

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 SEPTEMBER 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

6,586,203 shares of Common Stock,
\$.01 par value, outstanding as of November 1, 1996

TANGER FACTORY OUTLET CENTERS, INC.

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PART I. FINANCIAL INFORMATION

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

<TABLE>
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Ended		Three Months Ended		Nine Months
30,		September 30,		September
1995		1996	1995	1996
-----		-----	-----	-----
<S>		<C>	<C>	<C>
<C>				
	REVENUES			
\$33,875	Base rentals	\$12,779	\$11,575	\$37,497
1,298	Percentage rentals	566	569	1,164
15,034	Expense reimbursements	5,901	5,377	16,446
556	Other income	207	247	658
-----		-----	-----	-----
50,763	Total revenues	19,453	17,768	55,765
-----		-----	-----	-----
	EXPENSES			
16,898	Operating and maintenance	6,372	6,138	17,737
3,709	General and administrative	1,365	1,216	4,036
8,375	Mortgage interest	3,614	2,925	10,282
10,665	Depreciation and amortization	4,178	3,642	12,285
-----		-----	-----	-----
39,647	Total expenses	15,529	13,921	44,340
-----		-----	-----	-----
11,116	Income before gain on sale of land, minority interest and extraordinary item	3,924	3,847	11,425
---	Gain on sale of land	159	---	159
-----		-----	-----	-----
11,116	Income before minority interest and extraordinary item	4,083	3,847	11,584
(2,963)	Minority interest	(1,119)	(1,039)	(3,137)
-----		-----	-----	-----
8,153	INCOME BEFORE EXTRAORDINARY ITEM	2,964	2,808	8,447
---	Extraordinary item - Loss on early extinguishment of debt, net of minority interest of \$270	---	---	(561)
=====		=====	=====	=====
\$8,153	Net income	\$2,964	\$2,808	\$7,886
=====		=====	=====	=====
	Per common share outstanding:			
\$.98	Income before extraordinary item	\$.37	\$.34	\$1.03
\$.98	Net income	\$.37	\$.34	\$.94

=====

	DIVIDENDS PER COMMON SHARE	\$.52	\$.50	\$1.54
\$1.46				

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</TABLE>

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

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

		September 30, 1996	December 31, 1995
		-----	-----

<S>		<C>	<C>
	ASSETS		
	Rental property, net	\$304,918	
\$294,423			
	Cash and cash equivalents	2,844	
5,111			
	Tenant receivables, net	4,245	
5,228			
	Deferred charges, net	8,208	
5,728			
	Other assets	5,434	
4,640			
		=====	
	TOTAL ASSETS	\$325,649	
\$315,130			
		=====	
	LIABILITIES AND SHAREHOLDERS' EQUITY		
	LIABILITIES		
	Long-term debt	\$174,101	
\$156,749			
	Construction trade payables	6,424	
11,305			
	Accounts payable and accrued expenses	8,036	
4,679			
		-----	-----
	TOTAL LIABILITIES	188,561	
172,733			
		-----	-----
	Commitments		
	Minority interest	25,861	
27,584			
		-----	-----
	SHAREHOLDERS' EQUITY		
	Preferred stock, \$.01 par value, 1,000,000 shares authorized, 115,259 and 141,484 shares issued and outstanding at September 30, 1996 and December 31, 1995	1	
1			
	Common stock, \$.01 par value, 50,000,000 shares authorized, 6,522,863 and 6,286,581 shares issued and outstanding at September 30, 1996 and December 31, 1995	65	
63			
	Paid in capital	121,328	
121,158			
	Distributions in excess of net income	(10,167)	
(6,409)			
		-----	-----
	Total shareholders' equity	111,227	
114,813			
		-----	-----

\$315,130

Total liabilities and shareholders' equity

\$325,649

</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>
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	NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995

<S>		
OPERATING ACTIVITIES		
Net income	\$7,886	\$8,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,285	10,665
Amortization of deferred financing costs	694	702
Minority interest	2,867	2,963
Loss on early extinguishment of debt	831	---
Gain on sale of land	(159)	---
Straight-line base rent adjustment	(946)	(1,002)
Compensation under Unit Option Plan	254	253
Increase (decrease) due to changes in:		
Tenant receivables	1,929	2,395
Other assets	(945)	38
Accounts payable and accrued expenses	3,357	1,537
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,053	25,704
	-----	-----
INVESTING ACTIVITIES		
Additions to rental properties	(26,815)	(32,753)
Additions to deferred lease costs	(1,275)	(911)
Proceeds on sale of land	174	---
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(27,916)	(33,664)
	-----	-----
FINANCING ACTIVITIES		
Cash dividends paid	(11,644)	(11,039)
Distributions to minority interest	(4,672)	(4,428)
Proceeds from notes payable	75,000	16,250
Repayments on notes payable	(747)	(699)
Proceeds from revolving lines of credit	51,026	86,569
Repayments on revolving lines of credit	(107,927)	(76,745)
Additions to deferred financing costs	(3,440)	(781)
Proceeds from exercise of unit options	---	14
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,404)	9,141
	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,267)	1,181
Cash and cash equivalents, beginning of period	5,111	3,674
	-----	-----
Cash and cash equivalents, end of period	\$2,844	\$4,855
	=====	=====

</TABLE>

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

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

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 nine months of 1996, the Company substantially completed expansions totalling approximately 181,142 square feet in Gonzales, Louisiana - 29,890 square feet; Williamsburg, Iowa - 26,187 square feet; Branson, Missouri - 25,000 square feet; San Marcos, Texas - 29,875 square feet; Locust Grove, Georgia - 34,190 square feet and Commerce, Georgia - 36,000 square feet. In addition, construction has commenced on the initial phase of one new center in Riverhead, New York totalling 241,344 square feet.

Construction in progress amounted to \$6.3 million and commitments to complete construction of new developments and additions to existing properties amounted to approximately \$27.3 million at September 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 September 30, 1996 and 1995 amounted to \$278,000 and \$126,000, respectively, and during the nine months ended September 30, 1996 and 1995 amounted to \$734,000 and \$287,000, respectively.

3. ACCUMULATED DEPRECIATION

Accumulated depreciation at September 30, 1996 and December 31, 1995 was \$42,935,000 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 its majority owned subsidiary, Tanger Properties Limited Partnership (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

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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 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 September 30, 1996 amounted to \$23.6 million.

On October 14, 1996, the Company established an additional unsecured line of credit totalling \$15 million maturing in October 1998 with interest payable at LIBOR plus 1.75%.

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.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		1996	1995	1996	1995
-----		-----		-----	
<S>	<C>	<C>	<C>	<C>	<C>
Applicable preferred dividends		\$602,000	\$692,000	\$1,885,000	\$2,259,000
Weighted average shares		6,402,998	6,175,473	6,371,404	6,032,662
=====		=====		=====	

</TABLE>

6. 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 September 30, 1996 and 1995 amounted to \$6,424,000 and \$10,188,000, respectively.

7. 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 nine months ended September 30, 1996 with the three and nine months ended September 30, 1995. Certain comparisons between the periods are also made on a percentage basis as well as on a weighted

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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 nine months of 1996, the Company substantially completed expansions totalling approximately 181,142 square feet in Gonzales, Louisiana - 29,890 square feet; Williamsburg, Iowa - 26,187 square feet; Branson, Missouri - 25,000 square feet; San Marcos, Texas - 29,875 square feet; Locust Grove, Georgia - 34,190 square feet and Commerce, Georgia - 36,000 square feet. In addition, construction has commenced on the initial phase of one new center in Riverhead, New York totalling 241,344 square feet.

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		1996	1995	1996	1995
-----		-----		-----	
<S>	<C>	<C>	<C>	<C>	<C>
GLA at end of period		3,718,198	3,320,773	3,718,198	
3,320,773					
Weighted Average GLA(a)		3,686,000	3,306,844	3,613,931	
3,245,675					
Outlet centers in operation		27	26	27	
26					
New centers opened		---	---	---	
1					
Centers expanded		2	---	6	
1					
States operated in at end of period		22	22	22	
22					

Per square foot

Revenues			
Base rent	\$3.47	\$3.50	\$10.38
\$10.44			
Percentage rentals	0.15	0.17	0.32
0.40			
Expense reimbursements	1.60	1.63	4.55
4.63			
Other income	0.06	0.07	0.18
0.17			

Total revenues	5.28	5.37	15.43
15.64			

Expenses			
Operating and maintenance	1.73	1.86	4.91
5.21			
General and administrative	0.37	0.37	1.12
1.14			
Mortgage interest	0.98	0.88	2.85
2.58			
Depreciation and amortization	1.13	1.10	3.40
3.28			

Total expenses	4.21	4.21	12.28
12.21			

Income before gain on sale of land, minority interest and extraordinary item	\$1.07	\$1.16	\$3.15
\$3.43			
=====			

</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,

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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 are not required in interim reports on Form 10-Q.

RESULTS OF OPERATIONS

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

Base rentals increased \$1.2 million, or 10%, in the 1996 period when compared to the same period in 1995 primarily as a result of the 12% 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, however, decreased 1% from \$3.50 per square foot to \$3.47 per square foot primarily as a result of a slightly lower average occupancy rate in the 1996 period when compared to the 1995 period.

Reported tenant sales for centers that were open the three months ended September 30, 1996 and 1995 increased approximately 1%. Percentage rentals, in terms of dollars, remained flat when compared to the same period in the prior year; however, percentage rental per weighted average per GLA decreased \$.02 per square foot from \$.17 per square foot to \$.15 per square foot. This is primarily the result of the dilutive effect of the increase in additional square footage associated with the expansions, since tenant sales at centers in their first year of operation often do not reach the level of sales on which percentage rentals are required (the "Breakpoint"), and as a result of escalating Breakpoints in certain leases renewing at existing centers 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, increased \$524,000, or 10%, in the 1996 period as compared to the same period in 1995 due principally to the related increase in

reimbursable operating and maintenance expenses. Expense reimbursements expressed as a percentage of operating and maintenance expenses increased from 88% 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 \$234,000, or 4%, in the 1996 period as compared to the 1995 period. On a weighted average GLA basis, operating and maintenance expenses decreased 7% from \$1.86 to \$1.73 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. 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 increased by \$149,000. General and administrative expenses, both per weighted average GLA and as a percent of revenues, remained flat when compared to the same period in the prior year.

Aggregate interest expense increased \$689,000 and \$.10 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 3% from \$1.10 per square foot to \$1.13 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 depreciation of certain tenant finishing allowances related to tenants who vacated or terminated their lease prior to the original expiration of the lease term.

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The gain on sale of land of \$159,000 in the current quarter represents the sale of an outparcel at an existing factory outlet center.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 1996 TO THE NINE MONTHS ENDED SEPTEMBER 30, 1995

Base rentals increased \$3.6 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 \$10.44 per square foot to \$10.38 per square foot reflecting the slightly lower average occupancy rate during the 1996 period when compared to the 1995 period.

Percentage rentals decreased \$134,000, or 10%, in the 1996 period compared to the 1995 period and percentage rentals per weighted average GLA declined from \$.40 per square foot to \$.32 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 nine months ended September 30, 1996 and 1995 increased approximately 1.2%.

Expense reimbursements, increased \$1.4 million, 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 89% 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 \$839,000, or 5%, in the 1996 period as compared to the 1995 period. On a weighted average GLA basis, operating and maintenance expenses decreased 6% from \$5.21 to \$4.91 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. 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 nine months increased by \$327,000 but decreased \$.02, or 2%, per weighted average GLA. General and administrative expenses, as a percent of revenues, remained flat for the first nine months of the 1996 period compared to the 1995 period.

Aggregate interest expense increased \$1.9 million and \$.27 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 3% from \$3.29 per square foot to \$3.40 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 depreciation of certain tenant finishing allowances related to tenants who vacated or terminated their lease prior to the original expiration of the lease term.

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The gain on sale of land of \$159,000 in the third quarter represents the sale of an outparcel at an existing factory outlet center. 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 \$28.1 and \$25.7 million for the nine months ended September 30, 1996 and 1995, respectively. The increase of \$2.4 million was primarily due to the incremental operating income associated with new and expanded centers. Net cash used in investing activities decreased \$5.7 million during the first nine months of 1996 compared to the first nine months of 1995 due to decreased construction activity. Net cash from financing activities decreased \$11.5 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. One new center (expected to begin opening in Spring 1997) totalling 241,344 square feet is currently under construction (See "General Overview"). Commitments for construction of this project (which represent only those costs contractually required to be paid by the Company) amounted to \$27.3 million at September 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 nine 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%. In October 1996, the Company established an additional unsecured line of credit totalling \$15 million with interest payable at LIBOR plus 1.75%. Amounts available under these lines of credit, based on debt outstanding at September 30, 1996, totalled \$51.4 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 \$13.6 million on debt outstanding at September 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 and 1997.

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

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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 95% of funds from operations ("FFO"), as defined in the agreements, on a cumulative basis.

On October 11, 1996, the Board of Directors of the Company declared a \$.52 cash dividend per common share payable on November 15, 1996 to each shareholder of record on October 25, 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 November 15, 1996 to each shareholder of record on October 25, 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 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 nine months ended September 30, 1996 and 1995 under the new current method and under the previous method.

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<TABLE>
<CAPTION>

	(In thousands, except per share data)			
	Current Method		Previous Method	
	1996	1995	1996	1995
THREE MONTHS ENDED SEPTEMBER 30,				
<S>	<C>	<C>	<C>	<C>
Income before gain on sale of land, minority interest and extraordinary item	\$3,924	\$3,847	\$3,924	\$3,847
Adjusted for:				
Depreciation and amortization uniquely significant to real estate	4,132	3,611	4,132	3,611
Amortization of deferred financing costs			220	276
Other depreciation and amortization			46	31
Straight-line base rent adjustment			(239)	(294)
Compensation under Unit Option Plan			85	85
Funds from operations before minority interest	\$8,056	\$7,458	\$8,168	\$7,556
Weighted average shares outstanding(1)	10,611	10,615	10,611	10,615
Distributions paid per share(1)	\$.52	\$.50	\$.52	\$.50

</TABLE>

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	Current Method		Previous Method	
	1996	1995	1996	1995
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NINE MONTHS ENDED SEPTEMBER 30,				
--				
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Income before gain on sale of land, minority interest and extraordinary item	\$11,425	\$11,116	\$11,425	\$11,116
Adjusted for:				
Depreciation and amortization uniquely significant to real estate	12,171	10,574	12,171	10,574
Amortization of deferred financing costs			694	702
Other depreciation and amortization			114	91
Straight-line base rent adjustment			(946)	(1,002)
Compensation under Unit Option Plan			254	253
	=====	=====	=====	=====
Funds from operations before minority interest	\$23,596	\$21,690	\$23,712	\$21,734
	=====	=====	=====	=====
Weighted average shares outstanding(1)	10,611	10,594	10,611	10,594
Distributions paid per share(1)	\$1.54	\$1.46	\$1.54	\$1.46
	=====	=====	=====	=====

</TABLE>

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

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.

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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 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: November 8, 1996

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