KRAMONT REALTY TRUST
Form 10-Q
August 09, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarter ended June 30, 2004

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 Number: 1-15923

KRAMONT REALTY TRUST
(Exact name of Registrant as specified in its charter)

Maryland	25-6703702
(State of Incorporation)	(I.R.S. Employer Identification No.)

580 West Germantown Pike, Plymouth Meeting, PA	19462
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (610) 825-7100

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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Number of Common Shares of Beneficial Interest, par value $.01 per share, as of August 6, 2004: 24,138,794

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KRAMONT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	(unaudited) June 30, 2004	December
ASSETS		
Real estate - income producing, net of accumulated depreciation	$ 747,852	$ 7
Properties held for sale	-	
Mortgage notes receivable	21,812	
Mortgage notes receivable - related party	-	
Investments in unconsolidated affiliates	9,037	
Cash and cash equivalents (includes $904 and $903 as of June 30, 2004 and December 31, 2003, respectively)	6,521	
Other assets	27,008	
Total assets	$ 812,230	$ 8
LIABILITIES AND BENEFICIARIES' EQUITY		
LIABILITIES:		
Mortgages and notes payable	$ 488,135	$ 4
Accounts payable and other liabilities	18,622	
Distributions payable	10,376	
Total liabilities	517,133	4
Minority interests in Operating Partnerships	17,176	
BENEFICIARIES' EQUITY:		
Preferred shares of beneficial interest	40	
Common shares of beneficial interest, $0.01 par value; authorized 96,683,845 shares; outstanding, 24,107,325 and 24,054,925 as of June 30, 2004 and December 31, 2003, respectively	241	
Additional paid-in capital	293,145	3
Retained earnings	(9,040)	
Accumulated other comprehensive income (loss)	(73)	
Treasury stock, cumulative preferred shares of beneficial interest Series A-1, 11,155 shares, at cost	(6,070)	
Treasury stock, Redeemable preferred shares of beneficial interest Series D, 146,800 shares, at cost	-	
	278,243	3
Unearned compensation on restricted shares of beneficial interest	(322)	
Total beneficiaries' equity	277,921	3
Total liabilities and beneficiaries' equity	$ 812,230	$ 8

See accompanying notes to consolidated financial statements.

KRAMONT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	S 2
Revenues:			
Rent	$ 28,089	$ 25,979	$
Other property income	960	-	
	29,049	25,979	
Expenses:			
Operating	8,329	7,633	
Depreciation and amortization	5,029	4,541	
General and administrative	2,578	2,376	
	15,936	14,550	
Operating income	13,113	11,429	
Management and leasing fees	127	-	
Interest income	736	794	
Interest income - related party	229	293	
Other income	2,198	-	
Equity in income of unconsolidated affiliates	266	126	
Interest expense	(8,789)	(8,575)	(
Minority interests in income of Operating Partnerships	(369)	(161)	
Income from continuing operations	7,511	3,906	
Results from discontinued operations:			
Income from operations of properties sold or held for sale	-	147	
Gain (loss) on sale of properties	-	646	
Minority interest in discontinued operations	-	(53)	
Income from discontinued operations	-	740	
Net income	7,511	4,646	
Preferred share distribution	(2,165)	(1,703)	
Charge for redemption of preferred shares	-	-	(
Income (loss) to common shareholders	$ 5,346	$ 2,943	$
Per common share:			
Income (loss) from continuing operations, basic	$ .22	$ .09	$
Income from discontinued operations, basic	$ -	$ .03	$
Total net income (loss) per share, basic	$ .22	$ .12	$
Income (loss) from continuing operations, diluted	$ .22	$ .09	$
Income from discontinued operations, diluted	$ -	$ .03	$
Total net income (loss) per share, diluted	$ .22	$ .12	$
Dividends declared	$ .325	$ .325	$
Average common shares outstanding:			
Basic	24,097,344	23,740,085	24,0
Effective assumed conversation of share options	59,041	36,831	

Diluted	24,156,385	23,776,916	24,1

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	Three Months Ended June	
	2004	2003
Net income	$ 7,511	$ 4,64
Change in fair value of cash flow hedges	(82)	(4
Reclassification adjustment for hedge losses included in net income	115	31
Comprehensive income	$ 7,544	$ 4,91

See accompanying notes to consolidated financial statements

KRAMONT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six months Ended June 30,	
	2004	200
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash provided by operating activities	$ 24,041	$ 15,
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections on mortgage notes receivable	777	
Collections on mortgage notes receivable - related party	256	
Proceeds from sale of mortgage note	10,422	
Acquisitions of real estate - income producing	(19,894)	(4,
Capital improvements including development costs	(10,203)	(9,
Net proceeds from the sale of real estate	6,228	7,
Change in restricted cash	(1)	
Distributions from unconsolidated affiliates	1,041	
Investment in unconsolidated affiliates	(10)	
Other	(1)	

Net cash used in investing activities	(11,385)	(4,
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	53,700	17,
Repayments of borrowings	(66,636)	(15,
Net proceeds (repayments) from line of credit	50,000	(4,
Cash distributions paid on common shares of beneficial interest	(15,647)	(15,
Cash distributions paid on preferred shares of beneficial interest	(4,165)	(3,
Proceeds from issuance of common shares of beneficial interest	-	3,
Proceeds from issuance of preferred shares of beneficial interest	10,016	
Cash received from share options exercised	580	
Repurchase of preferred shares of beneficial interest	(41,330)	
Distributions to minority interests	(1,082)	(1,
Deferred financing costs	(768)	(2,
Net cash used in financing activities	(15,332)	(18,
Net decrease in unrestricted cash and cash equivalents	(2,676)	(7,
Unrestricted cash and cash equivalents at the beginning of the period	8,293	16,
Unrestricted cash and cash equivalents at the end of the period	$ 5,617	$ 9,
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 16,629	$ 17,
Acquisitions:		
Fair value of assets acquired	$ -	$(13,
Liabilities assumed or incurred	-	3,
Common shares on beneficial interest issued	-	5,
Cash (paid) for acquisitions	$ -	$ (4,
Restricted share awards	$ 97	$

See accompanying notes to consolidated financial statements.

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KRAMONT REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BUSINESS

Kramont Realty Trust, a Maryland real estate investment trust ("Kramont"), is a self-administered, self-managed equity real estate investment trust ("REIT") which is engaged in the ownership, acquisition, development, redevelopment, management and leasing of primarily community and neighborhood shopping centers. Kramont does not directly own any assets other than its interest in Kramont Operating Partnership, L.P. ("Kramont OP") and conducts its business through Kramont OP and its affiliated entities, including Montgomery CV Realty, L.P. ("Montgomery OP", together with Kramont OP and their wholly-owned subsidiaries, hereinafter collectively referred to as the "OPs", which together with Kramont are hereinafter referred to as the "Company"). The OPs, directly or indirectly, own all of the Company's assets, including its interest in shopping centers. Accordingly, the Company conducts its operations through an Umbrella Partnership REIT ("UPREIT") structure. As of June 30, 2004, Kramont owned 93.58% of Kramont OP and is its sole general partner. As of June 30, 2004, Kramont OP indirectly

owned 99.87% of the limited partnership interest of Montgomery OP and owned 100% of its sole general partner. As of June 30, 2004, the OPs owned and operated eighty-one shopping centers and two office buildings, managed four shopping centers for third parties and four shopping centers in connection with a joint venture, located in 16 states aggregating approximately 12.2 million leasable square feet.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included. For further information please refer to the audited financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Certain 2003 income statement amounts have been reclassified to conform to current year presentation. These reclassifications had no impact on net income to common shareholders as previously reported.

(2) ACCOUNTING POLICIES AND PROCEDURES

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 addresses the consolidation by business enterprises of variable interest entities, as defined in the Interpretation. FIN 46 expands existing accounting guidance regarding when a company should include in its financial statements the assets, liabilities, and activities of another entity. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures. In December 2003, the FASB issued Interpretation No. 46R ("FIN 46R"), a revision to FIN 46. FIN 46R clarifies some of the provisions of FIN 46 and exempts certain entities from its requirements. FIN 46R is effective at the end of the first interim period ending after March 15, 2004. The Company believes that the adoption of FIN 46 will not have a material impact on the Company's financial position, results of operations or cash flows.

In July 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity ("SFAS 150"). SFAS 150 requires the shares that are mandatorily redeemable for cash or other assets at a specified or determinable date or upon an event certain to occur to be classified as liabilities, not as part of shareholders' equity. This pronouncement does not currently impact the Company's financial position, results of operations or cash flows.

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Stock Options

The Company applies APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock option plans. Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation, requires the Company to provide pro forma information regarding net income and net income per common share as if compensation cost for stock options granted under the plans, if applicable, had been determined in accordance with the fair value based method prescribed in SFAS 123. The Company does not plan to adopt the fair value based method prescribed by SFAS 123.

Solely for the purpose of providing the pro forma information required by SFAS 123, the Company estimates the fair value of each stock option grant by using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: expected lives of ten years, dividend yield of 8.70%, volatility at 30%, risk free interest rate of 5.05% for 2003.

Under accounting provisions of SFAS 123, the Company's net income to common shareholders and net income per common share, would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Three Months Ended June 30, (unaudited)	
	2004	2003
Income (loss) to common shareholders		
Income (loss) to common shareholders, as reported	$ 5,346	$ 2,943
Stock-based employee compensation expense included in reported income	217	126
Fair value of stock options and restricted stock awards	(213)	(170
Pro forma	$ 5,350	$ 2,899
Income per common share, basic and diluted:		
As reported , basic	$ .22	$ .12
As reported , diluted	$ .22	$ .12
Pro forma, basic	$ .22	$ .12
Pro forma, diluted	$ .22	$ .12

(3) DISCONTINUED OPERATIONS

On March 15, 2004, the Company sold an 83,000 square foot shopping center in Capitol Heights, Maryland. The sale price of the shopping center was $7 million with net proceeds of approximately $1.2 million after the repayment of debt in the amount of $5.2 million. The Company recognized a loss of approximately $4,000.

The result of operations from this property, along with other properties sold in 2003, is reported as income from operations of properties sold or held for sale.

Subsequent Events

On August 6, 2004 the Company sold a portion of its shopping center in Spartanburg, South Carolina. The 11 acre parcel was sold for $3.5 million and the Company expects to record a loss of approximately $800,000 as a result.

4) REAL ESTATE

(a) Real Estate is located in 16 states and consists of (in thousands):

	June 30, 2004	December 31, 2003

Income producing:		
Land	$ 138,656	$ 134,928
Shopping centers	677,932	648,183
Office buildings	5,973	6,873
Total	822,561	789,984
Less accumulated depreciation	(74,709)	(65,316)
Real estate - income producing, net	$ 747,852	$ 724,668
Properties held for sale:		
Land	$ -	$ 1,371
Shopping centers, net	-	4,900
Properties held for sale	$ -	$ 6,271

(b) On February 17, 2004, the Company completed the acquisition of a 203,000 square foot shopping center in Worcester, Massachusetts for a purchase price of $19.9 million including transaction costs. The center is 99% occupied and is anchored by a 67,000 square foot supermarket. The shopping center was initially funded using cash and the property was subsequently pledged as collateral under the Credit Facility. In accordance with SFAS 141, Business Combinations, the Company recorded an intangible liability in the amount of $2.3 million for below market leases.

(c) Real Estate with a net book value of $665.9 million at June 30, 2004, is pledged as collateral for borrowings (see Note 6).

Subsequent Events

On August 6, 2004, the Company completed the acquisition of a 223,000 square foot shopping center in Harrisburg, Pennsylvania for a purchase price of $17.5 million plus transaction costs. The center is 95% occupied and is anchored by a 60,000 square foot supermarket. The shopping center was funded by the assumption of $13 million in debt and the balance in cash.

(5) MORTGAGE NOTES RECEIVABLE

At June 30, 2004, the Company's mortgage notes receivable amounted to $21.8 million. On June 15, 2004, a mortgage note in the amount of $8.2 million due from H. Irwin Levy, a Trustee, was sold to Bank of America for $10.2 million. In this transaction, the Company recognized $2.2 million in other income as a result of the premium received on the note. The remaining notes are secured by first mortgages on the recreation facilities at two Century Village adult condominium communities in southeast Florida. As of June 30, 2004, none of the mortgage notes were delinquent.

The recreation notes provide for self-amortizing equal monthly principal and interest payments in the aggregate amount of $4.7 million per annum, through January 2012, and bear interest ranging from 8.84% to 13.5%. The recreation notes are pledged as collateral for certain borrowings (see Note 6). One of the recreation notes matures in 2007 and the two remaining recreation notes are prepayable without penalty in 2007.

(6) BORROWINGS

Borrowings consist of (in thousands):

	June 3 2004
Mortgage notes payable through June 2013, interest fixed at a rate of 6.12% per annum, collateralized by mortgages on fifteen shopping centers.	$ 190,
Mortgage notes, net of unamortized premium of $2.1 million and $2.3 million for 2004 and 2003, respectively, payable through May 2018, interest ranging from 5.15% to 9.22% per annum, collateralized by mortgages on twenty-two shopping centers.	169,
Mortgage notes payable through October 2008, interest fixed at a rate of 7.00% per annum, collateralized by mortgages on nine shopping centers.	61,
Mortgage notes payable through December 2005, interest at borrower's election of prime plus .25% or one, three or six month LIBOR plus a minimum of 1.75% to a maximum of 2.25% (blended rate of 3.16% at June 30, 2004), collateralized by mortgages on sixteen shopping centers.	51,
Mortgage note, payable through June 2007, interest fixed at 5.15% per annum through December 2006, collateralized by the recreation notes (see Note 5).	14,
Collateralized Mortgage Obligations, net of unamortized discount of $102,000 interest fixed at 8.84% per annum, collateralized by certain of the recreation notes (see Note 5).	
Totals	$ 488,

(7) INVESTMENT IN UNCONSOLIDATED AFFILIATES

The Company owns 45% - 50% general and limited partnership interests in three partnerships whose principal assets consist of self-storage warehouses located in southeast Florida, with an aggregate of approximately 2,800 units and 320,000 square feet, managed by unaffiliated parties. The Company has no financial obligations with respect to such partnerships except under state law, as general partners. The Company receives monthly distributions from each of the partnerships based on cash flows.

In July 2003, the Company formed a joint venture with Tower Fund ("Tower"), for the purpose of acquiring real estate assets. Tower is a commingled separate account available through annuity contracts of Metropolitan Life Insurance Company (New York, New York) and managed by SSR Realty Advisors. The Company administers the day-to-day affairs of the joint venture which is owned 80% by Tower and 20% by the Company. The joint venture owns four shopping centers comprising 553,000 square feet in Vestal, New York. The joint venture properties are all 100% occupied and were purchased by the joint venture for $69.7 million plus transaction costs. The properties were purchased using $43.7 million in non-recourse debt and the balance in cash. The Company's equity contribution to the joint venture was approximately $6 million including transaction costs.

The Company owns a 95% economic interest in Drexel Realty, Inc. ("Drexel"), which is engaged in the leasing and management of real estate. As of June 30, 2004, Drexel managed four properties in Pennsylvania and New Jersey owned by third parties. Currently, the Company owns 1% of the voting stock and 100% of the

non-voting stock. 99% of the voting stock of Drexel is beneficially owned by Mr. Louis P. Meshon, Sr., a Trustee, and held in a voting trust. Mr. Meshon currently serves as President of Drexel.

The Company accounts for its investments in unconsolidated affiliates using the equity method except for, effective January 1, 2004, Drexel is reported on a consolidated basis in accordance with FIN 46.

(8) BENEFICIARIES' EQUITY

On April 3, 2002, the Company filed a shelf registration statement on Form S-3 ("Shelf Registration Statement") to register $150 million in common and preferred shares of beneficial interest, depository shares, warrants and debt securities. The Shelf Registration Statement became effective April 17, 2002.

On January 30, 2004, the Company redeemed all of its outstanding 9.5% Series D Cumulative Redeemable Preferred Shares of beneficial interest for $25.00 per share plus accrued and unpaid distributions though January 30, 2004 of $0.066 per share. The total outstanding shares redeemed were 1,653,200 with a par value of $.01 per share. At that time, the Company retired all 1,800,000 shares of Series D preferred shares originally issued. In connection with the redemption of the Series D preferred shares, the Company's first quarter 2004 results reflect a one-time reduction in income to common shareholders of beneficial interest of approximately $17.7 million. This reduction was be taken in accordance with the July 31, 2003 Securities and Exchange Commission interpretation of FASB-EITF Abstract Topic No. D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock" ("Topic D-42"). Under Topic D-42, the difference between the carrying amount of the shares and the redemption price must be recorded as a reduction in income to shareholders of beneficial interest and, therefore, will impact net income per share for the period in which the redemption is made.

On February 27, 2004 under the Shelf Registration Statement, the Company sold 400,000 of its 8.25% Series E Cumulative Redeemable Preferred Shares to certain investment advisory clients of Cohen & Steers Capital Management, Inc. for net proceeds of $10 million. Shares were priced at $25.50 and the purchasers paid accrued dividends of $.3306 per share. There were no placement or underwriting fees associated with the transaction. The Company used the $10 million for general corporate purposes.

On April 8, 2004, the Company filed a post-effective amendment to the Shelf Registration Statement. As of that date, the Company had issued common shares and preferred shares registered under the Shelf Registration Statement with an aggregate initial offering price of $131,586,500, leaving securities with an aggregate maximum initial offering price of $18,413,500 unsold under the Shelf Registration Statement (the "Remaining Amount"). The Company removed from registration the Remaining Amount of securities registered but unsold under the Shelf Registration Statement.

On April 8, 2004, the Company filed a new shelf registration statement on Form S-3 ("New Shelf Registration Statement") to register $250 million in common and preferred shares of beneficial interest, depository shares, warrants and debt securities. The New Shelf Registration Statement became effective April 21, 2004.

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

RESULTS OF OPERATIONS

Three Months Ended June 30, 2004 and 2003

Net Income

For the quarter ended June 30, 2004, income to common shareholders was $5.3 million or $.22 per common

share, basic and diluted, compared to income to common shareholders of beneficial interest of $2.9 million or $.12 per common share, basic and diluted, for the same period of 2003.

During the quarter ended June 30, 2004, rent revenue and operating expenses increased by $2.1 million and $696,000, respectively (a net rental income increase of $1.5 million). The rent revenue increase is primarily due to increased base rentals and recoveries of operating expense in the existing portfolio in the amount of $700,000 and an increase in rental revenue of $1.9 million resulting from the acquisition of six income-producing properties (three on April 3, 2003, one on July 24, 2003, one on July 25, 2003 and one on February 17, 2004), offset by the loss of rent from tenant bankruptcies in the amount of $490,000. Operating expenses increased during the second quarter of 2004 primarily due to an increase in general maintenance expense in the amount of $175,000, an increase in real estate tax expense in the amount of $145,000, and an increase in insurance expense in the amount of $75,000, and additional operating expense of $440,000 as a result of the purchase of the six income-producing properties, offset by a decrease in snow removal costs in the amount of $60,000 and a decrease in utility expense in the amount of $70,000.

Other property income increased by $960,000 over 2003 due to a termination fee received from an anchor tenant.

Depreciation and amortization increased by $488,000, primarily due to additional expense of $246,000 as a result of capital expenditures and the additional expense of $242,000 as a result of the purchase of the six income-producing properties.

General and administrative expenses increased by $202,000, primarily due to an increase in trustee fees of $120,000 of which $97,000 was attributable to the grant of restricted shares that vested immediately, an increase in marketing expense of $40,000, and an additional expense in the amount of $186,000 due to the consolidation of Drexel in accordance with FASB Interpretation No. 46, offset by lower payroll related expenses in the amount of $175,000.

Management and leasing fee income increased over 2003 as a result of the Company entering into an exclusive management and leasing agreement in conjunction with the Company's investment in a joint venture in Vestal, New York in July 2003.

Interest income and interest income from related parties decreased by $122,000 during the second quarter of 2004, primarily due to scheduled repayments of mortgage notes receivable (see Note 5 to our consolidated financial statements) which are long term and require self-amortizing payments through 2012.

Other income increased over 2003 due to a premium received upon the sale of the recreation mortgage note issued by H. Irwin Levy, a Trustee (the "Boca Note"). The Boca Note, which had an outstanding balance of $8.2 million, was sold to Bank of America for $10.4 million on June 15, 2004. The Company received net proceeds of $9.8 million which will be used for acquisitions and general

corporate purposes. In addition, this transaction generated a one-time increase in income to common shareholders of beneficial interest of approximately $1 million for the quarter ended June 30, 2004.

Interest expense increased by $214,000 during the second quarter of 2004 due to an increase in expense in the amount of $285,000 as a result of the debt assumed for the purchase of the income-producing properties and a penalty incurred due to the early prepayment of the Collateralized Mortgage Obligation in the amount of $1.1 million, offset by approximately $1.1 million as a result of a decrease in rates on the Company's variable and fixed rate debt and the repayment of borrowings.

Equity in income of unconsolidated affiliates increased by $140,000 primarily due to the Company's 20% investment in a joint venture located in Vestal, NY in July 2003.

There was no income from discontinued operations during the second quarter of 2004 compared to income of $740,000 for the second quarter of 2003. The 2003 amount consists of the net income from properties sold in 2004 and 2003, as well as the properties held for sale.

Preferred share distribution increased by $462,000 as a result of the issuance of 2.4 million shares of Series E preferred shares on December 30, 2003 and 400,000 shares of Series E preferred shares on February 27, 2004, offset by the redemption of Series D preferred shares on January 30, 2004.

Six Months Ended June 30, 2004 and 2003

For the six months ended June 30, 2004, loss to common shareholders was $8 million or $.33 per common share, basic and diluted, compared to income to common shareholders of $6.7 million or $.29 per common share, basic and diluted, for the same period of 2003. On January 30, 2004, the Company redeemed all of its outstanding 9.5% Series D Cumulative Redeemable Preferred Shares of beneficial interest for $25.00 per share plus accrued and unpaid distributions though January 30, 2004 of $0.066 per share. The total outstanding shares redeemed were 1,653,200 with a par value of $.01 per share. At that time, the Company retired all 1,800,000 shares of Series D preferred shares originally issued. In connection with the redemption of the Series D preferred shares, the Company's first quarter 2004 results reflect a non-recurring reduction in income to common shareholders of beneficial interest of approximately $17.7 million. This reduction was recorded in accordance with the July 31, 2003 Securities and Exchange Commission interpretation of FASB-EITF Abstract Topic No. D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock" ("Topic D-42"). Under Topic D-42, the difference between the carrying amount of the shares and the redemption price must be recorded as a reduction in income to common shareholders of beneficial interest and, therefore, impacts net income per share for the period in which the redemption is made. Net income (loss) per share was also impacted by the increase in the weighted average of common shares of beneficial interest.

During the six months ended June 30, 2004, rent revenue and operating expenses increased by $4.2 million and $1.2 million, respectively (a net rental income increase of $3 million). The rent revenue increase is primarily due to increased base rentals and recoveries of operating expense in the existing portfolio in the amount of $1.5 million and an increase in rental revenue of $3.6 million resulting from the acquisition of six income-producing properties (three on April 3, 2003, one on July 24, 2003, one on July 25, 2003 and one on February 17, 2004), offset by the loss of rent from tenant bankruptcies in the amount of

$925,000. Operating expenses increased during the second quarter of 2004 primarily due to an increase in general maintenance expense in the amount of $575,000, an increase in real estate tax expense in the amount of $375,000, an increase in insurance expense in the amount of $150,000, an increase in utility expense in the amount of $90,000, and additional operating expense of $865,000 as a result of the purchase of the six income-producing properties, offset by a decrease in snow removal costs in the amount of $865,000.

Other property income increased by $960,000 over 2003 due to a termination fee received from an anchor tenant.

Depreciation and amortization increased by $942,000, primarily due to additional expense of $525,000 as a result of capital expenditures and the additional expense of $417,000 as a result of the purchase of the six income-producing properties.

General and administrative expenses increased by $457,000, primarily due to an increase in trustee fees of $145,000 of which $97,000 was attributable to the grant of restricted shares that vested immediately, an increase in marketing expense of $45,000, and an additional expense in the amount of $335,000 due to the consolidation of Drexel in accordance with FASB Interpretation No. 46, offset by lower payroll related expenses in the amount of $95,000.

Management and leasing fee income increased over 2003 as a result of the Company entering into an exclusive management and leasing agreement in conjunction with the Company's investment in a joint venture in Vestal, New York in July 2003.

Interest income and interest income from related parties decreased by $215,000 during the first six months of 2004, primarily due to scheduled repayments of mortgage notes receivable (see Note 5 to our consolidated financial statements) which are long term and require self-amortizing payments through 2012.

Other income increased over 2003 due to a premium received upon the sale of the Boca Note. The Boca Note, which had an outstanding balance of $8.2 million, was sold to Bank of America for $10.4 million on June 15, 2004. The Company received net proceeds of $9.8 million which will be used for acquisitions and general corporate purposes. In addition, this transaction generated a one-time increase in income to common shareholders of beneficial interest of approximately $1 million for the six months ended June 30, 2004.

Equity in income of unconsolidated affiliates increased by $274,000 primarily due the Company's 20% investment in a joint venture located in Vestal, NY in July 2003.

Interest expense decreased by $342,000 compared to the same period in 2003 due to a decrease in expense of approximately $2.3 million as a result of a decrease in rates on the Company's variable and fixed rate debt and the repayment of borrowings, offset by an increase in interest expense in the amount of $570,000 as a result of the debt assumed for the purchase of the income-producing properties, a penalty incurred due to the early prepayment of the Collateralized Mortgage Obligation in the amount of $1.1 million, and higher expense of $200,000 due to amortization of deferred finance costs.

Net income from discontinued operations was $17,000 for the first six months of 2004 compared to income of $2.3 million for the same period of 2003. The 2004 amount includes one property sold in 2004. The 2003 amount consists of the net income from properties sold in 2004 and 2003, as well as the properties held for sale.

Preferred share distribution increased by $1.1 million as a result of the issuance of 2.4 million shares of Series E preferred shares on December 30, 2003 and 400,000 shares of Series E preferred shares on February 27, 2004, offset by the redemption of Series D preferred shares on January 30, 2004.

Funds From Operations

The following schedule reconciles FFO to net income (in thousands):

	Three Months Ended June 30, (unaudited)		Six months E June 30, (unaudite	
	2004	2003	2004	
Net income to common shareholders (1)	$ 5,346	$ 2,943	$ (7,971)	$
Depreciation and amortization of real property (2) (3)	4,759	4,314	9,374	
(Gain) on sale of income-producing real estate (4)	-	-	3	
FFO available to common shareholders	10,105	7,257	1,406	

(1) Includes a reduction in income to common shareholders of beneficial interest of approximately $16.6 million, net of minority interest, in connection with the redemption of the Company's 9.5% Series D Cumulative Redeemable Preferred Shares of beneficial interest in accordance with Topic D-42 for the six months ended June 30, 2004.

(2) Net of minority interests of $329 and $303, respectively, for the three months ended June 30, 2004 and June 30, 2003, and $648 and $617, respectively, for the six months ended June 30, 2004 and June 30, 2003.

(3) Depreciation related to unconsolidated affiliates of $118 and $56, respectively, for the three months ended June 30, 2004 and June 30, 2003, and $236 and $99, respectively, for the six months ended June 30, 2004 and June 30, 2003.

(4) Net of amounts attributable to minority interests of $(1) for the six months ended June 30, 2004.

The Company presents Funds from Operations (FFO), a non-GAAP financial measure, because it considers it an important supplemental measure of our operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of Real Estate Investment Trusts (REITs), many of which present FFO when reporting their results. FFO, as defined by the National Association of Real Estate Investment Trusts (NAREIT), an industry trade group, consists of net income available to common shareholders (computed in accordance with generally accepted accounting principles in the United States, or GAAP) before depreciation and amortization of real estate assets, extraordinary items and gains and losses on sales of income producing real estate assets. FFO excludes GAAP depreciation and amortization of real estate assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have increased or

decreased with market conditions. Because FFO excludes depreciation and amortization of real estate assets, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, acquisition and development activities and interest costs, providing a perspective not immediately apparent from net income. The Company uses FFO to provide this additional information and perspective. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and should not be considered as an alternative to either net income as a measure of the Company's operating performance or to cash flows from operating activities as an indicator of liquidity or cash available to fund all cash flow needs. Recognizing these limitations in the use of FFO as a financial measure, the Company considers FFO as only one in a group of measures, which, together, provide information about the Company's operations. Since all companies do not calculate FFO in a similar fashion, the Company's calculation, presented above, may not be comparable to similarly titled measures reported by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Statements of Cash Flows

Net cash provided by operating activities, as reported in the Consolidated Statements of Cash Flows, amounted to $24 million for the six months ended June 30, 2004 compared to $15.8 million for the same period in 2003. The increase in cash flow is primarily due to an increase in the net operating income in the amount of $3.6 million in the first six months of 2004 compared the same period in 2003, a decrease in accounts payable and other liabilities of $208,000 in the first six months of 2004 compared to an decrease of $3.6 million for the same period in 2003, and a decrease in other assets in the amount of $3.6 million for the first six months of 2004 compared to a decrease of $2.4 million for the same period in 2003.

Net cash used in investing activities for the six months ended June 30, 2004 amounted to $11.4 million, compared to net cash used in investing activities of $4.2 million for the same period in 2003. The 2004 amounts reflect $10.2 million used for capital improvements, and $19.9 million used for acquisitions, offset by net proceeds from the sale of the Boca Note in the amount of $10.4 million, net proceeds from the sale of real estate in the amount of $6.2 million, $1 million of collections on mortgage notes receivable, and $1 million of distributions from unconsolidated affiliates. The 2003 amounts reflect $9.8 million used for capital improvements and $4.3 million used for acquisitions, offset by net proceeds from the sale of real estate in the

amount of $7.9 million, $900,000 of collections on mortgage notes receivable, $785,000 change in restricted cash, and $412,000 of distributions from unconsolidated affiliates.

Net cash used in financing activities was $15.3 million for the six months ended June 30, 2004 compared to cash used in financing activities of $18.9 million in the same period in 2003. The 2004 amounts consist of $41.3 million for the repurchase of preferred shares of beneficial interest, cash distributions of $19.8 million to shareholders, cash distributions of $1.1 million to minority interests, and $768,000 for deferred finance costs, partially offset by $37.1 million of net borrowings, $10 million of proceeds from the issuance of preferred shares of beneficial interest and $580,000 received from share options exercised. The 2003 amounts consist of cash distributions of $18.6 million to shareholders, $1.4 million of net repayment of borrowings, cash distributions of

$1 million to minority interests, and $2.1 million for deferred finance costs offset by $4 million of proceeds from the issuance of common shares of beneficial interest.

The Company's operating funds are generated from rent revenue net of operating expense from income producing properties and, to a much lesser extent, interest income on the mortgage notes receivable. The Company believes that the operating funds will be sufficient in the foreseeable future to fund operating and administrative expenses, interest expense, recurring capital expenditures and distributions to shareholders in accordance with REIT requirements. Sources of capital for non-recurring capital expenditures and scheduled principal payments, including balloon payments, on outstanding borrowings are expected to be obtained from property refinancings, scheduled principal repayments on the mortgage notes receivable, sales of non-strategic real estate, the Company's lines of credit and/or potential debt or equity financings in the public or private markets.

Borrowings

At June 30, 2004, the Company's contractual obligations are as follows:

Payments Due by Period (in millions)			
Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
$ 4.6	$ 96.7	$ 102.4	$ 284.4

At June 30, 2004, borrowings were $488.1 million. Scheduled principal payments over the remainder of this year and the next four years are $203.7 million with $284.4 million due thereafter. Borrowings consist of $435 million of fixed rate indebtedness, with a weighted average interest rate of 6.52% at June 30, 2004, and $53.1 million of variable rate indebtedness with a weighted average interest rate of 3.16% at June 30, 2004. The borrowings are collateralized by a substantial portion of the Company's income-producing real estate and two notes (collectively, the "Recreation Notes") that are secured to the Company by first mortgages on the recreation facilities at two Century Village adult condominium communities in southeast Florida. The Company expects to refinance certain of these borrowings, at or prior to maturity, through new mortgage loans on real estate. The ability to do so, however, is dependent upon various factors, including the income level of the properties, interest rates and credit conditions within the commercial real estate market. Accordingly, there can be no assurance that such refinancing can be achieved.

Effective June 16, 2003, the Company entered into a ten year, fixed rate loan agreement with Metropolitan Life Insurance Company (the "Metlife Loan") for a loan in the amount of $190 million to replace a $181.7 million fixed rate real estate mortgage loan that matured on June 20, 2003. The Metlife Loan is secured by fifteen shopping center properties (the "Mortgaged Properties") and the remaining principal balance of the Metlife Loan is due in June 2013. The Metlife Loan bears a fixed interest rate of 6.12% per annum and requires monthly payments of interest only for the first two years of the ten year term and monthly payments of interest and principal based on a 30-year amortization for the remaining term.

Effective December 20, 2002, the Company entered into a loan agreement (the "Loan Agreement") with Bank of America (previously Fleet National Bank, N.A.) on its own behalf and as agent for certain other banks providing for a credit facility (the "Credit Facility"). As of December 30, 2002, the date of the

initial funding, the maximum amount of the Credit Facility was then $100 million and the maximum amount the Company could borrow was $68 million based on the then current collateral. The maximum amount of the Credit Facility was increased to $125 million on March 19, 2003, under the terms and conditions of the Loan Agreement. The Borrowing Base available to Kramont OP under the Credit Facility is subject to increase or decrease from its current amount pursuant to the terms of the Loan Agreement. The Credit Facility is a revolving line of credit with a term of three years and is secured by guarantees by the Company and those of its subsidiaries who have provided mortgages to the lenders, seventeen first mortgages on shopping centers and a first priority security interest in the membership interests and partnership interests of the subsidiary entities. The Credit Facility contains various financial covenants that must be observed. The Company was in compliance with these covenants at June 30, 2004. Credit Facility borrowings bear interest at the Borrower's election of (a) at the prime rate or the prime rate plus 25 basis points based on the leverage ratio of the Company's and Kramont OP's total debt and liabilities to its total asset value, or (b) London InterBank Offered Rate ("LIBOR") plus 175 to 225 basis points based on such ratio. Interest rates may be set for one, three or six-month periods. Advances under the Credit Facility may be used for general corporate purposes and, among other purposes, to fund acquisitions, repayment of all or part of outstanding indebtedness, expansions, renovations, financing and refinancing of real estate, closing costs and for other lawful purposes. The outstanding balance on the Credit Facility was approximately $52 million as of June 30, 2004. Based on the current collateral the Company can borrow an additional $22.7 million as of June 30, 2004.

In 1998, the Company obtained a $65.9 million fixed rate mortgage from Salomon Brothers Realty Corp. This loan is secured by a first mortgage on nine properties acquired by the Company in September 1998. The mortgage loan bears a fixed interest rate of 7% per annum and requires monthly payments of interest and principal based on a 30-year amortization. The loan matures on October 1, 2008. The outstanding balance on the mortgage was approximately $61.9 million as of June 30, 2004. Pursuant to the mortgage loan, the Company is required to make monthly escrow payments for the payment of tenant improvements and repair reserves.

In addition, the Company has twenty-two mortgage loans outstanding as of June 30, 2004 which were primarily assumed in connection with various acquisitions of certain shopping centers. These mortgage loans have maturity dates ranging from 2004 through 2018. Twenty of the twenty-two mortgage loans have fixed interest rates ranging from 5.15% to 9.22%. The outstanding principal balance on these mortgage loans at June 30, 2004 was approximately $168.6 million. The remaining two mortgage loans, in the aggregate amount of $1.1 million at June 30, 2004, have variable rates ranging from 6.50% to 6.88%.

On June 15, 2004, the Company entered into a $14.5 million non- revolving term loan with Bank of America that matures in June 2007. The loan is collateralized by the Recreation Notes and requires monthly principal and interest payments based upon a straight line seven year real estate amortization. The note bears an interest rate equal to the sum of the 30 day LIBOR plus 1.75%. The Company has entered into a swap agreement through December, 2006, converting the floating rate to a fixed rate of 5.15%

On July 12, 2001, the Company established a secured line of credit in the amount of $3.2 million with Wachovia Bank, N.A. This line is secured by a shopping center and has an interest rate payable at a rate adjusted monthly to the sum of 30 day LIBOR plus 1.8%. The line of credit matures on October 31, 2004. No amounts were outstanding at June 30, 2004 on this line of credit.

The Company has a line of credit with Wilmington Trust of Pennsylvania in the amount of $3.5 million secured by two shopping centers with an interest rate payable at a rate adjusted monthly to the sum of 30 day

LIBOR plus 1.8%. The line of credit matures on June 27, 2005. At June 30, 2004 there was no outstanding balance on this line of credit.

Acquisitions

On February 17, 2004, the Company completed the acquisition of a 203,000 square foot shopping center in Worcester, Massachusetts for a purchase price of $19.9 million including transaction costs. The center is 99% occupied and is anchored by a 67,000 square foot supermarket. The shopping center was initially funded using cash and the property was subsequently pledged as collateral under the Credit Facility.

Subsequent Event

On August 6, 2004, the Company completed the acquisition of a 223,000 square foot shopping center in Harrisburg, Pennsylvania for a purchase price of $17.5 million plus transaction costs. The center is 95% occupied and is anchored by a 60,000 square foot supermarket. The shopping center was funded by the assumption of $13 million in debt and the balance in cash.

Dispositions

On March 15, 2004, the Company sold an 83,000 square foot shopping center in Capitol Heights, Maryland. The sale price of the shopping center was $7 million with net proceeds of approximately $1.2 million after the repayment debt of $5.2 million. The Company recognized a loss of approximately $4,000.

Subsequent Event

On August 6, 2004 the Company sold a portion of its shopping center in Spartanburg, South Carolina. The 11 acre parcel was sold for $3.5 million and the Company expects to record a loss of approximately $800,000 as a result.

Capital Resources

On April 3, 2002, the Company filed a shelf registration statement on Form S-3 ("Shelf Registration Statement") to register $150 million in common and preferred shares of beneficial interest, depository shares, warrants and debt securities. The Shelf Registration Statement became effective April 17, 2002.

On January 30, 2004, the Company redeemed all of its outstanding 9.5% Series D Cumulative Redeemable Preferred Shares of beneficial interest for $25.00 per share plus accrued and unpaid distributions though January 30, 2004 of $0.066 per share. The total outstanding shares redeemed were 1,653,200 with a par value of $.01 per share. At that time, the Company retired all 1,800,000 shares of Series D preferred shares originally issued. In connection with the redemption of the Series D preferred shares, the Company's first quarter 2004 results reflected a non-recurring reduction in income to common shareholders of beneficial interest of approximately $17.7 million. This reduction was recorded in accordance with the July 31, 2003 Securities and Exchange Commission interpretation of FASB-EITF Abstract Topic No. D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock" ("Topic D-42"). Under Topic D-42, the difference between the carrying amount of the shares and the redemption price must be recorded as a reduction in income to common shareholders of beneficial interest and, therefore, will impact net income per share for the period in which the redemption is made.

On February 27, 2004 under the Shelf Registration Statement, the Company sold 400,000 of its 8.25% Series E Cumulative Redeemable Preferred Shares to certain investment advisory clients of Cohen & Steers Capital Management, Inc. for net proceeds of $10 million. Shares were priced at $25.50 and the purchasers paid accrued dividends of $.3306 per share. There were no placement or underwriting fees associated with the

transaction. The Company used the $10 million for general corporate purposes.

On April 8, 2004, the Company filed a post-effective amendment to the Shelf Registration Statement. As of that date, the Company had issued common shares and preferred shares registered under the Shelf Registration with an aggregate initial offering price of $131,586,500, leaving securities with an aggregate maximum initial offering price of $18,413,500 unsold under the Shelf Registration Statement (the "Remaining Amount"). The Company removed from registration the Remaining Amount of securities registered but unsold under the Shelf Registration Statement.

On April 8, 2004, the Company filed a new shelf registration statement on Form S-3 ("New Shelf Registration Statement") to register $250 million in common and preferred shares of beneficial interest, depository shares, warrants and debt securities. The New Shelf Registration Statement became effective April 21, 2004.

Inflation

During recent years, the rate of inflation has remained at a low level and has had minimal impact on the Company's operating results. Most of the tenant leases contain provisions designed to lessen the impact of inflation. These provisions include escalation clauses in certain leases which generally increase rental rates periodically based on stated rental increases which are currently higher than recent cost of living increases, and percentage rentals based on tenant's gross sales, which generally increase as prices rise. Many of the leases are for terms of less than ten years which increases the Company's ability to replace those leases which are below market rates with new leases at higher base and/or percentage rentals. In addition, most of the leases require the tenants to pay their proportionate share of increases in operating expenses, including common area maintenance, real estate taxes, and insurance.

However, in the event of significant inflation, the Company's operating results could be adversely affected if general and administrative expenses and interest expense increases at a rate higher than rent income or if the increase in inflation exceeds rent increases for certain tenant leases which provide for stated rent increases.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure to market risk is to changes in interest rates. The Company has both fixed and variable rate debt. The Company has $488.1 million of debt outstanding as of June 30, 2004 of which $435 million, or 89.1%, has been borrowed at fixed rates ranging from 5.15% to 9.22% with maturities through 2018. As these debt instruments mature, the Company typically refinances such debt at the current market interest rates which may be more or less than interest rates on the maturing debt. Changes in interest rates have different impacts on the fixed and variable rate portions of the Company's debt portfolio. A change in interest rates impacts the net market value of the Company's fixed rate debt, but has no impact on interest incurred or cash flows on the Company's

fixed rate debt. Interest rate changes on variable debt impacts the interest incurred and cash flows but does not impact the net market value of the debt instrument. Based on the variable rate debt of the Company as of June 30, 2004, a 100 basis point increase in interest rates would result in an additional $531,000 in interest incurred per year and a 100 basis point decline would lower interest incurred by $531,000. To mitigate the risks of interest rate increases, the Company has entered into an interest rate swap agreement in the notional amount of $14.5 million. A 100 basis point increase in interest rates would result in an approximate decrease of $25 million in the fair value of the fixed rate debt and a 100 basis point decline would result in an approximate increase of $25 million in the fair value.

The Company also has $21.8 million of fixed rate mortgage notes receivable. Changes in interest rates impacts the market value of the mortgage notes receivable, but has no impact on interest earned or cash flows. A 100 basis point increase in interest rates would result in a $1 million decrease in the fair value of the mortgage notes receivable and a 100 basis point decline would result in a $1 million increase in the fair value.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's "disclosure controls and procedures," as that term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2004. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2004 identified in connection with the evaluation thereof by the Company's management, including the Chief Executive Officer and Chief Financial Officer, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements

Certain statements contained in this Quarterly Report may contain 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, and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. 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 "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project", or the negative thereof, or other variations thereon or comparable terminology. Factors which could have a material adverse effect on the operations and future prospects of our company include:

- our inability to identify properties to acquire or our inability to successfully integrate acquired properties and operations;
- our dependence on the retail industry, including the effect of general or regional economic downturns on demand for leased space at and the amount of rents chargeable by neighborhood and community shopping centers;
- changes in tax laws or regulations, especially those relating to REITs and real estate in general;
- our failure to continue to qualify as a REIT under U.S. tax laws;
- the number, frequency and duration of tenant vacancies that we experience;
- the time and cost required to solicit new tenants and to obtain lease renewals from existing tenants on terms that are favorable to us;
- tenant bankruptcies and closings;
- the general financial condition of, or possible mergers or acquisitions involving, our tenants;
- competition from other real estate companies or from competing shopping centers or other commercial developments;
- changes in interest rates and national and local economic conditions;
- increases in our operating costs;
- compliance with regulatory requirements, including the Americans with Disabilities Act;
- the continued service of our senior executive officers;
- possible environmental liabilities;
- the availability, cost and terms of financing;

- the time and cost required to identify, acquire, construct or develop additional properties that result in the returns anticipated or sought;
- the costs required to re-develop or renovate any of our current or future properties; and
- our inability to obtain insurance coverage to cover liabilities arising from terrorist attacks or other causes or to obtain such coverage at commercially reasonable rates.

You should also carefully consider any other factors contained in this Quarterly Report, including the information incorporated by reference into this Quarterly Report. Unless otherwise indicated, statements herein are made as of the end of the period to which this Quarterly Report relates, and the Company disclaims any obligation to publicly update or revise any forward-looking statement in this

Quarterly Report which may thereafter appear to be inaccurate for any reason. You should not rely on the information contained in any forward-looking statements, and you should not expect us to update any forward-looking statements.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Defaults upon Senior Securities

None.

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

The Company held its Annual Meeting of Shareholders on June 10, 2004.

The shareholders elected Bernard J. Korman and Laurence Gerber as Class I trustees, in each case for a three-year term expiring 2007 and until their successors are duly elected and qualify.

The shareholders ratified the appointment of BDO Seidman, LLP as the Company's independent public accountants for the fiscal year ending December 31, 2004.

Common shares of beneficial interest (including Series B-1 cumulative convertible preferred shares of beneficial interest equal to the number of common shares into which the Series B-1 preferred shares were convertible) were voted as follows:

TRUSTEE NOMINEE OR PROPOSAL	FOR	AGAINST/WITHHELD	ABSTENTIONS
Bernard J. Korman	22,350,058	81,106	-
Laurence Gerber	22,899,928	341,236	-
Ratification of Accountants	22,239,409	151,635	40,119

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There were no broker non-votes for any Trustee nominee or proposal.

ITEM 5. Other Information

Not Applicable.

ITEM 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

EXHIBIT NO.	DOCUMENT
10.89	Assignment of Mortgage and Loan Documents, dated June

15, 2004, by and between Recreation Mortgages, L.P., a Delaware limited partnership, as assignor, and Bank of America, N.A., as assignee.

10.90 Promissory Note for $14,500,000, dated June 15, 2004, by and between Recreation Mortgages, L.P., a Delaware limited partnership, as borrower, Bank of America, N.A., as lender.

31.1 Certification by Chief Executive Officer of Kramont Realty Trust pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Chief Financial Officer of Kramont Realty Trust pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Chief Executive Officer of Kramont Realty Trust pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Chief Financial Officer of Kramont Realty Trust pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Form 8-K

On May 11, 2004, the Company furnished a Current Report on Form 8-K, reporting under Item 9 - "Regulation FD Disclosure" and Item 12 - "Results of Operations and Financial Condition" - Consolidated financial results for the quarter ended March 31, 2004.

On June 8, 2004, the Company furnished a Current Report on Form 8-K, reporting under Item 7 - "Financial Statements, Pro Forma Financial Information and Exhibits" and Item 9 - "Regulation FD Disclosure" - Kramont Realty Trust NAREIT Institutional Investor Forum Presentation - June 7, 2004.

Information in any of our Current Reports on Form 8-K furnished under Item 9 - "Regulation FD Disclosure" or Item 12, "Results of Operations and Financial Condition," shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act, or

otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

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

KRAMONT REALTY TRUST
(Registrant)

August 9, 2004 /s/ Louis P. Meshon, Sr.
Louis P. Meshon Sr., President

August 9, 2004 /s/ Carl E. Kraus
Carl E. Kraus, Chief Financial Officer and Treasurer