

RAMCO GERSHENSON PROPERTIES TRUST

Form 10-Q

August 07, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549**

Form 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from to

Commission file number 1-10093

RAMCO-GERSHENSON PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland

*(State or other jurisdiction
of incorporation or organization)*

13-6908486

*(I.R.S. Employer
Identification Number)*

**31500 Northwestern Highway
Farmington Hills, Michigan**

(Address of principal executive offices)

48334

(Zip code)

248-350-9900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Number of common shares of beneficial interest (\$0.01 par value) of the registrant outstanding as of August 2, 2006:
16,565,980

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****RAMCO-GERSHENSON PROPERTIES TRUST****CONSOLIDATED BALANCE SHEETS**

	June 30, 2006	December 31, 2005
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Investment in real estate, net	\$ 942,908	\$ 922,103
Real estate assets held for sale		61,995
Cash and cash equivalents	18,301	14,929
Accounts receivable, net	35,006	32,341
Equity investments in unconsolidated entities	53,691	53,398
Other assets, net	38,290	40,509
Total Assets	\$ 1,088,196	\$ 1,125,275
LIABILITIES AND SHAREHOLDERS EQUITY		
Mortgages and notes payable	\$ 702,291	\$ 724,831
Accounts payable and accrued expenses	31,958	31,353
Distributions payable	10,388	10,316
Capital lease obligation	7,795	7,942
Total Liabilities	752,432	774,442
Minority Interest	37,673	38,423
SHAREHOLDERS EQUITY		
Preferred Shares of Beneficial Interest, par value \$0.01, 10,000 shares authorized: 9.5% Series B Cumulative Redeemable Preferred Shares; 1,000 shares issued and outstanding, liquidation value of \$25,000	23,804	23,804
7.95% Series C Cumulative Convertible Preferred Shares; 1,889 shares issued and outstanding, liquidation value of \$53,837	51,741	51,741
Common Shares of Beneficial Interest, par value \$0.01, 45,000 shares authorized; 16,566 and 16,847 issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	166	168
Additional paid-in capital	335,417	343,011
Accumulated other comprehensive income (loss)	1,151	(44)
Cumulative distributions in excess of net income	(114,188)	(106,270)

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Total Shareholders' Equity	298,091	312,410
Total Liabilities and Shareholders' Equity	\$ 1,088,196	\$ 1,125,275

See notes to consolidated financial statements.

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	For the		For the Six Months	
	Three Months		Ended June 30,	
	Ended June 30,		Ended June 30,	
	2006	2005	2006	2005
	(In thousands, except per share amounts)			
	(Unaudited)			
REVENUES:				
Minimum rents	\$ 25,151	\$ 24,002	\$ 49,785	\$ 48,003
Percentage rents		99	385	373
Recoveries from tenants	10,307	9,322	20,182	19,963
Fees and management income	1,519	1,521	2,761	2,738
Other income	1,440	1,589	1,880	2,335
Total revenues	38,417	36,533	74,993	73,412
EXPENSES:				
Real estate taxes	4,891	4,629	9,768	9,177
Recoverable operating expenses	5,634	4,901	11,236	10,721
Depreciation and amortization	7,876	8,427	15,953	15,750
Other operating	917	392	1,619	849
General and administrative	3,295	3,869	7,396	7,588
Interest expense	10,989	10,803	21,559	21,134
Total expenses	33,602	33,021	67,531	65,219
Income from continuing operations before gain (loss) on sale of real estate assets, minority interest and earnings from unconsolidated entities	4,815	3,512	7,462	8,193
Gain (loss) on sale of real estate assets	25	(1)	1,733	(4)
Minority interest	(885)	(642)	(1,672)	(1,373)
Earnings from unconsolidated entities	755	647	1,492	931
Income from continuing operations	4,710	3,516	9,015	7,747
Discontinued operations, net of minority interest:				
Gain (loss) on sale of real estate assets	(3)		954	
Income from operations	70	623	393	1,303
Income from discontinued operations	67	623	1,347	1,303
Net income	4,777	4,139	10,362	9,050
Preferred stock dividends	(1,664)	(1,664)	(3,328)	(3,328)

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Net income available to common shareholders	\$ 3,113	\$ 2,475	\$ 7,034	\$ 5,722
Basic earnings per share:				
Income from continuing operations	\$ 0.18	\$ 0.11	\$ 0.34	\$ 0.26
Income from discontinued operations		0.04	0.08	0.08
Net income	\$ 0.18	\$ 0.15	\$ 0.42	\$ 0.34
Diluted earnings per share:				
Income from continuing operations	\$ 0.18	\$ 0.11	\$ 0.34	\$ 0.26
Income from discontinued operations		0.04	0.08	0.08
Net income	\$ 0.18	\$ 0.15	\$ 0.42	\$ 0.34
Basic weighted average shares outstanding	16,679	16,836	16,763	16,833
Diluted weighted average shares outstanding	16,714	16,880	16,800	16,878
COMPREHENSIVE INCOME				
Net income	\$ 4,777	\$ 4,139	\$ 10,362	\$ 9,050
Other comprehensive income:				
Unrealized gains (losses) on interest rate swaps	641	(111)	1,195	133
Comprehensive income	\$ 5,418	\$ 4,028	\$ 11,557	\$ 9,183

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2006	2005
	(In thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Net income	\$ 10,362	\$ 9,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,953	15,750
Amortization of deferred financing costs	523	1,016
(Gain) loss on sale of real estate assets	(1,733)	4
Earnings from unconsolidated entities	(1,492)	(931)
Discontinued operations	(1,581)	(1,303)
Minority interest, continuing operations	1,672	1,373
Distributions received from unconsolidated entities	1,146	67
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(1,514)	(2,407)
Other assets	465	(899)
Accounts payable and accrued expenses	811	4,163
Net Cash Provided by Continuing Operating Activities	24,612	25,883
Operating Cash from Discontinued Operations	703	2,275
Net Cash Provided by Operating Activities	25,315	28,158
Cash Flows from Investing Activities:		
Real estate developed or acquired, net of liabilities assumed	(21,748)	(13,782)
Investment in unconsolidated entities	(226)	(36,768)
Proceeds from sales of real estate	6,100	
Increase in note receivable from joint venture		(1,072)
Payments on note receivable from joint venture		2,300
Net Cash Used in Continuing Investing Activities	(15,874)	(49,322)
Investing Cash from Discontinued Operations	45,366	
Net Cash Provided by (Used in) Investing Activities	29,492	(49,322)
Cash Flows from Financing Activities:		
Cash distributions to shareholders	(14,910)	(14,434)
Cash distributions to operating partnership unit holders	(2,592)	(2,511)
Cash dividends paid on preferred shares	(3,328)	(3,328)
Borrowings on (repayment of) unsecured revolving credit facility, net	(18,150)	17,400
Principal repayments on mortgages payable	(4,390)	(4,486)
Payment of deferred financing costs	(126)	(88)

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Distributions to minority partners	(34)	(65)
Borrowings on secured credit facility, net		32,299
Reduction of capitalized lease obligation	(147)	
Purchase and retirement of common shares	(7,804)	
Proceeds from exercise of stock options	46	137
Net Cash (Used in) Provided by Continuing Financing Activities	(51,435)	24,924
Financing Cash from Discontinued Operations		
Net Cash (Used in) Provided by Financing Activities	(51,435)	24,924
Net Increase in Cash and Cash Equivalents	3,372	3,760
Cash and Cash Equivalents, Beginning of Period	14,929	15,045
Cash and Cash Equivalents, End of Period	\$ 18,301	\$ 18,805
Supplemental Cash Flow Disclosure, including Non-Cash Activities:		
Cash paid for interest during the period	\$ 21,161	\$ 19,829
Capitalized interest	784	287
Assets contributed to joint venture entity		7,994
Increase in fair value of interest rate swaps	1,195	133

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

1. Organization and Basis of Presentation

Ramco-Gershenson Properties Trust is a Maryland real estate investment trust (REIT) organized on October 2, 1997. The terms Company, we, our, or us refers to Ramco-Gershenson Properties Trust and, where appropriate, its subsidiaries. We are a publicly-traded REIT which owns, develops, acquires, manages and leases community shopping centers (including power centers and single tenant retail properties) and one regional mall. At June 30, 2006, we had a portfolio of 79 shopping centers, with approximately 17.9 million square feet of gross leasable area, located in the midwestern, southeastern and mid-Atlantic regions of the United States. Our centers are usually anchored by discount department stores or supermarkets and the tenant base consists primarily of national and regional retail chains and local retailers. Our credit risk, therefore, is concentrated in the retail industry.

The accompanying consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in audited financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission. These consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the period and dates presented. Interim operating results are not necessarily indicative of operating results for the full year.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our majority owned subsidiary, the Operating Partnership, Ramco-Gershenson Properties, L.P. (85.0% and 85.2% owned by us at June 30, 2006 and at December 31, 2005, respectively), and all wholly owned subsidiaries, including bankruptcy remote single purpose entities, and all majority owned joint ventures over which we have control. Investments in real estate joint ventures for which we have the ability to exercise significant influence over, but for which we do not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, our share of the earnings of these joint ventures is included in consolidated net income. All intercompany accounts and transactions have been eliminated in consolidation.

Through the Operating Partnership we own 100% of the non-voting and voting common stock of Ramco-Gershenson, Inc. (Ramco), and therefore it is included in the consolidated financial statements. Ramco has elected to be a taxable REIT subsidiary for federal income tax purposes. Ramco provides property management services to us and other entities.

2. Real Estate Assets Held for Sale

As of December 31, 2005, nine properties were classified as Real Estate Assets Held for Sale and the results of their operations were reflected as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144).

On January 23, 2006, the Company sold seven of the shopping centers held for sale for \$47,000 in aggregate, resulting in a gain of approximately \$954, net of minority interest. The shopping centers, which were sold as a portfolio to an unrelated third party, include: Cox Creek Plaza in Florence, Alabama; Crestview Corners in Crestview, Florida; Cumberland Gallery in New Tazewell, Tennessee; Holly Springs Plaza in Franklin, North Carolina; Indian Hills in Calhoun, Georgia; Edgewood Square in North Augusta, South Carolina; and Tellico Plaza in Lenoir City, Tennessee. The proceeds from the sale were used to pay down the Company's unsecured revolving

Table of Contents**RAMCO-GERSHENSON PROPERTIES TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

credit facility. Total revenue for the seven properties was \$546 and \$2,817 for the six months ended June 30, 2006 and 2005, respectively.

During March 2006, the Company decided not to continue to actively market for sale the two unsold properties. At June 30, 2006, in accordance with SFAS No. 144, the two properties are no longer classified as held for sale in the consolidated balance sheet and the results of their operations are included in income from continuing operations for all periods presented.

3. Accounts Receivable, Net

Accounts receivable at June 30, 2006 include \$4,180 due from Atlantic Realty Trust (Atlantic) for reimbursement of tax deficiencies and interest related to the Internal Revenue Service (IRS) examination of our taxable years ended December 31, 1991 through 1995. Under terms of a tax agreement that we entered into with Atlantic (the Tax Agreement), Atlantic assumed all of our liability for tax and interest arising out of that IRS examination. See Note 10.

Effective March 31, 2006, Atlantic was merged into (acquired by) SI 1339, Inc., a wholly-owned subsidiary of Kimco Realty Corporation (Kimco), with SI 1339, Inc. continuing as the surviving corporation. By way of the merger, SI 1339, Inc. acquired Atlantic s assets, subject to its liabilities (including its obligations to the Company under the Tax Agreement). See Note 10.

Accounts receivable includes \$14,188 and \$13,098 of unbilled straight-line rent receivables at June 30, 2006 and December 31, 2005, respectively. In addition, at June 30, 2006, accounts receivable includes \$3,072 due from Ramco Jacksonville LLC, a 20% owned unconsolidated entity.

We provide for bad debt expense based upon the reserve method of accounting. We continuously monitor the collectibility of our accounts receivable (billed, unbilled and straight-line) from specific tenants, analyze historical bad debts, customer credit worthiness, current economic trends and changes in tenant payment terms when evaluating the adequacy of the allowance for bad debts. When tenants are in bankruptcy, we make estimates of the expected recovery of pre-petition and post-petition claims. The ultimate resolution of these claims can often take longer than one year. Accounts receivable in the accompanying balance sheet is shown net of an allowance for doubtful accounts of \$1,990 and \$2,017 at June 30, 2006 and December 31, 2005, respectively.

4. Investment in Real Estate, Net

Investment in real estate consists of the following:

	June 30, 2006	December 31, 2005
Land	\$ 142,863	\$ 136,843
Buildings and improvements	927,709	887,251
Construction in progress	15,288	23,210

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	1,085,860	1,047,304
Less: accumulated depreciation	(142,952)	(125,201)
Investment in real estate, net	\$ 942,908	\$ 922,103

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Other assets consist of the following:

	June 30, 2006	December 31, 2005
Leasing costs	\$ 29,274	\$ 28,695
Intangible assets	10,075	11,048
Deferred financing costs	13,868	13,742
Other	5,579	5,469
	58,796	58,954
Less: accumulated amortization	(32,581)	(30,726)
	26,215	28,228
Prepaid expenses and other	11,489	11,172
Proposed development and acquisition costs	586	1,109
Other assets, net	\$ 38,290	\$ 40,509

Intangible assets at June 30, 2006 include \$6,985 of lease origination costs and \$3,008 of favorable leases related to the allocation of the purchase prices for acquisitions made since 2002. These assets are being amortized over the lives of the applicable leases. The weighted-average amortization period for intangible assets attributable to lease origination costs and favorable leases is approximately 5 years.

The following table represents estimated aggregate amortization expense related to intangible assets as of June 30, 2006:

Year Ending December 31,

2006 (July 1 - December 31)	\$ 3,041
2007	5,561
2008	4,553
2009	3,411
2010	2,565
Thereafter	7,084
Total	\$ 26,215

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Mortgages and notes payable consist of the following:

	June 30, 2006	December 31, 2005
Fixed rate mortgages with interest rates ranging from 4.8% to 8.2%, due at various dates through 2018	\$ 447,626	\$ 451,777
Floating rate mortgages with interest rates ranging from 6.6% to 7.2%, due at various dates through 2010	12,615	12,854
Unsecured Term Loan Credit Facility, with an interest rate at LIBOR plus 130 to 165 basis points, due December 2010, maximum borrowings \$100,000. The effective rate at June 30, 2006 was 6.5% and at December 31, 2005 was 5.9%	100,000	100,000
Unsecured Revolving Credit Facility, with an interest rate at LIBOR plus 115 to 150 basis points, due December 2008, maximum borrowings \$150,000. The effective rate at June 30, 2006 was 6.5% and at December 31, 2005 was 5.8%	119,450	137,600
Unsecured Bridge Term Loan, with an interest rate at LIBOR plus 135 basis points, due September 2006. The effective rate at June 30, 2006 was 6.4% and at December 31, 2005 was 5.7%	22,600	22,600
	\$ 702,291	\$ 724,831

The mortgage notes are secured by mortgages on properties that have an approximate net book value of \$583,825 as of June 30, 2006.

The Company has a \$250,000 Unsecured Credit Facility (the Credit Facility) consisting of a \$100,000 Unsecured Term Loan Facility and a \$150,000 Unsecured Revolving Credit Facility. The Credit Facility provides that the Unsecured Revolving Credit Facility may be increased by up to \$100,000 at the Company's request, for a total Unsecured Revolving Credit Facility commitment of \$250,000. The Unsecured Term Loan matures in December 2010 and bears interest at a rate equal to LIBOR plus 130 to 165 basis points, depending on certain debt ratios. The Unsecured Revolving Credit Facility matures in December 2008 and bears interest at a rate equal to LIBOR plus 115 to 150 basis points, depending on certain debt ratios. The Company has the option to extend the maturity date of the Unsecured Revolving Credit Facility to December 2010. It is anticipated that funds borrowed under the Credit Facility will be used for general corporate purposes, including working capital, capital expenditures, the repayment of indebtedness or other corporate activities.

At June 30, 2006, outstanding letters of credit issued under the Credit Facility, not reflected in the accompanying consolidated balance sheet, total approximately \$2,118.

The Credit Facility and the Unsecured Bridge Term Loan contain financial covenants relating to total leverage, fixed charge coverage ratio, loan to asset value, tangible net worth and various other calculations. As of June 30, 2006, we were in compliance with the covenant terms.

The mortgage loans encumbering our properties, including properties held by our unconsolidated joint ventures, are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. In addition, upon the occurrence of certain of such events, such as fraud or filing of a bankruptcy petition by the borrower, we would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, penalties and expenses.

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Under terms of various debt agreements, we may be required to maintain interest rate swap agreements to reduce the impact of changes in interest rates on our floating rate debt. We have interest rate swap agreements with an aggregate notional amount of \$80,000 at June 30, 2006. Based on rates in effect at June 30, 2006, the agreements for notional amounts aggregating \$80,000 provide for fixed rates ranging from 6.2% to 6.6% and expire December 2008 through March 2009.

The following table presents scheduled principal payments on mortgages and notes payable as of June 30, 2006:

Year Ended December 31,

2006 (July 1 – December 31)	\$ 25,969
2007	69,514
2008	222,572
2009	48,493
2010	123,291
Thereafter	212,452
Total	\$ 702,291

7. Stock-Based Compensation

Prior to January 1, 2006, the Company accounted for share-based payments under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, compensation cost was not recognized for options granted because the exercise price of options granted was equal to the market value of the Company's common shares on the grant date.

On January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payments (SFAS 123(R)). This statement requires the Company to recognize the cost of its employee stock option awards in its consolidated statement of income. According to SFAS 123(R), the total cost of the Company's share-based awards is equal to their grant date fair value and is recognized as expense on a straight-line basis over the service periods of the awards. The Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective transition method. Under the modified prospective transition method, the Company began to recognize as expense the cost of unvested awards outstanding as of January 1, 2006. The adoption of this statement did not have a material effect on the Company's income from continuing operations, net income or cash flows.

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The following table sets forth the computation of basic and diluted earnings per share (EPS) (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Numerator:				
Income from continuing operations before minority interest	\$ 5,595	\$ 4,158	\$ 10,687	\$ 9,120
Minority interest	(885)	(642)	(1,672)	(1,373)
Net income allocated to preferred distributions	(1,664)	(1,664)	(3,328)	(3,328)
Income before discontinued operations and gain (loss) on sale of real estate	3,046	1,852	5,687	4,419
Gain (loss) on sale of real estate assets, net of minority interest	(3)		954	
Income from discontinued operations, net of minority interest	70	623	393	1,303
Income available to common shareholders	\$ 3,113	\$ 2,475	\$ 7,034	\$ 5,722
Denominator:				
Weighted-average common shares for basic EPS	16,679	16,836	16,763	16,833
Effect of dilutive securities:				
Options outstanding	35	44	37	45
Weighted-average common shares for diluted EPS	16,714	16,880	16,800	16,878
Basic and diluted earnings available to common shareholders per weighted-average common share:				
Basic EPS:				
Income from continuing operations	\$ 0.18	\$ 0.11	\$ 0.34	\$ 0.26
Income from discontinued operations		0.04	0.08	0.08
Net income	\$ 0.18	\$ 0.15	\$ 0.42	\$ 0.34
Diluted EPS:				
Income from continuing operations	\$ 0.18	\$ 0.11	\$ 0.34	\$ 0.26
Income from discontinued operations		0.04	0.08	0.08

Net income	\$	0.18	\$	0.15	\$	0.42	\$	0.34
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Approximate future minimum revenues from rentals under noncancelable operating leases in effect at June 30, 2006, assuming no new or renegotiated leases nor option extensions on lease agreements, are as follows:

Year Ended December 31,

2006 (July 1 - December 31)	\$ 49,161
2007	94,346
2008	84,664
2009	70,291
2010	63,220
Thereafter	302,934
Total	\$ 664,616

We lease certain office facilities, including our corporate office, that expire through 2014. Our corporate office lease has an option to renew for two consecutive periods of five years each.

Capitalized lease obligation consists of land having a net book value of \$7,942 as of June 30, 2006.

Approximate future minimum rental payments under our noncancelable corporate office lease and two other office locations, assuming no option extensions, are as follows:

Year Ending December 31,	Office Leases	Capital Lease
2006 (July 1 - December 31)	\$ 389	\$ 339
2007	793	677
2008	815	677
2009	837	677
2010	805	677
Thereafter	2,977	7,986
Total minimum lease payments	6,616	11,033
Less: amounts representing interest		(3,238)
Total	\$ 6,616	\$ 7,795

10. Commitments and Contingencies

Construction Costs

In connection with the development and expansion of various shopping centers as of June 30, 2006, we have entered into agreements for construction costs of approximately \$16,129.

Internal Revenue Service Examinations

IRS Audit Resolution for Years 1991 to 1995

RPS Realty Trust (RPS), a Massachusetts business trust, was formed on June 21, 1988 to be a diversified growth-oriented REIT. From its inception, RPS was primarily engaged in the business of owning and managing a participating mortgage loan portfolio. From May 1, 1991 through April 30, 1996, RPS acquired ten real estate properties by receipt of deed in-lieu of foreclosure. Such properties were held and operated by RPS through wholly-owned subsidiaries.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 1996, RPS acquired, through a reverse merger, substantially all the shopping centers and retail properties as well as the management company and business operations of Ramco-Gershenson, Inc. and certain of its affiliates. The resulting trust changed its name to Ramco-Gershenson Properties Trust and Ramco-Gershenson, Inc.'s officers assumed management responsibility for the Company. The trust also changed its operations from a mortgage REIT to an equity REIT and contributed certain mortgage loans and real estate properties to Atlantic Realty Trust (Atlantic), an independent, newly formed liquidating real estate investment trust. The shares of Atlantic were immediately distributed to the shareholders of Ramco-Gershenson Properties Trust.

The terms Company, we, our or us refers to Ramco-Gershenson Properties Trust and/or its predecessors.

On October 2, 1997, with approval from our shareholders, we changed our state of organization from Massachusetts to Maryland by merging into a newly formed Maryland real estate investment trust thereby terminating the Massachusetts trust.

We were the subject of an IRS examination of our taxable years ended December 31, 1991 through 1995. We refer to this examination as the IRS Audit. On December 4, 2003, we reached an agreement with the IRS with respect to the IRS Audit. We refer to this agreement as the Closing Agreement. Pursuant to the terms of the Closing Agreement we agreed to pay deficiency dividends (that is, our declaration and payment of a distribution that is permitted to relate back to the year for which the IRS determines a deficiency in order to satisfy the requirement for REIT qualification that we distribute a certain minimum amount of our REIT taxable income for such year) in amounts not less than \$1.387 million and \$809 for our 1992 and 1993 taxable years, respectively. We also consented to the assessment and collection of \$770 in tax deficiencies and to the assessment and collection of interest on such tax deficiencies and on the deficiency dividends referred to above.

In connection with the incorporation, and distribution of all of the shares, of Atlantic, in May 1996, we entered into the Tax Agreement with Atlantic under which Atlantic assumed all of our tax liabilities arising out of the IRS then ongoing examinations (which included, but is not otherwise limited to, the IRS Audit), excluding any tax liability relating to any actions or events occurring, or any tax return position taken, after May 10, 1996, but including liabilities for additions to tax, interest, penalties and costs relating to covered taxes. In addition, the Tax Agreement provides that, to the extent any tax which Atlantic is obligated to pay under the Tax Agreement can be avoided through the declaration of a deficiency dividend, we would make, and Atlantic would reimburse us for the amount of, such deficiency dividend.

On December 15, 2003, our Board of Trustees declared a cash deficiency dividend in the amount of \$2.196 million, which was paid on January 20, 2004, to common shareholders of record on December 31, 2003. On January 21, 2004, pursuant to the Tax Agreement, Atlantic reimbursed us \$2.196 million in recognition of our payment of the deficiency dividend. Atlantic has also paid all other amounts (including the tax deficiencies and interest referred to above), on behalf of the Company, assessed by the IRS to date.

Pursuant to the Closing Agreement we agreed to an adjustment to our taxable income for each of our taxable years ended December 31, 1991 through 1995. The Company has determined that it is obligated to advise the relevant taxing authorities for the state and local jurisdictions where it conducted business during those years of the fact of such adjustments and the terms of the Closing Agreement. We believe that our exposure to state and local tax, penalties, interest and other miscellaneous expenses will not exceed \$3.17 million as of June 30, 2006. It is

management's belief that any liability for state and local tax, penalties, interest, and other miscellaneous expenses that may exist in relation to the IRS Audit will be covered under the Tax Agreement.

Effective March 31, 2006, Atlantic was merged into (acquired by) SI 1339, Inc., a wholly-owned subsidiary of Kimco Realty Corporation (Kimco), with SI 1339, Inc. continuing as the surviving corporation. By way of the merger, SI 1339, Inc. acquired Atlantic's assets, subject to its liabilities (including its obligations to the Company under the Tax Agreement). In a press release issued on the effective date of the merger, Kimco disclosed that the

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

shareholders of Atlantic received common shares of Kimco valued at \$81.8 million in exchange for their shares in Atlantic. Hereinafter, the term Atlantic refers to Atlantic and/or SI 1339, Inc., its successor-in-interest.

Current IRS Examination

The IRS is currently conducting an examination of us for our taxable years ended December 31, 1996 and 1997. We refer to this examination as the IRS Examination. On April 13, 2005, the IRS issued two examination reports to us with respect to the IRS Examination. The first examination report seeks to disallow certain deductions and losses we took in 1996 and to disqualify us as a REIT for the years 1996 and 1997. The second report also proposes to disqualify us as a REIT for our taxable years ended December 31, 1998 through 2000, years we had not previously been notified were under examination, and to not allow us to reelect REIT status for 2001 through 2004. Insofar as the reports seek to disqualify us as a REIT, we vigorously dispute the IRS positions, and we have been advised by legal counsel that the IRS positions set forth in the reports with respect to our disqualification as a REIT are unsupported by the facts and applicable law. We discuss this issue in greater detail below under the subheading *Disqualification as a REIT*. We dispute the disallowance of certain deductions and losses for 1996 and believe that amounts which may be assessed against us with respect to any such disallowance would constitute items covered under the Tax Agreement. We discuss this issue in greater detail below under the subheading *Disallowance of Certain Deductions and Losses*. We contested the reports by filing a protest with the Appeals Office of the IRS on May 31, 2005.

Disqualification as a REIT

The examination reports propose to disqualify us as a REIT for our taxable years 1996 through 2000 for reasons relating to our ownership of stock in Ramco-Gershenson, Inc. and for our alleged failure to meet the requirement to demand from record holders of our shares certain information regarding the actual ownership of those shares. The reports also propose not to allow us to reelect REIT status for 2001 through 2004. As described below, we believe, and have been advised by legal counsel, that the positions set forth in the examination reports pursuant to which the IRS proposes to disqualify us as a REIT are unsupported by the facts and applicable law.

First, the IRS asserts that a commonality of interests and control between us and Ramco Gershenson, Inc., by reason of the ownership of voting stock in Ramco-Gershenson, Inc. by certain of our trustees and members of our management, resulted in our deemed prohibited ownership of more than 10% of the voting stock in Ramco-Gershenson, Inc. We have been advised by counsel that the structure of our ownership of stock in Ramco-Gershenson, Inc., and the governance thereof, are consistent with the form and structure of similar subsidiaries used by other large REITs and should not provide a valid basis for the disqualification of the Company as a REIT for any of the tax years covered by the examination reports.

Secondly, the IRS proposes to disqualify us as a REIT for 1996 through 2000 for our alleged failure to meet the shareholder-record keeping requirement because we did not request certain information from holders of interests in our operating partnership. We have been advised by counsel that the IRS has erred in its determination that we were required to make such a demand from our partners merely by reason of their ownership of interests in our operating partnership.

Finally, the IRS proposes not to allow us to reelect to be a REIT for 2001 through 2004 based on our alleged failure to qualify as a REIT for 2000. We believe, based on the advice of counsel, that if we were disqualified for 1996, we would be allowed to reelect REIT status for our 2001 tax year.

Disallowance of Certain Deductions and Losses

The examination reports also propose to disallow certain deductions and losses taken in 1996. We believe that, in many material respects, the positions based on which the IRS proposes to disallow such deductions and losses are unsupported by the facts and applicable law.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Protest: Potential Impact

We contested the positions taken in the examination reports through the filing of a protest with the Appeals Office of the IRS on May 31, 2005. On March 28, 2006, we attended a conference with the Appeals Office of the IRS. The Company has not been advised of any decisions by the Appeals Office of the IRS with respect to our protest. If we cannot obtain a satisfactory result through the administrative appeals process, we may pursue judicial review of the determination.

If all of the positions taken (exclusive of the proposed revocation of our REIT status for 2001 through 2004) and adjustments proposed in the examination reports were sustained, then we would be liable for approximately \$22 million in combined tax, penalties and interest as calculated by the IRS through April 13, 2005. As of June 30, 2006, the Company estimates that such combined tax, penalties and interest would approximate \$24.2 million. If we were successful in opposing the positions taken in the first examination report (which relates to 1996 and 1997) and the second examination report (which relates to 1998 through 2000), other than the proposed increase in our REIT taxable income resulting from disallowance of certain deductions for 1996, then we could avoid losing our REIT status by paying a deficiency dividend in the amount (if any) necessary to satisfy the requirement that we distribute each year a certain minimum amount of our REIT taxable income for such year. In the event we were required to pay a deficiency dividend, such dividend would be treated as an addition to tax for the year to which it relates, and we would be subject to the assessment and collection by the IRS of interest on such addition to tax. The second examination report (which relates to 1998 through 2000) does not quantify our potential liability for combined tax, penalties and interest resulting from the proposed revocation of our REIT status for 2001 through 2004. Such potential liability could be substantial and could have a material adverse effect on our financial position, results of operations and cash flows.

If we were to fail to qualify as a REIT for any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates for such year, and distributions to shareholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and, to the extent we were not indemnified against such liability under the Tax Agreement, would reduce the amount of our cash available for distribution to our shareholders, which in turn could have a material adverse impact on the value of, and trading prices for, our common shares. In addition, we would not be able to reelect REIT status until the fifth taxable year following the initial year of disqualification unless we were to qualify for relief under applicable provisions of the Code. Upon a new REIT election, we would be required to distribute any earnings and profits that we had accumulated during the taxable years in which we failed to qualify as a REIT. If we failed to qualify as a REIT for more than two taxable years, we would be subject to corporate level tax during the ten-year period beginning on the first day of the year we reelect REIT status with respect to any built-in gain we recognize on the disposition of any asset held on such date.

Tax Agreement with Atlantic

Certain tax deficiencies, interest, and penalties, which may be assessed against us in connection with the IRS Examination, may constitute covered items under the Tax Agreement. Atlantic previously filed a Form 8-K in which it disclosed that it has been advised by counsel that it does not have any obligation to make any payment to or indemnify us in any manner for any tax, interest or penalty set forth in the examination report relating to 1996 and 1997. We disagree with this position and believe that some or all of the amounts which may be assessed against us with respect

to the disallowance of certain deductions and losses for 1996 would constitute covered items under the Tax Agreement. If Atlantic prevails in its position that it is not required to indemnify us under the Tax Agreement with respect to liabilities we incur as a result of the IRS Examination, then we would be required to pay for such liabilities out of our own funds. Even if we prevail in our position that Atlantic is required to indemnify us under the Tax Agreement with respect to such liabilities, Atlantic may not have sufficient assets at the time to reimburse us for all amounts we must pay to the IRS, and we would be required to pay the difference out of our own funds. The IRS may also assess taxes against us that Atlantic is not required to pay. Accordingly, the ultimate resolution of any tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liabilities arising pursuant to the IRS Audit and the IRS Examination may have a material adverse effect on our financial position, results of operations and cash flows, particularly if we are required to distribute deficiency dividends to our shareholders and/or pay additional taxes, interest and penalties to the IRS in amounts that exceed any indemnification payments we receive from Atlantic.

Operating Partnership Examination Report

In connection with an ongoing IRS examination of one of our operating partnerships we also received an examination report, which relates to such partnership's taxable year ended December 31, 1997, which proposes to increase the income of certain of the operating partnership's partners other than us. As such, the proposed adjustments would not result in our being liable for additional tax, penalties or interest.

Litigation

We are currently involved in certain litigation arising in the ordinary course of business. We believe that this litigation will not have a material adverse effect on our consolidated financial statements.

Environmental Matters

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment (Environmental Laws), a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances disposed, stored, released, generated, manufactured or discharged from, on, at, onto, under or in such property. Environmental Laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substance. The presence of such substances, or the failure to properly remediate such substances when present, released or discharged, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. The cost of any required remediation and the liability of the owner or operator therefore as to any property is generally not limited under such Environmental Laws and could exceed the value of the property and/or the aggregate assets of the owner or operator. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the cost of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such persons. In addition to any action required by Federal, state or local authorities, the presence or release of hazardous or toxic substances on or from any property could result in private plaintiffs bringing claims for personal injury or other causes of action.

In connection with ownership (direct or indirect), operation, management and development of real properties, we may be potentially liable for remediation, releases or injury. In addition, Environmental Laws impose on owners or operators the requirement of on-going compliance with rules and regulations regarding business-related activities that may affect the environment. Such activities include, for example, the ownership or use of transformers or underground tanks, the treatment or discharge of waste waters or other materials, the removal or abatement of asbestos-containing materials (ACMs) or lead-containing paint during renovations or otherwise, or notification to various parties concerning the potential presence of regulated matters, including ACMs. Failure to comply with such requirements could result in difficulty in the lease or sale of any affected property and/or the imposition of monetary penalties, fines or other sanctions in addition to the costs required to attain compliance. Several of our properties have or may contain ACMs or underground storage tanks (USTs); however, we are not aware of any potential environmental liability which could reasonably be expected to have a material impact on our financial position or results of operations. No

assurance can be given that future laws, ordinances or regulations will not impose any material environmental requirement or liability, or that a material adverse environmental condition does not otherwise exist.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Repurchase of Common Shares of Beneficial Interest

In December 2005, the Board of Trustees authorized the repurchase, at management's discretion, of up to \$15,000 of the Company's common shares of beneficial interest. The program allows the Company to repurchase its common shares of beneficial interest from time to time in the open market or in privately negotiated transactions. As of June 30, 2006, the Company purchased and retired 287,900 shares of the Company's common shares of beneficial interest under this program at an average cost of \$27.11 per share.

11. Subsequent Event

On July 5, 2006, we acquired an additional 90% interest in Beacon Square Development LLC (Beacon Square), increasing our ownership in this entity to 100%, for (1) \$590 in cash, (2) the assumption of a variable rate construction loan due August 2007 in the amount not to exceed \$6,800, of which \$6,221 was outstanding with interest at 6.79% and (3) and a mezzanine fixed rate debt instrument due August 2007 in the amount of \$1,300. The additional investment in Beacon Square will result in this entity being consolidated as of July 5, 2006.

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Item 2 *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements, including the respective notes thereto, which are included in this Form 10-Q.

Overview

We are a publicly-traded real estate investment trust (REIT) which owns, develops, acquires, manages and leases community shopping centers (including power centers and single-tenant retail properties) and one regional mall in the midwestern, southeastern and mid-Atlantic regions of the United States. At June 30, 2006, our portfolio consisted of 79 shopping centers, of which thirteen are power centers and two are single-tenant retail properties, as well as one enclosed regional mall, totaling approximately 17.9 million square feet of gross leasable area. We own approximately 14.1 million square feet of such gross leasable area (GLA), with the remaining portion owned by various anchor stores.

Our corporate strategy is to maximize total return for our shareholders by improving operating income and enhancing asset value. We pursue our goal through:

A proactive approach to redeveloping, renovating and expanding our shopping centers;

The acquisition of community shopping centers, with a focus on grocery and nationally-recognized discount department store anchor tenants;

The development of new shopping centers in metropolitan markets where we believe demand for a center exists; and

A proactive approach to leasing vacant spaces and entering into new leases for occupied spaces when leases are about to expire.

We have followed a disciplined approach to managing our operations by focusing primarily on enhancing the value of our existing portfolio through strategic sales and successful leasing efforts. We continue to selectively pursue new acquisitions and development opportunities.

The highlights of our second quarter of 2006 activity reflect this strategy:

We completed the first phase of our River City Marketplace development located in Jacksonville, Florida.

In April 2006, we acquired Paulding Pavilion, a 72,300 square foot community shopping center in Hiram, Georgia, for a purchase price of \$8.4 million. We intend to redevelop this center.

We opened 25 new non-anchor stores, at an average base rent of \$13.38 per square foot. We also renewed 28 non-anchor leases, at an average base rent of \$15.90 per square foot, achieving an increase of 9.2% over prior rental rates. Additionally, we opened six anchor leases during the quarter and renewed one anchor lease at an average base rent of \$8.44 per square foot, achieving an increase of 4.9% over prior rental rates.

The Company repurchased 285,100 shares of common shares of beneficial interest at an average price of \$27.09.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the development, selection and disclosure of these

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estimates with the audit committee of our board of trustees. Actual results could differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. For example, significant estimates and assumptions have been made with respect to useful lives of assets, capitalization of development and leasing costs, recoverable amounts of receivables and initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions. Our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2005 have not materially changed during the first six months of 2006.

Comparison of Three Months Ended June 30, 2006 to Three Months Ended June 30, 2005

For purposes of comparison between the three months ended June 30, 2006 and 2005, same center refers to the shopping center properties owned as of January 1, 2005 and June 30, 2006. We made one acquisition in 2006 and one acquisition in 2005 and we increased our partnership interest in Ramco Gaines, LLC, which is now included in our consolidated financial statements. These properties are collectively referred to as Acquisitions in the following discussion.

Revenues

Total revenues for the three months ended June 30, 2006 were \$38.4 million, a \$1.9 million, or 5.2%, increase over the comparable period in 2005.

Minimum rents increased \$1.1 million, or 4.8%, to \$25.1 million for the three months ended June 30, 2006 as compared to the same period in 2005. Acquisitions contributed \$897,000 to the increase in minimum rents for the three months ended June 30, 2006.

Recoveries from tenants increased \$985,000, or 10.6%, to \$10.3 million for the second quarter of 2006 as compared to \$9.3 million for the same period in 2005. Acquisitions contributed \$302,000 million of the increase. The balance of the increase is primarily attributable to the increase in recoverable operating expenses for the three months ended June 30, 2006 when compared to the same period in 2005. The overall recovery ratio was 97.9% for the three months ended June 30, 2006, compared to 97.8% for the three months ended June 30, 2005.

Other income decreased \$149,000 to \$1.4 million for the three months ended June 30, 2006. The decrease was primarily attributable to lower interest income of \$266,000 for the three months ended June 30, 2006 when compared to the same period in 2005, partially offset by an increase of \$109,000 in lease termination fees in 2006.

Expenses

Total expenses for the three months ended June 30, 2006 increased \$581,000, or 1.8%, to \$33.6 million as compared to \$33.0 million for the three months ended June 30, 2005.

Total recoverable expenses, including real estate taxes, increased by \$995,000 to \$10.5 million for the three months ended June 30, 2006 as compared to \$9.5 million for the three months ended June 30, 2005. The increase was the result of \$313,000 for Acquisitions with the balance attributable primarily to higher insurance costs in our Florida shopping centers.

Depreciation and amortization expense decreased \$551,000, or 6.5%, to \$7.9 million for the three months ended June 30, 2006 from \$8.4 million for the same period in 2005. The decrease is primarily attributable to the write-off of \$1.0 million of unamortized tenant improvement costs related to the termination of a tenant at the Tel-Twelve shopping center during the second quarter of 2005, net of an increased in depreciation expense of \$256,000 related to Acquisitions for the three months ended June 30, 2006.

Other operating expenses increased \$525,000 to \$917,000 for the three months ended June 30, 2006, from \$392,000 for the same period in 2005. The increase is primarily due to increased bad debt expense for the three months ended June 30, 2006 and the addition of our regional office in Florida.

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General and administrative expenses decreased \$574,000 to \$3.3 million for the three months ended June 30, 2006 as compared to \$3.9 million for the same period in 2005. The decrease is principally attributable to decreases in professional fees of \$212,000 for the three months ended June 30, 2006 as compared to the same period in 2005 and adjustments for actual employment costs accrued in prior periods of approximately \$224,000.

Interest expense increased \$186,000, from \$10.8 million for the three months ended June 30, 2005 to \$11.0 million during the second quarter of 2006. To fund working capital requirements, average loan balances outstanding increased \$21.0 million for the three months ended June 30, 2006 as compared to 2005. The higher average outstanding debt contributed \$327,000 to the increase in interest expense. Interest expense also increased by \$307,000 during the three months ended June 30, 2006 as a result of higher interest rates. The increase in interest cost was reduced by higher capitalization and lower amortization of loan fees during the period. Interest expense related to capitalized leases increased \$77,000 during the period ended June 30, 2006. Interest costs capitalized, in conjunction with development and expansion projects, were \$401,000 for the three months ended June 30, 2006, as compared to \$130,000 for the same period in 2005. Amortization of loan fees decreased \$261,000, from \$528,000 for the three months ended June 30, 2005 to \$267,000 during the quarter ended June 30, 2006.

Other

Minority interest from continuing operations represents the equity in income attributable to the portion of the Operating Partnership not owned by the Company. The increase in minority interest of \$243,000 is primarily the result of higher income from continuing operations for the three months ended June 30, 2006 compared to the same period in 2005.

Income from discontinued operations include the results of seven properties sold in January 2006. Income from discontinued operations decreased \$556,000 to \$67,000 for the three months ended June 30, 2006 and is the result of the timing for assets included in discontinued operations in 2006 as compared to the same period in 2005.

Comparison of Six Months Ended June 30, 2006 to Six Months Ended June 30, 2005

For purposes of comparison between the six months ended June 30, 2006 and 2005, same center refers to the shopping center properties owned as of January 1, 2005 and June 30, 2006. We made one acquisition in 2006 and one acquisition in 2005 and we increased our partnership interest in Ramco Gaines, LLC, which is now included in our consolidated financial statements. These properties are collectively referred to as Acquisitions in the following discussion.

Revenues

Total revenues for the six months ended June 30, 2006 were \$75.0 million, a \$1.6 million, or 2.2%, increase over the comparable period in 2005.

Minimum rents increased \$1.8 million, or 3.7%, to \$49.8 million for the six months ended June 30, 2006 when compared to the same period in 2005. Acquisitions contributed \$1.7 million of the increase in minimum rents for the six months ended June 30, 2006.

Recoveries from tenants increased \$219,000, or 1.1%, to \$20.2 million for the six months ended June 30, 2006 as compared to \$20.0 million for the same period in 2005. Acquisitions contributed \$646,000 of the increase, which was partially offset by a decrease in same center recoveries of \$427,000. During the year, we estimate the recovery ratio, by property, based on current facts and circumstances. Subsequent to year end, the final billings to our tenants are calculated and any required adjustments are recorded. Additional expense related to tenant audits of recoverable

operating expenses recognized during the six months ended June 30, 2006 decreased recoveries by \$123,000. The overall recovery ratio was 96.1% for the six months ended June 30, 2006, compared to 100.3% for the six months ended June 30, 2005. The variance in recovery percentage was the result of adjustments of prior year's estimates to actual for billings completed in the six months ended June 30, 2005 and decreased recoveries in the comparable period in 2006. We expect the recovery ratio to be between 96.0% and 97.0% for the twelve months ended December 31, 2006, compared to 97.9% for 2005. The forecasted decrease is primarily related to various redevelopment projects currently in progress.

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Other income decreased \$455,000 to \$1.9 million for the six months ended June 30, 2006. Lower lease termination fees contributed \$266,000 of the decrease and interest income decreased \$263,000 during the six months ended June 30, 2006, compared to the same period in 2005.

Expenses

Total expenses for the six months ended June 30, 2006 increased \$2.3 million, or 3.5%, to \$67.5 million as compared to \$65.2 million for the six months ended June 30, 2005.

Total recoverable expenses, including recoverable operating expenses and real estate taxes, increased \$1.1 million to \$21.0 million for the six months ended June 30, 2006. Acquisitions contributed \$571,000 to the increase. The balance of the increase is primarily attributable to redevelopment projects completed during 2005.

Depreciation and amortization expense increased \$203,000, or 1.3%, to \$16.0 million for the six months ended June 30, 2006. Depreciation expense related to our Acquisitions contributed \$471,000 of the increase. Same center depreciation expense decreased by \$268,000 for the six months ended June 30, 2006 as compared to 2005. During the second quarter of 2005, we wrote-off \$1.0 million of unamortized tenant improvement costs related to the termination of a tenant at the Tel-Twelve shopping center.

Other operating expenses increased \$770,000 to \$1.6 million for the six months ended June 30, 2006, from \$849,000 for the same period in 2005. The increase is primarily due to increased bad debt expense for the six months ended June 30, 2006 and the addition of our regional office in Florida.

Interest expense increased \$425,000, from \$21.1 million for the six months ended June 30, 2005 to \$21.6 million during the six months of 2006. To fund working capital requirements, average loan balances outstanding increased \$36.0 million for the six months ended June 30, 2006 as compared to 2005. The higher average outstanding debt contributed \$1.1 million to the increase in interest expense. Interest expense also increased by \$156,000 during the six months ended June 30, 2006 as a result of higher interest rates. The increase in interest cost was reduced by higher capitalization and lower amortization of loan fees during the period. Interest expense related to capitalized leases increased \$192,000 during the six months ended June 30, 2006. Interest costs capitalized, in conjunction with development and expansion projects, were \$784,000 for the six months ended June 30, 2006, as compared to \$287,000 for the same period in 2005. Amortization of loan fees decreased \$492,000, from \$1,015,000 for the six months ended June 30, 2005 to \$523,000 during the six months ended June 30, 2006.

Other

Minority interest from continuing operations represents the equity in income attributable to the portion of the Operating Partnership not owned by the Company. The increase in minority interest of \$299,000 is primarily the result of higher income from continuing operations for the six months ended June 30, 2006 compared to the same period in 2005.

Income from discontinued operations increased \$44,000 to \$1.3 million for the six months ended June 30, 2006. The increase is primarily due to the sale of seven properties in January 2006, resulting in a gain, net of minority interest, of \$954,000. Income from discontinued operations decreased \$910,000 during the six months ended June 30, 2006 due to the timing for assets in discontinued operations in 2006 as compared to the same period in 2005.

Liquidity and Capital Resources

The principal uses of our liquidity and capital resources are for operations, acquisitions, development, redevelopment, including expansion and renovation programs, and debt repayment, as well as dividend payments in accordance with REIT requirements and repurchases of our common shares. We anticipate that the combination of cash on hand, the availability under our Credit Facility, possible equity and debt offerings and the sale of existing properties will satisfy our expected working capital requirements though at least the next 12 months and allow us to achieve continued growth. Although we believe that the combination of factors discussed above will provide sufficient liquidity, no such assurance can be given.

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For the six months ended June 30, 2006, we generated \$25.3 million in cash flows from operating activities and \$29.5 million cash flows from investing activities and we used \$51.4 million in cash flows from financing activities. During the same period, we repaid \$4.4 million of mortgage obligations and paid \$20.8 million in cash distributions to shareholders and holders of operating partnership units.

At June 30, 2006, our market capitalization amounted to \$1.3 billion. Market capitalization consisted of \$702.3 million of debt (including property-specific mortgages, an unsecured credit facility consisting of a term loan facility and a revolving credit facility, and a bridge loan), \$25.7 million of Series B Preferred Shares, \$56.3 million of Series C Preferred Shares, and \$525.0 million of our common shares of beneficial interest and Operating Partnership Units at market value. Our debt to total market capitalization was 53.6% at June 30, 2006, as compared to 54.5% at December 31, 2005. After taking into account the impact of converting our variable rate debt into fixed rate debt by use of interest rate swap agreements, our outstanding debt at June 30, 2006 had a weighted average interest rate of 6.3%, and consisted of \$527.6 million of fixed rate debt and \$174.7 million of variable rate debt. Outstanding letters of credit issued under the Credit Facility total approximately \$2.1 million. Variable rate debt accounted for approximately 24.9% of our total debt and 13.3% of our total capitalization.

We have a \$250 million unsecured credit facility (the Credit Facility) consisting of a \$100 million unsecured term loan facility and a \$150 million unsecured revolving credit facility. The Credit Facility provides that the unsecured revolving credit facility may be increased by up to \$100 million at our request, for a total unsecured revolving credit facility commitment of \$250 million. The unsecured term loan facility matures in December 2010 and bears interest at a rate equal to LIBOR plus 130 to 165 basis points, depending on certain debt ratios. The unsecured revolving credit facility matures in December 2008 and bears interest at a rate equal to LIBOR plus 115 to 150 basis points, depending on certain debt ratios. We have the option to extend the maturity date of the unsecured revolving credit facility to December 2010. It is anticipated that funds borrowed under the Credit Facility will be used for general corporate purposes, including working capital, capital expenditures, the repayment of indebtedness or other corporate activities.

We have a \$22.6 million bridge term loan with an interest rate at LIBOR plus 135 basis points. The loan matures in September 2006. It is our intention to extend or refinance this bridge loan. However, there can be no assurance that we will be able to extend or refinance the loan on commercially reasonable or any other terms.

Under terms of various debt agreements, we may be required to maintain interest rate swap agreements to reduce the impact of changes in interest rates on our floating rate debt. We have interest rate swap agreements with an aggregate notional amount of \$80.0 million at June 30, 2006. Based on rates in effect at June 30, 2006, the agreements for notional amounts aggregating \$80.0 million provide for fixed rates ranging from 6.2% to 6.6% and expire December 2008 through March 2009.

The properties in which our operating partnership owns an interest and which are accounted for by the equity method of accounting are subject to non-recourse mortgage indebtedness. At June 30, 2006, our pro rata share of non-recourse mortgage debt on the unconsolidated properties (accounted for by the equity method) was \$83.3 million with a weighted average interest rate of 7.0%. Fixed rate debt amounted to \$75.5 million, or 90.7%, of our pro rata share.

The mortgage loans encumbering our properties, including properties held by our unconsolidated joint ventures, are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower, either directly or indirectly, and certain environmental liabilities. In addition, upon the occurrence of certain of such events, such as fraud or filing of a bankruptcy petition by the borrower, we would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, penalties and expenses.

Capitalization

Our capital structure at June 30, 2006 includes property-specific mortgages, an unsecured credit facility consisting of a term loan facility and a revolving credit facility, a bridge term loan, our Series B Preferred Shares, our Series C Preferred Shares, our common shares of beneficial interest and a minority interest in the Operating

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Partnership. At June 30, 2006, the minority interest in the Operating Partnership represented a 15.0% ownership in the Operating Partnership which, may under certain conditions, be exchanged for an aggregate of 2,929,000 common shares.

As of June 30, 2006, the units in the Operating Partnership (OP Units) were exchangeable for our common shares of beneficial interest on a one-for-one basis. We, as sole general partner of the Operating Partnership, have the option, but not the obligation, to settle exchanged OP Units held by others in cash based on the current trading price of our common shares of beneficial interest. Assuming the exchange of all OP Units, there would have been 19,494,892 of our common shares of beneficial interest outstanding at June 30, 2006, with a market value of approximately \$525.0 million (based on the closing price of \$26.93 per share on June 30, 2006).

As part of our business plan to improve our capital structure and reduce debt, we will continue to pursue the strategy of selling fully-valued properties and to dispose of shopping centers that no longer meet the criteria established for our portfolio. Our ability to obtain acceptable selling prices and satisfactory terms will impact the timing of future sales. Net proceeds from the sale of properties are expected to reduce outstanding debt and to fund any future acquisitions.

Inflation

Inflation has been relatively low in recent years and has not had a significant detrimental impact on our results of operations. We believe that any inflationary increases in our expenses should be substantially offset by increased expense reimbursements, contractual rent increases and/or increased receipts from percentage rents. Should inflation rates increase in the future, substantially all of the leases at our properties provide for tenants to pay their pro rata share of operating expenses, including common area maintenance and real estate taxes, thereby reducing our exposure to increases in operating expenses resulting from inflation. Many of the tenants' leases contain provisions designed to lessen the impact of inflation on our business. Such provisions include the ability to receive percentage rentals based on a tenant's gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. In addition, many of the leases are for terms of less than ten years, which may enable us to replace existing leases with new leases at a higher base and/or percentage rentals if rents of the existing leases are below the then existing market rate. Therefore, we expect the effects of inflation and other changes in prices would not have a material impact on our results of operations.

Funds from Operations

We consider funds from operations, also known as FFO, an appropriate supplemental measure of the financial performance of an equity REIT. Under the National Association of Real Estate Investment Trusts, or NAREIT, definition, FFO represents net income, excluding extraordinary items (as defined under GAAP) and gains and losses on sales of depreciable property, plus real estate related depreciation and amortization (excluding amortization of financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate investments, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions and many companies utilize different depreciable lives and methods. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from depreciable property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, acquisition and development activities and interest costs, which provides a perspective of our financial performance not immediately apparent from net income determined in accordance with GAAP. In addition, FFO does not include the cost of capital improvements, including capitalized interest.

For the reasons described above we believe that FFO provides us and our investors with an important indicator of our operating performance. This measure of performance is used by us for several business purposes and for REITs it provides a recognized measure of performance other than GAAP net income, which may include non-cash items. Other real estate companies may calculate FFO in a different manner.

We recognize FFO's limitations when compared to GAAP net income. FFO does not represent amounts available for needed capital replacement or expansion, debt service obligations, or other commitments and

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uncertainties. We do not use FFO as an indicator of our cash obligations and funding requirements for future commitments, acquisition or development activities. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, including the payment of dividends. FFO should not be considered as an alternative to net income (computed in accordance with GAAP) or as an alternative to cash flow as a measure of liquidity. FFO is simply used as an additional indicator of our operating performance.

The following table illustrates the calculation of FFO (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net Income	\$ 4,777	\$ 4,139	\$ 10,362	\$ 9,050
Add:				
Depreciation and amortization expense:				
Continuing operations real estate	8,460	8,953	17,125	16,412
Discontinued operations real estate		373		745
Loss (gain) on sale of real estate(1)		2		(23)
Minority interest in partnership:				
Continuing operations	885	643	1,672	1,373
Discontinued operations	12	108	69	227
Less:				
Discontinued operations, loss (gain) on sale of real estate, net of minority interest	3		(954)	
Funds from operations	14,137	14,218	28,274	27,784
Less:				
Series B Preferred Stock dividend	(594)	(594)	(1,188)	(1,188)
Series C Preferred Stock dividend		(1,070)		(2,140)
Funds from operations available to common shareholders	\$ 13,543	\$ 12,554	\$ 27,086	\$ 24,456
Weighted average equivalent shares outstanding, diluted	21,532	19,809	21,619	19,808
Funds from operations available for common shareholders, per diluted share	\$ 0.63	\$ 0.63	\$ 1.25	\$ 1.23

(1) Excludes gain on sale of undepreciated land of \$1,733 in 2006 and \$27 in 2005.

Capital Expenditures

During the six months ended June 30, 2006, we spent approximately \$4.9 million on revenue-generating capital expenditures including tenant allowances, leasing commissions paid to third-party brokers, legal costs relative to lease documents, and capitalized leasing and construction costs. These types of costs generate a return through rents from tenants over the term of their leases. Revenue-enhancing capital expenditures, including expansions, renovations or

repositionings, were approximately \$4.5 million. Revenue neutral capital expenditures, such as roof and parking lot repairs which are anticipated to be recovered from tenants, amounted to approximately \$572,000.

Forward Looking Statements

This document contains forward-looking statements with respect to the operation of certain of our properties. The forward-looking statements are identified by terminology such as may, will, should, believe, expect,

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estimate, anticipate, continue, predict or similar terms. We believe the expectations reflected in the forward-looking statements made in this document are based on reasonable assumptions. Certain factors could cause actual results to vary. These include: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; our cost of capital, which depends in part on our asset quality, our relationships with lenders and other capital providers; our business prospects and outlook and general market conditions; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a REIT; and other factors discussed elsewhere in this document and our other filings with the Securities and Exchange Commission (SEC). Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those projected in the forward-looking.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to interest rate risk on our variable rate debt obligations. We are not subject to any foreign currency exchange rate risk or commodity price risk, or other material rate or price risks. Based on our debt and interest rates and the interest rate swap agreements in effect at June 30, 2006, a 100 basis point change in interest rates would affect our annual earnings and cash flows by approximately \$947,000. We believe that a 100 basis point change in interest rates would impact the fair value of our total outstanding debt by approximately \$16.7 million.

Under the terms of various debt agreements, we may be required to maintain interest rate swap agreements to reduce the impact of changes in interest rate on our floating rate debt. We have interest rate swap agreements with an aggregate notional amount of \$80.0 million at June 30, 2006. Based on rates in effect at June 30, 2006, the agreements for notional amounts aggregating \$80.0 million provide for fixed rates ranging from 6.2% to 6.6% and expire through March 2009.

The following table sets forth information as of June 30, 2006 concerning our long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates of maturing amounts and fair market value (dollars in thousands).

	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value
Fixed-rate debt	\$ 3,129	\$ 61,179	\$ 102,642	\$ 48,053	\$ 100,171	\$ 212,452	\$ 527,626	\$ 522,173
Weighted average interest rate	6.8%	7.1%	5.4%	7.0%	6.6%	5.7%	6.2%	6.3%
Variable-rate debt	\$ 22,840	\$ 8,335	\$ 119,930	\$ 440	\$ 23,120		\$ 174,665	\$ 174,665
Weighted average interest rate	6.5%	6.7%	6.5%	7.2%	6.8%		6.6%	6.6%

We estimated the fair value of fixed rate mortgages using a discounted cash flow analysis, based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity. Considerable judgment is required to develop estimated fair values of financial instruments. The fair value of our fixed rate debt is less than the carrying amount, however settlement at the reported fair value may not be possible or may not be a prudent management decision. The estimates presented herein are not necessarily indicative of the amounts we could realize on disposition of the financial instruments.

Item 4. Controls and Procedures**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (Exchange Act), such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the design control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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We carried out an assessment as of June 30, 2006 of the effectiveness of the design and operation of our disclosure controls and procedures. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on such evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that such disclosure controls and procedures were effective as of June 30, 2006.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION**Item 1. *Legal Proceedings***

There are no material pending legal or governmental proceedings, other than the IRS Examination and ordinary routine litigation incidental to our business, against or involving us or our properties. For a description of the IRS Examination, see Note 10 to the notes to consolidated financial statements.

Item 1A. *Risk Factors*

You should review our Annual Report on Form 10-K for the year ended December 31, 2005, which contains a detailed description of risk factors that may materially affect our business, financial condition or results of operations. There are no material changes to the disclosure on this matter set forth in such Form 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

In December 2005, the Board of Trustees authorized the repurchase, at management's discretion, of up to \$15.0 million of our common shares of beneficial interest. The program allows us to repurchase our common shares of beneficial interest from time to time in the open market or in privately negotiated transactions. This authorization does not have an expiration date.

The following table contains information regarding our purchase of our common shares of beneficial interest during the three months ended June 30, 2006:

ISSUER PURCHASE OF EQUITY SECURITIES

			Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
	Total Number of Shares Purchased	Average Price Paid per Share		

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April 1 through April 30, 2006	99,500	\$ 27.46	102,300	\$ 12,185,473.17
May 1 through May 31, 2006	178,000	26.92	280,300	7,392,915.24
June 1 through June 30, 2006	7,600	26.02	287,900	7,195,135.88
Total Second quarter of 2006	285,100	27.09	285,100	7,195,135.88
Total Year-To-Date through June 30, 2006	287,900	\$ 27.11	287,900	\$ 7,195,135.88

Item 4. *Submission of Matters to a Vote of Security Holders*

The annual meeting of shareholders of the Company was held on June 14, 2006.

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At the annual meeting, Stephen R. Blank and Joel M. Pashcow were re-elected as trustees of the Company to serve until the 2009 annual meeting of shareholders and Michael A. Ward was elected to serve until the 2007 annual meeting of shareholders. The following votes were cast for or were withheld from voting with respect to the election of each of the following persons:

Name	Votes For	Withheld
Stephen R. Blank	14,930,356	44,942
Joel M. Pashcow	14,918,067	57,232
Michael A. Ward	14,930,208	45,090

Dennis E. Gershenson, Robert A. Meister, Arthur H. Goldberg and Mark K. Rosenfeld continue to hold office after the annual meeting.

The following votes were cast for, against or abstain regarding the ratification of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006:

For	Against	Abstain
14,945,973	9,389	19,936

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

RAMCO-GERSHENSON PROPERTIES TRUST

By: /s/ Dennis Gershenson

Dennis Gershenson
President and Chief Executive Officer

Date: August 4, 2006

By: /s/ Richard J. Smith

Richard J. Smith
Chief Financial Officer
(Principal Accounting Officer)

Date: August 4, 2006