1,003,364	\$ 792,353
	=====	=====
As to collateralization:		
Unsecured debt.	\$ 736,265	\$ 669,106
Secured debt.	267,099	123,247
	-----	-----
Total	\$1,003,364	\$ 792,353
	=====	=====

Subsequent to June 30, 2001, the Company completed two additional financing transactions. On July 5, 2001, we entered into a \$50 million unsecured term loan with two banks that also participate in our \$350 million revolving credit facility. The terms of the \$50 million loan are substantially identical to those of our \$350 million revolving credit facility, and it also matures on the same date. On July 12, 2001, we sold \$200 million of unsecured notes with a coupon of 7%. Net proceeds from the offering totaled

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\$198.3 million and were used to pay down amounts outstanding under our \$350 revolving credit facility. Concurrent with the sale of the 7% notes, we settled our \$188.7 million forward-starting interest rate swap contracts, resulting in a gain of \$1.6 million. These swap contracts had been designated as a cash flow hedge of forecasted interest payments for fixed-rate notes to be issued in future periods, and accordingly, the gain will be amortized over the life of the 7% notes.

On July 26, 2001, the Company entered into eleven interest rate swaps with an aggregate notional amount of \$107.5 million that convert fixed interest payments to variable interest payments at rates from 6.35% to 7.35%. These interest rate swaps have been designated as fair value hedges. We have determined that these contracts will be highly effective in limiting our risk of changes in the fair value of the fixed-rate notes attributable to changes in variable interest rates.

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5. PROPERTY

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

	June 30, 2001	December 31, 2000
	-----	-----
Land	\$ 408,792	\$ 328,462
Land held for development.	25,378	24,013
Land under development . .	47,059	42,430
Buildings and improvements	1,629,216	1,302,092
Construction in-progress .	56,272	33,620
	-----	-----
Total	\$2,166,717	\$ 1,730,617
	=====	=====

Interest and ad valorem taxes capitalized to land under development or buildings under construction was \$2.5 million and \$1.1 million, respectively, for the quarters ended June 30, 2001 and 2000 and \$4.5 million and \$1.8 million, respectively, for the six months ended June 30, 2001 and 2000.

6. INVESTMENTS IN REAL ESTATE JOINT VENTURES

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

	June 30, ----- 2001	December 31, ----- 2000
	-----	-----

Combined Balance Sheets

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Property	\$ 177,715	\$ 176,247
Accumulated Depreciation	(23,819)	(21,755)
	-----	-----
Property - net	153,896	154,492
Other Assets	7,873	10,800
	-----	-----
Total.	\$ 161,769	\$ 165,292
	=====	=====
Debt	\$ 76,964	\$ 77,274
Amounts Payable to WRI	16,209	16,622
Other liabilities.	3,667	5,359
Accumulated Equity	64,929	66,037
	-----	-----
Total.	\$ 161,769	\$ 165,292
	=====	=====

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Combined Statements of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues.	\$ 6,442	\$ 4,471	\$ 12,763	\$ 8,820
Expenses:				
Depreciation and amortization	1,143	760	2,246	1,480
Operating	899	718	1,793	1,357
Interest	1,828	1,447	3,679	2,690
Ad valorem taxes.	783	538	1,592	1,077
General and administrative.	28	5	44	9
	-----	-----	-----	-----
Total	4,681	3,468	9,354	6,613
	-----	-----	-----	-----
Net Income.	\$ 1,761	\$ 1,003	\$ 3,409	\$ 2,207
	=====	=====	=====	=====

Our investment in real estate joint ventures, as reported on the balance sheets, differs from our proportionate share of the joint ventures' underlying net assets due to basis differentials which arose upon the transfer of assets from WRI to the joint ventures. This basis differential which totaled \$2.0 million at June 30, 2001 and December 31, 2000, respectively, is depreciated over the useful lives of the related assets.

Fees earned by WRI for the management of these joint ventures totaled, in millions, \$.1 and \$.07 for the quarters ended June 30, 2001 and 2000 and \$.2 and \$.1 for the six months ended June 30, 2001 and 2000.

In 1999, we entered into a limited partnership, Weingarten-Murphy, LTD.,

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which was formed to develop a shopping center in a suburb of Dallas. WRI is the general partner and owns a 50% interest in the partnership.

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

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

7. SEGMENT INFORMATION

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

The shopping center segment is engaged in the acquisition, development and 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, Mississippi, North Carolina and Maine. The customer base includes supermarkets, drugstores and other retailers who generally sell basic necessity-type commodities. The industrial segment is engaged in the acquisition, development and management of bulk warehouses and office/service centers. Its properties are located in Texas, Nevada and Tennessee, and the customer base is diverse. Included in "Other" are corporate-related items, insignificant operations and costs that are not allocated to the reportable segments.

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

SHOPPING CENTER	INDUSTRIAL	OTHER	TOTAL
-----	-----	-----	-----

Three Months Ended

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June 30, 2001:

Revenues	\$ 69,713	\$ 7,981	\$ 1,869	\$ 79,563
Net operating income	51,416	5,628	1,886	58,930
Equity in earnings of joint ventures . .	933	135	(19)	1,049
Investment in real estate joint ventures	24,850	1,421	1,187	27,458
Total assets	1,639,062	184,560	116,510	1,940,132

Three Months Ended

June 30, 2000:

Revenues	\$ 52,985	\$ 6,728	\$ 2,320	\$ 62,033
Net operating income	37,919	4,816	2,283	45,018
Equity in earnings of joint ventures . .	837	262	(26)	1,073
Investment in real estate joint ventures	22,484	1,399	892	24,775
Total assets	1,083,167	162,196	144,574	1,389,937

Six Months Ended

June 30, 2001:

Revenues	\$ 128,375	\$ 15,643	\$ 3,763	\$ 147,781
Net operating income	94,114	11,071	3,491	108,676
Equity in earnings of joint ventures . .	1,846	260	(52)	2,054

Six Months Ended

June 30, 2000:

Revenues	\$ 104,053	\$ 13,177	\$ 4,502	\$ 121,732
Net operating income	74,863	9,401	4,575	88,839
Equity in earnings of joint ventures . .	1,657	553	(97)	2,113

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Total segment net operating income.	\$ 58,930	\$ 45,018	\$ 108,676	\$ 88,839
Less:				
Depreciation and amortization	16,715	12,960	32,466	25,395
Interest	14,522	10,426	25,395	19,839
General and administrative	2,729	2,049	5,104	4,104
Minority interest in income of partnerships	706	678	1,366	1,366
Equity in earnings of joint ventures	(1,049)	(1,073)	(2,054)	(2,054)
Gain on sales of property	(674)		(4,984)	
Net Income	\$ 25,981	\$ 19,978	\$ 51,383	\$ 45,018

8. COMMON SHARES OF BENEFICIAL INTEREST

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

On May 7, 2001, we issued an additional 690,000 common shares of beneficial interest in a secondary public offering. Net proceeds of \$27.9 million based on a price of \$42.85 per share were used to pay down amounts outstanding under our \$350 million revolving line of credit. Had this transaction occurred on January 1, 2001, earnings per common share - basic and earnings per common share - diluted would have both decreased by \$.02 per share.

9. BANKRUPTCY REMOTE PROPERTIES

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

These 19 properties having a net book value of approximately \$276.8 million at June 30, 2001 (collectively the "Bankruptcy Remote Properties", and each a "Bankruptcy Remote Property"), are wholly-owned by various "Bankruptcy Remote Entities". Each Bankruptcy Remote Entity is an indirect subsidiary of the Company. The assets of each Bankruptcy Remote Entity, including the respective Bankruptcy Remote Property or Properties owned by each, are owned by that Bankruptcy Remote Entity alone and are not available to satisfy claims that any creditor may have against the Company, its affiliates, or any other person or entity. No Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of the Company, any of its affiliates, or any other person or entity. Neither the Company nor any of its affiliates has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity (other than any agreement by a Bankruptcy Remote Entity to pay its own creditors). No affiliate of any Bankruptcy Remote Entity has agreed to pay or make its assets available to pay creditors of any Bankruptcy Remote Entity.

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

10. RESTATEMENT

Subsequent to the issuance of its financial statements for the six and three months ended June 30, 2001 and 2000, WRI determined that 17 joint

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ventures or partnerships which had previously been consolidated should have been accounted for under the equity method. The accompanying financial statements have been restated to present these joint ventures and partnerships on the equity method. The restatement did not change net income or shareholders' equity. The effect of the restatement on specific line items on the statements of consolidated income and consolidated balance sheets is as follows (in thousands):

	Three Months Ended June 30,			
	2001		2000	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Operating results:				
Rental revenues.	\$ 83,392	\$ 77,032	\$ 64,218	\$ 59,824
Interest Income.	945	915	1,556	1,527
Other.	1,659	1,616	708	682
Expenses:				
Depreciation and amortization. . .	17,858	16,715	13,720	12,960
Interest	16,072	14,522	10,601	10,426
Operating.	11,676	10,591	10,093	9,499
Ad valorem taxes	10,464	9,682	8,054	7,516
General and administrative	2,740	2,729	2,053	2,049
Minority interest in income of partnerships.	1,879	706	1,983	678
Equity in earnings of joint ventures		1,049		1,073

	Six Months Ended June 30,			
	2001		2000	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Operating results:				
Rental revenues.	\$ 156,088	\$ 143,511	\$ 126,372	\$ 117,712
Interest Income.	1,868	1,785	2,959	2,905
Other.	2,539	2,485	1,123	1,115
Expenses:				
Depreciation and amortization. . .	34,713	32,466	27,375	25,895
Interest	28,493	25,395	20,744	20,472
Operating.	22,339	20,912	19,100	17,990
Ad valorem taxes	19,783	18,193	15,980	14,903
General and administrative	5,117	5,104	3,927	3,923

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Minority interest in income of partnerships.	3,651	1,366	3,899	1,233
Equity in earnings of joint ventures		2,054		2,113

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	June 30, 2001		December 31, 2000	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Property	\$ 2,343,989	\$2,166,717	\$ 1,906,431	\$1,730,617
Accumulated Depreciation	(411,955)	(388,117)	(387,118)	(365,344)
Investment in real estate joint ventures		27,458		27,871
Notes receivable from real estate joint ventures and partnerships. . . .	35,092	43,499	31,002	38,636
Unamortized Debt and Lease Costs	39,327	37,814	38,453	36,970
Accrued Rent and Accounts Receivable . .	19,433	20,998	22,273	24,485
Cash and Cash Equivalents.	10,107	5,356	14,825	7,321
Other Assets	29,997	26,407	20,145	17,025
Debt	1,080,328	1,003,364	869,627	792,353
Accounts Payable and Accrued Expenses	63,508	59,815	69,561	63,884
Other Liabilities.	6,808	5,961	4,263	3,891
Minority Interest.	75,430	31,076	72,693	27,586

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PART I

FINANCIAL INFORMATION

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

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WRI's financial statements for the three and six months ended June 30, 2001 and 2000 have been restated as discussed in Note 10 to the accompanying consolidated financial statements. The information included in the following discussion gives effect to that restatement.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations.

Weingarten Realty Investors owned and operated 224 anchored shopping centers, 55 industrial properties, one multi-family residential property and one office building at June 30, 2001. Of WRI's 281 developed properties, 185 are located in Texas (including 98 in Houston and Harris County). Our remaining properties are located in California (19), Louisiana (13), Arizona (12), Nevada (9), Tennessee (7), Arkansas (6), New Mexico (6), Kansas (5), Colorado (5), Oklahoma (4), Florida (4), Missouri (2), Illinois (1), North Carolina (1), Mississippi (1) and Maine (1). WRI has 5,200 leases and 4,000 different tenants. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants; leases generally include minimum lease payments and contingent rentals for payment of taxes, insurance and maintenance and for an amount based on a percentage of the tenants' sales. The majority of our anchor tenants are supermarkets, value-oriented apparel and discount stores and other retailers, which generally sell basic necessity-type items.

CAPITAL RESOURCES AND LIQUIDITY

WRI anticipates that cash flows from operating activities will continue to provide adequate capital for all dividend payments in accordance with REIT requirements. Cash on hand, borrowings under our existing credit facilities, issuance of unsecured debt and the use of project financing, as well as other debt and equity alternatives, will provide the necessary capital to achieve growth. Cash flow from operating activities as reported in the Statements of Consolidated Cash Flows was \$61.5 million for the first six months of 2001 as compared to \$56.9 million for the same period of 2000. The increase was due primarily to WRI's acquisition and new development programs and improvements in the performance of its existing portfolio of properties.

Our Board of Trust Managers approved a quarterly dividend per common share of \$.79 for the second quarter of 2001. Our dividend payout ratio on common equity for the second quarter of 2001 and 2000 was 69% and 71%, respectively, based on funds from operations for the applicable period.

WRI invested \$343.8 million for the acquisition of 25 shopping centers during the second quarter. On April 2, 2001, we completed the acquisition of 19 supermarket-anchored shopping centers in California. These properties are located in the Sacramento/San Francisco Bay area (13 properties) and in the Los Angeles area (six properties). Anchor merchants include the market's major supermarket companies such as Ralph's (Kroger), Albertson's, Safeway, Raley's and Food 4 Less (Fleming Company). Additionally, the properties include other well-known anchor retailers including Target, K-Mart, Home Depot and Walgreens. These properties added nearly 2.5 million square feet to the portfolio.

On May 15, 2001, we acquired four supermarket-anchored shopping centers in the Memphis, Tennessee market area. Three of the centers are anchored by Kroger and the fourth is anchored by Seessel's (owned by Albertson's). Other anchor retailers include Walgreen Drugs and Stein Mart. These properties total nearly 617,000 square feet and were over 92% leased in the aggregate. With this acquisition, WRI now owns eight properties totaling over 1.3 million square feet in the Memphis area.

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On June 6, 2001, we purchased the Venice Pines Shopping Center in Venice, Florida, our fourth property in the state of Florida. This 97,000 square foot center is anchored by Kash N Karry Supermarket and is 91% leased.

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On June 29, 2001, we purchased Parkway Pointe Shopping Center in Cary, North Carolina, a suburb of Raleigh. Anchored by Food Lion, Eckerd Drugs and Ace Hardware, the center was 95% leased upon acquisition.

With respect to new development, we have 15 retail developments underway including three joint ventures with our development partner in Denver. These projects, upon completion, will represent an investment of approximately \$160 million and will add 1.3 million square feet to the portfolio. We expect to invest approximately \$84.0 million in these properties during 2001. These projects will continue to come on-line during the second half of this year and through mid 2002. Additionally, we commenced an \$11 million redevelopment of a shopping center in Las Vegas which will include a new 220,000 square foot Super Wal-Mart.

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

On May 7, 2001, we issued an additional 690,000 common shares of beneficial interest in a secondary public offering. Net proceeds of \$27.9 million based on a price of \$42.85 per share were used to pay down amounts outstanding under our \$350 million revolving line of credit.

Total debt outstanding increased to \$1.0 billion at quarter-end from \$792.4 million at December 31, 2000. This increase was primarily due to the funding of the Company's acquisitions and ongoing development and redevelopment efforts, offset by the use of proceeds from the common equity offerings. Included in total debt outstanding of \$1.0 billion at June 30, 2001 is variable-rate debt of \$268.2 million, after recognizing the effect of \$70.0 million of interest rate swaps and \$28.0 million of variable-rate notes receivables from joint venture partners.

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

Subsequent to June 30, 2001, the Company completed two additional financing transactions. On July 5, 2001, we entered into a \$50 million unsecured term loan with two banks that also participate in our \$350 million revolving credit facility. The terms of the \$50 million loan are substantially identical to those of our \$350 million revolving credit facility, and it also matures on the same date. On July 12, 2001, we sold \$200 million of unsecured notes with a coupon of 7%. Net proceeds from the offering totaled \$198.3 million and were used to pay down amounts outstanding under our \$350 million revolving credit facility. Concurrent with the sale of the 7% notes, we settled our \$188.7 million forward-starting interest rate swap contracts, resulting in a gain of \$1.6 million. These swap contracts had been designated as a cash flow hedge of forecasted interest payments for fixed-rate notes to be issued in future periods, and accordingly, the gain will be amortized over the life of the 7% notes.

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On July 26, 2001, the Company entered into eleven interest rate swaps with an aggregate notional amount of \$107.5 million that convert fixed interest payments to variable interest payments at rates from 6.35% to 7.35%. These interest rate swaps have been designated as fair value hedges. We have determined that these contracts will be highly effective in limiting our risk of changes in the fair value of the fixed-rate notes attributable to changes in variable interest rates.

FUNDS FROM OPERATIONS

The Board of Governors of the National Association of Real Estate Investment Trusts defines funds from operations (FFO) as net income (loss) computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of property, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, NAREIT recommends that extraordinary items not be considered in arriving at FFO. We calculate FFO in a manner consistent with the NAREIT definition. Most industry analysts and equity REITS, including

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Weingarten, believe FFO is an appropriate measure of performance relative to other REITs. FFO provides investors with an understanding of our ability to incur and service debt, make capital expenditures and pay common share dividends. There can be no assurance that FFO presented by Weingarten is comparable to similarly titled measures of other REITs. FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing, or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements, or principal payments on indebtedness.

Funds from operations - diluted for the three and six months ended June 30, 2001 and 2000 is calculated as follows:

	Three Months Ended June 30,		Six Mon Jun
	2001	2000	2001
Net income available to common shareholders	\$ 20,971	\$ 14,968	\$ 41,363
Depreciation and amortization	16,235	12,792	31,446
Depreciation and amortization of unconsolidated joint ventures.	479	330	941
Gain on sales of property	(674)		(4,984)
Funds from operations	37,011	28,090	68,766
Funds from operations attributable to operating partnership units	53	87	113
Funds from operations assuming conversion of OP units	\$ 37,064	\$ 28,177	\$ 68,879

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Weighted average shares outstanding - basic	32,090	26,754	31,105
Effect of dilutive securities:			
Share options and awards	113	54	95
Operating partnership units	51	103	51
	-----	-----	-----
Weighted average shares outstanding - diluted	32,254	26,911	31,251
	=====	=====	=====

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001

Net income available to common shareholders increased to \$21.0 million, or \$.65 per diluted share, from \$15.0 million, or \$.56 per diluted share for the second quarter of 2001 as compared with the same quarter of 2000. The increase in net income available to common shareholders is due primarily from the growth in the portfolio from acquisitions and new development. Also, the increase is attributable to a large lease cancellation, offset by a one-time adjustment to administrative expenses in 2001 that is not present in 2000.

Rental revenues were \$77.0 million in 2001, as compared to \$59.8 million in 2000, representing an increase of approximately \$17.2 million or 28.8%. Of these increases, property acquisitions and new development contributed \$16.2 million in 2001, as compared to \$5.9 million for the same period of 2000. The remaining portion of these increases is due to activity at our existing properties. Occupancy of the total portfolio was unchanged from the prior year at 92.7%. The occupancy of the retail portfolio stood at 92.8% as compared to 92.7% at June 30, 2000, while the occupancy of the industrial portfolio decreased to 92.1% from 92.7% in the prior year. During the first six months of 2001, WRI completed 422 renewals or new leases comprising 1.7 million square feet at an average rental rate increase of 10.2%. Net of the amortized portion of capital costs for tenant improvements, the increased averaged 6.9%.

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Gross interest costs, before capitalization of interest, increased by \$5.5 million from \$11.4 million in the second quarter of 2000 to \$16.9 million in the second quarter of 2001. The increase is due primarily to an increase in the average debt outstanding between periods of \$636.6 in 2000 to \$962.6 million in 2001. The average interest rate decreased from 7.2% in 2000 to 7.0% in 2001. The amount of interest capitalized during the period was \$2.4 million and \$1.0 million in 2001 and 2000, respectively.

General and administrative expenses increased by \$.7 million to \$2.7 million in the second quarter of 2001 from \$2.0 million in the same quarter of 2000. The increase is due primarily to an increase in staffing necessitated by the growth in the portfolio from acquisitions and new development, as well as an increase in professional fees from a non-recurring adjustment of \$.2 million in June 2001.

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

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2001

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Net income available to common shareholders increased to \$41.4 million, or \$1.33 per diluted share, from \$29.4 million, or \$1.10 per diluted share for the six months of 2001 as compared with the same period of 2000. The increase in net income available to common shareholders is due primarily from the growth in the portfolio from acquisitions and new development, as well as a gain on the sales of property of \$5.0 million in 2001 that is absent from 2000.

Rental revenues were \$143.5 million in 2001, as compared to \$117.7 million in 2000, representing an increase of approximately \$25.8 million or 21.9%. Of these increases, property acquisitions and new development contributed \$22.3 million in 2001, as compared to \$11.7 million for the same period of 2000. The remaining portion of these increases is due to activity at our existing properties.

Gross interest costs, before capitalization of interest, increased by \$7.6 million from \$22.1 million for the six months of 2000 to \$29.7 million for the six months of 2001. The increase is due primarily to an increase in the average debt outstanding between periods of \$614.1 million in 2000 to \$829.1 million in 2001. The average interest rate remained unchanged at 7.2% in 2001 and 2000. The amount of interest capitalized during the period was \$4.3 million and \$1.6 million in 2001 and 2000, respectively.

General and administrative expenses increased by \$1.2 million to \$5.1 million for the six months of 2001 from \$3.9 million for the same period of 2000. The increase is due primarily to an increase in staffing necessitated by the growth in the portfolio from acquisitions and new development, as well as an increase in professional fees from a non-recurring adjustment of \$.2 million in June 2001.

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

NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

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

WRI hedges the future cash flows of debt transactions principally through interest rate swaps with major financial institutions. WRI has four interest rate swap contracts with an aggregate notional amount of \$70 million that convert variable interest payments to fixed interest payments at rates from

6.80% to 7.87%. These swaps have been designated and qualify as cash flow hedges. We have determined these swap agreements are highly effective in offsetting future variable interest cash flows of the related debt instruments. As of January 1, 2001, the adoption of the new standard resulted in a cumulative transition adjustment of \$1.9 million to accumulated other comprehensive income, a component of shareholders' equity, and a corresponding liability of the same

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amount. For the six months ended June 30, 2001, the change in fair market value of our interest rate swaps was \$1.0 million and was recorded in accumulated other comprehensive income.

On June 25, 2001, WRI entered into two forward-starting interest rate swap contracts with a notional amount of \$188.7 million. These contracts have been designated and qualify as cash flow hedges of forecasted interest payments. We have determined these contracts are highly effective in offsetting future variable interest cash flows of fixed-rate debt instruments to be issued in future periods. For the six months ended June 30, 2001, the change in fair market value of our forward-starting interest rate swap contracts was \$3.8 million and was recorded in accumulated other comprehensive income and other assets.

We do not anticipate any material reclassifications to earnings from accumulated other comprehensive income over the next 12 months.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

WRI uses fixed and floating-rate debt to finance its capital requirements. These transactions expose WRI to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate swap agreements with major financial institutions. These swap agreements expose WRI to credit risk in the event of non-performance by the counter-parties to the swaps. We do not engage in the trading of derivative financial instruments in the normal course of business. At June 30, 2001, WRI had fixed-rate debt of \$707.2 million and variable-rate debt of \$268.2 million, after adjusting for the effect of \$70 million of interest rate swaps and \$28.0 million of variable-rate notes receivables from joint venture partners.

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits (numbered in accordance with Item 601 of Regulation S-K)
 - (12) A statement of computation of ratios of earnings and funds from operations to combined fixed charges and preferred dividends.
- (b) Reports on Form 8-K

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A Form 8-K, dated April 16, 2001, was filed to report a significant acquisition in response to Item 2., Acquisition or Disposition of Assets.

A Form 8-K, dated April 26, 2001, was filed to report significant acquisitions in response to Item 5., Other Events and Item 7., Financial Statements, Pro Forma Financial Information and Exhibits.

A Form 8-K/A, dated April 30, 2001, was filed to supplement information previously filed on April 26, 2001 in response to Item 5., Other Events.

A Form 8-K, dated May 4, 2001, was filed to report an event in response to Item 5., Other Events and Item 7., Financial Statements, Pro Forma Financial Information and Exhibits.

A Form 8-K/A, dated June 18, 2001, was filed to supplement information previously filed on April 26, 2001 in response to Item 2., Acquisition or Disposition of Assets and Item 7., Financial Statements, Pro Forma Financial Information and Exhibits.

A Form 8-K/A, dated June 21, 2001, was filed to supplement information previously filed on April 30, 2001 in response to Item 5., Other Events.

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SIGNATURES

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

WEINGARTEN REALTY INVESTORS

(Registrant)

BY: /s/ Andrew M. Alexander

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

BY: /s/ Joe D. Shafer

Joe D. Shafer

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Vice President/Controller
(Principal Accounting Officer)

DATE: October 25, 2001

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