SECURITIES AND EXCHANGE COMMISSION
UNITED STATES
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 28, 1999

REGENCY REALTY CORPORATION
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Florida | 1-12298 | 59-3191743 |
| (State or other jurisdiction of incorporation) | Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|---|
| 121 West Forsyth Street, Suite 200 Jacksonville, Florida | 32202 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number including area code: (904)-356-7000

Not Applicable
(Former name or former address, if changed since last report)



ITEM 2. ACQUISITION OF ASSETS

This Form 8-K is being amended to file the audited financial statements of Pacific Retail Trust ("Pacific Retail") for December 31, 1998 and to update the pro forma financial information previously filed as of that date.

Regency Realty Corporation ("Regency") completed its merger with Pacific Retail, a Dallas-based private real estate company that is a leading neighborhood shopping center company in the western United States. The merger was approved Friday, February 26, 1999 by shareholders of both companies at special shareholder meetings and was effective February 28, 1999.

Of the 25.5 million Regency shares authorized to vote, 84.1% was represented at the special shareholder meeting either in person or by proxy. Of the shares represented, 98.6% voted in favor of the merger. Of the 67.2 million Pacific Retail shares authorized to vote, 97.0% was represented at the special shareholder meeting either in person or by proxy. Of the shares represented, 97.3% voted in favor of the merger.

The merged company will operate under the Regency name and will continue to trade on the New York Stock Exchange under the ticker symbol "REG". With the completion of the merger, the company owns 200 retail properties totaling more than 23 million square feet located in high-growth markets throughout the United States.

Regency Centers, L.P. (the "Regency Centers") is the primary entity through which Regency owns its properties and through which Regency intends to expand its ownership and operation of retail shopping centers. At December 31, 1998, Regency owned approximately 96% of the outstanding common units of Regency Centers.

Following the merger, Regency contributed to Regency Centers substantially all of the assets it acquired from Pacific Retail in the merger, including (1) title to all of the properties acquired, and (2) all of the outstanding non-voting common stock of PRT Development Corporation, Pacific Retail's non-qualified REIT subsidiary, in exchange for Class B Partnership units.

In the merger, Regency became the general partner of Retail Properties Partners Limited Partnership, which continues to own 8 properties that it owned prior to the merger. Regency expects to merge these 8 properties into Regency Centers during the second quarter of 1999 subject to the approval of the limited partners of Retail Property Partners Limited Partnership. While Regency believes that the merger is probable, there is no assurance that the required consents will be obtained.

Regency and Regency Centers intend to continue to use the assets acquired in the merger in the same manner and to conduct the same type of business as Pacific Retail conducted prior to the merger.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

REGENCY REALTY CORPORATION:
UNAUDITED PRO FORMA FINANCIAL INFORMATION



PACIFIC RETAIL TRUST:
UNAUDITED PRO FORMA FINANCIAL INFORMATION



REGENCY REALTY CORPORATION AND PACIFIC RETAIL TRUST MERGER:
UNAUDITED PRO FORMA FINANCIAL INFORMATION

PACIFIC RETAIL TRUST:
CONSOLIDATED FINANCIAL STATEMENTS



C. Exhibits:

2. Agreement and Plan of Merger between Regency Realty Corporation and Pacific Retail Trust dated as of September 23, 1998 (incorporated by reference from Annex A to Regency Realty Corporation's definitive Proxy Statement and Prospectus dated January 28, 1999).

   Exhibits to the Agreement and Plan of Merger are incorporated by reference to Annexes D, E and F to the above-referenced Proxy Statement and Prospectus. The following schedules have been omitted (the Registrant agrees to furnish copies supplementally to the Securities and Exchange Commission upon request):

   Regency Realty Corporation ("East") Disclosure Schedules:

   3.2(a) and (b)

   - (i) Commitments to Issue Securities of East or East Operating Partnership
   - (ii) East Voting Agreement
   - (iii) East Redemption Obligations
   - (iv) East Registration Rights Agreements

   3.2(c) Stock Ownership of East Subsidiaries
   3.2(d) Commitments to Issue Securities of East Subsidiaries
   3.3(b) East Required Consents
   3.5 East Material Adverse Changes
   3.7 East Tax Matters
   3.9 East Litigation

3.11 East Properties
3.26 Knowledge
5.1(d) East Acquisitions, Dispositions, or Financings
7.1(i) Mandatory Required Consents

Pacific Retail Trust ("West") Disclosure Schedule

23. Consent of PricewaterhouseCoopers LLP

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

REGENCY REALTY CORPORATION
(registrant)

February 28, 1999

By: /s/ J. Christian Leavitt
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J. Christian Leavitt
Senior Vice President

# Regency Realty Corporation
## Pro Forma Consolidated Financial Statements

The following unaudited pro forma consolidated financial statements are based upon the audited historical consolidated financial statements of Regency Realty Corporation (Regency) as of December 31, 1998, which have been included in Regency's filing on Form 10-K as of and for the three years ended December 31, 1998. This accompanying pro forma balance sheet has no adjustments since Regency has not had any significant acquisitions of real estate or other transactions subsequent to December 31, 1998 which would require pro forma adjustment, with the exception of the merger with Pacific Retail Trust, for which separate pro forma financial statements are presented within this filing.

The pro forma consolidated statement of operations has been adjusted to present Regency's operations as if it had 1) completed the acquisition of all properties, 2) sold all its office buildings, and 3) completed its offerings of debt and preferred units, as of January 1, 1998.

These unaudited pro forma consolidated financial statements should be read in conjunction with Regency's Form 10-K as of and for the three years ended December 31, 1998. The unaudited pro forma consolidated financial statements are not necessarily indicative of what the actual financial position or results of operations of Regency would have been at December 31, 1998 assuming the transactions had been completed as set forth above, nor does it purport to represent the financial position or results of operations of Regency in future periods.

Regency Realty Corporation
Pro Forma Consolidated Balance Sheet
December 31, 1998
(Unaudited)
(In thousands)

| | Historical | Adjustments | Pro Forma |
|---|---|---|---|
| **Assets** | | | |
| Real estate investments, at cost | $ 1,183,184 | | 1,183,184 |
| Construction in progress | 36,518 | - | 36,518 |
| Less: accumulated depreciation | 58,984 | - | 58,984 |
| Real estate rental property, net | 1,160,718 | - | 1,160,718 |
| Investments in real estate partnerships | 30,630 | - | 30,630 |
| Net real estate investments | 1,191,348 | - | 1,191,348 |
| Cash and cash equivalents | 19,920 | - | 19,920 |
| Tenant receivables, net of allowance for uncollectible accounts | 16,759 | - | 16,759 |
| Deferred costs, less accumulated amortization | 6,872 | - | 6,872 |
| Other assets | 5,208 | | 5,208 |
| Total Assets | $ 1,240,107 | - | 1,240,107 |
| **Liabilities and Stockholders' Equity** | | | |
| Notes payable | $ 430,495 | - | 430,495 |
| Acquisition and development line of credit | 117,631 | | 117,631 |
| Total debt | 548,126 | - | 548,126 |
| Accounts payable and other liabilities | 19,936 | - | 19,936 |
| Tenant's security and escrow deposits | 3,110 | - | 3,110 |
| Total liabilities | 571,172 | - | 571,172 |
| Series A preferred units | 78,800 | - | 78,800 |
| Exchangeable operating partnership units | 27,834 | - | 27,834 |
| Limited partners' interest in consolidated partnerships | 11,559 | - | 11,559 |
| | 118,193 | - | 118,193 |
| Stockholders' Equity: | | | |
| Common stock and additional paid in capital | 570,138 | - | 570,138 |
| Distributions in excess of net income | (19,396) | - | (19,396) |
| Total stockholders' equity | 550,742 | - | 550,742 |
| Total liabilities and stockholders' equity | $ 1,240,107 | - | 1,240,107 |

See accompanying notes to pro forma consolidated balance sheet.

Regency Realty Corporation
Pro Forma Consolidated Statement of Operations
(Unaudited)
(In thousands, except share and per share data)

| | For the Year Ended December 31, 1998 | | | | | |
|---|---|---|---|---|---|---|
| | Historical | Acquisition Properties | | Other Adjustments | | Pro Forma |
| Revenues: | | | | | | |
| Minimum rent | $ 103,365 | 11,435 | (a) | (697) | (d) | 114,103 |
| Percentage rent | 3,012 | 183 | (a) | (8) | (d) | 3,187 |
| Recoveries from tenants | 24,110 | 2,265 | (a) | (67) | (d) | 26,308 |
| Management, leasing and brokerage fees | 11,863 | - | | - | | 11,863 |
| Equity in income of investments in real estate partnerships | 946 | - | | - | | 946 |
| | 143,296 | 13,883 | | (772) | | 156,407 |
| Operating expenses: | | | | | | |
| Depreciation and amortization | 25,046 | 2,885 | (b) | (453) | (d) | 27,478 |
| Operating and maintenance | 18,456 | 1,337 | (a) | (122) | (d) | 19,671 |
| General and administrative | 15,064 | 678 | (a) | (25) | (d) | 15,717 |
| Real estate taxes | 12,389 | 1,473 | (a) | (81) | (d) | 13,781 |
| | 70,955 | 6,373 | | (681) | | 76,647 |
| Interest expense (income): | | | | | | |
| Interest expense | 28,786 | 7,709 | (c) | (2,426) | (e) | 34,069 |
| Interest income | (1,957) | - | | - | | (1,957) |
| | 26,829 | 7,709 | | (2,426) | | 32,112 |
| Income before minority interest and gain on sale of real estate investments | 45,512 | (199) | | 2,335 | | 47,648 |
| Gain on sale of real estate investments | 10,726 | - | | (9,336) | (d) | 1,390 |
| Minority interest preferred unit distributions | (3,358) | - | | (3,142) | (f) | (6,500) |
| Minority interest | (2,290) | 8 | | 280 | | (2,002) |
| Net income for common stockholders | $ 50,590 | (191) | | (9,863) | | 40,536 |
| Net income per share (note (g)): | | | | | | |
| Basic | $ 1.80 | | | | | $ 1.40 |
| Diluted | $ 1.75 | | | | | $ 1.36 |

See accompanying notes to pro forma consolidated statement of operations.

Regency Realty Corporation
Notes to Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 1998
(Unaudited)
(In thousands, except unit and per unit data)

(a) In January 1998, the Company entered into an agreement to acquire 32 shopping centers from various entities comprising the Midland Group. The Company has acquired 20 Midland shopping centers fee simple and 12 through joint ventures during 1998 containing 2.2 million square feet for approximately $220.4 million. In addition to the Midland Group, the Company has acquired eleven other shopping centers during 1998.

The following reflects revenues and certain expenses for all acquired properties for the period from January 1, 1998 to the respective acquisition date of the property.

| Property Name | Acquisition Date | Minimum Rent | Percentage Rent | Recoveries from Tenants | Operating and Maintenance | Real Estate Taxes | General and Administrative |
|---|---|---|---|---|---|---|---|
| Garner Festival (1) | 9/30/98 | $ - | - | $ - | $ - | $ - | $ - |
| Windmiller Farms | 7/15/98 | 621 | - | 97 | 37 | 77 | 34 |
| Franklin Square | 4/29/98 | 414 | - | 56 | 52 | 31 | 32 |
| St. Ann Square | 4/17/98 | 217 | - | 44 | 18 | 35 | 12 |
| East Point Crossing | 4/29/98 | 268 | - | 52 | 16 | 35 | 17 |
| North Gate Plaza | 4/29/98 | 234 | - | 33 | 18 | 27 | 10 |
| Worthington Park | 4/29/98 | 281 | - | 68 | 22 | 40 | 19 |
| Beckett Commons | 3/1/98 | 113 | - | 7 | 6 | 14 | 4 |
| Cherry Grove Plaza | 3/1/98 | 239 | - | 11 | 13 | 22 | 21 |
| Bent Tree Plaza | 3/1/98 | 137 | - | 11 | 7 | 59 | 8 |
| West Chester Plaza | 3/1/98 | 130 | - | 12 | 13 | 42 | 7 |
| Brookville Plaza | 3/1/98 | 95 | - | 5 | 5 | 8 | 4 |
| Lake Shores Plaza | 3/1/98 | 123 | - | 10 | 5 | 16 | 6 |
| Evans Crossing | 3/1/98 | 116 | - | 4 | 5 | 8 | 6 |
| Statler Square | 3/1/98 | 164 | - | 15 | 13 | 1 | 8 |
| Kernersville Plaza | 3/1/98 | 120 | - | 4 | 8 | 8 | 8 |
| Maynard Crossing | 3/1/98 | 272 | - | 38 | 13 | 15 | 15 |
| Shoppes at Mason | 3/1/98 | 116 | - | 27 | 15 | 33 | 6 |
| Lake Pine Plaza | 3/1/98 | 152 | - | 13 | 10 | 8 | 9 |
| Hamilton Meadows | 3/1/98 | 148 | - | 42 | 10 | 15 | 7 |
| Total Midland Group | | 3,960 | - | 549 | 286 | 494 | 233 |
| Delk Spectrum | 1/14/98 | 48 | - | 5 | 2 | 3 | 2 |
| Bloomingdale Square | 2/11/98 | 214 | 6 | 53 | 25 | 24 | 21 |
| Silverlake | 6/3/98 | 346 | - | 60 | 36 | 36 | 18 |
| Highland Square | 6/17/98 | 516 | 51 | 86 | 46 | 79 | 60 |
| Shoppes @104 | 6/19/98 | 620 | - | 133 | 72 | 79 | 28 |
| Fleming Island | 6/30/98 | 348 | - | 289 | 39 | 194 | 36 |
| Pike Creek | 8/4/98 | 1,172 | 116 | 108 | 135 | 83 | 47 |
| Hinsdale Lake Common | 10/21/98 | 1,289 | 7 | 379 | 216 | 148 | 67 |
| Park Place | 11/20/98 | 952 | 3 | 229 | 171 | 120 | 20 |
| Queensboro | 12/11/98 | 756 | - | 135 | 143 | 57 | 44 |
| Beneva Village | 12/22/98 | 1,214 | - | 239 | 166 | 156 | 102 |
| Total for all acquisitions | | $11,435 | $ 183 | $ 2,265 | $ 1,337 | $ 1,473 | $ 678 |

(1) The property was under development until the date of acquisition, thus there are no revenues and expenses to be recorded in the statement of operations.

Regency Realty Corporation
Notes to Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 1998
(Unaudited)
(In thousands, except unit and per unit data)

(b) Depreciation expense is based on the estimated useful life of the properties acquired. For properties under construction, depreciation expense is calculated from the date the property is placed in service through the end of the period. In addition, the calculations reflect depreciation expense on the properties from January 1, 1998 to the respective acquisition date of the property.

| Property Name | Building and Improvements | Year Building Built/Renovated | Useful Life | Depreciation Adjustment |
|---|---|---|---|---|
| Delk Spectrum | $ 10,417 | 1991 | 34 | $ 11 |
| Bloomingdale Square | 13,189 | 1987 | 30 | 51 |
| Silverlake Shopping Center | 7,584 | 1988 | 31 | 103 |
| Highland Square | 9,049 | 1960 | 20 | 208 |
| Shoppes @104 | 6,439 | 1990 | 33 | 91 |
| Fleming Island | 4,773 | 1994 | 37 | 64 |
| Pike Creek | 18,082 | 1981 | 24 | 446 |
| Hinsdale Lake Commons | 14,976 | 1986 | 29 | 382 |
| Park Place | 7,974 | 1988 | 31 | 236 |
| Queensboro | 6,501 | 1993 | 36 | 181 |
| Beneva Village | 8,851 | 1987 | 30 | 295 |
| | | | | $ 2,068 |
| Midland Group | $ 151,636 | Ranging from 1986 to 1996 | Ranging from 29 to 40 | $ 817 |
| Total depreciation adjustment | | | | $ 2,885 |

(c) To reflect interest expense on the Line required to complete the acquisition of all properties at the interest rate afforded the Company at December 31, 1998 (6.562%), and the assumption of $97.0 million of debt in conjunction with the Midland Group. For properties under construction, interest expense is calculated from the date the property was placed in service through the acquisition date.

(d) During 1998, the Company sold three office buildings and a parcel of land for $26.7 million, and recognized a gain on the sale of $9.3 million. The adjustments to the pro forma statements of operations reflect the reversal of the revenues and expenses from the office buildings generated during 1998, including the gains on the sale of the office buildings as if the sales had been completed on January 1, 1998. The Company believes that excluding the results of operations and gains related to the office buildings sold is necessary for an understanding of the continuing operations of the Company.

(e) To reflect (i) interest expense and loan cost amortization on the $100 million debt offering on July 15, 1998 offset by (ii) the reduction of interest expense on the Line and mortgage loans from the proceeds of the debt offering, the issuance of $80 million of preferred units on July 15, 1998 and the proceeds from the sale of the office buildings referred to in note (d).

(f) To adjust the preferred unit distribution to an assumed annual rate of 8.125%.

Regency Realty Corporation
Notes to Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 1998
(Unaudited)
(In thousands, except unit and per unit data)

(g) The following summarizes the calculation of basic and diluted earnings per unit for the year ended December 31, 1998.

| | |
|---|---|
| Basic Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding | 25,150 |
| Net income for common stockholders | $ 40,536 |
| Less: dividends paid on Class B common stock | 5,378 |
| Net income for Basic EPS | $ 35,158 |
| Basic EPS | $ 1.40 |
| Net income for Basic EPS | $ 35,158 |
| Add: minority interest of exchangeable partnership units | 1,538 |
| Net income for Diluted EPS | $ 36,696 |
| Diluted Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding for Basic EPS | 25,150 |
| Exchangeable operating partnership units | 1,223 |
| Incremental units to be issued under common stock options using the Treasury method | 14 |
| Contingent units or shares for the acquisition of real estate | 511 |
| Total Diluted Shares | 26,898 |
| Diluted EPS | $ 1.36 |

# Pacific Retail Trust
## Pro Forma Consolidated Financial Statements

The following unaudited pro forma consolidated financial statements are based upon the historical consolidated balance sheet of Pacific Retail Trust (Pacific Retail) as of December 31, 1998. The following unaudited pro forma consolidated statement of operations of Pacific Retail are based upon the historical consolidated statement of operations for the year ended December 31, 1998. These statements are presented as if Pacific Retail had acquired all of its properties as of January 1, 1998.

The unaudited pro forma consolidated financial statements are not necessarily indicative of what the actual financial position or results of operations of Pacific Retail would have been at December 31, 1998 assuming the transactions had been completed as set forth above, nor does it purport to represent the financial position or results of operations of Pacific Retail in future periods.

Pacific Retail Trust
Pro Forma Consolidated Balance Sheet
December 31, 1998
(Unaudited)
(In thousands)

| Assets | Historical | Adjustments | | Pro Forma |
|---|---|---|---|---|
| Real estate investments, at cost | $ 1,081,107 | 33,000 | (a) | 1,114,107 |
| Construction in progress | 24,975 | - | | 24,975 |
| Less: accumulated depreciation | 41,916 | - | | 41,916 |
| Real estate rental property, net | 1,064,166 | 33,000 | | 1,097,166 |
| Cash and cash equivalents | 529 | - | | 529 |
| Tenant receivables, net of allowance for uncollectible accounts | 12,878 | - | | 12,878 |
| Deferred costs, less accumulated amortization | 6,876 | - | | 6,876 |
| Other assets | 11,025 | - | | 11,025 |
| Total Assets | $ 1,095,474 | 33,000 | | $ 1,128,474 |
| **Liabilities and Stockholders' Equity** | | | | |
| Mortgage loans payable | $ 101,747 | - | | 101,747 |
| Acquisition and development line of credit | 233,600 | 33,000 | (a) | 266,600 |
| Total debt | 335,347 | 33,000 | | 368,347 |
| Accounts payable and other liabilities | 12,570 | - | | 12,570 |
| Tenant's security and escrow deposits | 3,536 | - | | 3,536 |
| Total liabilities | 351,453 | 33,000 | | 384,453 |
| Minority interest | 19,377 | - | | 19,377 |
| Preferred stock | 31,303 | - | | 31,303 |
| Common stock and additional paid in capital | 706,089 | - | | 706,089 |
| Distributions in excess of net income | (12,748) | - | | (12,748) |
| Total stockholders' equity | 724,644 | - | | 724,644 |
| Total liabilities and stockholders' equity | $ 1,095,474 | 33,000 | | 1,128,474 |

Pacific Retail Trust
Pro Forma Consolidated Statement of Operations
(Unaudited)
(In thousands, except share and per share data)

| | For the Year Ended December 31, 1998 | | |
|---|---|---|---|
| | Historical | Acquisition Properties | Pro Forma |
| Revenues: | | | |
| Minimum rent | $ 97,058 | 7,359 (b) | 104,417 |
| Percentage rent | 1,540 | - | 1,540 |
| Recoveries from tenants | 25,901 | 1,574 (b) | 27,475 |
| Management, leasing and brokerage fees | 53 | - | 53 |
| | 124,552 | 8,933 | 133,485 |
| Operating expenses: | | | |
| Depreciation and amortization | 23,397 | 1,896 (c) | 25,293 |
| Operating and maintenance | 16,208 | 1,502 (b) | 17,710 |
| General and administrative | 9,967 | 283 (b) | 10,250 |
| Real estate taxes | 13,997 | 687 (b) | 14,684 |
| | 63,569 | 4,368 | 67,937 |
| Interest expense (income): | | | |
| Interest expense | 16,751 | 5,906 (d) | 22,657 |
| Interest income | (852) | - | (852) |
| | 15,899 | 5,906 | 21,805 |
| Income before minority interest and gain on sale of real estate investments | 45,084 | (1,341) | 43,743 |
| Gain on sale of real estate investments | 837 | | 837 |
| Minority interest | (925) | 153 | (772) |
| Net income | 44,996 | (1,188) | 43,808 |
| Preferred distributions | (2,352) | - | (2,352) |
| Net income for common shareholders | $ 42,644 | (1,188) | 41,456 |
| Net income per share (note (e)): | | | |
| Basic | $ 0.67 | | $ 0.65 |
| Diluted | $ 0.66 | | $ 0.64 |

See accompanying notes to pro forma consolidated statements of operations.

Pacific Retail Trust
Notes to Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 1998
(Unaudited)
(In thousands, except share and per share data)

(a) Pacific Retail acquired one shopping center, subsequent to December 31, 1998, for an aggregate purchase price of approximately $33 million which is reflected in the pro forma balance sheet. The shopping center, Westlake Village and Center, was acquired on February 3, 1999 using funds drawn on the Acquisition and development line of credit.

(b) Reflects revenues and certain expenses for the Acquisition Properties for the period from January 1, 1998 to the earlier of the respective acquisition date of the property or December 31, 1998.

| Property Name | Acquisition Date | Minimum Rent | Recoveries from Tenants | Operating and Maintenance | Real Estate Taxes |
|---|---|---|---|---|---|
| Twin Peaks | 1/15/98 | $ 231 | $ 32 | $ 25 | $ 8 |
| Woodman - Van Nuys | 1/30/98 | 78 | 10 | 22 | 12 |
| Pine Lake Village | 3/6/98 | 327 | 62 | 47 | 24 |
| Sammamish Highlands | 3/6/98 | 348 | 100 | 71 | 31 |
| Inglewood Plaza | 3/6/98 | 71 | 19 | 15 | 6 |
| Oakbrook Plaza | 3/30/98 | 180 | 44 | 10 | 14 |
| Diablo Plaza | 5/14/98 | 434 | 191 | 69 | 76 |
| Thomas Lake | 5/21/98 | 400 | 65 | 26 | 37 |
| Sherwood Market Center | 7/15/98 | 700 | 157 | 97 | 83 |
| Murrayhill Marketplace | 7/15/98 | 878 | 93 | 280 | 51 |
| Cherry Park Market | 7/15/98 | 518 | 77 | 97 | 30 |
| Sunnside 205 | 7/15/98 | 493 | 91 | 130 | 57 |
| Westlake Plaza and Center | 2/3/99 | 2,701 | 633 | 613 | 258 |
| | | $ 7,359 | $ 1,574 | $ 1,502 | $ 687 |

(c) Depreciation expense is based on an estimated life of up to forty years for the buildings and ten years for the improvements of the properties acquired. In addition the calculations reflect depreciation expense on the properties from January 1, 1998 to the earlier of the respective acquisition date of the property or December 31, 1998.

| Property Name | Building and Improvements | Year Building Built/Renovated | Depreciation Adjustment |
|---|---|---|---|
| Twin Peaks | $ 24,726 | 1988 | $ 16 |
| Woodman - Van Nuys | 5,920 | 1992 | 14 |
| Pine Lake Village | 10,326 | 1989 | 47 |
| Sammamish Highlands | 7,391 | 1992 | 36 |
| Inglewood Plaza | 1,830 | 1985 | 8 |
| Oakbrook Plaza | 5,926 | 1982 | 42 |
| Diablo Plaza | 7,362 | 1982 | 71 |
| Thomas Lake | 9,940 | 1998 | 103 |
| Sherwood Market Center | 14,860 | 1995 | 187 |
| Murrayhill Marketplace | 14,664 | 1988 | 183 |
| Cherry Park Market | 15,934 | 1997 | 201 |
| Sunnside 205 | 8,585 | 1988 | 108 |
| Westlake Village Plaza and Center | 26,400 | 1975 | 880 |
| Acquisition Properties pro forma depreciation adjustment | | | $ 1,896 |

(d) To reflect interest expense on the Line required to complete the acquisition of the Acquisition Properties at the interest rate afforded Pacific Retail at December 31, 1998 (6.89%). The year ended December 31, 1998 calculation reflects interest expense on the properties from January 1, 1998 to the respective acquisition date of the property. The aggregate purchase price for all Acquisition Properties was $212,143.

(e) The following summarizes the calculation of basic and diluted earnings per share for the year ended December 31, 1998.

| | |
|---|---|
| Basic Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding | 64,048 |
| Proforma net income for Basic EPS | $ 41,456 |
| Basic EPS | $ 0.65 |
| Proforma net income for Basic EPS | 41,456 |
| Add: minority interest for operating partnership units | 772 |
| Proforma net income for Diluted EPS | 42,228 |
| Diluted Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding for Basic EPS | 64,048 |
| Operating partnership units | 1,636 |
| Incremental shares to be issued under common stock options using the Treasury method | 171 |
| Total Diluted Shares | 65,855 |
| Diluted EPS | $ 0.64 |

Preferred shares are not considered in the earnings per share calculation since their effect is antidilutive.

# Regency Realty Corporation and Pacific Retail Trust Merger
## Pro Forma Consolidated Financial Statements

The following unaudited pro forma consolidated financial statements are based upon the pro forma financial statements of Regency Realty Corporation (Regency), and the pro forma financial statements of Pacific Retail Trust (Pacific Retail), both included elsewhere within this filing. The pro forma consolidated financial statements are presented as if Regency, had completed its merger with Pacific Retail as of January 1, 1998.

These unaudited pro forma consolidated financial statements should be read in conjunction with the Regency's annual report filed on Form 10-K as of and for the year ended December 31, 1998, and also in conjunction with the Pacific Retail financial statements included elsewhere within this filing.

The unaudited pro forma consolidated financial statements are not necessarily indicative of what the actual financial position or results of operations of Regency would have been as of and for the year ended December 31, 1998 assuming the transactions had been completed as set forth above, nor does it purport to represent the financial position or results of operations of Regency in future periods.

Regency Realty Corporation and Pacific Retail Trust Merger
Pro Forma Consolidated Balance Sheet
December 31, 1998
(Unaudited)
(In thousands)

| | Regency Pro Forma | Pacific Retail Pro Forma | Adjustments | | Combined Company Pro Forma |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Real estate investments, at cost | $ 1,183,184 | 1,114,107 | 4,362 | (a) | 2,301,653 |
| Construction in progress | 36,518 | 24,975 | - | | 61,493 |
| Less: accumulated depreciation | 58,984 | 41,916 | 41,916 | (a) | 58,984 |
| | 1,160,718 | 1,097,166 | 46,278 | | 2,304,162 |
| Investments in real estate partnerships | 30,630 | - | - | | 30,630 |
| Net real estate investments | 1,191,348 | 1,097,166 | 46,278 | | 2,334,792 |
| Cash and cash equivalents | 19,920 | 529 | (1,844) | (a) | 18,605 |
| Tenant receivables, net of allowance for uncollectible accounts | 16,759 | 12,878 | - | | 29,637 |
| Deferred costs, less accumulated amortization | 6,872 | 6,876 | (6,876) | (a) | 6,872 |
| Other assets | 5,208 | 11,025 | (11,025) | (a) | 5,208 |
| Total Assets | $ 1,240,107 | 1,128,474 | 26,533 | | 2,395,114 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Notes payable | $ 430,495 | 101,747 | - | | 532,242 |
| Acquisition and development line of credit | 117,631 | 266,600 | - | | 384,231 |
| Total debt | 548,126 | 368,347 | - | | 916,473 |
| Accounts payable and other liabilities | 19,936 | 12,570 | - | | 32,506 |
| Tenant's security and escrow deposits | 3,110 | 3,536 | - | | 6,646 |
| Total liabilities | 571,172 | 384,453 | - | | 955,625 |
| Series A preferred units | 78,800 | - | - | | 78,800 |
| Exchangeable operating partnership units | 27,834 | 19,377 | (1,065) | (a) | 46,146 |
| Limited partners' interest in consolidated partnerships | 11,559 | - | - | | 11,559 |
| | 118,193 | 19,377 | (1,065) | | 136,505 |
| Preferred stock | - | 31,303 | 3,744 | (a) | 35,047 |
| Common stock and additional paid in capital | 570,138 | 706,089 | 11,106 | (a) | 1,287,333 |
| Distributions in excess of net income | (19,396) | (12,748) | 12,748 | (a) | (19,396) |
| Total stockholders' equity | 550,742 | 724,644 | 27,598 | | 1,302,984 |
| Total liabilities and stockholders' equity | $ 1,240,107 | 1,128,474 | 26,533 | | 2,395,114 |

See accompanying notes to pro forma consolidated balance sheet.

Regency Realty Corporation and Pacific Retail Trust Merger
Notes to Pro Forma Consolidated Balance Sheet
December 31, 1998
(Unaudited)
(In thousands)

(a) Merger of Pacific Retail and Regency Realty Corporation

Pacific Retail will be merged with and into Regency, with Regency being the surviving entity. Each issued and outstanding Pacific Retail Common Share will be exchanged for 0.48 shares of Regency Common Stock, and each issued and outstanding Pacific Retail Preferred Share will be converted into 0.48 shares of a corresponding series of Regency Preferred Stock.

Regency will also become the sole general partner of Pacific Retail Partnership ("PRT Partnership"). Thereafter, PRT Partnership intends to merge into Regency Centers, L.P. at such time as Regency determines appropriate.

The total cost to acquire Pacific Retail is $1,156,851 based on the value of Regency shares and partnership units expected to be issued including the assumption of outstanding debt and liabilities, at fair value ($384,453 at December 31, 1998), of Pacific Retail, and estimated closing costs of $1,844. The price per share and partnership unit used to determine the purchase price is $23.325 based upon the five day average of the closing stock price of Regency's common stock as listed on the New York Stock Exchange immediately before, during and after the date the terms of the merger were agreed to and announced to the public.

The following summarizes the total costs paid by Regency related to the merger:

| | Pacific Retail Shares and Units Outstanding | Exchange Ratio | Regency Shares and Units Issued | Regency Value Per Share | Acquisition Costs |
|---|---|---|---|---|---|
| Common stock | 64,058 | 0.48 | 30,748 | $ 23.325 | 717,195 |
| Preferred stock | 3,130 | 0.48 | 1,503 | $ 23.325 | 35,047 |
| Partnership units | 1,636 | 0.48 | 785 | $ 23.325 | 18,312 |
| | 68,824 | | 33,036 | | 770,554 |

| | |
|---|---|
| Pacific Retail outstanding debt and liabilities assumed at fair value | |
| Estimated closing costs | 384,453 |
| Total acquisition costs | 1,844 |
| | $ 1,156,851 |

The following summarizes the adjustment necessary to record the merger of Pacific Retail and Regency under purchase accounting.

| Assets | |
|---|---|
| Pacific Retail assets at historical cost | $ 1,128,474 |
| Adjust Pacific Retail real estate investments to fair value | 4,362 |
| Remove Pacific Retail accumulated depreciation | 41,916 |
| Adjust Pacific Retail deferred and other assets under purchase accounting | (17,901) |
| Total purchase price | 1,156,851 |
| Adjust for cash paid for closing costs | (1,844) |
| | $ 1,155,007 |

| Liabilites and Stockholders' Equity | |
|---|---|
| Pacific Retail liabilities and stockholders' equity at historical cost | $ 1,128,474 |
| Adjust Pacific Retail exchangeable operating partnership units to fair value | (1,065) |
| Exchange Pacific Retail preferred stock for Regency preferred stock | 3,744 |
| Remove Pacific Retail distributions in excess of net income | 12,748 |
| Reallocate common stock and additional paid in capital | 11,106 |
| | $ 1,155,007 |

Regency Realty Corporation and Pacific Retail Trust Merger
Pro Forma Consolidated Statement of Operations
(Unaudited)
(In thousands, except per share data)

| | For the Year Ended December 31, 1998 | | | | |
|---|---|---|---|---|---|
| | Regency Pro Forma | Pacific Retail Pro Forma | Adjustments | | Combined Company |
| Revenues: | | | | | |
| Minimum rent | $ 114,103 | 104,417 | - | | 218,520 |
| Percentage rent | 3,187 | 1,540 | - | | 4,727 |
| Recoveries from tenants | 26,308 | 27,475 | - | | 53,783 |
| Management, leasing and brokerage fees | 11,863 | 53 | - | | 11,916 |
| Equity in income of investments in real estate partnerships | 946 | - | - | | 946 |
| | 156,407 | 133,485 | - | | 289,892 |
| Operating expenses: | | | | | |
| Depreciation and amortization | 27,478 | 25,293 | 1,128 | (b) | 53,899 |
| Operating and maintenance | 19,671 | 17,710 | - | | 37,381 |
| General and administrative | 15,717 | 10,250 | - | | 25,967 |
| Real estate taxes | 13,781 | 14,684 | - | | 28,465 |
| | 76,647 | 67,937 | 1,128 | | 145,712 |
| Interest expense (income): | | | | | |
| Interest expense | 34,069 | 22,657 | - | | 56,726 |
| Interest income | (1,957) | (852) | - | | (2,809) |
| | 32,112 | 21,805 | - | | 53,917 |
| Income before minority interest and gain on sale of real estate investments | 47,648 | 43,743 | (1,128) | | 90,263 |
| Gain on sale of real estate investments | 1,390 | 837 | - | | 2,227 |
| Minority interest | (8,502) | (772) | 45 | | (9,229) |
| Net income | 40,536 | 43,808 | (1,083) | | 83,261 |
| Preferred distributions | - | (2,352) | - | | (2,352) |
| Net income for common stockholders | $ 40,536 | $ 41,456 | $ (1,083) | | $ 80,909 |
| Net income per share (note (c)): | | | | | |
| Basic | $ 1.40 | $ 0.65 | | | $ 1.35 |
| Diluted | $ 1.36 | $ 0.64 | | | $ 1.34 |

See accompanying notes to pro forma consolidated statement of operations.

Regency Realty Corporation and Pacific Retail Trust Merger
Notes to Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 1998
(Unaudited)
(In thousands, except share and per share data)

(b) To increase depreciation expense as a result of the adjustment of real estate investments to fair market value:

| | |
|---|---|
| Adjustment to record real estate investments at fair market value | $ 46,278 |
| Allocation to land | (10,181) |
| Allocation to building | 36,097 |
| Estimated useful life in years | 32 |
| Depreciation expense | $ 1,128 |

(c) The following summarizes the calculation of basic and diluted earnings per share for the year ended December 31, 1998

| | |
|---|---|
| Basic Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding | |
| Regency | 25,150 |
| Regency Common Shares issued to Pacific Retail | 30,748 |
| Adjusted weighted average common shares outstanding | 55,898 |
| Net income for common stockholders per Combined Pro Forma | $ 80,909 |
| Less: dividends paid on Class B common stock | (5,378) |
| Net income for Basic EPS | $ 75,531 |
| Basic EPS | $ 1.35 |
| Diluted Earnings Per Share (EPS) Calculation: | |
| Weighted average common shares outstanding for Basic EPS | 55,898 |
| Regency exchangeable operating partnership units | 1,223 |
| Pacific Retail exchangeable operating partnership units | 785 |
| Incremental shares to be issued under common stock options using the Treasury method | 96 |
| Contingent shares for the acquisition of real estate | 511 |
| Total Diluted Shares | 58,513 |
| Net income for Basic EPS | $ 75,531 |
| Add: minority interest of operating partnership units | 2,729 |
| Net income for Diluted EPS | $ 78,260 |
| Diluted EPS | $ 1.34 |

Preferred shares are not considered in the earnings per share calculation since their effect is antidilutive.

PACIFIC RETAIL TRUST

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended
December 31, 1998 and 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Trustees of
Pacific Retail Trust

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Pacific Retail Trust and its consolidated investments at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

February 5, 1999
Dallas, Texas

PACIFIC RETAIL TRUST

CONSOLIDATED BALANCE SHEETS

| | December 31, 1998 | December 31, 1997 |
|---|---|---|
| ASSETS | | |
| Real estate investments | $ 1,106,081,526 | $ 851,458,212 |
| Less: accumulated depreciation | (41,915,750) | (19,680,694) |
| | 1,064,165,776 | 831,777,518 |
| Cash and cash equivalents | 529,156 | 4,496,896 |
| Accounts receivable, net | 8,230,352 | 7,814,026 |
| Escrow deposits | 3,080,963 | 2,582,250 |
| Other assets, net | 19,467,354 | 10,573,762 |
| Total assets | $ 1,095,473,601 | $ 857,244,452 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Lines of credit | $ 233,600,000 | $ 13,600,000 |
| Notes payable | 101,746,716 | 84,943,050 |
| Accounts payable and accrued expenses | 4,747,092 | 8,140,425 |
| Accrued real estate taxes | 7,307,298 | 6,859,847 |
| Deferred income | 516,722 | 1,820,900 |
| Tenant security deposits | 3,535,559 | 2,653,923 |
| Other liabilities | - | 95,388 |
| Total liabilities | 351,453,387 | 118,113,533 |
| Commitments and contingencies (Note 10) | - | - |
| Minority interest | 19,377,418 | 7,681,400 |
| Shareholders' equity: | | |
| Shares of beneficial interest, $0.01 par value; 150,000,000 shares authorized | | |
| Series A preferred shares (1,130,276 authorized, issued and outstanding; stated liquidation preference of $10 per share plus declared and unpaid dividends) | 11,302,760 | 11,302,760 |
| Series B preferred shares (6,130,276 authorized; 2,000,000 issued and oustanding; stated liquidation preference of $10 per share plus declared and unpaid dividends) | 20,000,000 | 20,000,000 |
| Common shares (64,058,119 shares issued and outstanding at December 31, 1998; 64,022,671 shares issued and outstanding at December 31, 1997) | 640,581 | 640,227 |
| Additional paid-in capital | 713,883,660 | 713,511,243 |
| Employee share notes | (8,435,857) | (7,930,780) |
| Distributions in excess of net earnings | (12,748,348) | (6,073,931) |
| Total shareholders' equity | 724,642,796 | 731,449,519 |
| Total liabilities and shareholders' equity | $ 1,095,473,601 | $ 857,244,452 |

See accompanying notes to financial statements.

PACIFIC RETAIL TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended December 31, 1998 | 1997 |
|---|---|---|
| Income: | | |
| Minimum rent | $ 97,058,254 | $ 60,869,191 |
| Percentage rent | 1,540,006 | 1,233,100 |
| Recoveries from tenants | 25,901,436 | 16,890,346 |
| Management, leasing and brokerage fees | 52,637 | 391,950 |
| | 124,552,333 | 79,384,587 |
| Operating Expenses: | | |
| Operating and maintenance | 16,208,322 | 9,727,800 |
| Depreciation and amortization | 23,397,091 | 14,715,334 |
| General and administrative | 9,967,234 | 6,541,521 |
| Real estate taxes | 13,996,484 | 10,011,484 |
| | 63,569,131 | 40,996,139 |
| Interest expense (income): | | |
| Interest expense | 16,750,980 | 11,667,415 |
| Interest income | (851,775) | (480,548) |
| | 15,899,205 | 11,186,867 |
| Earnings before minority interest and gain on sale of real estate investments | 45,083,997 | 27,201,581 |
| Gain on sale of real estate investments | 836,584 | 9,621 |
| Minority interest | (925,499) | (490,173) |
| Net earnings | 44,995,082 | 26,721,029 |
| Less: Series A preferred share dividends | 811,543 | 755,024 |
| Series B preferred share dividends | 1,540,000 | 1,440,000 |
| Net earnings attributable to common shares | $ 42,643,539 | $ 24,526,005 |
| Weighted average common shares outstanding | 64,047,832 | 40,173,476 |
| Weighted average diluted common shares outstanding | 64,218,610 | 40,268,452 |
| Basic earnings per share | $ .67 | $ .61 |
| Diluted earnings per share | $ .66 | $ .61 |

See accompanying notes to the financial statements.

PACIFIC RETAIL TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | Shares of Beneficial Interest (150,000,000 Shares Authorized) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Series A Preferred Shares | Series B Preferred Shares | Common shares at par value | Employee share notes | Additional paid-in capital | Retained earnings (Distributions in excess of earnings) | Total shareholders' equity |
| Balance at December 31, 1996 | $ 11,302,760 | $20,000,000 | $ 239,598 | $ - | $240,013,905 | $ (1,726,337) | $ 269,829,926 |
| Sale of shares, net | | | 400,629 | (7,934,400) | 473,497,338 | | 465,963,567 |
| Shareholder distributions | | | | 3,620 | | (31,068,623) | (31,065,003) |
| Net earnings | | | | | | 26,721,029 | 26,721,029 |
| Balance at December 31, 1997 | 11,302,760 | 20,000,000 | 640,227 | (7,930,780) | 713,511,243 | (6,073,931) | 731,449,519 |
| Sale of shares | | | 1,546 | (1,909,500) | 1,979,390 | | 71,436 |
| Redemption of shares | | | (1,192) | 1,345,263 | (1,606,973) | | (262,902) |
| Shareholder distributions | | | | 59,160 | | (51,669,499) | (51,610,339) |
| Net earnings | | | | | | 44,995,082 | 44,995,082 |
| Balance at December 31, 1998 | $ 11,302,760 | $20,000,000 | $ 640,581 | $(8,435,857) | $713,883,660 | $ (12,748,348) | $ 724,642,796 |

See accompanying notes to financial statements.

PACIFIC RETAIL TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, 1998 | 1997 |
|---|---|---|
| Operating activities | | |
| Net earnings | $ 44,995,082 | $ 26,721,029 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 23,397,091 | 14,715,334 |
| Minority interest | 309,986 | (28,127) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (416,326) | (4,834,426) |
| Escrow deposits | (498,713) | 14,087,417 |
| Other assets | (10,055,627) | (7,105,918) |
| Accounts payable and accrued expenses | (3,393,333) | 4,158,257 |
| Accrued real estate taxes | 447,451 | 3,097,230 |
| Deferred income | (1,304,178) | 1,153,809 |
| Tenant security deposits | 881,636 | 1,372,106 |
| Other liabilities | (95,388) | 46,590 |
| Net cash provided by operating activities | 54,267,681 | 53,383,301 |
| Investing activities: | | |
| Construction of and acquisition of real estate investments | (217,560,036) | (396,469,436) |
| Net cash used in investing activities | (217,560,036) | (396,469,436) |
| Financing activities: | | |
| Principal payments on notes payable | (8,873,580) | (1,369,664) |
| Proceeds from line of credit | 220,000,000 | - |
| Payments on lines of credit | - | (61,400,000) |
| Payments on bridge loan | - | (26,500,000) |
| Proceeds from sales of shares, net of expenses | 71,436 | 465,963,567 |
| Redemption of shares | (262,902) | - |
| Distributions paid to shareholders | (51,610,339) | (31,065,003) |
| Net cash provided by financing activities | 159,324,615 | 345,628,900 |
| Net (decrease) increase in cash and cash equivalents | (3,967,740) | 2,542,765 |
| Cash and cash equivalents at beginning of period | 4,496,896 | 1,954,131 |
| Cash and cash equivalents at end of period | $ 529,156 | $ 4,496,896 |
| Supplemental cash flow information: | | |
| Interest paid | $ 16,925,664 | $ 11,123,133 |
| Noncash investing and financing activities: | | |
| Acquisition of real estate for assumption of notes payable | $ 25,677,246 | $ 74,918,736 |
| Acquisition of real estate in exchange for minority interest partnership units | $ 11,386,032 | $ - |
| Exchange of employee share notes for shares | $ 1,909,500 | $ 7,934,400 |
| Payments on employee share notes from shareholder distributions | $ 59,160 | $ 3,620 |
| Redemption of employee share notes | $ 1,345,263 | $ - |

See accompanying notes to financial statements.

PACIFIC RETAIL TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and formation

Pacific Retail Trust ("PACIFIC RETAIL") was organized as a Maryland real estate investment trust on April 27, 1995 (originally named Southwest Retail Trust) for the purpose of acquiring, developing, managing and owning neighborhood infill retail properties in a nine state region of the western United States. On August 23, 1995, the Declaration of Trust was amended and restated to change the name to Pacific Retail Trust. At December 31, 1998, 69.9% of PACIFIC RETAIL's outstanding shares of beneficial interest are constructively owned by Security Capital Holdings S.A. ("HOLDINGS"), a wholly-owned subsidiary of Security Capital U.S. Realty ("USREALTY"). Opportunity Capital Partners Limited Partnership ("OCP"), through its partnership Madison Property I, LP (MPI), acquired preferred shares of PACIFIC RETAIL as partial consideration for a pool of properties sold to PACIFIC RETAIL by MPI on October 20, 1995. At December 31, 1998, OCP owned 6.1% of PACIFIC RETAIL's outstanding shares of beneficial interest.

Principles of consolidation

The consolidated financial statements include the accounts of PACIFIC RETAIL, its 81.9% ownership in Retail Property Partners Limited Partnership and its 95% ownership in PRT Development Corporation (Note 4).

Revenue recognition

Minimum rents are recognized on a straight-line basis; as such, the rental revenues for leases, which contain rent abatements and contractual increases are recognized on a straight-line basis over the initial terms of the related leases. Property operating cost recoveries from tenants of common area maintenance, real estate taxes and other recoverable costs, are recognized in the period when the recoveries are earned.

Real estate assets and related depreciation

Costs related directly to the development and improvement of real estate, including tenant improvements, are capitalized; ordinary repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over the expected economic useful lives, which are principally 10 to 40 years for buildings and improvements.

PACIFIC RETAIL has adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"). Under SFAS 121, PACIFIC RETAIL recognizes impairment losses on property whenever events and changes in circumstances indicate that the carrying amount of long-lived assets, on an individual property basis, may not be recoverable through undiscounted future cash flows. Such losses are determined by comparing the sum of the expected future discounted net cash flows to the carrying amount of the asset. Impairment losses are recognized in operating income as they are determined. As of December 31, 1998, no impairment losses have been incurred.

Adoption of recent accounting pronouncement

In March 1998, the Emerging Issues Task Force (EITF) finalized Issue 97-11, requiring all internal costs associated with acquiring operating properties to be expensed as incurred. PACIFIC RETAIL has applied this policy prospectively since March 1998.

Interest

PACIFIC RETAIL capitalizes interest as part of the cost of real estate projects during construction periods. During the years ended December 31, 1998 and 1997, $3,009,426 and $1,567,444, respectively, of interest was capitalized.

Cash and cash equivalents

Cash and cash equivalents include all cash and cash equivalent investments with original maturities of three months or less.

Reclassification

Certain reclassifications have been made to prior year financial statements to conform to current year presentation.

Deferred loan fees

Included in other assets as of December 31, 1998 and December 31, 1997 are net costs of $2,883,460 and $1,668,710, respectively, associated with obtaining financing. Deferred loan fees are amortized to interest expense over the life of the loan and extensions, which is currently three years, using the straight-line method which approximates the interest method. Amortization of deferred loan fees for the years ended December 31, 1998 and 1997, was $769,636, and $583,334, respectively.

Income taxes

PACIFIC RETAIL elected real estate investment trust ("REIT") status in 1995 under the Internal Revenue Code of 1986, as amended. REITs are not required to pay federal income taxes if minimum distribution, income, asset and shareholder tests are met and, accordingly, no provision has been made for federal income taxes in the accompanying financial statements. PRT Development Corporation and Retail Property Partners Limited Partnership are taxed as separate entities.

Earnings per share

PACIFIC RETAIL has adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), which establishes standards for computing and presenting earnings per share (EPS). Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if dilutive securities or other contracts to issue common shares were exercised, converted into, or resulted in the issuance of common shares that then shared in the earnings of the Company. The following tables summarize the information required under SFAS 128:

| | For the year ended December 31, 1998 | | |
|---|---|---|---|
| | Income | Shares | Per Share Amount |
| Basic EPS | | | |
| Net earnings attributable to common shares | $ 42,643,539 | 64,047,832 | $ 0.67 |
| Effect of Dilutive Securities | | | |
| Options | - | 163,315 | |
| Deferred trustee shares | - | 7,463 | |
| Diluted EPS | | | |
| Income available to common shares and assumed conversions | $ 42,643,539 | 64,218,610 | $ 0.66 |

| | For the year ended December 31, 1997 | | |
|---|---|---|---|
| | Income | Shares | Per Share Amount |
| Basic EPS | | | |
| Net earnings attributable to common shares | $ 24,526,005 | 40,173,476 | $ 0.61 |
| Effect of Dilutive Securities | | | |
| Options | - | 93,583 | |
| Deferred trustee shares | - | 1,393 | |
| Diluted EPS | | | |
| Income available to common shares and assumed conversions | $ 24,526,005 | 40,268,452 | $ 0.61 |

| | For the nine months ended September 30, 1997 (unaudited) | | |
|---|---|---|---|
| | Income | Shares | Per Share Amount |
| Basic EPS | | | |
| Net earnings attributable to common shares | $ 16,502,115 | 37,373,491 | $ 0.44 |
| Effect of Dilutive Securities | | | |
| Options | - | 77,622 | |
| Deferred trustee shares | - | 594 | |
| Diluted EPS | | | |
| Income available to common shares and assumed conversions | $ 16,502,115 | 37,451,707 | $ 0.44 |

The assumed conversion of Series A preferred shares of beneficial i interest, Series B preferred shares of beneficial interest and minority interest are not dilutive and have therefore been excluded from the calculation of diluted EPS. Options to purchase 625,078 and 326,923 common shares at $13 per share were outstanding during the fourth quarter of 1998 and fourth quarter of 1997, respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than or equal to the estimated fair market value of the common shares. In addition, options to purchase 1,209,000 and 281,282 common shares at $12 and $11, respectively, were outstanding during the fourth quarter of 1998 but were not included in the diluted computation because the options' exercise price was greater than or equal to the estimated fair market value of the common shares. The options expire 10 years from the date of grant, or earlier upon termination of employment or death.

Use of estimates

PACIFIC RETAIL has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, and related revenues and expenses, to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

Fair value

PACIFIC RETAIL has estimated the fair value of its financial instruments at December 31, 1998 and 1997 as required by Statement of Financial Accounting Standards No. 107. The Company believes the carrying values of the Company's financial instruments are reasonable estimates of their fair values.

2. REAL ESTATE INVESTMENTS

As of December 31, 1998, PACIFIC RETAIL owned seventy-five properties. Twenty-two properties are located in three major metropolitan markets in Texas: the Dallas-Fort Worth metroplex, Austin and Houston. Shopping centers in the Dallas-Fort Worth metroplex generated approximately 24% of the total revenues of the portfolio for the year ended December 31, 1998. Thirty-three shopping centers are located in California and comprise approximately 48% of the total revenues for the year ended December 31, 1998. The remaining properties are located in Arizona, Colorado, Washington, and Oregon.

The following summarizes real estate investments:

| | December 31, 1998 | December 31, 1997 |
|---|---|---|
| Improved land | $ 290,879,900 | $ 215,860,610 |
| Land held for development | 2,643,679 | 1,062,657 |
| Land under development | 28,660,080 | 12,544,434 |
| Buildings and improvements | 685,481,307 | 540,192,993 |
| Land improvements and parking lots | 54,347,757 | 44,151,075 |
| Construction in process | 24,974,632 | 13,165,378 |
| Redevelopment properties | 19,094,171 | 24,481,065 |
| Total real estate investments | 1,106,081,526 | 851,458,212 |
| Less accumulated depreciation | (41,915,750) | (19,680,694) |
| Net real estate investments | $ 1,064,165,776 | $ 831,777,518 |

Land held for development

In March 1996, PACIFIC RETAIL acquired Harwood Hills Shopping Center in Bedford, Texas. Between March and November of 1996, PACIFIC RETAIL completed the construction of an additional 20,300 square feet of retail space at a cost of approximately $1,857,000. As of December 31, 1998 and 1997, approximately 2.9 acres of land remained for additional development.

In January 1997, PACIFIC RETAIL acquired Plaza de Hacienda in La Puenta, California. Associated with this shopping center were approximately 3.63 acres of land for additional development. As of December 31, 1998 and 1997, no development has taken place.

In November 1998, PRT Development Corporation acquired Tarrant Parkway Plaza, which consists of 5.5 acres of land in North Richland Hills, Texas for development into a grocery anchored shopping center. As of December 31, 1998, no development has taken place.

Land under development

In August 1997, PACIFIC RETAIL acquired Prestonwood Park, which consists of 24.55 acres of land in Dallas, Texas for future development into a grocery anchored shopping center. As of December 31, 1998, construction has not commenced.

In November 1997, PRT Development Corporation acquired Hebron Parkway Plaza, which consists of 7.77 acres of land in Carrollton, Texas for development into a grocery anchored shopping center. As of December 31, 1998, construction has not commenced.

In January 1998, PRT Development Corporation acquired MacArthur Park, which consists of 38.2 acres of land in Irving, Texas for development into a shopping center. As of December 31, 1998, PRT Development Corporation has incurred $6,664,927 in design and construction costs associated with the development, which is included in construction in process.

In March 1998, PACIFIC RETAIL acquired Hawthorne Plaza in Hawthorne, California, which consists of 10.4 acres of land and an existing shopping center. PACIFIC RETAIL plans to demolish the existing structure and rebuild a grocery anchored shopping center. As of December 31, 1998, PACIFIC RETAIL has incurred $1,727,450 in development costs associated with the development, which is included in construction in process.

In October 1998, PRT Development Corporation acquired La Crescenta, which consists of 1.79 acres of land in La Crescenta, California. The Development Corporation plans to develop the existing space for a new tenant. As of December 31, 1998, PACIFIC RETAIL has incurred $249,785 in development costs associated with the development, which is included in construction in process.

Redevelopment properties

In July 1996, PACIFIC RETAIL acquired Hancock Center in Austin, Texas for the purpose of redeveloping it as a grocery anchored infill shopping center. PACIFIC RETAIL immediately embarked upon the redevelopment program. As of December 31, 1997, PACIFIC RETAIL had incurred $8,447,883, in design and demolition costs and construction associated with the redevelopment. On April 1, 1998, a portion of the project representing $7,322,949 in redevelopment costs was completed and capitalized. As of December 31, 1998, $9,233,708 in design and demolition costs and construction associated with the redevelopment remained in construction in process.

In November 1997, PACIFIC RETAIL acquired Bristol & Warner Shopping Center in Santa Ana, California. During 1998, significant rehabilitation work began on the property. As of December 31, 1998, PACIFIC RETAIL has incurred $3,810,111 in design, demolition and construction costs.

In October 1998, PACIFIC RETAIL purchased Crossroads Plaza, which consists of 5.04 acres of land and an existing building in Pico Rivera, California. The Company plans to develop the space for a new tenant.

3. BORROWINGS

Lines of credit - secured

On December 27, 1995, PACIFIC RETAIL entered into a credit agreement with a group of lenders to provide a secured line of credit up to a maximum of $50 million. On July 17, 1996, the credit agreement was amended to increase the secured line of credit to a maximum of $75 million. The lenders determine the secured net borrowing base by using the lesser of 65% of the lenders' appraised value on ten of the properties or the permanent loan estimate for each property. As of December 31, 1997, the secured net borrowing base was $75 million. On November 14, 1997, the secured line of credit agreement was amended. Under the amended credit agreement, borrowings bear interest at the greater of prime or federal funds rate plus .50% or, at PACIFIC RETAIL's option, LIBOR plus a margin of 1.25%, if the ratio of total liabilities to gross asset value is less than .35 to one, or 1.40% if the ratio of total liabilities to gross asset value is greater than or equal to .35 to one. Additionally, there is a fee of .125% per annum of the average daily unfunded line of credit balance, or a fee of .25% per annum of the average daily unfunded line of credit balance if the average daily balance for both the secured and unsecured lines of credit is greater than $100 million. Interest is paid monthly based on the unpaid principal balance. On May 18, 1998, the credit agreement was amended; the secured line of credit was paid in full and terminated through the use of funds from the unsecured line of credit. The weighted averaged interest rates for the period from January 1, 1998 to May 18, 1998 and the year ended December 31, 1997 were 7.1% and 7.4%, respectively. The interest rate at December 31, 1997 was 8.5%.

Lines of credit - unsecured

On March 28, 1997, PACIFIC RETAIL entered into a credit agreement with a group of lenders to provide an unsecured line of credit up to a maximum of $75 million. On November 14, 1997, the unsecured line of credit was increased to a maximum of $125 million. On May 18, 1998, the credit agreement was amended and the unsecured line of credit was increased to $350 million. On December 7, 1998, the credit agreement was amended to reduce the unsecured line to $325 million. In addition, a bridge line of credit of $100 million was approved with identical provisions to the unsecured line of credit. Borrowings bear interest at the greater of prime or federal funds rate plus .50% or, at PACIFIC RETAIL's option, LIBOR plus a margin of 1.25%, if the ratio of total liabilities to gross asset value is less than .35 to one, or 1.40% if the ratio of total liabilities to gross asset value is greater than or equal to .35 to one and less than .5 to one. Additionally, there is a fee of .125% per annum of the average daily unfunded line of credit balance, or a fee of .25% per annum of the average daily unfunded line of credit balance if the average daily balance is greater than $175 million. Interest is paid monthly based on the unpaid principal balance. The weighted average interest rate for the year ended December 31, 1998 and the period from March 28, 1997 to December 31, 1997 were 6.88% and 7.7%, respectively. There were no borrowings outstanding under the unsecured line of credit at December 31, 1997. The interest rate at December 31, 1998 was 6.89%.

The termination date of the amended credit agreement is March 28, 2000, but it may be extended for successive one-year periods, if acceptable to the lenders, for a .10% extension fee. All debt incurrences are subject to covenants, as more fully described in the credit agreement. PACIFIC RETAIL has utilized the unsecured line of credit to help finance the acquisition of neighborhood shopping centers and for general working capital purposes during the years ended December 31, 1998 and 1997.

Notes payable

Notes payable consisted of the following at December 31, 1998 and 1997:

| | | Market | Interest Rate | Maturity Date | Payments/ Period | | Principal Balance At 12/31/98 | Principal Balance At 12/31/97 |
|---|---|---|---|---|---|---|---|---|
| Mortgage Notes Payable: | | | | | | | | |
| Harwood Hills Village Shopping Center | | Texas | 8.58% | 7/1/98 | $ 49,335 | (1) | $ - | $ 6,900,000 |
| Paseo Village | | Arizona | 7.50 | 5/1/01 | 38,668 | (2) | 4,220,915 | 4,362,548 |
| Mills Pointe & Preston Park Village | (4) | Texas | 7.23 | 7/1/00 | 264,578 | (2) | 31,096,048 | 31,987,449 |
| Plaza de Hacienda | | California | 9.00 | 6/10/12 | 57,128 | (2) | 6,683,992 | 6,764,017 |
| Market at Round Rock | | Texas | 8.63 | 12/31/05 | 63,059 | (2) | 7,410,496 | 7,522,739 |
| North Hills Town Center | | Texas | 7.37 | 1/1/14 | 76,974 | (2) | 8,938,999 | 9,193,610 |
| Friar's Mission | | California | 9.50 | 6/10/05 | 152,006 | (2) | 16,653,096 | 16,901,320 |
| Woodman Van-Nuys | | California | 8.80 | 9/15/15 | 57,745 | (2) | 6,061,268 | - |
| Sunnyside 205 | | Oregon | 9.38 | 1/15/00 | 52,401 | (2) | 5,770,679 | - |
| Murrayhill Marketplace | | Oregon | 8.05 | 5/1/19 | 69,762 | (2) | 8,364,524 | - |
| West Hills Plaza | | Oregon | 7.99 | 12/10/08 | 38,303 | (2) | 5,225,000 | - |
| Municipal Tax Bonds Payable: | | | | | | | | |
| Friar's Mission | | California | 7.30-7.90 | 9/2/15 | 161,177- 168,131 | (3) | 1,321,699 | 1,311,367 |
| | | | | | | | $101,746,716 | $ 84,943,050 |

(1) Payments are interest only payable monthly with the full principal balance due at maturity.
(2) Payments are interest and principal payable monthly.
(3) Annual payments of principal and interest payable in two semiannual installments. Amount disclosed is the applicable annual payment range.
(4) Mills Pointe & Preston Park Village are subject to one mortgage note payable.

Principal repayments of notes payable are due approximately as follows:

| | |
|---|---|
| 1999 | $ 2,182,652 |
| 2000 | 37,315,577 |
| 2001 | 5,281,298 |
| 2002 | 1,467,643 |
| 2003 | 1,610,476 |
| 2004 and after | 53,889,070 |
| | $ 101,746,716 |

4. MINORITY INTEREST

Minority interest represents limited partners' interests in Retail Property Partners Limited Partnership (the Partnership), a limited partnership controlled by PACIFIC RETAIL, and PRT Development Corporation (PRT Development), a Delaware corporation controlled by PACIFIC RETAIL.

Retail Property Partners Limited Partnership

In September 1996, PACIFIC RETAIL formed the Partnership by contributing cash to the Partnership in exchange for a 50.2% controlling general partnership interest in the Partnership, which invested in two retail centers in Dallas, Texas. On December 1, 1996, PACIFIC RETAIL contributed the Blossom Valley Shopping Center in Mountain View, California to the Partnership. The assets and liabilities of Blossom Valley were transferred at book value as the transfer was between entities under common control. The value of the contributed property was $17,354,543, which increased PACIFIC RETAIL's investment in the Partnership to 76.6%.

On July 31, 1997, PACIFIC RETAIL contributed $8.9 million to the Partnership. With this contribution, PACIFIC RETAIL's investment in the Partnership increased to 81.6%. The Partnership used this contribution to purchase the Heritage Plaza land. On May 21, 1998, PACIFIC RETAIL contributed $14,273,244 to the Partnership. With this contribution, PACIFIC RETAIL's investment in the Partnership increased to 84.2%. The Partnership used this contribution to purchase the Thomas Lake property in May 1998.

On July 10, 1998, PACIFIC RETAIL contributed $37,026,419 to the Partnership. The partnership purchased the Sherwood Market Center, Murrayhill Marketplace, Cherry Park Market and Sunnyside 205 properties with PACIFIC RETAIL's contribution and additional issues of partnership units in July 1998. PACIFIC RETAIL's investment in the Partnership at December 31, 1998 was 81.9%.

Limited partners are entitled to exchange each partnership unit for one common share of beneficial interest in PACIFIC RETAIL beginning in August 1998. As of December 31, 1997, there were 765,000 limited partnership units outstanding in the Partnership. On May 21, 1998, an additional 115,385 partnership units were issued in association with the acquisition of Thomas Lake. On July 10, 1998, an additional 760,464 partnership units were issued in association with the acquisitions of the Sherwood Market Center, Murrayhill Marketplace, Cherry Park Market and Sunnyside 205 properties. The limited partners' interests will be reflected as minority interest in the consolidated financial statements until the units are exchanged for PACIFIC RETAIL shares.

On July 10, 1998, the Partnership formed a limited liability company called PRT Sunnyside LLC for the purpose of owning, holding, managing, operating, leasing, or selling the property commonly referred to as Sunnyside 205. The property was purchased by the Partnership and then conveyed to PRT Sunnyside LLC subject to a note payable in the amount of $5,806,994.

PRT Development Corporation

On November 20, 1997, PRT Development Corporation was organized as a Delaware corporation for the purpose of acquiring land and developing and selling the developed property. The authorized capital of PRT Development consists of 2,000,000 shares of common stock. 100,000 of the shares will be issued as Class A voting shares. The remaining 1,900,000 shares will be Class B nonvoting. As of December 31, 1998 and December 31, 1997, 33,892 and 3,250 shares, respectively, of Class A common stock were issued and outstanding. All of the Class A common stock is constructively owned by USREALTY, and is represented in minority interest. PACIFIC RETAIL owned 643,958 and 61,750 shares of Class B common stock issued and outstanding at December 31, 1998 and December 31, 1997, respectively. The Class B common stock is generally entitled to 95% of all distributions made by PRT Development, and the Class A common stock is generally entitled to 5% of all distributions made by PRT Development. PACIFIC RETAIL has consolidated the operations of PRT Development based on the control exerted in the ordinary course of business over the operating decisions of PRT Development.

5. SHAREHOLDERS' EQUITY

Offerings

Between October 20, 1995 and July 16, 1996, PACIFIC RETAIL closed on a series of private offerings to HOLDINGS which resulted in the sale of 20 million common shares of beneficial interest at $10 per share for a total amount of $200 million.

On October 20, 1995, as a partial acquisition price for five properties acquired from OCP, PACIFIC RETAIL issued 1,130,276 Series A preferred shares of beneficial interest to MPI at a stated liquidation preference of $10 per share plus declared and unpaid dividends resulting in outstanding Series A Preferred shares valued at $11,302,760.

On December 22, 1995, PACIFIC RETAIL completed an offering of 100,000 common shares at a price of $10 per share. Net proceeds, after offering costs, to PACIFIC RETAIL were $982,000.

On August 6, 1996, OCP acquired 2,000,000 shares of Series B preferred shares of beneficial interest at a stated liquidation preference of $10 per share plus declared and unpaid dividends resulting in Series B preferred shares valued at $20 million.

On August 30, 1996, OCP acquired 1,000,000 common shares of beneficial interest in PACIFIC RETAIL at $10 per share for a total of $10 million.

On August 31, 1996, PACIFIC RETAIL completed a private offering of 18,182,305 common shares of beneficial interest at $11 per share resulting in a total equity investment of $200,005,350. The first funding call took place on September 16, 1996 resulting in 2,860,197 shares being issued for net proceeds of $29,414,529. On January 9, 1997 and January 27, 1997, two funding calls took place resulting in a total of 10,214,738 shares being issued for net proceeds of $112,355,838. The final funding call took place on May 15, 1997 resulting in 5,107,370 shares being issued for net proceeds of $56,181,060.

On April 30, 1997, PACIFIC RETAIL completed a private offering of 12,500,000 common shares of beneficial interest at $12 per share resulting in a total expected equity investment of $150,000,000. The first funding call took place on May 15, 1997 resulting in 1,898,100 shares being issued for net proceeds of $21,277,205. The second funding call took place on September 18, 1997 resulting in 3,180,570 shares being issued for net proceeds of $38,158,904. On October 1, November 11, and November 28, three funding calls took place resulting in a total of 4,342,300 shares being issued for net proceeds of $52,107,598. The final funding call took place on December 26, 1997 resulting in 3,079,030 shares being issued for net proceeds of $36,948,358.

On December 29, 1997, PACIFIC RETAIL completed and fully funded a private offering of 11,538,462 common shares of beneficial interest at $13 per share for net proceeds of $148,474,528.

Trustee compensation

On March 11, 1997, PACIFIC RETAIL granted 4,305 shares to the board of trustees as part of their compensation.

Effective March 14, 1997, PACIFIC RETAIL adopted the Deferred Fee Plan for nonemployee trustees. Under this plan, trustees can defer receipt of cash and equity compensation otherwise payable to the trustee by PACIFIC RETAIL. Interest and dividends are earned on the deferred compensation. An election must be made by each trustee to defer their compensation, and this election shall remain in effect until modified or revoked by the trustee. Each trustee must specify when the payment of deferred compensation is to take place. The compensation may be deferred to a specific date of at least two years past the time the compensation is earned, or the compensation may become payable on the last day of the calendar year in which the trustee terminates service with PACIFIC RETAIL, or the compensation can become payable on the earlier of such dates.

As of December 31, 1998 and 1997, 9,668 and 4,825 shares, respectively, have been deferred under this plan.

Shares of beneficial interest

As of December 31, 1998 and 1997, 150,000,000 shares of beneficial interest, $.01 par value per share, were authorized. PACIFIC RETAIL's board of trustees is authorized to issue, from the authorized but unissued shares of PACIFIC RETAIL, preferred shares in series and to establish from time to time the number of preferred shares to be included in such series and to fix the designation and any preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption's of the shares of such series.

Common shares

The outstanding common shares ("Shares") do not have redemption or conversion rights or the benefit of any sinking fund. In the event of liquidation, dissolution or winding up of PACIFIC RETAIL, the holders of Shares are entitled to receive ratably the assets remaining after satisfaction of all liabilities and payment of preferences and accrued dividends, if any, on PACIFIC RETAIL's shares ranking senior to the Shares (including the preferred shares). The rights of holders of Shares are subject to the rights and preferences established by PACIFIC RETAIL's board of trustees for any preferred shares, which have been or may subsequently be issued.

Preferred shares

The Series A preferred shares, the Series B preferred shares (together referred to as "Preferred Shares") and Shares vote together as a single class with respect to all matters presented to PACIFIC RETAIL's shareholders for a vote. If twelve consecutive quarterly dividends on the Preferred Shares are in arrears, the holders of Preferred Shares will be entitled to nominate and elect an additional trustee until such time as all arrearages have been paid. The Preferred Shares are entitled to a liquidation preference of $10 per share plus an amount equal to all dividends declared but unpaid to the date of final distribution. PACIFIC RETAIL may redeem the Preferred Shares any time after October 20, 2010 at a price of $10 per share, plus all declared but unpaid dividends.

Series A preferred shares

Series A preferred shares are convertible into Series B preferred shares on a one-for-one basis and contain provisions for adjustment to prevent dilution. For fiscal years beginning before January 1, 1997, the Series A preferred shares were entitled to a quarterly dividend in an amount equal to the greater of (i) $0.10 per share or (ii) $0.013 less than the dividend on the Shares. For fiscal years beginning on or after January 1, 1997, Series A preferred shares are entitled to quarterly dividends in an amount equal to the greater of (i) $0.10 per share, (ii) 65% of the highest funds from operations per Share for any preceding fiscal year and (iii) $0.013 less than the dividend on the Shares. Dividends on the Series A preferred shares are cumulative from the original issue date. PACIFIC RETAIL is restricted from paying any dividends on any Shares or shares ranking on a parity with, or ranking junior to, the Series A preferred shares, unless all cumulative dividends are simultaneously paid on the Series A preferred shares.

Series B preferred shares

The board of trustees has authorized up to 6,130,276 Series B preferred shares for issuance. Series B preferred shares are convertible into Shares on a one-for-one basis and contain provisions for adjustment to prevent dilution. For fiscal years beginning before January 1, 1997, the Series B preferred shares were entitled to a quarterly dividend in an amount equal to the greater of (i) $0.10 per share or (ii) the dividend on the Shares. For fiscal years beginning on and after January 1, 1997, Series B preferred shares are entitled to quarterly dividends in an amount equal to the greater of (i) $0.10 per share, (ii) 65% of the highest funds from operations per Share for any preceding fiscal year or (iii) the dividend on the Shares. Dividends on the Series B preferred shares are cumulative from the original issue date. PACIFIC RETAIL is restricted from paying any dividends on any Shares or shares ranking on a parity with, or ranking junior to, the Series B preferred shares, unless all cumulative dividends are simultaneously paid on the Series B preferred shares.

Investor agreement

On October 20, 1995, HOLDINGS, and PACIFIC RETAIL entered into an investor agreement whereby HOLDINGS agreed to purchase up to 20 million Shares at $10 per share, net of the original shares purchased, before October 20, 1997. As of December 31, 1996, HOLDINGS had completed the purchase of 20 million Shares. As long as HOLDINGS owns at least 25% of the outstanding common shares of PACIFIC RETAIL it will have certain rights regarding appointment of trustees to the board of trustees and regarding approval of budgets, property operations, property acquisitions, changes in executive officers and sales of shares.

Shareholders' agreement

On October 20, 1995, OCP entered into a shareholders' agreement with HOLDINGS and PACIFIC RETAIL. Among other provisions of the agreement, OCP was to acquire two million shares of Series B preferred shares at $10 per share at its own request or if required by PACIFIC RETAIL. On August 6, 1996, OCP purchased the two million shares of Series B preferred shares.

As part of the August 9, 1996 amendment to the shareholders' agreement, HOLDINGS and OCP shall each have the right to participate pro rata, based upon percentage ownership of the Shares on a fully diluted basis, in any offerings by PACIFIC RETAIL of any capital shares or securities convertible into capital shares on the same terms and at the same time as other offerees. The respective rights terminate at such time as the holder shall own less than 10% of the Shares on a fully diluted basis.

Shareholder ownership limitations

PACIFIC RETAIL's Declaration of Trust seeks to preserve its REIT status by restricting any shareholder from owning more than 9.8% of PACIFIC RETAIL's shares of beneficial interest, other than HOLDINGS or OCP. PACIFIC RETAIL intends to adopt a shareholder rights plan pursuant to which one purchase right will be issued as a dividend for each outstanding Share. Each purchase right will entitle the holder to purchase one share at a fixed exercise price and, under certain circumstances, to purchase at the exercise price shares or securities of an acquiring company having a market value equal to some multiple of the exercise price. The purchase rights would be exercisable only upon the occurrence of certain triggering events and purchase rights held by the acquiring person would not be exercisable. HOLDINGS and OCP would be exempted from this shareholder rights plan.

6. MERGER

On September 23, 1998, PACIFIC RETAIL entered into a merger agreement with Regency Realty Corporation (REGENCY), a publicly owned real estate investment trust. The merger, already approved by the board of trustees of PACIFIC RETAIL and the board of directors of REGENCY, would result in the acquisition of PACIFIC RETAIL by REGENCY with REGENCY being the surviving entity. Shareholders' meetings for REGENCY and PACIFIC RETAIL are scheduled for February 26, 1999 to vote on the merger. The merger is expected to become effective on February 28, 1999. Each outstanding Common and Preferred share of PACIFIC RETAIL would be converted into 0.48 shares of REGENCY Common and Preferred stock, respectively.

REGENCY commenced operations as a real estate investment trust in 1993 with the completion of its initial public offering. It succeeded to the real estate business operations of The Regency Group, Inc., which began operations in 1963. REGENCY acquires, owns, develops and manages neighborhood shopping centers in targeted infill markets primarily in the eastern half of the United States. The merged company would have a total market capitalization of approximately $2.2 billion, owning over 195 shopping centers, consisting of approximately 22.5 million square feet in 22 states and Washington, D.C., including 13 shopping centers under development.

USREALTY is the largest shareholder of REGENCY, owning approximately 46.0% of the outstanding REGENCY Common Stock. USREALTY has already approved the merger and will vote for the merger when both companies have their respective shareholder meetings. After the merger USREALTY will own approximately 59.4% of the outstanding REGENCY Common Stock (52.3% on a fully diluted basis). It is anticipated that after the merger REGENCY will continue to be taxed as a real estate investment trust under the Internal Revenue Code and continue to be organized as a corporation under the laws of the state of Florida. REGENCY's headquarters are in Jacksonville, Florida.

7. INCENTIVE STOCK PROGRAMS

PACIFIC RETAIL has authorized 1,875,000 shares for a share incentive plan (the "Plan"). On September 24, 1997, the Plan was amended to increase the number of shares authorized to 5,250,000. Additionally, the Plan was amended to award "dividend equivalent units" with all option grants (other than matching options). Participants who are awarded dividend equivalent units will be credited with these units annually based on a calculated dividend yield, multiplied by the number of options outstanding. Matching options and a loan provision have also been added to the common share purchase portion of the Plan. This provision allows the compensation committee to award, for each common share purchased, one or more matching options. Matching options do not receive dividend equivalent units. Further, PACIFIC RETAIL may offer participants loans for the entire purchase price of any common shares purchased under the share purchase program. Any loans will be fully recourse to the participant and be for a maximum of 10 years, subject to an acceleration in the event of termination of employment or sale of the common shares. Participants will be required to pledge any common shares to secure the loan from PACIFIC RETAIL. Under all plans, the option exercise price represents the estimated fair market value at the date of grant. Vesting of the options commences no more than two years from grant date and options are fully vested no more than five years from grant date. Options expire in 10 years from the date of grant or earlier upon termination of employment or death.

On August 6, 1996, the board of trustees adopted the 1996 Trustees Plan (the "Trustees Plan"). Under the Trustees Plan, nonemployee trustees received options to purchase Shares at an exercise price equal to the market price on the date of the grant. Options granted under the Trustees Plan are immediately vested. These options expire in five years from the date of grant or earlier upon resignation from the board of trustees or death.

PACIFIC RETAIL applies APB Opinion No. 25 and related Interpretations in accounting for both the Trustees Plan and the employee share incentive plan. No compensation has been recognized for the plans as PACIFIC RETAIL has issued the options at an exercise price, which represents the fair market value at the date of grant. Had compensation cost for the plans been determined based on the fair market value at the grant dates for awards, consistent with the method provided by Statement of Financial Accounting Standards No. 123 (SFAS No. 123), the Company's pro forma net earnings for the years ended December 31, 1998 and 1997 would have been:

| | | For the year ended December 31, 1998 | For the year ended December 31, 1997 |
|---|---|---|---|
| Net earnings | As reported | $ 44,995,082 | $ 26,721,029 |
| | Pro forma (unaudited) | $ 43,955,131 | $ 26,641,918 |
| Per share net earnings attributable to common shares | As reported | $ .67 | $ .61 |
| | Pro forma (unaudited) | $ .65 | $ .61 |
| Diluted per share net earnings attributable to common shares | As reported | $ .66 | $ .61 |
| | Pro forma (unaudited) | $ .65 | $ .61 |

The fair value of each option grant is estimated on the date of grant using the "minimum value" calculation stipulated by SFAS No. 123 for nonpublic companies. PACIFIC RETAIL has assumed the following in estimating the fair value of the options: expected lives of five years, dividend yield of 5%, expected volatility of 0%, and risk-free interest rates ranging from 6.56% to 4.53%.

The following table summarizes activity under all programs:

| | Weighted Average Exercise Price | Number of Options |
|---|---|---|
| Outstanding at December 31, 1997 | $ 11.73 | 2,463,872 |
| Granted | 11.63 | 849,091 |
| Exercised | - | - |
| Cancelled | (11.87) | (386,668) |
| Outstanding at December 31, 1998 | $ 11.67 | 2,926,295 |
| Options exercisable at December 31, 1998 | $ 10.44 | 151,282 |
| Weighted average fair value of options granted during 1998 | $ 1.59 | |

8. OPERATING LEASES

PACIFIC RETAIL receives rental income from the properties under operating leases with terms ranging from less than one year to 24 years. The minimum future rentals under operating leases as of December 31, 1998 are as follows:

| | |
|---|---|
| 1999 | 98,815,752 |
| 2000 | 88,113,982 |
| 2001 | 76,324,315 |
| 2002 | 66,086,260 |
| Thereafter | 402,863,701 |
| | $ 732,204,010 |

9. COMMITMENTS AND CONTINGENCIES

PACIFIC RETAIL is subject to environmental regulations related to the ownership, operation, development and acquisition of real estate properties. As part of due diligence procedures, PACIFIC RETAIL has obtained or conducted Phase I environmental assessments on each property prior to acquisition. PACIFIC RETAIL is not aware of any environmental condition on any of its properties which is likely to have a materially adverse effect on PACIFIC RETAIL's financial condition or results of operations.

10. SUBSEQUENT EVENTS

In January 1999, PACIFIC RETAIL acquired 13.59 acres of land in Keller, Texas for a purchase price of $2,145,019.

On January 11, 1999, PACIFIC RETAIL sold Totem Hill Plaza for a sales price of $4,825,000 at a cost of $4,042,587 resulting in a net gain on the sale.

On January 20, 1999, PRT Development Corporation formed a limited liability company called Fountain Valley, LLC for the purpose of owning, holding, managing, operating, leasing, or selling the property commonly referred to as Fountain Valley Plaza. Using proceeds of a loan obtained from PACIFIC RETAIL, Fountain Valley, LLC purchased Fountain Valley Plaza at a price of $10,163,300, subject to a note payable of $5,858,884.

On February 3, 1999, primarily using proceeds from the line of credit, PACIFIC RETAIL purchased Westlake Village Plaza and Center in Thousand Oaks, California for a purchase price of approximately $33 million.

PACIFIC RETAIL TRUST

SCHEDULE III - REAL STATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 1998 (IN THOUSANDS)

| Properties | Encumbrances | Initial Costs Land | Initial Costs Buildings & Improvements | Costs Capitalized Subsequent to Acquisition |
|---|---|---|---|---|
| Operating Properties | | | | |
| Austin, Texas Area: | | | | |
| Market @ Round Rock | $ 7,410 | $ 2,000 | $ 8,978 | $ 33 |
| North Hills | 8,939 | 4,900 | 18,484 | 62 |
| Dallas/Ft. Worth Area: | | | | |
| Arapaho Village South | | 837 | 7,082 | 595 |
| Casa Linda Plaza | | 4,515 | 23,190 | 6,512 |
| Cooper Street Plaza | | 2,079 | 10,419 | 78 |
| Harwood Hills Phase I & II | | 2,618 | 6,475 | 2,252 |
| Hillcrest Village | | 1,600 | 1,752 | |
| Market @ Preston Forest | | 4,400 | 10,643 | 2 |
| Mills Pointe | 5,908 | 2,000 | 11,432 | 198 |
| Mockingbird Commons | | 3,000 | 9,335 | 139 |
| Northview Plaza | | 1,957 | 7,999 | 432 |
| Preston Park Village | 25,188 | 6,400 | 45,957 | 89 |
| Ridglea Plaza | | 1,675 | 12,609 | 81 |
| Southpark Center | | 3,078 | 8,720 | 499 |
| Valley Ranch Phase I, II & III | | 2,593 | 6,276 | 4,658 |
| The Village | | 522 | 6,809 | 76 |
| Denver Area: | | | | |
| Boulevard Center | | 3,659 | 9,382 | 66 |
| Buckley Square | | 3,270 | 4,248 | (209) (b) |
| Leetsdale Center | | 3,420 | 9,150 | 539 |
| Littleton Square | | 2,030 | 8,060 | 61 |
| Houston Area: | | | | |
| Champion Forest | | 2,666 | 7,943 | 524 |
| Los Angeles County Area: | | | | |
| Crossroads | | 3,514 | 2,538 | |
| El Camino | | 7,600 | 9,672 | 30 |
| Oakbrook Plaza | | 4,000 | 5,919 | 152 |
| Plaza de Hacienda | 6,684 | 4,230 | 9,744 | 4 |
| Plaza Hermosa | | 4,200 | 9,255 | 19 |
| Redondo Village | | 1,313 | 3,810 | 135 |
| Ventura Village | | 4,300 | 6,135 | 36 |
| Woodman - Van Nuys | 6,061 | 5,500 | 5,920 | 3 |
| Orange County Area: | | | | |
| Heritage Plaza | | 9,205 | 25,450 | 676 |
| Morningside Plaza | | 4,300 | 12,819 | 84 |
| Newland Center | | 12,500 | 11,693 | 124 |
| Rona Plaza | | 1,500 | 4,239 | 50 |
| Santa Ana Downtown Plaza | | 4,240 | 7,105 | 14 |
| Phoenix Area: | | | | |
| Paseo Village | 4,221 | 2,550 | 6,652 | 943 |
| Pima Crossing | | 5,800 | 24,208 | 342 |
| Portland Area: | | | | |
| Walker Center | | 3,840 | 6,244 | 28 |
| Cherry Park Market | | 2,400 | 15,934 | 71 |
| Murrayhill Marketplace | 8,365 | 2,600 | 14,664 | 17 |
| Sherwood Market Center | | 3,475 | 13,985 | 24 |
| Sunnyside 205 | 5,771 | 1,200 | 8,582 | |
| West Hills Plaza | 5,225 | 1,200 | 6,974 | |
| Sacramento Area: | | | | |
| Arden Square | | 3,140 | 7,275 | 48 |
| The Promenade | | 2,526 | 12,244 | 68 |
| San Diego County Area: | | | | |
| Costa Verde | | 12,740 | 21,992 | 902 |
| El Norte Parkway Plaza | | 2,834 | 6,121 | 47 |
| Friars Mission | 17,975 | 6,660 | 25,770 | 43 |
| Twin Peaks | | 2,496 | 14,911 | 49 |
| Twin Peaks Target | | 2,704 | 9,824 | |
| San Francisco Bay Area: | | | | |
| Blossom Valley | | 7,804 | 9,848 | 199 |

| | | | | |
|---|---|---|---|---|
| Country Club Village | | 3,000 | 11,117 | 392 |
| Diablo Plaza | | 5,300 | 7,362 | 10 |
| Encina Grande | | 5,040 | 10,117 | 96 |
| Loehmann's Plaza | | 5,420 | 8,045 | 328 |
| San Leandro | | 1,300 | 7,689 | 44 |
| Sequoia Station | | 9,100 | 17,709 | 19 |
| Strawflower Village | | 4,060 | 6,867 | 224 |
| Tassajara Crossing | | 8,560 | 14,526 | 110 |
| Westpark Plaza | | 5,840 | 4,398 | 406 |
| Woodside Central Plaza | | 3,500 | 8,624 | 85 |
| Seattle Area: | | | | |
| Inglewood Plaza | | 1,300 | 1,830 | 7 |
| Lake Meridian Marketplace | | 6,510 | 11,557 | 228 |
| Pine Lake | | 6,300 | 10,326 | 43 |
| Sammamish Highlands | | 9,300 | 7,391 | 16 |
| South Point Plaza | | 5,000 | 9,697 | 62 |
| Southcenter Plaza | | 1,300 | 12,022 | 77 |
| Thomas Lake | | 6,000 | 9,917 | 212 |
| Totem Hill Plaza | | 1,100 | 3,124 | 15 |
| Total Operating Properties | 101,747 | 277,520 | 716,788 | 23,169 |
| Redevelopment Properties | | | | |
| Austin, Texas Area: | | | | |
| Hancock Center | | 8,232 | 4,150 | 7,363 |
| Orange County Area: | | | | |
| Bristol and Warner | | 5,000 | 7,094 | 487 |
| Total Redevelopment Properties | - | 13,232 | 11,244 | 7,850 |
| Land Under Development | | | | |
| Dallas/Ft. Worth Area: | | | | |
| Hebron Parkway Plaza | | 2,378 | | (281) (c) |
| MacArthur Park | | 9,692 | | (569) (d) |
| Prestonwood Park | | 10,171 | | 34 |
| Los Angeles Area: | | | | |
| LaCrescenta | | 1,327 | | |
| Hawthorne Plaza | | 5,905 | | 3 |
| Total Land Under Development | - | 29,473 | - | (813) |
| Land Held For Development | | | | |
| Dallas/Ft. Worth Area: | | | | |
| Harwood Hills | | 234 | | 1 |
| Tarrant Parkway Plaza | | 1,582 | | |
| Los Angeles Area: | | | | |
| Plaza de Hacienda | | 770 | | 57 |
| Total Land Held for Development | - | 2,586 | - | 58 |
| GRAND TOTAL | $101,747 | $ 322,811 | $ 728,032 | $ 30,264 |

| Properties | Gross Amount at Which Carried at December 31, 1998: Land | Buildings & Improvements | Total | Accumulated Depreciation | Year Constructed/ Acquired |
|---|---|---|---|---|---|
| Operating Properties | | | | | |
| Austin, Texas Area: | | | | | |
| Market @ Round Rock | $ 2,000 | $ 9,011 | $ 11,011 | $ (523) | 1997 |
| North Hills | 4,900 | 18,546 | 23,446 | (956) | 1997 |
| Dallas/Ft. Worth Area: | | | | | |
| Arapaho Village South | 837 | 7,677 | 8,514 | (918) | 1995 |
| Casa Linda Plaza | 4,515 | 29,702 | 34,217 | (2,016) | 1996 |
| Cooper Street Plaza | 2,079 | 10,497 | 12,576 | (1,018) | 1995 |
| Harwood Hills Phase I & II | 2,618 | 8,727 | 11,345 | (1,117) | 1996,1996 |
| Hillcrest Village | 1,600 | 1,752 | 3,352 | (114) | 1996 |
| Market @ Preston Forest | 4,400 | 10,645 | 15,045 | (545) | 1997 |
| Mills Pointe | 2,000 | 11,630 | 13,630 | (713) | 1997 |
| Mockingbird Commons | 3,000 | 9,474 | 12,474 | (702) | 1996 |

| | | | | | |
|---|---|---|---|---|---|
| Northview Plaza | 1,957 | 8,431 | 10,388 | (912) | 1995 |
| Preston Park Village | 6,400 | 46,046 | 52,446 | (2,391) | 1997 |
| Ridglea Plaza | 1,675 | 12,690 | 14,365 | (1,437) | 1995 |
| Southpark Center | 3,078 | 9,219 | 12,297 | (987) | 1995 |
| Valley Ranch Phase I, II & III | 3,021 | 10,506 | 13,527 | (724) | 1996,1996,1998 |
| The Village | 522 | 6,885 | 7,407 | (766) | 1995 |
| Denver Area: | | | | | |
| Boulevard Center | 3,659 | 9,448 | 13,107 | (630) | 1996 |
| Buckley Square | 2,970 | 4,339 | 7,309 | (355) | 1996 |
| Leetsdale Center | 3,420 | 9,689 | 13,109 | (751) | 1996 |
| Littleton Square | 2,030 | 8,121 | 10,151 | (492) | 1996 |
| Houston Area: | | | | | |
| Champion Forest | 2,666 | 8,467 | 11,133 | (533) | 1997 |
| Los Angeles County Area: | | | | | |
| Crossroads | 3,514 | 2,538 | 6,052 | (15) | 1998 |
| El Camino | 7,600 | 9,702 | 17,302 | (433) | 1997 |
| Oakbrook Plaza | 4,000 | 6,071 | 10,071 | (132) | 1998 |
| Plaza de Hacienda | 4,230 | 9,748 | 13,978 | (699) | 1997 |
| Plaza Hermosa | 4,200 | 9,274 | 13,474 | (247) | 1998 |
| Redondo Village | 1,313 | 3,945 | 5,258 | (395) | 1996 |
| Ventura Village | 4,300 | 6,171 | 10,471 | (531) | 1996 |
| Woodman - Van Nuys | 5,500 | 5,923 | 11,423 | (152) | 1998 |
| Orange County Area: | | | | | |
| Heritage Plaza | 9,205 | 26,126 | 35,331 | (1,137) | 1997 |
| Morningside Plaza | 4,300 | 12,903 | 17,203 | (601) | 1997 |
| Newland Center | 12,500 | 11,817 | 24,317 | (347) | 1997 |
| Rona Plaza | 1,500 | 4,289 | 5,789 | (148) | 1997 |
| Santa Ana Downtown Plaza | 4,240 | 7,119 | 11,359 | (630) | 1996 |
| Phoenix Area: | | | | | |
| Paseo Village | 2,550 | 7,595 | 10,145 | (512) | 1996 |
| Pima Crossing | 5,800 | 24,550 | 30,350 | (936) | 1997 |
| Portland Area: | | | | | |
| Walker Center | 3,840 | 6,272 | 10,112 | (361) | 1997 |
| Cherry Park Market | 2,400 | 16,005 | 18,405 | (219) | 1998 |
| Murrayhill Marketplace | 2,600 | 14,681 | 17,281 | (220) | 1998 |
| Sherwood Market Center | 3,475 | 14,009 | 17,484 | (179) | 1998 |
| Sunnyside 205 | 1,200 | 8,582 | 9,782 | (113) | 1998 |
| West Hills Plaza | 1,200 | 6,974 | 8,174 | - | 1998 |
| Sacramento Area: | | | | | |
| Arden Square | 3,140 | 7,323 | 10,463 | (326) | 1997 |
| The Promenade | 2,526 | 12,312 | 14,838 | (1,017) | 1996 |
| San Diego County Area: | | | | | |
| Costa Verde | 12,740 | 22,894 | 35,634 | (1,978) | 1996 |
| El Norte Parkway Plaza | 2,834 | 6,168 | 9,002 | (659) | 1996 |
| Friars Mission | 6,660 | 25,813 | 32,473 | (985) | 1997 |
| Twin Peaks | 2,496 | 14,960 | 17,456 | (399) | 1998 |
| Twin Peaks Target | 2,704 | 9,824 | 12,528 | (268) | 1998 |
| San Francisco Bay Area: | | | | | |
| Blossom Valley | 7,804 | 10,047 | 17,851 | (744) | 1996 |
| Country Club Village | 3,000 | 11,509 | 14,509 | (741) | 1996 |
| Diablo Plaza | 5,300 | 7,372 | 12,672 | (124) | 1998 |
| Encina Grande | 5,040 | 10,213 | 15,253 | (618) | 1997 |
| Loehmann's Plaza | 5,420 | 8,373 | 13,793 | (277) | 1997 |
| San Leandro | 1,300 | 7,733 | 9,033 | (276) | 1997 |
| Sequoia Station | 9,100 | 17,728 | 26,828 | (499) | 1997 |
| Strawflower Village | 4,060 | 7,091 | 11,151 | (513) | 1996 |
| Tassajara Crossing | 8,560 | 14,636 | 23,196 | (1,319) | 1996 |
| Westpark Plaza | 5,840 | 4,804 | 10,644 | (286) | 1997 |
| Woodside Central Plaza | 3,500 | 8,709 | 12,209 | (443) | 1997 |
| Seattle Area: | | | | | |
| Inglewood Plaza | 1,300 | 1,837 | 3,137 | (42) | 1998 |
| Lake Meridian Marketplace | 6,510 | 11,785 | 18,295 | (731) | 1996 |
| Pine Lake | 6,300 | 10,369 | 16,669 | (239) | 1998 |
| Sammamish Highlands | 9,300 | 7,407 | 16,707 | (179) | 1998 |
| South Point Plaza | 5,000 | 9,759 | 14,759 | (486) | 1997 |
| Southcenter Plaza | 1,300 | 12,099 | 13,399 | (720) | 1996 |
| Thomas Lake | 6,000 | 10,129 | 16,129 | (186) | 1998 |
| Totem Hill Plaza | 1,100 | 3,139 | 4,239 | (212) | 1997 |
| | -------- | -------- | --------- | ------- | |
| Total Operating Properties | 277,648 | 739,829 | 1,017,477 | (40,874) | |
| | -------- | -------- | --------- | ------- | |
| Redevelopment Properties | | | | | |
| Austin, Texas Area: | | | | | |
| Hancock Center | 8,232 | 11,513 | 19,745 | (798) | 1996 |
| Orange County Area: | | | | | |
| Bristol and Warner | 5,000 | 7,581 | 12,581 | (244) | 1997 |
| | -------- | -------- | --------- | ------- | |

| | | | | | |
|---|---|---|---|---|---|
| Total Redevelopment Properties | 13,232 | 19,094 | 32,326 | (1,042) | |
| Land Under Development | | | | | |
| Dallas/Ft. Worth Area: | | | | | |
| Hebron Parkway Plaza | 2,097 | | 2,097 | | 1997 |
| MacArthur Park | 9,123 | | 9,123 | | 1998 |
| Prestonwood Park | 10,205 | | 10,205 | | 1997 |
| Los Angeles Area: | | | | | |
| LaCrescenta | 1,327 | | 1,327 | | 1998 |
| Hawthorne Plaza | 5,905 | 3 | 5,908 | | 1998 |
| Total Land Under Development | 28,657 | 3 | 28,660 | - | |
| Land Held For Development | | | | | |
| Dallas/Ft. Worth Area: | | | | | |
| Harwood Hills | 235 | | 235 | | 1996 |
| Tarrant Parkway Plaza | 1,582 | | 1,582 | | 1998 |
| Los Angeles Area: | | | | | |
| Plaza de Hacienda | 827 | | 827 | | 1997 |
| Total Land Held for Development | 2,644 | - | 2,644 | - | |
| GRAND TOTAL | $ 322,181 | $ 758,926 | $1,081,107 | $(41,916) | |

(a) Reconciliation of total cost to balance sheet caption at December 31, 1998 (in thousands):

| | |
|---|---|
| Total per Schedule III | $ 1,081,107 |
| Construction in process | 24,975 |
| Total real estate | $ 1,106,082 |

(b) Pad site was sold in 1997 to the tenant under a right of first refusal existing at time center was purchased. Sales price was $300,000 which was equal to the cost of the pad site.

(c) Pad site was sold in 1998 at a cost of $301,180.

(d) Pad site was sold in 1998 at a cost of $568,546.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 33-86886), Form S-3 (No. 333-930), Form S-3 (No. 333-37911), Form S-3 (No. 333-52089) and Form S-8 (No. 333-24971) of Regency Realty Corporation and Form S-4 (No. 333-63723) and Form S-3 (No. 333-72899) of Regency Centers, L.P. of our report dated February 5, 1999 relating to the financial statements of Pacific Retail Trust for the years ended December 31, 1998 and 1997 which appears in the Current Report on Form 8-K/A of Regency Realty Corporation dated February 28, 1999.

PricewaterhouseCoopers LLP
Dallas, Texas
March 22, 1999