SECURITIES AND EXCHANGE COMMISSION

# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
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## FILER

**WEINGARTEN REALTY INVESTORS /TX/**

CIK:**828916**| IRS No.: **741464203** | State of Incorp.:**TX** | Fiscal Year End: **1231**
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SIC: **6798** Real estate investment trusts

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

(Mark One)

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

For the quarterly period ended June 30, 1999

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.

APPLICABLE ONLY TO CORPORATE ISSUERS:

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 23, 1999, there were 26,692,018 common shares of beneficial interest of Weingarten Realty Investors, $.03 par value, outstanding.

PART 1
FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| <S> | <C> | <C> | <C> | <C> |
| Revenues: | | | | |
| Rentals. . . . . . . . . . . . . . . . . . . . . . . . | $ 54,989 | $ 47,787 | $ 108,422 | $ 94,021 |
| Interest: | | | | |
| Securities and Other . . . . . . . . . . . . . . | 1 | 63 | 524 | 106 |
| Affiliates . . . . . . . . . . . . . . . . . . . . | 623 | 292 | 1,098 | 656 |
| Equity in earnings of real estate joint ventures and partnerships . . . . . . . . . . . . . . . . . | 83 | 91 | 168 | 186 |
| Other. . . . . . . . . . . . . . . . . . . . . . . . . | 616 | 575 | 864 | 801 |
| Total . . . . . . . . . . . . . . . . . . . . . . | 56,312 | 48,808 | 111,076 | 95,770 |
| Expenses: | | | | |
| Depreciation and amortization. . . . . . . . . . | 11,527 | 10,219 | 23,164 | 20,306 |
| Operating. . . . . . . . . . . . . . . . . . . . . . | 9,182 | 7,475 | 17,360 | 14,288 |
| Interest . . . . . . . . . . . . . . . . . . . . . . | 7,491 | 8,086 | 15,524 | 16,419 |
| Ad valorem taxes . . . . . . . . . . . . . . . . . | 6,951 | 6,075 | 13,763 | 12,058 |
| General and administrative . . . . . . . . . . . | 1,922 | 1,863 | 3,790 | 3,397 |
| Total . . . . . . . . . . . . . . . . . . . . . . | 37,073 | 33,718 | 73,601 | 66,468 |
| Income from Operations . . . . . . . . . . . . . . . | 19,239 | 15,090 | 37,475 | 29,302 |
| Gain (Loss) on Sales of Property and Securities. . | (55) | (13) | (55) | 70 |
| Income Before Extraordinary Charge . . . . . . . . | 19,184 | 15,077 | 37,420 | 29,372 |
| Extraordinary Charge (early retirement of debt). . | | | (149) | (1,392) |
| Net Income . . . . . . . . . . . . . . . . . . . . . | 19,184 | 15,077 | 37,271 | 27,980 |
| Dividends on Preferred Shares. . . . . . . . . . . | 5,010 | 1,395 | 9,573 | 1,969 |
| Net Income Available to Common Shareholders. . . . | $ 14,174 | $ 13,682 | $ 27,698 | $ 26,011 |
| Net Income Per Common Share - Basic: | | | | |
| Income Before Extraordinary Charge. . . . . | $ .53 | $ .51 | $ 1.05 | $ 1.03 |
| Extraordinary Charge. . . . . . . . . . . . . | | | (.01) | (.05) |

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| | | | | |
|---|---|---|---|---|
| Net Income | $ .53 | $ .51 | $ 1.04 | $ .98 |
| Net Income Per Common Share - Diluted: | | | | |
| Income Before Extraordinary Charge | $ .53 | $ .51 | $ 1.04 | $ 1.02 |
| Extraordinary Charge | | | (.01) | (.05) |
| Net Income | $ .53 | $ .51 | $ 1.03 | $ .97 |

</TABLE>

See Notes to Consolidated Financial Statements.

<TABLE>
<CAPTION>

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

| <S> | June 30, 1999 (unaudited) <C> | December 31, 1998 <C> |
|---|---|---|
| ASSETS | | |
| Property | $ 1,404,132 | $ 1,294,632 |
| Accumulated Depreciation | (316,620) | (296,989) |
| Property - net | 1,087,512 | 997,643 |
| Investment in Real Estate Joint Ventures and Partnerships | 2,881 | 2,741 |
| Total | 1,090,393 | 1,000,384 |
| Mortgage Bonds and Notes Receivable from: | | |
| Affiliate (net of deferred gain of $4,487 in 1999 and 1998) | 11,925 | 13,444 |
| Real Estate Joint Ventures and Partnerships | 21,852 | 23,388 |
| Marketable Debt Securities | | 14,951 |
| Unamortized Debt and Lease Costs | 26,888 | 25,612 |
| Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $1,059 in 1999 and $888 in 1998) | 10,696 | 15,197 |
| Cash and Cash Equivalents | 3,892 | 1,672 |
| Other | 11,428 | 12,395 |
| Total | $ 1,177,074 | $ 1,107,043 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Debt | $ 489,328 | $ 516,366 |
| Accounts Payable and Accrued Expenses | 41,293 | 49,269 |
| Other | 11,645 | 8,229 |
| Total | 542,266 | 573,864 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000 | | |

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| | | |
|---|---|---|
| 7.44% Series A cumulative redeemable preferred shares of beneficial interest; 3,000 shares issued and outstanding; liquidation preference $25 per share . . . . . . . . . . . . . | 90 | 90 |
| 7.125% Series B cumulative redeemable preferred shares of beneficial interest; 3,600 shares issued and outstanding; liquidation preference $25 per share . . . . . . . . . . . . . | 108 | 108 |
| 7.0% Series C cumulative redeemable preferred shares of beneficial interest; 2,300 shares issued and outstanding; liquidation preference $50 per share . . . . . . . . . . . . . | 69 | |
| Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 150,000; shares issued and outstanding: 26,693 in 1999 and 26,673 in 1998 . . . . . . . . . . . . . . . . | 801 | 800 |
| Capital Surplus . . . . . . . . . . . . . . . . . . . . . . . . | 633,813 | 532,254 |
| Deferred Compensation Obligation. . . . . . . . . . . . . . . . . . | (73) | (73) |
| Shareholders' Equity. . . . . . . . . . . . . . . . . . . . . . | 634,808 | 533,179 |
| Total . . . . . . . . . . . . . . . . . . . . | $ 1,177,074 | $ 1,107,043 |

</TABLE>

See Notes to Consolidated Financial Statements.

<TABLE>
<CAPTION>

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 1999 | 1998 |
| <S> | <C> | <C> |
| Cash Flows from Operating Activities: | | |
| Net income . . . . . . . . . . . . . . . . . . . . . . . . | $ 37,271 | $ 27,980 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization. . . . . . . . . . . . . | 23,164 | 20,306 |
| Equity in earnings of real estate joint ventures and partnerships . . . . . . . . . . . . . . . . . . . . | (168) | (138) |
| (Gain) loss on sales of property and securities. . . . | 55 | (70) |
| Extraordinary charge (early retirement of debt). . . . | 149 | 1,392 |
| Changes in accrued rents and accounts receivable . . . | 4,370 | 4,644 |
| Changes in other assets. . . . . . . . . . . . . . . . | (5,116) | (5,285) |
| Changes in accounts payable and accrued expenses . . . | (8,077) | (6,271) |
| Other, net . . . . . . . . . . . . . . . . . . . . . . | 260 | 366 |
| Net cash provided by operating activities. . . . . . | 51,908 | 42,924 |
| Cash Flows from Investing Activities: | | |
| Investment in properties . . . . . . . . . . . . . . . . . . | (94,866) | (77,792) |
| Mortgage bonds and notes receivable: | | |
| Advances . . . . . . . . . . . . . . . . . . . . . . . | (4,820) | (514) |
| Collections. . . . . . . . . . . . . . . . . . . . . . . | 1,122 | 353 |
| Proceeds from sales and disposition of property. . . . . . | 3 | 221 |
| Proceeds from marketable debt securities . . . . . . . . . | 15,000 | 12,269 |
| Real estate joint ventures and partnerships: | | |
| Investments. . . . . . . . . . . . . . . . . . . . . . . | (454) | |

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| | | |
|---|---|---|
| Distributions | 216 | 250 |
| Other, net | (7) | 281 |
| Net cash used in investing activities | (83,806) | (64,932) |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of: | | |
| Debt | 53,417 | 66,095 |
| Common shares of beneficial interest | 475 | 124 |
| Preferred shares of beneficial interest | 111,263 | 72,512 |
| Principal payments of debt | (83,487) | (79,789) |
| Common and preferred dividends paid | (47,474) | (37,701) |
| Other, net | (76) | (189) |
| Net cash provided by financing activities | 34,118 | 21,052 |
| Net (decrease)/increase in cash and cash equivalents | 2,220 | (956) |
| Cash and cash equivalents at January 1 | 1,672 | 2,754 |
| Cash and cash equivalents at June 30 | $ 3,892 | $ 1,798 |

</TABLE>

See Notes to Consolidated Financial Statements.

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, 1998. In the opinion of the Company, 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 the Company's annual financial statements and notes.

## 2. 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):

<TABLE>
<CAPTION>

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| <S> | <C> | <C> | <C> | <C> |
| Numerator: | | | | |

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| | | | | |
|---|---|---|---|---|
| Net income available to common shareholders - basic | $ 14,174 | $ 13,682 | $ 27,698 | $ 26,011 |
| Income attributable to operating partnership units | 35 | | 76 | |
| Net income available to common shareholders - diluted | $ 14,209 | $ 13,682 | $ 27,774 | $ 26,011 |
| Denominator: | | | | |
| Weighted average shares outstanding - basic | 26,692 | 26,667 | 26,687 | 26,666 |
| Effect of dilutive securities: | | | | |
| Share options and awards | 90 | 128 | 88 | 153 |
| Operating partnership units | 148 | 39 | 148 | 39 |
| Weighted average shares outstanding - diluted | 26,930 | 26,834 | 26,923 | 26,858 |

</TABLE>

3. DEBT

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

<TABLE>
<CAPTION>

| <S> | June 30, 1999 <C> | December 31, 1998 <C> |
|---|---|---|
| Fixed-rate debt payable to 2015 at 6.0% to 10.5% | $ 405,722 | $ 404,061 |
| Variable-rate unsecured notes payable to 2000 | | 82,000 |
| Notes payable under revolving credit agreements | 63,450 | 10,250 |
| Obligations under capital leases | 12,467 | 12,467 |
| Industrial revenue bonds to 2015 at 3.6% to 5.8% at June 30, 1999 | 6,202 | 6,262 |
| Other | 1,487 | 1,326 |
| Total | $ 489,328 | $ 516,366 |

</TABLE>

At June 30, 1999, the variable interest rate for notes payable under the $200 million revolving credit agreement was 5.8%, and the variable interest rate under the $20 million revolving credit agreement was 5.3%.

In February 1999, the Company retired $82 million of variable-rate unsecured Medium Term Notes resulting in an extraordinary charge to earnings of $.1 million.

The Company has three interest rate swap contracts with an aggregate notional amount of $40 million. Such contracts, which expire through 2004, have been outstanding since their purchase in 1992. The interest rate swaps have an effective interest rate of 8.1%.

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

<TABLE>
<CAPTION>

| <S> | June 30, 1999 <C> | December 31, 1998 <C> |
|---|---|---|
| As to interest rate: | | |
| Fixed-rate debt (including amounts fixed through interest rate swaps) | $ 445,735 | $ 444,060 |

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| | | |
|---|---|---|
| Variable-rate debt | 43,593 | 72,306 |
| Total | $ 489,328 | $ 516,366 |
| As to collateralization: | | |
| Unsecured debt | $ 411,718 | $ 440,433 |
| Secured debt | 77,610 | 75,933 |
| Total | $ 489,328 | $ 516,366 |

</TABLE>

4. PROPERTY

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

<TABLE>
<CAPTION>

| <S> | June 30, 1999 <C> | December 31, 1998 <C> |
|---|---|---|
| Land | $ 252,330 | $ 236,221 |
| Land held for development | 30,212 | 30,156 |
| Land under development | 16,586 | 13,024 |
| Buildings and improvements | 1,073,146 | 1,009,166 |
| Construction in-progress | 31,858 | 6,065 |
| Total | $ 1,404,132 | $ 1,294,632 |

</TABLE>

Interest and ad valorem taxes capitalized to land under development or buildings under construction was $.8 million and $.4 million for the quarter ending June 30, 1999 and 1998 and $1.3 and $.7 million for the six months ended June 30, 1999 and 1998.

5. SEGMENT INFORMATION

The operating segments presented are the segments of the Company 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. The Company 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, Louisiana, Arizona, Nevada, New Mexico, Oklahoma, Arkansas, Kansas, Colorado, Missouri, Illinois, Maine and Tennessee. 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 the Company's reportable segments is as follows (in thousands):

| | SHOPPING CENTER | INDUSTRIAL | OTHER | TOTAL |
|---|---|---|---|---|
| Three Months Ended June 30, 1999: | | | | |
| Revenues . . . . . . . . . | $ 48,707 | $ 6,559 | $ 1,046 | $ 56,312 |
| Net operating income . . | 34,429 | 4,717 | 1,033 | 40,179 |
| Total assets . . . . . . . | 949,049 | 153,340 | 74,685 | 1,177,074 |
| Three Months Ended June 30, 1998: | | | | |
| Revenues . . . . . . . . . | $ 43,733 | $ 4,302 | $ 773 | $ 48,808 |
| Net operating income . . | 31,384 | 3,115 | 759 | 35,258 |
| Total assets . . . . . . . | 854,000 | 101,086 | 40,323 | 995,409 |
| Six Months Ended June 30, 1999: | | | | |
| Revenues . . . . . . . . . | $ 96,074 | $ 12,645 | $ 2,357 | $ 111,076 |
| Net operating income . . | 68,305 | 9,141 | 2,507 | 79,953 |
| Six Months Ended June 30, 1998: | | | | |
| Revenues . . . . . . . . . | $ 85,909 | $ 8,266 | $ 1,595 | $ 95,770 |
| Net operating income . . | 61,741 | 6,003 | 1,680 | 69,424 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Total segment net operating income . . | $ 40,179 | $ 35,258 | $ 79,953 | $ 69,424 |
| Less: | | | | |
| Depreciation and amortization. . . | 11,527 | 10,219 | 23,164 | 20,306 |
| Interest . . . . . . . . . . . . . | 7,491 | 8,086 | 15,524 | 16,419 |
| General and administrative . . . . | 1,922 | 1,863 | 3,790 | 3,397 |
| Income from operations | $ 19,239 | $ 15,090 | $ 37,475 | $ 29,302 |

Equity in earnings of real estate joint ventures and partnerships as shown on the Statements of Consolidated Income and the corresponding investment balances relate exclusively to the shopping center segment.

6. SUBSEQUENT EVENT

On July 19, 1999, the Company issued $20 million of ten year 7.35% fixed-rate, unsecured Medium Term Notes. Including the effect of a loss of $1.2 million on the sale of Treasury locks which were designated as a hedge against the future

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issuance of fixed-rate notes, the effective interest rate is 8.2%.

PART I

FINANCIAL INFORMATION

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

Weingarten Realty Investors owned and operated 184 anchored shopping centers, 43 industrial properties, one office building and one apartment complex at June 30, 1999. Of the Company's 229 developed properties, 172 are located in Texas (including 100 in Houston and Harris County). The Company's remaining properties are located in Louisiana (11), Arizona (11), Nevada (8), Arkansas (6), New Mexico (5), Oklahoma (4), Tennessee (4), Kansas (3), Colorado (2), Missouri (1), Illinois (1), and Maine (1). The Company has nearly 4,000 leases and 3,000 different tenants. Leases for the Company's 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 the Company's anchor tenants are supermarkets, drugstores and other retailers which generally sell basic necessity-type items.

CAPITAL RESOURCES AND LIQUIDITY

The Company anticipates that cash flows from operating activities will continue to provide adequate capital for all dividend payments in accordance with REIT requirements, and that cash on hand, borrowings under its 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 $51.9 million for the first six months of 1999 as compared to $42.9 million for the same period of 1998. The increase was due primarily to the Company's acquisition and new development programs.

The Company's Board of Trust Managers approved a quarterly dividend per common share of $.71 for the second quarter. The Company's dividend payout ratio on common equity was 74% and 75% for the second quarters of 1999 and 1998 based on funds from operations for the applicable period.

The Company invested an additional $36.2 million in the portfolio through acquisitions and new development. Acquisitions during the quarter added .7 million square feet to the portfolio, representing an investment of $21.9 million. The Company purchased a shopping center and five industrial projects. Bell Plaza, a 144,000 square foot shopping center in Amarillo, Texas, is our sixth property in Amarillo and is anchored by a 63,500 square foot United Supermarket. This center was 87% occupied when purchased. Sherman Plaza Business Park is a 100,000 square foot office/service center in Richardson, Texas, a suburb of Dallas. The Company also acquired three office/service facilities in Austin, Texas that totaled 148,000 square feet. With the addition of these facilities, we now own two retail and four industrial properties totaling nearly 700,000 square feet in Austin. Lastly, the Company purchased a 40.4 acre tract in the Claywood Industrial Park in Houston. Included with this acquisition is a 330,000 square foot warehouse that was 100% leased when purchased. Additionally, the surplus land at this site allows for development of an additional 400,000 square feet of warehouse space.

With respect to new development, construction continues at the eight retail

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locations and one industrial facility. The projects will total about 575,000 square feet upon completion and will represent an investment of approximately $47.5 million. Additionally, we are finishing construction of a 260-unit luxury apartment complex on previously undeveloped land of the Company, which will represent an investment of about $14 million. With the exception of the newly acquired site in Denver, the balance of the projects will be substantially completed prior to year-end.

Total debt outstanding decreased to $489.3 million at quarter-end from $516.4 at December 31, 1998. This decrease was primarily due to the retirement of debt with the $111.3 million of net proceeds from the Company's first quarter preferred share offering, offset by acquisitions in the first six months of this year and the Company's ongoing development and redevelopment efforts. The Company's debt to total capitalization is a conservative 26.0% and its cash flow covers its interest costs a strong 4.2 times for the four quarters ended June 30, 1999.

During the quarter, the Company announced that it was negotiating the sale of 130 acres of unimproved land at Railwood, the Company's master-planned industrial park, and an 80% interest in nearly two million square feet of bulk warehouse facilities. The Company will continue to provide leasing and property management services for the improved properties and also retain the right to develop the unimproved land in joint ventures with the purchaser. Assuming the transaction is finalized, it is expected to close in the fourth quarter and the total cash proceeds to the Company are projected to be approximately $59 million. The effect of this transaction on funds from operations will be neutral in 1999 but will be accretive over the long-term as the proceeds are reinvested.

Subsequent to quarter-end, the Company issued $20 million of ten-year 7.35% fixed-rate, unsecured Medium Term Notes. Including the effect of a loss of $1.2 million on the sale of Treasury locks which were designated as a hedge against the future issuance of fixed-rate notes, the effective interest rate is 8.2%.

FUNDS FROM OPERATIONS

The Company considers funds from operations to be an alternate measure of the performance of an equity REIT since such measure does not recognize depreciation and amortization of real estate assets as operating expenses. Management believes that reductions for these charges are not meaningful in evaluating income-producing real estate, which historically has not depreciated. The National Association of Real Estate Investment Trusts defines funds from operations as net income plus depreciation and amortization of real estate assets, less gains and losses on sales of properties and securities. Funds from operations does not represent cash flows from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of the Company's operating performance or to cash flows from operations as a measure of liquidity.

Funds from operations increased to $25.7 million for the second quarter of 1999, as compared to $23.8 million for the same period of 1998. For the six months ended June 30, 1999, funds from operations increased to $50.9 million from $47.4 million. These increases primarily relate to the impact of the Company's acquisitions and, to a lesser degree, new development and activity at its existing properties.

RESULTS OF OPERATIONS

Net income available to common shareholders increased to $14.2 million from $13.7 million for the second quarter of 1999 as compared with the same quarter of 1998. Net income per common share-basic increased to $.53 in 1999 from $.51 in 1998, while net income per share-diluted also increased to $.53 in 1999 from $.51 in 1998.

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Rental revenues were $55.0 million in 1999, as compared to $47.8 million in 1998, representing an increase of approximately $7.2 million or 15.1%. This increase relates primarily to acquisitions and, to a lesser degree, new development and activity at the Company's existing properties. Occupancy of the Company's retail properties was 92.4% at the end of the second quarter of 1999 as compared to 93.1% at June 30, 1998. Occupancy of the Company's total portfolio was 92.7% at June 30, 1999 as compared to 93.4% at the end of the second quarter of the prior year. During the first six months of 1999, the Company completed 390 renewals or leases comprising 1.8 million square feet of space. Rental rates increased an average of 9.3% over the rates charged to the prior tenants. Net of capital costs for tenant improvements, the increase averaged 6.5%. Retail sales on a same-store basis increased by 1.6% based on sales reported during the last twelve months.

Gross interest costs, before capitalization of interest, decreased by $.2 million from $8.5 million in the second quarter of 1998 to $8.3 million in the second quarter of 1999. The decrease was due primarily to a decrease in the average debt outstanding between periods from $476.1 million in 1998 to $461.8 million in 1999. The amount of interest capitalized during the period increased from $.4 million in 1998 to $.8 million in 1999 due to an increase in new development activity.

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

SIX MONTHS ENDED JUNE 30, 1999

Net income available to common shareholders increased by $1.7 million to $27.7 million for the first six months of 1999 from $26.0 million for the comparable period in 1998. Net income per common share-basic increased to $1.04 in 1999 from $.98 in 1998, while net income per share-diluted increased to $1.03 in 1999 from $.97 in 1998. Included in net income for 1998 is an extraordinary loss of $1.4 million, or $.05 per share, on the early retirement of debt.

Rental revenues increased 15.3% to $108.4 million, compared with $94.0 million for the same period of the prior year. This increase relates primarily to acquisitions and, to a lesser degree, new development and activity at the Company's existing properties.

Gross interest costs, before capitalization of interest, decreased by $.1 million to $17.0 million in the first six months of 1999 from $17.1 million in the same period of 1998. The decrease was due primarily to a decrease in the average debt outstanding between periods, from $475.0 million in 1998 to $469.1 million in 1999. The average interest rate remained unchanged at 7.2%. The amount of interest capitalized during the period increased from $.6 million in 1998 to $1.3 million in 1999 due to an increase in new development activity.

General and administrative expenses increased by $.4 million to $3.8 million for the first six months of 1999 from $3.4 million for the comparable period of 1998. The increase is due to the Company's adoption of the new Emerging Issues Task Force Consensus decision which provides that internal costs of identifying and acquiring operating property incurred subsequent to March 19, 1998 should be expensed. Also, contributing to the increase is an increase in staffing necessitated by the growth in the portfolio.

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

YEAR 2000 COMPLIANCE

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Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field. These date code fields will need to be amended to allow the system to distinguish 21st century dates from the 20th century dates. The use of software and computer systems that are not Year 2000 compliant could result in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or engage in normal business activities. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with Year 2000 requirements.

The Company has completed a review of its software and hardware and determined that all mission-critical systems are Year 2000 compliant. Non-mission critical software and hardware have also been reviewed, and the Company has identified certain personal computers, local area networks and file servers which are scheduled for upgrades or replacement as part of the Company's ongoing maintenance of its information system technology. The Company has also completed a review of Year 2000 issues not related to information technology including, but not limited to, the use of imbedded chips or internal clocks in machinery or equipment. As the Company owns primarily single-story industrial buildings and neighborhood retail centers without enclosed common areas, the use of this technology is very limited and, accordingly, the Company believes that it is Year 2000 compliant. The Company has no incremental costs in addressing these Year 2000 issues.

The Company has communicated with its major tenants, financial institutions and utility companies to determine the extent to which the Company is vulnerable to third parties' failures to resolve their Year 2000 issues. Based on the representations received from these third parties, the Company does not believe this represents a material risk to the Company. Nevertheless, the Company has no guarantee that such third party systems will operate as represented. In the event significant systems of one of these third parties fails, the operating results and financial condition of the Company could be adversely effected.

Based on the Company's assessment of the readiness of its own systems and those of significant third parties, it has not deemed it necessary to develop a formal contingency plan. In the event additional information comes to the Company's attention which would change its current assessment, it will consider the need for a contingency plan at that time.

## 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.

(27) Article 5 Financial Data Schedule (EDGAR filing only).

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEINGARTEN REALTY INVESTORS
(Registrant)

BY: /s/ Stanford Alexander
Stanford Alexander
Chairman/Chief Executive Officer
(Principal Executive Officer)

BY: /s/ Stephen C. Richter
Stephen C. Richter
Senior Vice President/Financial
Administration and Treasurer
(Principal Accounting Officer)

DATE: July 27, 1999

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EXHIBIT 12

<TABLE>
<CAPTION>

WEINGARTEN REALTY INVESTORS
COMPUTATION OF RATIOS OF EARNINGS AND FUNDS FROM OPERATIONS
TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS
(AMOUNTS IN THOUSANDS)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| <S> | <C> | <C> | <C> | <C> |
| Net income available to common shareholders . . . . . . . . | $ 14,174 | $ 13,682 | $ 27,698 | $ 26,011 |
| Add: | | | | |
| Portion of rents representative of the interest factor. . . | 363 | 199 | 692 | 402 |
| Interest on indebtedness. . . . . . . . . . . . . . . . . . . | 7,491 | 8,086 | 15,524 | 16,419 |
| Preferred dividends . . . . . . . . . . . . . . . . . . . . | 5,010 | 1,395 | 9,573 | 1,969 |
| Amortization of debt cost . . . . . . . . . . . . . . . . . | 80 | 92 | 174 | 192 |
| Net income as adjusted. . . . . . . . . . . . . . . . . . | $ 27,118 | $ 23,454 | $ 53,661 | $ 44,993 |
| Fixed charges: | | | | |
| Interest on indebtedness. . . . . . . . . . . . . . . . . . . | $ 7,491 | $ 8,086 | $ 15,524 | $ 16,419 |
| Capitalized interest. . . . . . . . . . . . . . . . . . . . . | 808 | 377 | 1,255 | 649 |
| Preferred dividends . . . . . . . . . . . . . . . . . . . . | 5,010 | 1,395 | 9,573 | 1,969 |
| Amortization of debt cost . . . . . . . . . . . . . . . . . | 80 | 92 | 174 | 192 |
| Portion of rents representative of the interest factor. . . | 363 | 199 | 692 | 402 |
| Fixed charges . . . . . . . . . . . . . . . . . . . . . . | $ 13,752 | $ 10,149 | $ 27,218 | $ 19,631 |
| RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS . . . . . . . . . . . . . . | 1.97 | 2.31 | 1.97 | 2.29 |
| Net income available to common shareholders . . . . . . . . | $ 14,174 | $ 13,682 | $ 27,698 | $ 26,011 |
| Depreciation and amortization . . . . . . . . . . . . . . . | 11,447 | 10,127 | 22,990 | 20,114 |
| (Gain) loss on sales of property and securities . . . . . . | 55 | 13 | 55 | (70) |
| Extraordinary charge (early retirement of debt) . . . . . . | | | 149 | 1,392 |
| Funds from operations . . . . . . . . . . . . . . . . . . | 25,676 | 23,822 | 50,892 | 47,447 |
| Add: | | | | |
| Portion of rents representative of the interest factor. . . | 363 | 199 | 692 | 402 |
| Preferred dividends . . . . . . . . . . . . . . . . . . . . | 5,010 | 1,395 | 9,573 | 1,969 |
| Interest on indebtedness. . . . . . . . . . . . . . . . . . . | 7,491 | 8,086 | 15,524 | 16,419 |
| Amortization of debt cost . . . . . . . . . . . . . . . . . | 80 | 92 | 174 | 192 |
| Funds from operations as adjusted . . . . . . . . . . . | $ 38,620 | $ 33,594 | $ 76,855 | $ 66,429 |
| RATIO OF FUNDS FROM OPERATIONS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS . . . . . . . . . . . | 2.81 | 3.31 | 2.82 | 3.38 |

</TABLE>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM WEINGARTEN REALTY INVESTORS' QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 1999.
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