FORM 10-Q

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

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from ____________ to ____________

Commission File No. 1-11986

TANGER FACTORY OUTLET CENTERS, INC.
(Exact name of Registrant as specified in its Charter)

NORTH CAROLINA	56-1815473
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Northline Avenue, Suite 360, Greensboro, North Carolina 27408
(Address of principal executive offices)
(Zip code)

(336) 292-3010
(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 X No

7,929,711 Common Shares, $.01 par value,
outstanding as of August 1, 2001

TANGER FACTORY OUTLET CENTERS, INC.

Index

Part I. Financial Information

	Page Number
Item 1. Financial Statements (Unaudited)	
Consolidated Statements of Operations	
For the three and six months ended June 30, 2001 and 2000	3
Consolidated Balance Sheets	
As of June 30, 2001 and December 31, 2000	4
Consolidated Statements of Cash Flows	
For the six months ended June 30, 2001 and 2000	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9

Part II. Other Information

Item 1. Legal proceedings	18
Item 4. Submission of Matters to a Vote of Security Holders	18
Item 6. Exhibits and Reports on Form 8-K	18

Signatures 18

<TABLE>
<CAPTION>

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
REVENUES				
<S>	<C>	<C>	<C>	<C>
Base rentals	$ 18,564	$ 17,962	$ 36,842	$ 35,420
Percentage rentals	499	551	850	1,004
Expense reimbursements	7,701	7,384	15,272	14,347
Other income	557	1,393	1,077	2,336
Total revenues	27,321	27,290	54,041	53,107
EXPENSES				
Property operating	8,958	8,268	17,655	15,707
General and administrative	2,016	1,866	4,085	3,627
Interest	7,658	6,937	15,291	13,599
Depreciation and amortization	6,926	6,537	14,137	12,975
Total expenses	25,558	23,608	51,168	45,908
Income before loss on sale of real estate, minority interest and extraordinary item	1,763	3,682	2,873	7,199
Loss on sale of real estate	---	(5,935)	---	(5,935)
Income (loss) before minority interest and extraordinary item	1,763	(2,253)	2,873	1,264
Minority interest	(365)	756	(550)	(92)
Income (loss) before extraordinary item	1,398	(1,497)	2,323	1,172
Extraordinary item - Loss on early extinguishment of debt, net of minority interest of $50	---	---	(130)	---
Net income (loss)	1,398	(1,497)	2,193	1,172
Less applicable preferred share dividends	(443)	(467)	(885)	(933)
Net income (loss) available to common shareholders	$ 955	$ (1,964)	$ 1,308	$ 239

Basic earnings per common share:

Income (loss) before extraordinary item	$ .12	$ (.25)	$ .18	$ .03
Extraordinary item	---	---	(.02)	---
Net income (loss)	$ .12	$ (.25)	$ .16	$ .03
Diluted earnings per common share:				
Income (loss) before extraordinary item	$ .12	$ (.25)	$ .18	$ .03
Extraordinary item	---	---	(.02)	---
Net income (loss)	$ .12	$ (.25)	$ .16	$ .03
Dividends paid per common share	$ .61	$ .61	$ 1.22	$ 1.21

The accompanying notes are an integral part of these consolidated financial statements.
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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Rental Property		
<S>	<C>	<C>
Land	$ 59,858	$ 59,858
Buildings, improvements and fixtures	533,823	505,554
Developments under construction	---	19,516
	593,681	584,928
Accumulated depreciation	(135,472)	(122,365)
Rental property, net	458,209	462,563
Cash and cash equivalents	216	634
Deferred charges, net	12,130	8,566
Other assets	14,422	15,645
Total assets	$ 484,977	$ 487,408
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Debt		
Senior, unsecured notes	$ 175,000	$ 150,000

Mortgages payable	177,823	135,313
Term note, unsecured	---	20,000
Lines of credit	7,413	41,530
	360,236	346,843
Construction trade payables	6,251	9,784
Accounts payable and accrued expenses	12,452	12,807
Total liabilities	378,939	369,434
Commitments		
Minority interest	23,765	27,097
Shareholders' equity		
Preferred shares, $.01 par value, 1,000,000 shares authorized, 80,600 shares issued and outstanding at June 30, 2001 and December 31, 2000	1	1
Common shares, $.01 par value, 50,000,000 shares authorized, 7,929,211 and 7,918,911 shares issued and outstanding at June 30, 2001 and December 31, 2000	79	79
Paid in capital	136,522	136,358
Distributions in excess of net income	(53,894)	(45,561)
Accumulated other comprehensive loss	(435)	---
Total shareholders' equity	82,273	90,877
Total liabilities and shareholders' equity	$ 484,977	$ 487,408

The accompanying notes are an integral part of these consolidated financial statements.
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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2001	2000
	(Unaudited)	
OPERATING ACTIVITIES		
<S>	<C>	<C>
Net income	$ 2,193	$ 1,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,137	12,975
Amortization of deferred financing costs	973	603
Minority interest	500	92
Loss on early extinguishment of debt	180	---
Loss on sale of real estate	---	5,935
Gain on sale of outparcels of land	---	(427)
Straight-line base rent adjustment	172	101

Increase (decrease) due to changes in:		
Other assets	(497)	520
Accounts payable and accrued expenses	(957)	(1,535)
Net cash provided by operating activites	16,701	19,436
INVESTING ACTIVITIES		
Additions to rental properties	(12,256)	(13,062)
Additions to deferred lease costs	(1,064)	(1,378)
Net proceeds from sale of real estate	723	7,848
Insurance proceeds from casualty losses	---	4,046
Repayments from (advances to) officers	645	(571)
Net cash used in investing activities	(11,952)	(3,117)
FINANCING ACTIVITIES		
Cash dividends paid	(10,526)	(10,482)
Distributions to minority interest	(3,693)	(3,678)
Proceeds from issuance of debt	221,817	60,332
Repayments of debt	(208,424)	(62,295)
Additions to deferred financing costs	(4,533)	(514)
Proceeds from exercise of unit options	192	---
Net cash used in financing activities	(5,167)	(16,637)
Net decrease in cash and cash equivalents	(418)	(318)
Cash and cash equivalents, beginning of period	634	503
Cash and cash equivalents, end of period	$ 216	$ 185

Supplemental schedule of non-cash investing activities: The Company purchases capital equipment and incurs costs relating to construction of new facilities, including tenant finishing allowances. Expenditures included in construction trade payables as of June 30, 2001 and 2000 amounted to $6,251 and $12,720, respectively.

The accompanying notes are an integral part of these consolidated financial statements.
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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

(Unaudited)

1. Business

Tanger Factory Outlet Centers, Inc., a fully-integrated, self-administered, self-managed real estate investment trust ("REIT"), develops, owns and operates factory outlet centers. The factory outlet centers and other assets of the Company's business are held by, and all of its operations are conducted by, Tanger Properties Limited Partnership, the Company's majority owned limited partnership. Unless the context indicates otherwise, the term "Company" refers to Tanger Factory Outlet Centers, Inc. and the term "Operating Partnership" refers to Tanger Properties Limited Partnership. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the context requires.

2. Basis of Presentation

Our unaudited Consolidated Financial Statements have been prepared pursuant to accounting principles generally accepted in the United States of America and should be read in conjunction with the Consolidated Financial Statements and Notes thereto of the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Securities and Exchange Commission's ("SEC") rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

The accompanying unaudited Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature.

3. Development of Rental Properties

During the first six months of 2001, we added 70,600 square feet to the portfolio in San Marcos, Texas. In addition, we have approximately 26,500 square feet of expansion space substantially complete in San Marcos which is scheduled to open during the remainder of 2001.

Commitments to complete construction of the expansions to the existing properties and other capital expenditure requirements amounted to approximately $114,000 at June 30, 2001. Commitments for construction represent only those costs contractually required to be paid by us.

Interest costs capitalized during the three months ended June 30, 2001 and 2000 amounted to $52,000 and $121,000, respectively, and for the six months ended June 30, 2001 and 2000 amounted to $423,000 and $359,000, respectively.

4. Debt

On May 1, 2001, we entered into an eight year collateralized loan with John Hancock Life Insurance Company for $19.45 million at a fixed rate of 7.98%. The proceeds were used to reduce amounts outstanding under existing lines of credit.

On March 26, 2001, we entered into a five year collateralized loan with Wells Fargo Bank for $24.0 million at a variable rate of LIBOR plus 1.75%. The proceeds were used to reduce amounts outstanding under existing lines of credit. Additionally on March 26, 2001, we extended the maturity date of our existing $29.5 million term loan with Wells Fargo Bank from July 2005 to March 2006.

On February 9, 2001, the Operating Partnership issued $100 million of 9.125% senior, unsecured notes, maturing on February 15, 2008. The net proceeds of $97 million were used to repay all of the outstanding indebtedness under our $75 million 8.75% notes which were due March 11, 2001. The net proceeds were also used to repay the $20 million LIBOR plus 2.25% term loan due January 2002 with Fleet National Bank and Bank of America. The interest rate swap agreements associated with this loan were terminated at a cost of $295,200 which has been included in interest expense. In addition, approximately $180,000 of unamortized costs were written off as an extraordinary item. The remaining proceeds were used for general operating purposes.

At June 30, 2001, we had revolving lines of credit with an unsecured borrowing capacity of $100 million, of which $92.6 million was available for additional borrowings. During the first six months of 2001, we extended the maturity on two $25 million lines of credit from June 30, 2002 to June 30, 2003. Effective July 1, 2001, we reduced our borrowing capacity on one of our lines of credit from $25 million to $10 million, thereby reducing our overall capacity to $85 million. As of June 30, 2001 we had no borrowings under this line of credit.

5. Accounting Change - Derivative Financial Instruments

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by FAS 137 and FAS 138 (collectively, "FAS 133"). The cumulative effect of the change in accounting principle related to the adoption of FAS 133 resulted in the recognition of a $216,500 loss, net of minority interest of $83,000, to accumulated other comprehensive income on the date of adoption. As discussed in Note 4, certain interest rate swap agreements were terminated during the first quarter and the other comprehensive loss totaling $106,000, net of minority interest of $41,000, recognized at adoption relating to these agreements was reclassified to earnings. In accordance with the provisions of FAS 133, our sole remaining interest rate swap agreement has been designated as a cash flow hedge and is carried on the balance sheet at fair value. At June 30, 2001, the fair value of the hedge is recorded as a liability of $602,000. For the three and six months ended June 30, 2001, the change in the fair value of the remaining derivative instrument was recorded as a $10,000 and $324,000 loss, net of minority interest of $4,000 and $125,000, respectively, to

accumulated other comprehensive income. Total comprehensive income for the three and six months ended June 30, 2001 is as follows (in thousands):

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Net income	$ 1,398	$ 2,193
Other comprehensvie income (loss):		
Cumulative effect adjustment of FAS 133 adoption, net of minority interest of $83	---	(217)
Reclassification to earnings on termination of cash flow hedge, net of minority interest of $41	---	106
Change in fair value of cash flow hedge, net of minority interest of $4 and $125	(10)	(324)
Other comprehensive loss	(10)	(435)
Total comprehensive income	$ 1,388	$ 1,758

6. Earnings Per Share

The following table sets forth a reconciliation of the numerators and denominators in computing earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share (in thousands, except per share amounts):

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Numerator:				
Income (loss) before extraordinary item	$ 1,398	$ (1,497)	$ 2,323	$ 1,172
Less applicable preferred share dividends	(443)	(467)	(885)	(933)
Income (loss) available to common shareholders - numerator for basic and diluted earnings per share	$ 955	$ (1,964)	$ 1,438	$ 239
Denominator:				
Basic weighted average common shares	7,923	7,877	7,921	7,877
Effect of outstanding share and unit options	25	44	25	20
Diluted weighted average common shares	7,948	7,921	7,946	7,897
Basic earnings per share before extraordinary item	$ .12	$ (.25)	$ .18	$ .03
Diluted earnings per share before extaordinary item	$ .12	$ (.25)	$ .18	$ .03

</TABLE>

The computation of diluted earnings per share before extraordinary item excludes options to purchase common shares when the exercise price is greater than the average market price of the common units for the period. Options excluded totaled 1,245,000 and 1,521,000 for the three months ended June 30, 2001 and 2000, respectively, and 1,245,000 and 1,281,000 for the six months ended June 30, 2001 and 2000, respectively. The assumed conversion of preferred shares to common shares as of the beginning of the year would have been anti-dilutive. The assumed conversion of the partnership units held by the minority interest limited partner as of the beginning of the year, which would result in the elimination of earnings allocated to the minority interest, would have no impact on earnings per share since the allocation of earnings to a partnership unit is equivalent to earnings allocated to a common share.
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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the unaudited, Consolidated Financial Statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the unaudited, Consolidated Statements of Operations, including trends that might appear, are not necessarily indicative of future operations.

The discussion of our results of operations reported in the unaudited, Consolidated Statements of Operations compares the three and six months ended June 30, 2001 with the three and six months ended June 30, 2000. Certain comparisons between the periods are made on a percentage basis as well as on a weighted average gross leasable area ("GLA") basis, a technique which adjusts for certain increases or decreases in the number of centers and corresponding square feet related to the development, acquisition, expansion or disposition of rental properties. The computation of weighted average GLA, however, does not adjust for fluctuations in occupancy that may occur subsequent to the original opening date.

Cautionary Statements

Certain statements made below are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, the following:

- - general economic and local real estate conditions could change (for example, our tenant's business may change if the economy changes, which might effect (1) the amount of rent they pay us or their ability to pay rent to us, (2) their demand for new space, or (3) our ability to renew or re-lease a significant amount of available space on favorable terms);

- - the laws and regulations that apply to us could change (for instance, a change in the tax laws that apply to REITs could result in unfavorable tax treatment for us);

- - availability and cost of capital (for instance, financing opportunities may not be available to us, or may not be available to us on favorable terms);

- - our operating costs may increase or our costs to construct or acquire new properties or expand our existing properties may increase or exceed our original expectations.

General Overview

At June 30, 2001, we owned 29 centers in 20 states totaling 5.3 million square feet of GLA compared to 29 centers in 20 states totaling 5.0 million square feet of GLA at June 30, 2000. Since June 30, 2000, we have expanded 3 centers, increasing GLA by approximately 284,000 square feet.

During the first six months of 2001, we added 70,600 square feet to the portfolio in San Marcos, TX. Currently, we have an additional 26,500 square feet

of expansion space substantially complete in San Marcos, TX, which is scheduled to open during the remainder of 2001.

A summary of the operating results for the three and six months ended June 30, 2001 and 2000 is presented in the following table, expressed in amounts calculated on a weighted average GLA basis.

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
GLA open at end of period (000's)	5,306	5,021	5,306	5,021
Weighted average GLA (000's) (1)	5,294	5,176	5,274	5,171
Outlet centers in operation	29	29	29	29
Centers sold	---	2	---	2
Centers expanded	1	---	1	---
States operated in at end of period	20	20	20	20
Occupancy percentage at end of period	94%	95%	94%	95%
Per square foot				
Revenues				
Base rentals	$ 3.51	$ 3.47	$ 6.99	$ 6.85
Percentage rentals	.09	.11	.16	.19
Expense reimbursements	1.45	1.43	2.90	2.77
Other income	.11	.27	.20	.45
Total revenues	5.16	5.28	10.25	10.26
Expenses				
Property operating	1.69	1.60	3.35	3.04
General and administrative	.38	.36	.77	.70
Interest	1.45	1.34	2.90	2.63
Depreciation and amortization	1.31	1.26	2.68	2.51
Total expenses	4.83	4.56	9.70	8.88
Income before loss on sale of real estate, minority interest and extraordinary item	$ .33	$ .72	$ .55	$ 1.38

(1) GLA weighted by months of operations. GLA is not adjusted for fluctuations in occupancy which may occur subsequent to the original opening date.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2001 to the three months ended June 30, 2000

Base rentals increased $602,000, or 3%, in the 2001 period when compared to the same period in 2000. The increase is primarily due to the effect of the expansions discussed in the General Overview above since June 30, 2000. Base rent per weighted average GLA increased by $.04 per square foot from $3.47 per square foot in the three months ended June 30, 2000 to $3.51 per square foot in the three months ended June 30, 2001. The increase is the result of the sale of the Lawrence, Kansas and McMinnville, Oregon centers in June 2000 which had a

lower average base rent per square foot compared to the portfolio average.

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels (the "breakpoint"), decreased $52,000, and on a weighted average GLA basis, decreased $.02 per square foot in 2001 compared to 2000.

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses generally fluctuates consistently with the reimbursable property operating expenses to which it relates. Expense reimbursements, expressed as a percentage of property operating expenses, decreased from 89% in 2000 to 86% in 2001 primarily as a result of higher operating costs and other non-reimbursable expenses and a 1% decrease in occupancy rate for the 2001 period compared to the 2000 period.

Other income decreased $836,000 in 2001 compared to 2000 primarily due to the recognition in the 2000 period of gains on sale of land outparcels totaling $427,000 and the recognition of $493,000 of business interruption insurance proceeds relating to the Stroud, Oklahoma center which was destroyed by a tornado in May 1999.

Property operating expenses increased by $690,000, or 8%, in the 2001 period as compared to the 2000 period and, on a weighted average GLA basis, increased $.09 per square foot from $1.60 to $1.69. The increases are the result of certain increases in real estate tax assessments and higher common area maintenance expenses.

General and administrative expenses increased by $150,000, or 8%, in the 2001 period as compared to the 2000 period and, as a percentage of total revenues, were approximately 7% of total revenues in both the 2001 and 2000 periods.

Interest expense increased $721,000 during the 2001 period as compared to the 2000 period. Our strategy to replace short-term, variable rate debt with long-term, fixed rate debt and extend our average debt maturities has resulted in an overall higher interest rate on outstanding debt. Depreciation and amortization per weighted average GLA increased slightly from $1.26 per square foot in the 2000 period to $1.31 per square foot in the 2001 period due to a higher mix of tenant finishing allowances included in buildings and improvements which are depreciated over shorter lives (i.e. over lives generally ranging from 3 to 10 years as opposed to other construction costs which are depreciated over lives ranging from 15 to 33 years).

Comparison of the six months ended June 30, 2001 to the six months ended June 30, 2000

Base rentals increased $1.4 million, or 4%, in the 2001 period when compared to the same period in 2000. The increase is primarily due to the effect of the expansions completed since June 30, 2000, as mentioned in the General Overview above. Base rent per weighted average GLA increased by $.14 per square foot from $6.85 per square foot in the six months ended June 30, 2000 to $6.99 per square foot in the six months ended June 30, 2001. The increase is the result of the sale of the Lawrence, Kansas and McMinnville, Oregon centers in June 2000 which had a lower average base rent per square foot compared to the portfolio average.

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels (the "breakpoint"), decreased $154,000, and on a weighted average GLA basis, decreased $.03 per square foot in 2001 compared to 2000. For the first six months of 2001, reported same-store sales, defined as the weighted average sales per square foot reported by tenants for stores open since January 1, 2000, decreased by 3% when compared to the first six months of 2000. This comparison was significantly impacted by severe winter weather during the first quarter of 2001, particularly at our centers located in the northeast and the effect of the San Marcos expansion on that center's existing-store sales. Reported same-space sales for the rolling twelve months ended June 30, 2001, defined as the weighted average sales per square foot reported in space open for the full duration of each comparison period, increased 3% to $286, reflecting the continued success of the our strategy to re-merchandise selected centers by replacing low volume tenants with high volume tenants.

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses generally fluctuates consistently with the reimbursable property operating expenses to which it relates. Expense reimbursements, expressed as a percentage of property operating expenses, decreased from 91% in 2000 to 87% in 2001 primarily as a result of higher operating costs and other non-reimbursable expenses and a 1% decrease in occupancy rate for the 2001 period compared to the 2000 period.

Other income decreased $1.3 million in 2001 compared to 2000 primarily due to

the recognition in 2000 of gains on sale of land outparcels totaling $427,000 and the recognition of $985,000 of business interruption insurance proceeds relating to the Stroud, Oklahoma center which was destroyed by a tornado in May 1999.

Property operating expenses increased by $1.9 million, or 12%, in the 2001 period as compared to the 2000 period and, on a weighted average GLA basis, increased $.31 per square foot from $3.04 to $3.35. The increases are the result of certain increases in real estate tax assessments and higher common area maintenance expenses.

General and administrative expenses increased $458,000, or 13%, in the 2001 period as compared to the 2000 period and, as a percentage of total revenues, general and administrative expenses were approximately 8% and 7% of total revenues in 2001 and 2000, respectively.

Interest expense increased $1.7 million during the 2001 period as compared to the 2000 period. Our strategy to replace short-term, variable rate debt with long-term, fixed rate debt and extend our average debt maturities has resulted in an overall higher interest rate on outstanding debt. Also, $295,200 paid to terminate certain interest rate swap agreements during the first quarter of 2001 contributed to the increase in interest expense. Depreciation and amortization per weighted average GLA increased $.17 from $2.51 per square foot in the 2000 period to $2.68 per square foot in the 2001 period due to a higher mix of tenant finishing allowances included in buildings and improvements which are depreciated over shorter lives (i.e. over lives generally ranging from 3 to 10 years as opposed to other construction costs which are depreciated over lives ranging from 15 to 33 years).

The extraordinary loss recognized in the 2001 period represents the write-off of unamortized deferred financing costs related to debt that was extinguished with a portion of the February 2001 bond offering proceeds prior to its scheduled maturity.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $16.7 million and $19.4 million for the six months ended June 30, 2001 and 2000, respectively. The decrease in cash provided by operating activities is due primarily to an increase in interest expense in 2001 when compared to 2000. Net cash used in investing activities was $12.0 million and $3.1 million during 2001 and 2000, respectively. Net cash used was lower in 2000 primarily due to the $4.0 million received in insurance proceeds relating to the Stroud, Oklahoma center and $7.8 million received in net proceeds for the sale of our centers in Lawrence and McMinnville. Net cash used in financing activities decreased to $5.2 million during the first six months of 2001 from $16.6 million in 2000 due to the net issuance of $13.3 million in long-term debt in the 2001 period versus a repayment of $2.0 million in the 2000 period, offset by $4.5 million used for deferred financing costs mainly related to the February 2001 bond offering.

During the quarter, we added 70,600 square feet to the portfolio in San Marcos, TX. In addition, we currently have approximately 26,500 square feet of expansion space substantially complete in San Marcos that is scheduled to open during the remainder of 2001. Commitments to complete construction of the expansions to the existing properties and other capital expenditure requirements amounted to approximately $114,000 at June 30, 2001. Commitments for construction represent only those costs contractually required to be paid by us.

Future Developments

We are in the permitting and leasing stages for the development of up to a 400,000 square foot outlet center in Myrtle Beach, South Carolina. This center is being developed by Tanger-Warren Development, LLC ("Tanger-Warren"), a joint venture that was formed in August 2000 to identify, acquire and develop sites for us. Based on anticipated successful permitting and pre-leasing, we expect stores to begin opening in late 2002.

We have an option to purchase the retail portion of a site at the Bourne Bridge Rotary in Cape Cod, Massachusetts. Based on tenant demand, we plan to develop a new 250,000 square foot outlet center. The entire site will contain more than 750,000 square feet of mixed-use entertainment, retail, office and residential community built in the style of a Cape Cod Village. Obtaining appropriate approvals from local and state planning authorities for the project continues to be a challenge that currently prohibits us from estimating store openings.

The developments or expansions that we have planned or anticipated may not be started or completed as scheduled, or may not result in accretive funds from operations. In addition, we regularly evaluate acquisition or disposition proposals and engage from time to time in negotiations for acquisitions or dispositions. We may also enter into letters of intent for the purchase or sale of properties. Any prospective acquisition or disposition that is being

evaluated or which is subject to a letter of intent may not be consummated, or if consummated, may not result in accretive funds from operations.

Financing Arrangements

On May 1, 2001, we entered into an eight year collateralized loan with John Hancock Life Insurance Company for $19.45 million at a fixed rate of 7.98%. The proceeds were used to reduce amounts outstanding under existing lines of credit.

On March 26, 2001, we entered into a five year collateralized loan with Wells Fargo Bank for $24.0 million at a variable rate of LIBOR plus 1.75%. The proceeds were used to reduce amounts outstanding under existing lines of credit. Additionally on March 26, 2001, we extended the maturity date of our existing $29.5 million term loan with Wells Fargo Bank from July 2005 to March 2006.

On February 9, 2001, the Operating Partnership issued $100 million of 9.125% senior, unsecured notes, maturing on February 15, 2008. The net proceeds of $97 million were used to repay all of the outstanding indebtedness under our $75 million 8.75% notes which were due March 11, 2001. The net proceeds were also used to repay the $20 million LIBOR plus 2.25% term loan due January 2002 with Fleet National Bank and Bank of America. The interest rate swap agreements associated with this loan were terminated at a cost of $295,200 which has been included in interest expense. In addition, approximately $180,000 of unamortized costs were written off as an extraordinary item. The remaining proceeds were used for general operating purposes.

We intend to retain the ability to raise additional capital, including public debt as described above, to pursue attractive investment opportunities that may arise and to otherwise act in a manner that we believe to be in our best interest and our shareholders' interests. We maintain revolving lines of credit that provide for unsecured borrowings up to $100 million, of which $92.6 million was available for additional borrowings at June 30, 2001. During the first six months of 2001, we extended the maturity on two $25 million lines of credit from June 30, 2002 to June 30, 2003. Effective July 1, 2001, we reduced our borrowing capacity on one of our lines of credit from $25 million to $10 million, thereby reducing our overall capacity to $85 million. As of June 30, 2001, we had no borrowings under this line of credit.

During the second quarter, we amended our shelf registration for the ability to issue up to $200 million in debt and $200 million in equity securities. We may also consider selling certain properties that do not meet our long-term investment criteria as well as outparcels on existing properties to generate capital to reinvest into other attractive investment opportunities. Based on cash provided by operations, existing credit facilities, ongoing negotiations with certain financial institutions, the February 2001 bond offering and funds available under the shelf registration, we believe that we have access to the necessary financing to fund the planned capital expenditures during 2001.

At June 30, 2001, approximately 51% of our outstanding long-term debt represented unsecured borrowings and approximately 59% of our real estate portfolio was unencumbered. The average interest rate, including loan cost amortization, on average debt outstanding for the six months ended June 30, 2001 was 8.9%.

We anticipate that adequate cash will be available to fund our operating and administrative expenses, regular debt service obligations, and the payment of dividends in accordance with REIT requirements in both the short and long term. Although we receive most of our rental payments on a monthly basis, distributions to shareholders are made quarterly and interest payments on the senior, unsecured notes are made semi-annually. Amounts accumulated for such payments will be used in the interim to reduce the outstanding borrowings under the existing lines of credit or invested in short-term money market or other suitable instruments. Certain of our debt agreements limit the payment of dividends such that dividends will not exceed funds from operations ("FFO"), as defined in the agreements, for the prior fiscal year on an annual basis or 95% of FFO on a cumulative basis from the date of the agreement.

On July 12, 2001, our Board of Directors declared a $.61 cash dividend per common share payable on August 15, 2001 to each shareholder of record on July 31, 2001, and caused a $.61 per Operating Partnership unit cash distribution to be paid to the minority interests. The Board of Directors also declared a cash dividend of $.5496 per preferred depositary share payable on August 15, 2001 to each shareholder of record on July 31, 2001.

Market Risk

We are exposed to various market risks, including changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

We negotiate fixed rate debt instruments and enter into interest rate swap agreements to manage our exposure to interest rate changes. The swaps involve

the exchange of fixed and variable interest rate payments based on a contractual principal amount and time period. Payments or receipts on the agreements are recorded as adjustments to interest expense. At June 30, 2001, we had an interest rate swap agreement effective through January 2003 with a notional amount of $25 million. Under this agreement, we receive a floating interest rate based on the 30 day LIBOR index and pay a fixed interest rate of 5.97%. This swap effectively changes our payment of interest on $25 million of variable rate debt to fixed rate debt for the contract period at a rate of 7.72%.

The fair value of the interest rate swap agreement represents the estimated receipts or payments that would be made to terminate the agreement. At June 30, 2001, we would have paid approximately $602,000 to terminate the agreement. A 1% decrease in the 30 day LIBOR index would increase the amount paid by us $383,000 to approximately $985,000. The fair value is based on dealer quotes, considering current interest rates.

The fair market value of fixed interest rate debt is subject to market risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of our total debt at June 30, 2001 was $359.0 million and the recorded value was $360.2 million. A 1% increase from prevailing interest rates at June 30, 2001 would result in a decrease in fair value of total debt by approximately $13.2 million. Fair values were determined from quoted market prices, where available, using current interest rates considering credit ratings and the remaining terms to maturity.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by FAS 137 and FAS 138, (collectively, "FAS 133"). FAS 133 was effective for all fiscal quarters of all fiscal years beginning after June 15, 2000; accordingly, we adopted FAS 133 on January 1, 2001. Upon adoption on January 1, 2001, we recorded a cumulative effect adjustment of $216,500, net of minority interest of $83,000, in other comprehensive income (loss). At June 30, 2001 in accordance with the provisions of FAS 133, our sole interest rate swap agreement has been designated as a cash flow hedge and is carried on the balance sheet at fair value. At June 30, 2001, the fair value of the hedge is recorded as a liability of $602,000.

The FASB also issued Statement of Financial Accounting Standards Nos. 141 and 142, "Business Combinations" and "Goodwill and Other Intangible Assets" ("FAS 141") and ("FAS 142"), respectively on June 29, 2001. The provisions of FAS 141 apply to all business combinations initiated after June 30, 2001. FAS 142 is required to be adopted beginning January 1, 2002. We currently do not have any assets identified as either goodwill or intangible assets.

During 2000, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee issued an exposure draft Statement of Position ("SOP") regarding the capitalization of costs associated with property, plant and equipment. Under the proposed SOP, all property, plant and equipment related costs would be expensed unless the costs are directly identifiable with specific projects and general and administrative and overhead costs which are not payroll or payroll related and not directly related to the project would be expensed as incurred. The expected effective date of the final SOP is expected in 2002 and currently we are evaluating the effects it may have on our results of operations and financial position.

Funds from Operations

We believe that for a clear understanding of our consolidated historical operating results, FFO should be considered along with net income as presented in the unaudited consolidated financial statements included elsewhere in this report. FFO is presented because it is a widely accepted financial indicator used by certain investors and analysts to analyze and compare one equity real estate investment trust ("REIT") with another on the basis of operating performance. FFO is generally defined as net income (loss), computed in accordance with generally accepted accounting principles, before extraordinary items and gains (losses) on sale of depreciable operating properties, plus depreciation and amortization uniquely significant to real estate. We caution that the calculation of FFO may vary from entity to entity and as such our presentation of FFO may not be comparable to other similarly titled measures of other reporting companies. FFO does not represent net income or cash flow from operations as defined by generally accepted accounting principles and should not be considered an alternative to net income as an indication of operating performance or to cash from operations as a measure of liquidity. FFO is not necessarily indicative of cash flows available to fund dividends to shareholders and other cash needs.

Below is a calculation of FFO for the three and six months ended June 30, 2001 and 2000 as well as actual cash flow and other data for those respective periods

(in thousands):

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Funds from Operations:				
Net income (loss)	$ 1,398	$ (1,497)	$ 2,193	$ 1,172
Adjusted for:				
Extraordinary item - loss on early extinguishment of debt	---	---	130	---
Minority interest	365	(756)	550	92
Depreciation and amortization uniquely significant to real estate	6,860	6,475	13,982	12,853
Loss on sale of real estate	---	5,935	---	5,935
Funds from operations before minority interest (1)	$ 8,623	$ 10,157	$ 16,855	$ 20,052
Weighted average shares outstanding (2)	11,707	11,722	11,705	11,698
Cash flows provided by (used in):				
Operating activities			$ 16,701	$ 19,436
Investing activities			(11,952)	(3,117)
Financing activities			(5,167)	(16,637)

(1) Includes $427 in gains on sales of outparcels of land for the three and six months ended June 30, 2000 and $493 and $985 in business interruption proceeds for the three and six months ended June 30, 2000, respectively.

(2) Assumes the partnership units of the Operating Partnership held by the minority interest, preferred shares of the Company and stock and unit options are converted to common shares of the Company.

Economic Conditions and Outlook

The majority of our leases contain provisions designed to mitigate the impact of inflation. Such provisions include clauses for the escalation of base rent and clauses enabling us to receive percentage rentals based on tenants' gross sales (above predetermined levels, which we believe often are lower than traditional retail industry standards) that generally increase as prices rise. Most of the leases require the tenant to pay their share of property operating expenses, including common area maintenance, real estate taxes, insurance and advertising and promotion, thereby reducing exposure to increases in costs and operating expenses resulting from inflation.

While factory outlet stores continue to be a profitable and fundamental distribution channel for brand name manufacturers, some retail formats are more successful than others. As typical in the retail industry, certain tenants have closed, or will close, certain stores by terminating their lease prior to its natural expiration or as a result of filing for protection under bankruptcy laws.

As of January 1, 2001, approximately 29% of our lease portfolio was scheduled to expire during the next two years. Approximately 675,000 square feet of space is up for renewal during 2001 and approximately 868,000 square feet will come up for renewal in 2002. If we are unable to successfully renew or release a significant amount of this space on favorable economic terms, the loss in rent could have a material adverse effect on our results of operations.

As of June 30, 2001, we have renewed approximately 450,000 feet, or 67% of the square feet scheduled to expire in 2001. The existing tenants have renewed at an average base rental rate approximately 8% higher than the expiring rate. We also

have re-tenanted 163,000 feet of vacant space during the first six months of 2001 at an 8% increase in the average base rental rate from that which was previously charged.

As of June 30, 2001, our centers were 94% occupied compared to 95% occupied as of June 30, 2000. Consistent with our long-term strategy of re-merchandising centers, we will continue to hold space off the market until an appropriate tenant is identified. While we believe this strategy will add value to our centers in the long-term, it may reduce our average occupancy rate in the near term.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor the Operating Partnership is presently involved in any material litigation nor, to their knowledge, is any material litigation threatened against the Company or the Operating Partnership or its properties, other than routine litigation arising in the ordinary course of business and which is expected to be covered by the liability insurance.

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

On May 18, 2001, we held our Annual Meeting of Shareholders. The matter on which common shareholders voted was the election of five directors to serve until the next Annual Meeting of Shareholders. The results of the voting are shown below:

Nominees	Votes For	Votes Against
Stanley K. Tanger	7,055,009	265,203
Steven B. Tanger	7,234,521	85,691
Jack Africk	7,268,662	51,550
William G. Benton	7,281,789	38,423
Thomas E. Robinson	7,281,904	38,308

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.1 The Senior Indenture, dated as of March 1, 1996, among Tanger Properties Limited Partnership, as Issuer, Tanger Factory Outlet Centers, Inc., as Guarantor, and State Street Bank and Trust Company, as Trustee, incorporated by reference to Tanger Properties Limited Partnership Form 8-K dated January 31, 2001.

(b) Reports on Form 8-K

None

SIGNATURES

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 thereunto duly authorized.

TANGER FACTORY OUTLET CENTERS, INC.

By: /s/ FRANK C. MARCHISELLO, JR.

Frank C. Marchisello, Jr.
Senior Vice President, Chief Financial Officer

DATE: August 13, 2001