

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996

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 (I.R.S. Employer
of incorporation or organization) Identification No.)

1400 WEST NORTHWOOD STREET, GREENSBORO, NORTH CAROLINA 27408
(Address of principal executive offices)
(Zip code)

(910) 274-1666
(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

6,336,537 shares of Common Stock,
\$.01 par value, outstanding as of August 1, 1996

TANGER FACTORY OUTLET CENTERS, INC.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995

<S>	<C>	<C>	<C>	<C>
REVENUES				
Base rentals	\$12,423	\$11,357	\$24,718	
\$22,300				
Percentage rentals	331	327	598	
729				
Expense reimbursements	5,210	5,374	10,545	
9,657				
Other income	225	177	451	
309				

Total revenues	18,189	17,235	36,312	
32,995				

EXPENSES				
Operating and maintenance	5,561	5,906	11,365	
10,760				
General and administrative	1,268	1,349	2,671	
2,493				
Mortgage interest	3,605	2,882	6,668	
5,450				
Depreciation and amortization	4,164	3,573	8,107	
7,023				

Total expenses	14,598	13,710	28,811	
25,726				

INCOME BEFORE MINORITY INTEREST	3,591	3,525	7,501	
7,269				
Minority interest	(957)	(928)	(2,018)	
(1,924)				

Income before extraordinary item	2,634	2,597	5,483	
5,345				
Extraordinary item - Loss on early extinguishment of debt, net of minority interest of \$270	---	---	(561)	--
-				

NET INCOME	\$2,634	\$2,597	\$4,922	
\$5,345				
=====				
PER COMMON SHARE OUTSTANDING:				
Income before extraordinary item	\$.32	\$.31	\$.67	
\$.63				
Net income	\$.32	\$.31	\$.58	
\$.63				

=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$.52	\$.50	\$1.02
\$.96	=====	=====	=====
=====			

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

<TABLE>
<CAPTION>

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
--		
<S>	<C>	<C>
ASSETS		
Rental property, net	\$298,734	
\$294,423		
Cash and cash equivalents	2,757	
5,111		
Tenant receivables, net	3,103	
5,228		
Deferred charges, net	8,108	
5,728		
Other assets	5,260	
4,640		
	-----	-----
--		
TOTAL ASSETS	\$317,962	
\$315,130		
	=====	
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Long-term debt	\$165,743	
\$156,749		
Construction trade payables	7,363	
11,305		
Accounts payable and accrued expenses	6,427	4,679
	-----	-----
--		
TOTAL LIABILITIES	179,533	
172,733		
	-----	-----
--		
Commitments		
Minority interest	26,292	
27,584		
	-----	-----
--		
SHAREHOLDERS' EQUITY		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, 135,939 and 141,484 shares issued and outstanding at June 30, 1996 and December 31, 1995	1	
1		
Common stock, \$.01 par value, 50,000,000 shares authorized, 6,336,537 and 6,286,581 shares issued and outstanding at June 30, 1996 and December 31, 1995	63	
63		
Paid in capital	121,272	
121,158		
Distributions in excess of net income	(9,199)	
(6,409)		
	-----	-----
--		
TOTAL SHAREHOLDERS' EQUITY	112,137	114,813
	-----	-----
--		

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</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1996	1995
	-----	-----

<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$4,922	
\$5,345		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,107	
7,023		
Amortization of deferred financing costs	474	
426		
Minority interest	1,748	
1,924		
Loss on early extinguishment of debt	831	-
--		
Straight-line base rent adjustment	(707)	
(708)		
Compensation under Unit Option Plan	169	
168		
Increase (decrease) due to changes in:		
Tenant receivables	2,832	
2,114		
Other assets	(712)	
336		
Accounts payable and accrued expenses	1,748	
77		
----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,412	
16,705		
----	-----	-----
INVESTING ACTIVITIES		
Additions to rental properties	(15,845)	
(23,755)		
Additions to deferred lease costs	(903)	
(622)		
----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(16,748)	
(24,377)		
----	-----	-----
FINANCING ACTIVITIES		
Cash dividends paid	(7,712)	
(7,259)		
Distributions to minority interest	(3,095)	
(2,912)		
Proceeds from notes payable	75,000	
16,250		
Repayments on notes payable	(480)	
(455)		
Proceeds from revolving lines of credit	32,201	
65,044		
Repayments on revolving lines of credit	(97,727)	
(60,550)		
Additions to deferred financing costs	(3,205)	
(684)		
	-----	-----

9,434	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(5,018)

Net increase (decrease) in cash and cash equivalents		(2,354)
1,762		
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		5,111
3,674		

CASH AND CASH EQUIVALENTS, END OF PERIOD		\$2,757
\$5,436		
=====		=====
</TABLE>		

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, 1996 and 1995 amounted to \$7,363 and \$10,022, respectively.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Unaudited)

1. INTERIM FINANCIAL STATEMENTS

The unaudited consolidated financial statements of Tanger Factory Outlet Centers, Inc., (the "Company"), have been prepared pursuant to the Securities and Exchange Commissions' ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto of the Company's Annual Report on Form 10-K for the year ended December 31, 1995. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

The accompanying 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.

2. DEVELOPMENT OF REAL ESTATE

During the first six months of 1996, the Company substantially completed expansions totalling approximately 110,952 square feet in Gonzales, Louisiana - 29,890 square feet; Williamsburg, Iowa - 26,187 square feet; Branson, Missouri - 25,000 square feet; and San Marcos, Texas - 29,875 square feet. In addition, construction has commenced on the initial phase of one new center in Riverhead, New York totalling 241,344 square feet, as well as expansions in Locust Grove, Georgia totalling approximately 34,190 square feet and Commerce, Georgia totalling approximately 36,000 square feet.

Construction in progress amounted to \$8.8 million and commitments to complete construction of new developments and additions to existing properties amounted to approximately \$9.7 million at June 30, 1996. Commitments for construction represent only those costs contractually required to be paid by the Company.

Interest costs capitalized during the three months ended June 30, 1996 and 1995 amounted to \$166,000 and \$64,000, respectively, and during the six months ended June 30, 1996 and 1995 amounted to \$456,000 and \$161,000, respectively.

3. ACCUMULATED DEPRECIATION

Accumulated depreciation at June 30, 1996 and December 31, 1995 was \$39,083,000 and \$31,458,000, respectively.

4. LONG-TERM DEBT

In January 1996, the Company established a new \$50 million line of credit maturing in January 1999 with interest payable at LIBOR plus 1.5%. In March 1996, the Company used a portion of its borrowing capacity under a shelf registration statement by issuing, through the Operating Partnership, \$75 million of senior, unsecured notes, maturing March 11, 2001, priced at 99.302% with a coupon rate of 8.75% to yield 8.9626%. The proceeds of this offering were used to extinguish all revolving lines of credit which were established prior to January 1996. In April, 1996, the Company and the Operating Partnership filed a new registration statement with the SEC to reestablish the total amount of funds available under the shelf

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registration at \$200 million. In June 1996, the Company amended an unsecured line of credit, previously established in April 1996, to total \$10 million maturing in January 1998 with interest payable at prime or LIBOR plus 1.85%. Total borrowings outstanding under the lines of credit at June 30, 1996 amounted to \$15 million.

5. INCOME PER SHARE

Income per share is computed by dividing income, less applicable preferred dividends, by the weighted average number of common shares outstanding. Options outstanding are not included since their inclusion would not be materially dilutive. 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 limited partner as of the beginning of the year, which would result in the elimination of earnings allocated to minority interest, would have no impact on earnings per share since the allocation of earnings to an Operating Partnership Unit is equivalent to earnings allocated to a share of Common Stock.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Applicable preferred dividends	\$636,000	\$729,000	\$1,283,000	\$1,567,000
Weighted average shares	6,335,111	6,103,460	6,313,197	5,960,072

</TABLE>

6. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

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

OVERVIEW

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Historical results and percentage relationships set forth in the Consolidated Statements of Operations, including trends which might appear, are not necessarily indicative of future operations.

The discussion of the Company's results of operations reported in the Consolidated Statements of Operations compares the three and six months ended June 30, 1996 with the three and six months ended June 30, 1995. Certain comparisons between the periods are also 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 and expansion or disposition of rental properties.

The Company continues to grow principally through the development of new factory outlet centers and the expansion of existing centers. During the first six months of 1996, the Company substantially completed expansions totalling approximately 110,952 square feet in Gonzales, Louisiana - 29,890 square feet; Williamsburg, Iowa - 26,187 square feet; Branson, Missouri - 25,000 square feet; and San Marcos, Texas - 29,875 square feet. In addition, construction has commenced on the initial phase of a new center in Riverhead, New York totalling

approximately 241,344 square feet, as well as expansions in Locust Grove, Georgia totalling approximately 34,190 square feet and Commerce, Georgia totalling approximately 36,000 square feet.

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A summary of the operating results for three and six months ended June 30, 1996 and 1995, calculated on a weighted average GLA basis, is presented in the following table.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
GLA at end of period	3,652,583	3,286,613	3,652,583	3,286,613
Weighted Average GLA(a)	3,612,134	3,264,190	3,577,401	3,215,123
Outlet centers in operation	27	26	27	26
New centers opened	---	---	---	1
Centers expanded	3	1	4	1
States operated in at end of period	22	22	22	22
Per square foot				
Revenues				
Base rent	\$3.44	\$3.48	\$6.91	\$6.94
Percentage rentals	.09	.10	.17	.23
Expense reimbursements	1.44	1.65	2.95	3.00
Other income	.06	.05	.13	.10
----	-----	-----	-----	-----
Total revenues	5.03	5.28	10.16	10.27
----	-----	-----	-----	-----
Expenses				
Operating and maintenance	1.54	1.81	3.18	3.35
General and administrative	.35	.41	.75	.78
Mortgage interest	1.00	.88	1.86	1.70
Depreciation and amortization	1.15	1.09	2.27	2.18
----	-----	-----	-----	-----
Total expenses	4.04	4.19	8.06	8.01
-----	-----	-----	-----	-----
Income before minority interest and extraordinary item	\$0.99	\$1.09	\$2.10	\$2.26
=====	=====	=====	=====	=====

</TABLE>

(A) GLA WEIGHTED BY MONTHS OF OPERATIONS

In October 1995, the Financial Accounting Standards Board issued SFAS #123, ACCOUNTING FOR STOCK-BASED COMPENSATION, effective for fiscal years beginning after December 15, 1995, which encourages companies to account for employee stock options and other stock compensation awards based on their estimated fair value at the date they are granted. The resulting cost would be recorded as an expense on the income statement. Alternatively, companies may disclose in the footnotes the effect on net income and earnings per share had the Company recognized expense for stock compensation awards based on Statement 123. The Company intends to adopt the latter method in the fiscal year ending December 31, 1996. The disclosure requirements of Statement 123 generally are not required in interim reports on Form 10-Q.

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 1996 TO THE THREE MONTHS ENDED JUNE 30, 1995

Base rentals increased \$1.1 million, or 9%, in the 1996 period when compared to the same period in 1995 primarily as a result of the 11% increase in weighted average GLA. The increase is related to the effect of a full year's

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operation of new centers and expansions opened in 1995. Base rentals per weighted average GLA, however, decreased 1% from \$3.48 per square foot to \$3.44 per square foot as a result of a 1% reduction in the occupancy rate from 99% in 1995 to 98% in 1996.

Reported tenant sales for centers that were open the three months ended June 30, 1996 and 1995 increased approximately 2%. Percentage rentals, both in terms of dollars and per weighted average GLA, however, remained flat when compared to the same period in the prior year primarily. This is primarily the result certain leases being renewed with increased levels of sales on which percentage rentals are required (the "Breakpoint") without comparable increases in sales.

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, operating, property tax, promotional and management expenses, decreased \$164,000, or 3%, in the 1996 period as compared to the same period in 1995 due principally to the related decrease in reimbursable operating and maintenance expenses. Expense reimbursements expressed as a percentage of operating and maintenance expenses increased from 91% in the 1995 period to 94% in the 1996 period due to contractual increases and reductions in nonrecoverable operating and maintenance expenses.

Operating and maintenance expenses decreased by \$345,000, or 6%, in the 1996 period as compared to the 1995 period. On a weighted average GLA basis, operating and maintenance expenses decreased 15% from \$1.81 to \$1.54 per square foot primarily due to a reduction in advertising and promotion expenses, reflecting the Company's use of cost efficient means in advertising and promoting its centers, as well as fewer grand opening ceremonies held during the 1996 period compared to the 1995 period. The decrease in advertising and promotion expenses was partially offset by increases in real estate taxes as a result of reassessments of recently completed properties, particularly the property in Riverhead, NY.

General and administrative expenses for the current quarter decreased slightly by \$81,000 and \$.06 per weighted average GLA. General and administrative expenses, as a percent of revenues, also decreased from 8% in the 1995 period to 7% in the 1996 period.

Aggregate interest expense increased \$723,000 and \$.12 per weighted average GLA during the 1996 period as compared to the 1995 period. The increase is due to higher average borrowings outstanding during the period associated with the growth in GLA and due to a higher average interest rate under the senior unsecured notes issued in March 1996 when compared with the short term lines of credit previously utilized. Depreciation and amortization per weighted average GLA increased 6% from \$1.09 per square foot to \$1.15 per square foot primarily due to increases in costs associated with site preparation and improvements in the layout and design of new centers, increased tenant finishing allowances included in building and improvements which are depreciated over shorter lives, as well as the accelerated recognition of depreciation on certain tenant finishing allowances related to vacant space.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 1996 TO THE SIX MONTHS ENDED JUNE 30, 1995

Base rentals increased \$2.4 million, or 11%, in the 1996 period when compared to the same period in 1995 primarily as a result of the 11% increase in weighted average GLA. The increase is related to the effect of a full year's operation of new centers and expansions opened in 1995. Base rentals per weighted average GLA decreased less than 1% from \$6.94 per square foot to \$6.91 per square foot reflecting the 1% reduction in the occupancy rate from 99% to 98%.

Percentage rentals decreased \$131,000, or 18%, in the 1996 period compared to the 1995 period and percentage rentals per weighted average GLA declined from \$.23 per square foot to \$.17 per square foot primarily as a result of the dilutive effect of the increase in additional square footage associated with the new centers and expansions,

since tenant sales at centers in their first year of operation often do not reach the Breakpoint, and as a result of escalating Breakpoints in certain leases renewing at existing centers without comparable increases in sales. Reported tenant sales for centers that were open the six months ended June 30, 1996 and 1995 increased approximately 1.4%.

Expense reimbursements, increased \$888,000, or 9%, in the 1996 period as compared to the same period in 1995 due principally to the related increase in reimbursable operating and maintenance expenses associated with the growth in GLA. Expense reimbursements expressed as a percentage of operating and maintenance expenses increased from 90% in the 1995 period to 93% in the 1996 period due to contractual increases and reductions in nonrecoverable operating and maintenance expenses.

Operating and maintenance expenses increased by \$605,000, or 6%, in the 1996 period as compared to the 1995 period. On a weighted average GLA basis, operating and maintenance expenses decreased 5% from \$3.35 to \$3.18 per square foot primarily due to a reduction in advertising and promotion expenses reflecting the Company's use of cost efficient means in advertising and promoting its centers as well as fewer grand opening ceremonies held during the 1996 period compared to the 1995 period. The decrease was partially offset by increases in real estate taxes as a result of reassessments of recently completed properties, particularly the property in Riverhead, NY, as well as increases in maintenance costs due to the inclement weather conditions in the first quarter of 1996.

General and administrative expenses during the first six months increased by \$178,000 but decreased \$.03, or 4%, per weighted average GLA. General and administrative expenses, as a percent of revenues, remained flat for the first six months compared to the 1995 period.

Aggregate interest expense increased \$1.2 million and \$.16 per weighted average GLA during the 1996 period as compared to the 1995 period. The increase is due to higher average borrowings outstanding during the period associated with the growth in GLA and due to a higher average interest rate under the senior unsecured notes issued in March 1996 when compared with the short term lines of credit previously utilized. Depreciation and amortization per weighted average GLA increased 4% from \$2.18 per square foot to \$2.27 per square foot primarily due to increases in costs associated with site preparation and improvements in the layout and design of new centers, increased tenant finishing allowances included in building and improvements which are depreciated over shorter lives as well as the accelerated recognition of depreciation on certain tenant finishing allowances related to vacant space.

The extraordinary item represents the first quarter write-off of the unamortized deferred financing costs related to the lines of credit which were extinguished using the proceeds from the Company's \$75 million senior unsecured notes issued in March 1996.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$19.4 and \$16.7 million for the six months ended June 30, 1996 and 1995, respectively. The increase of \$2.7 million was primarily due to the incremental operating income associated with new and expanded centers. Net cash used in investing activities decreased \$7.6 million during the first six months of 1996 compared to the first six months of 1995 due to decreased construction activity. Net cash from financing activities decreased \$14.4 million as less debt was required to fund the current construction activity.

Management believes, based upon its discussions with present and prospective tenants, that many companies, including new entrants into the factory outlet business, desire to open a significant number of new factory outlet stores in the next several years, particularly where there are successful factory outlet centers in which such companies do not have a significant presence or where there are few factory outlet centers. Two expansions (scheduled to open in the second half of 1996) totalling approximately 70,190 square feet and one new center

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(expected to open in Spring 1997) totalling approximately 241,344 square feet are currently under construction (See "General Overview"). Commitments for construction of these projects (which represent only those costs contractually required to be paid by the Company) amounted to \$9.7 million at June 30, 1996. The Company also is in the process of developing plans for additional expansions and new centers for completion in 1997 and beyond and will consider acquisitions that are suitable for its portfolio. However, there can be no assurance that any of these anticipated or planned developments or expansions will be started or completed as scheduled, or that any acquisitions will be made.

Management intends to continually have access to the capital resources necessary to expand and develop its business and, accordingly, may seek to obtain additional funds through equity offerings or debt financing. The Company has a shelf registration with the SEC providing for the issuance of up to \$100 million in additional equity securities and \$100 million in additional debt securities. During March 1996, the Company used a portion of its borrowing capacity under the shelf registration to issue, through the Operating Partnership, \$75 million of senior, unsecured notes, maturing March 11, 2001, priced at 99.302% with a coupon rate of 8.75% to yield 8.926%. The proceeds of this offering were used to extinguish the Company's revolving lines of credit existing prior to January 1996. In April 1996, the Company filed a new registration statement with the SEC to reestablish the total amount of funds available under the shelf registration at \$200 million.

Also during the first six months, the Company established a new \$50 million line

of credit, with interest payable at LIBOR plus 1.5% and a \$10 million unsecured line of credit with interest payable at prime or LIBOR plus 1.85%. Amounts available under the lines of credit at June 30, 1996 totalled \$45 million. When considered with the Company's existing interest rate protection agreement covering \$10 million of variable rate debt, the Company's exposure to interest rate risk on variable rate borrowings was limited to \$5 million on debt outstanding at June 30, 1996. Based on existing credit facilities, ongoing negotiations with certain financial institutions and funds available under the shelf registration, management believes that the Company has access to the necessary financing to fund the planned capital expenditures during 1996.

The Company anticipates that adequate cash will be available to fund its 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 the Operating Partnership receives most of its rental payments on a monthly basis, distributions are made quarterly. Amounts accumulated for distribution are invested in short-term money market or other suitable instruments. Certain of the Company's debt agreements limit the payment of dividends such that dividends will not exceed funds from operations ("FFO"), as defined in the agreements, on an annual basis or 95% of FFO on a cumulative basis.

On July 12, 1996, the Board of Directors of the Company declared a \$.52 cash dividend per common share payable on August 15, 1996 to each shareholder of record on July 26, 1996, and caused a \$.52 per Operating Partnership unit cash distribution to be paid to the minority interests. The Board of Directors of the Company also declared a cash dividend of \$.4685 per preferred depositary share payable on August 15, 1996 to each shareholder of record on July 26, 1996.

FUNDS FROM OPERATIONS

Management believes that to facilitate a clear understanding of the consolidated historical operating results of the Company, FFO should be considered in conjunction with net income as presented in the unaudited consolidated financial statements included elsewhere in this report. Management generally considers FFO to be an appropriate measure of the performance of an equity real estate investment trust ("REIT"). FFO is generally defined as net income (loss), computed in accordance with generally accepted accounting principles, before extraordinary item and gains (losses) on sale of properties, plus depreciation and amortization uniquely significant to real estate. The Company cautions that the calculation of FFO may vary from entity to entity and as such the presentation of FFO

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by the Company 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.

In March 1995, the National Association of Real Estate Investment Trusts ("NAREIT") issued an interpretive letter providing guidance as to the use and intent of its definition of funds from operations. Among other things, the letter clarified that the amortization of deferred financing costs and depreciation of assets not uniquely significant to real estate should be excluded from total depreciation and amortization added back to net income in calculating funds from operations. All REIT's were encouraged to implement the recommendations of the letter no later than fiscal periods beginning in 1996. The Company has adopted the new NAREIT definition of funds from operations beginning January 1, 1996. Below is a calculation of funds from operations for the three and six months ended June 30, 1996 and 1995 under the new current method and under the previous method.

<TABLE>

<CAPTION>

	(In thousands, except per share data)			
	Current Method		Previous Method	
THREE MONTHS ENDED JUNE 30, 1996	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Income before minority interest and extraordinary item	\$3,591	\$3,525	\$3,591	\$3,525
Adjusted for:				
Depreciation and amortization uniquely significant to real estate	4,129	3,543	4,129	3,543
Amortization of deferred financing costs			255	234
Other depreciation and amortization			35	30

Straight-line base rent adjustment			(335)	(310)
Compensation under Unit Option Plan			85	85
Funds from operations before minority interest	\$7,720	\$7,068	\$7,760	\$7,107
Weighted average shares outstanding(1)	10,602	10,598	10,602	10,598
Distributions paid per share(1)	\$.52	\$.50	\$.52	\$.50

	Current Method		Previous Method	
SIX MONTHS ENDED JUNE 30, 1996	1996	1995	1996	1995
Income before minority interest and extraordinary item	\$7,501	\$7,269	\$7,501	\$7,269
Adjusted for:				
Depreciation and amortization uniquely significant to real estate	8,039	6,963	8,039	6,963
Amortization of deferred financing costs			474	426
Other depreciation and amortization			68	60
Straight-line base rent adjustment			(707)	(708)
Compensation under Unit Option Plan			169	168
Funds from operations before minority interest	\$15,540	\$14,232	\$15,544	\$14,178
Weighted average shares outstanding(1)	10,605	10,598	10,605	10,598
Distributions paid per share(1)	\$1.02	\$.96	\$1.02	\$.96

</TABLE>

(1) Assumes conversion of all partnership units held by the minority interest and preferred shares to common shares.

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CONTINGENCIES

There are no recorded amounts resulting from environmental liabilities as there are no known material loss contingencies with respect thereto. Future claims for environmental liabilities are not measurable given the uncertainties surrounding whether there exists a basis for any such claims to be asserted and, if so, whether any claims will, in fact, be asserted. Furthermore, no condition is known to exist that would give rise to a material environmental liability for site restoration, post-closure and monitoring commitments, or other costs that may be incurred upon the sale or disposal of a property. Management has no plans to abandon any of the properties and is unaware of any other material loss contingencies.

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 9, 1996, the Company held its Annual Meeting of Shareholders. The matters on which common shareholders voted were the election of five directors to serve until the next Annual Meeting of Shareholders; to amend the Company's Articles of Incorporation to create three new classes of preferred shares, each having 8,000,000 shares with a par value of \$.01 per share; and the ratification of an amendment to the 1993 Stock Option Plan and Unit Option Plan to increase the number of shares of the Company's Common Shares which may be issued under the Stock Option Plan and the number of units of the Operating Partnership which may be issued under the Unit Option Plan from 800,000 in the aggregate to 1,000,000 in the aggregate. The results of the voting are shown below:

ELECTION OF DIRECTORS

<TABLE>
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Nominees	Votes For	Votes Withheld
-----	-----	-----
<S>	<C>	<C>
Stanley K. Tanger	4,985,339	23,178

Steven B. Tanger	4,986,489	22,028
Jack Africk	4,985,106	23,411
William G. Benton	4,986,206	22,311
Thomas E. Robinson	4,983,947	24,570

AMENDMENT TO ARTICLES OF INCORPORATION

Votes cast for amendment	1,885,123
Votes cast against amendment	1,705,084
Votes abstained	77,527
No Vote	1,340,783

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AMENDMENT TO STOCK AND UNIT OPTION PLANS

Votes cast for amendment	4,502,385
Votes cast against amendment	464,479
Votes abstained	41,652
No vote	1

Preferred shareholders voted only on the issue to amend the Company's Articles of Incorporation to create new classes of preferred shares. The results of the preferred shareholders' votes were:

Votes cast for amendment	630,187
Votes cast against amendment	182,740
Votes abstained	700

</TABLE>

- ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
- (a) Exhibits
- 10.1 Credit Agreement among Tanger Properties Limited Partnership, Tanger Factory Outlet Centers, Inc and National Westminster Bank, Plc dated January 15, 1996.**
- 10.1A Amendment No. 1 to Credit Agreement among Tanger Properties Limited Partnership, Tanger Factory Outlet Centers, Inc and National Westminster Bank, Plc dated February 20, 1996.*
- 10.2 Form of Senior Indenture.***
- 10.2A Form of First Supplemental Indenture (to Senior Indenture).***
- * Incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1996.
- ** Incorporated by reference to the Company's Current Report on Form 8-K dated January 23, 1996.
- *** Incorporated by reference to the Company's Current Report on Form 8-K dated March 6, 1996.
- (b) Reports on Form 8-K - None

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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.
Vice President, Chief Financial Officer

DATE: August 9, 1996

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