TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
August 08, 2012

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2012
OR

o 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 1-11986 (Tanger Factory Outlet Centers, Inc.)
Commission file number 333-3526-01 (Tanger Properties Limited Partnership)

TANGER FACTORY OUTLET CENTERS, INC.
TANGER PROPERTIES LIMITED PARTNERSHIP
(Exact name of Registrant as specified in its charter)

North Carolina (Tanger Factory Outlet Centers, Inc.)	56-1815473
North Carolina (Tanger Properties Limited Partnership)	56-1822494
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Northline Avenue, Suite 360, Greensboro, NC 27408
(Address of principal executive offices)

(336) 292-3010
(Registrant's telephone number)

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.

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer: and “smaller reporting company” (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934).

Tanger Factory Outlet Centers, Inc.

x Large accelerated filer	o Accelerated filer	o Non-accelerated filer	o Smaller reporting company

Tanger Properties Limited Partnership

o Large accelerated filer	o Accelerated filer	x Non-accelerated filer	o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Tanger Factory Outlet Centers, Inc.	Yes o	No x
Tanger Properties Limited Partnership	Yes o	No x

As of August 3, 2012, there were 93,883,788 common shares of Tanger Factory Outlet Centers, Inc. outstanding, $.01 par value.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2012 of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership. Unless the context indicates otherwise, the term, Company, refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, Operating Partnership, refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. The Company is a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through its controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. The outlet centers and other assets are held by, and all of the operations are conducted by, the Operating Partnership and its subsidiaries. Accordingly, the descriptions of the business, employees and properties of the Company are also descriptions of the business, employees and properties of the Operating Partnership.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. Through May 31, 2011, the Tanger family, through its ownership of the Tanger Family Limited Partnership, held the remaining units as a limited partner. On June 1, 2011, the Tanger Family Limited Partnership was dissolved, and the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the individual beneficial owners of the Tanger Family Limited Partnership, making each such individual beneficial owner an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

As of June 30, 2012, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 23,370,997 units of the Operating Partnership and the Family Limited Partners collectively owned 1,330,440 units. Each unit held by the Family Limited Partners is exchangeable for four of the Company's common shares, subject to certain limitations to preserve the Company's REIT status. Prior to the Company's 2 for 1 splits of its common shares on January 24, 2011 and December 28, 2004, respectively, the exchange ratio was one for one.

Management operates the Company and the Operating Partnership as one enterprise. The management of the Company consists of the same members as the management of the Operating Partnership. These individuals are officers of the Company and employees of the Operating Partnership. The individuals that comprise the Company's Board of Directors are also the same individuals that make up the Tanger GP Trust's Board of Trustees.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated consolidated company. As stated above, the Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership through its wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. As a result, the Company does not conduct business itself, other than issuing public equity from time to time and incurring expenses required to operate as a public company. However, all operating expenses incurred by the Company are reimbursed by the Operating Partnership, thus the only material item on the Company's income statement is its equity in the earnings of the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. The Company itself does not hold any indebtedness but does guarantee certain debt of the Operating Partnership, as disclosed in this report. The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's consolidated and unconsolidated joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by the Company, which are required to be contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, its incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership interests in the Operating Partnership held by the Family Limited Partners are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements. To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Consolidated financial statements;
- The following notes to the consolidated financial statements:
- Debt;
- Share-Based Compensation of the Company and Equity-Based Compensation of the Operating Partnership;
- Earnings Per Share and Earnings Per Unit and
- Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.

As the 100% owner of Tanger GP Trust, the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

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PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements of Tanger Factory Outlet Centers, Inc.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Rental property		
Land	$148,002	$148,002
Buildings, improvements and fixtures	1,787,050	1,764,494
Construction in progress	—	3,549
	1,935,052	1,916,045
Accumulated depreciation	(547,167)	(512,485)
Total rental property, net	1,387,885	1,403,560
Cash and cash equivalents	11,855	7,894
Investments in unconsolidated joint ventures, net	72,394	28,481
Deferred lease costs and other intangibles, net	109,850	120,636
Deferred debt origination costs, net	10,219	8,861
Prepaids and other assets	50,172	52,383
Total assets	$1,642,375	$1,621,815
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,104 and $2,237, respectively)	$547,896	$547,763
Unsecured term loans (net of discount of $620 and $692, respectively)	259,380	9,308
Mortgages payable (including premiums of $6,902 and $7,434, respectively)	109,583	111,379
Unsecured lines of credit	141,224	357,092
Total debt	1,058,083	1,025,542
Construction trade payables	14,746	13,656
Accounts payable and accrued expenses	38,011	37,757
Other liabilities	16,283	16,428
Total liabilities	1,127,123	1,093,383
Commitments and contingencies		
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 93,483,988 and 86,727,656 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	935	867
Paid in capital	758,381	720,073
Accumulated distributions in excess of net income	(279,657)	(261,913)
Accumulated other comprehensive income	1,405	1,535
Equity attributable to Tanger Factory Outlet Centers, Inc.	481,064	460,562
Equity attributable to noncontrolling interests		
Noncontrolling interests in Operating Partnership	27,386	61,027
Noncontrolling interests in other consolidated partnerships	6,802	6,843
Total equity	515,252	528,432

Total liabilities and equity	$1,642,375	$1,621,815

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenues				
Base rentals	$58,583	$48,393	$115,802	$94,612
Percentage rentals	1,618	1,137	3,362	2,528
Expense reimbursements	24,989	20,616	48,465	41,821
Other income	2,145	1,955	3,949	3,879
Total revenues	87,335	72,101	171,578	142,840
Expenses				
Property operating	27,977	23,765	54,065	47,873
General and administrative	8,699	7,185	18,719	13,952
Acquisition costs	—	974	—	1,541
Abandoned development costs	—	—	—	158
Depreciation and amortization	24,923	17,858	50,438	35,823
Total expenses	61,599	49,782	123,222	99,347
Operating income	25,736	22,319	48,356	43,493
Interest expense	12,411	10,713	24,745	21,038
Income before equity in losses of unconsolidated joint ventures	13,325	11,606	23,611	22,455
Equity in losses of unconsolidated joint ventures	(867)	(764)	(2,319)	(796)
Net income	12,458	10,842	21,292	21,659
Noncontrolling interests in Operating Partnership	(766)	(1,420)	(1,479)	(2,839)
Noncontrolling interests in other consolidated partnerships	25	—	32	—
Net income attributable to Tanger Factory Outlet Centers, Inc.	$11,717	$9,422	$19,845	$18,820
Basic earnings per common share:				
Net income	$0.13	$0.11	$0.21	$0.23
Diluted earnings per common share:				
Net income	$0.12	$0.11	$0.21	$0.23
Dividends paid per common share	$0.2100	$0.2000	$0.4100	$0.3938

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income	$12,458	$10,842	$21,292	$21,659
Other comprehensive loss				
Reclassification adjustment for amortization of gain on settlement of US treasury rate lock included in net income	(87)	(82)	(173)	(163)
Foreign currency translation adjustments	39	—	34	—
Changes in fair value of our portion of our unconsolidated joint ventures' cash flow hedges	—	—	—	46
Other comprehensive loss	(48)	(82)	(139)	(117)
Comprehensive income	12,410	10,760	21,153	21,542
Comprehensive income attributable to noncontrolling interests	(738)	(1,409)	(1,438)	(2,823)
Comprehensive income attributable to Tanger Factory Outlet Centers, Inc.	$11,672	$9,351	$19,715	$18,719

The accompanying notes are an integral part of these consolidated financial statements.

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

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2011	$867	$720,073	$(261,913)	$ 1,535	$460,562	$ 61,027	$ 6,843	$528,432
Net income	—	—	19,845	—	19,845	1,479	(32)	21,292
Other comprehensive loss	—	—	—	(130)	(130)	(9)	—	(139)
Compensation under Incentive Award Plan	—	5,797	—	—	5,797	—	—	5,797
Issuance of 20,200 common shares upon exercise of options	—	241	—	—	241	—	—	241
Grant of 566,000 restricted shares, net of forfeitures	6	(6)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	32,329	—	—	32,329	(32,329)	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	9	—	—	9	—	(9)	—
Exchange of 1,542,533 Operating Partnership units for 6,170,132 common shares	62	(62)	—	—	—	—	—	—
Common dividends ($.41 per share)	—	—	(37,589)	—	(37,589)	—	—	(37,589)
	—	—	—	—	—	(2,782)	—	(2,782)

Distributions to noncontrolling interests in Operating Partnership								
Balance, June 30, 2012	$935	$758,381	$(279,657)	$ 1,405	$481,064	$ 27,386	$ 6,802	$515,252

The accompanying notes are an integral part of these consolidated financial statements.

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

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Total equity
Balance, December 31, 2010	$810	$604,359	$(240,024)	$ 1,784	$366,929	$ 54,966	$421,895
Net income	—	—	18,820	—	18,820	2,839	21,659
Other comprehensive loss	—	—	—	(101)	(101)	(16)	(117)
Compensation under Incentive Award Plan	—	3,618	—	—	3,618	—	3,618
Grant of 312,400 restricted shares, net of forfeitures	3	(3)	—	—	—	—	—
Issuance of 4,500 common shares upon exercise of options	—	43	—	—	43	—	43
Adjustment for noncontrolling interests in Operating Partnership	—	(261)	—	—	(261)	261	—
Common dividends ($.3938 per share)	—	—	(32,009)	—	(32,009)	—	(32,009)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	(4,776)	(4,776)
Balance, June 30, 2011	$813	$607,756	$(253,213)	$ 1,683	$357,039	$ 53,274	$410,313

The accompanying notes are an integral part of these consolidated financial statements.

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

	Six Months Ended June 30,	
	2012	2011
OPERATING ACTIVITIES		
Net income	$21,292	$21,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,438	35,823
Amortization of deferred financing costs	1,146	948
Equity in losses of unconsolidated joint ventures	2,319	796
Share-based compensation expense	5,797	3,618
Amortization of debt (premiums) and discounts, net	(499)	45
Distributions of cumulative earnings from unconsolidated joint ventures	466	156
Net accretion of market rent rate adjustments	(430)	(357)
Straight-line rent adjustments	(1,789)	(2,033)
Changes in other assets and liabilities:		
Other assets	3,956	4,295
Accounts payable and accrued expenses	113	(5,081)
Net cash provided by operating activities	82,809	59,869
INVESTING ACTIVITIES		
Additions to rental property	(19,945)	(30,031)
Acquisition of rental property	—	(134,000)
Additions to investments in unconsolidated joint ventures	(46,893)	—
Distributions in excess of cumulative earnings from unconsolidated joint ventures	310	444
Increases in escrow deposits	—	(13,089)
Net proceeds from sale of real estate	—	724
Additions to deferred lease costs	(2,531)	(6,166)
Net cash used in investing activities	(69,059)	(182,118)
FINANCING ACTIVITIES		
Cash dividends paid	(37,589)	(32,009)
Distributions to noncontrolling interests in Operating Partnership	(2,782)	(4,776)
Proceeds from debt issuances	432,732	306,850
Repayments of debt	(399,864)	(135,030)
Additions to deferred financing costs	(2,527)	(149)
Proceeds from exercise of options	241	43
Net cash (used in) provided by financing activities	(9,789)	134,929
Net increase in cash and cash equivalents	3,961	12,680
Cash and cash equivalents, beginning of period	7,894	5,758
Cash and cash equivalents, end of period	$11,855	$18,438

The accompanying notes are an integral part of these consolidated financial statements.

Item 1 - Financial Statements of Tanger Properties Limited Partnership

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Rental property		
Land	$148,002	$148,002
Buildings, improvements and fixtures	1,787,050	1,764,494
Construction in progress	—	3,549
	1,935,052	1,916,045
Accumulated depreciation	(547,167)	(512,485)
Total rental property, net	1,387,885	1,403,560
Cash and cash equivalents	11,723	7,866
Investments in unconsolidated joint ventures, net	72,394	28,481
Deferred lease costs and other intangibles, net	109,850	120,636
Deferred debt origination costs, net	10,219	8,861
Prepaids and other assets	49,950	52,059
Total assets	$1,642,021	$1,621,463
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,104 and $2,237, respectively)	$547,896	$547,763
Unsecured term loans (net of discount of $620 and $692, respectively)	259,380	9,308
Mortgages payable (including premiums of $6,902 and $7,434, respectively)	109,583	111,379
Unsecured lines of credit	141,224	357,092
Total debt	1,058,083	1,025,542
Construction trade payables	14,746	13,656
Accounts payable and accrued expenses	37,657	37,405
Other liabilities	16,283	16,428
Total liabilities	1,126,769	1,093,031
Commitments and contingencies		
Equity		
Partners' Equity		
General partner	4,781	4,972
Limited partners	502,345	515,154
Accumulated other comprehensive income	1,324	1,463
Total partners' equity	508,450	521,589
Noncontrolling interests in consolidated partnerships	6,802	6,843
Total equity	515,252	528,432
Total liabilities and equity	$1,642,021	$1,621,463

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data, unaudited)

	Three months ended, June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenues				
Base rentals	$58,583	$48,393	$115,802	$94,612
Percentage rentals	1,618	1,137	3,362	2,528
Expense reimbursements	24,989	20,616	48,465	41,821
Other income	2,145	1,955	3,949	3,879
Total revenues	87,335	72,101	171,578	142,840
Expenses				
Property operating	27,977	23,765	54,065	47,873
General and administrative	8,699	7,185	18,719	13,952
Acquisition costs	—	974	—	1,541
Abandoned development costs	—	—	—	158
Depreciation and amortization	24,923	17,858	50,438	35,823
Total expenses	61,599	49,782	123,222	99,347
Operating income	25,736	22,319	48,356	43,493
Interest expense	12,411	10,713	24,745	21,038
Income before equity in losses of unconsolidated joint ventures	13,325	11,606	23,611	22,455
Equity in losses of unconsolidated joint ventures	(867)	(764)	(2,319)	(796)
Net income	12,458	10,842	21,292	21,659
Noncontrolling interests in consolidated partnerships	25	—	32	—
Net income available to partners	12,483	10,842	21,324	21,659
Net income available to limited partners	12,355	10,731	21,105	21,437
Net income available to general partner	$128	$111	$219	$222
Basic earnings per common unit:				
Net income	$0.50	$0.46	$0.86	$0.92
Diluted earnings per common unit:				
Net income	$0.50	$0.46	$0.85	$0.91
Distribution paid per common unit	0.8400	0.8000	1.6400	1.5752

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income	$12,458	$10,842	$21,292	$21,659
Other comprehensive loss				
Reclassification adjustment for amortization of gain on settlement of US treasury rate lock included in net income	(87)	(82)	(173)	(163)
Foreign currency translation adjustments	39	—	34	—
Changes in fair value of our portion of our unconsolidated joint ventures' cash flow hedges	—	—	—	46
Other comprehensive loss	(48)	(82)	(139)	(117)
Comprehensive income	12,410	10,760	21,153	21,542
Comprehensive income attributable to noncontrolling interests in consolidated partnerships	25	—	32	—
Comprehensive income attributable to the Operating Partnership	$12,435	$10,760	$21,185	$21,542

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except unit and per unit data, unaudited)

	General partner	Limited partners	Accumulated other comprehensive income	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2011	$4,972	$515,154	$1,463	$521,589	$ 6,843	$528,432
Net income	219	21,105	—	21,324	(32)	21,292
Other comprehensive loss	—	—	(139)	(139)	—	(139)
Compensation under Incentive Award Plan	—	5,797	—	5,797	—	5,797
Issuance of 5,050 common units upon exercise of options	—	241	—	241	—	241
Adjustments for noncontrolling interests in consolidated partnerships	—	9	—	9	(9)	—
Common distributions ($1.64 per unit)	(410)	(39,961)	—	(40,371)	—	(40,371)
Balance, June 30, 2012	$4,781	$502,345	$1,324	$508,450	$ 6,802	$515,252

	General partner	Limited partners	Accumulated other comprehensive income	Total equity
Balance, December 31, 2010	$5,221	$414,926	$1,748	$421,895
Net income	222	21,437	—	21,659
Other comprehensive loss	—	—	(117)	(117)
Compensation under Incentive Award Plan	—	3,618	—	3,618
Issuance of 1,125 common units upon exercise of options	—	43	—	43
Common distributions ($1.575 per unit)	(373)	(36,412)	—	(36,785)
Balance, June 30, 2011	5,070	403,612	1,631	410,313

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30,	
	2012	2011
OPERATING ACTIVITIES		
Net income	$21,292	$21,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,438	35,823
Amortization of deferred financing costs	1,146	948
Equity in losses of unconsolidated joint ventures	2,319	796
Equity-based compensation expense	5,797	3,618
Amortization of debt (premiums) and discounts, net	(499)	45
Distributions of cumulative earnings from unconsolidated joint ventures	466	156
Net accretion of market rent rate adjustments	(430)	(357)
Straight-line rent adjustments	(1,789)	(2,033)
Changes in other assets and liabilities:		
Other assets	3,854	4,256
Accounts payable and accrued expenses	111	(5,027)
Net cash provided by operating activities	82,705	59,884
INVESTING ACTIVITIES		
Additions to rental property	(19,945)	(30,031)
Acquisition of rental property	—	(134,000)
Additions to investments in unconsolidated joint ventures	(46,893)	—
Distributions in excess of cumulative earnings from unconsolidated joint ventures	310	444
Increase in escrow deposits	—	(13,089)
Net proceeds from the sale of real estate	—	724
Additions to deferred lease costs	(2,531)	(6,166)
Net cash used in investing activities	(69,059)	(182,118)
FINANCING ACTIVITIES		
Cash distributions paid	(40,371)	(36,785)
Proceeds from debt issuances	432,732	306,850
Repayments of debt	(399,864)	(135,030)
Additions to deferred financing costs	(2,527)	(149)
Proceeds from exercise of options	241	43
Net cash (used in) provided by financing activities	(9,789)	134,929
Net increase in cash and cash equivalents	3,857	12,695
Cash and cash equivalents, beginning of period	7,866	5,671
Cash and cash equivalents, end of period	$11,723	$18,366

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS INC. AND SUBSIDIARIES
TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIAIRES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. We are a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of June 30, 2012, we owned and operated 36 outlet centers, with a total gross leasable area of approximately 10.7 million square feet. We also had partial ownership interests in 3 outlet centers totaling approximately 1.2 million square feet, including one outlet center in Ontario, Canada.

Our outlet centers and other assets are held by, and all of our operations are conducted by, Tanger Properties Limited Partnership and subsidiaries. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. In addition, the Family Limited Partners own the remaining Operating Partnership units.

2. Basis of Presentation

The unaudited consolidated financial statements included herein have been prepared pursuant to accounting principles generally accepted in the United States of America and should be read in conjunction with the consolidated financial statements and notes thereto of the Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2011. The December 31, 2011 balance sheet data in this Form 10-Q was derived from audited financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

Investments in real estate joint ventures that we do not control are accounted for using the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required under the equity method of accounting. These investments are evaluated for impairment when necessary. Control is determined using an evaluation based on accounting standards related to the consolidation of voting interest entities and variable interest entities. For joint ventures that are determined to be variable interest entities, the primary beneficiary consolidates the entity.

3. Investments in Unconsolidated Real Estate Joint Ventures

Our investments in unconsolidated joint ventures as of June 30, 2012 and December 31, 2011 aggregated $72.4 million and $28.5 million, respectively. We have concluded based on the current facts and circumstances that the equity method of accounting should be used to account for each of the individual joint ventures below. At June 30, 2012, we were members of the following unconsolidated real estate joint ventures:

Joint Venture	Center Location	Ownership %	Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park	Deer Park, Long Island NY	33.3 %	741,976	$4.1	$246.9
Deer Park Warehouse	Deer Park, Long Island NY	33.3 %	29,253	—	1.8
Galveston/Houston	Texas City, Texas	50.0 %	—	21.0	—
National Harbor	Washington D.C. Metro Area	50.0 %	—	0.9	—
RioCan Canada	Various	50.0 %	155,522	24.0	—
Westgate	Phoenix, Arizona	58.0 %	—	18.3	—
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0 %	265,086	3.9	24.3
Other		50.0 %	—	0.2	—
Total				$72.4	$273.0

These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required by the equity method of accounting as discussed below.

Management, leasing and marketing fees earned from services provided to our unconsolidated joint ventures were recognized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Fee:				
Management and leasing	$474	$469	$953	$973
Marketing	47	44	100	88
Total Fees	$521	$513	$1,053	$1,061

Our investments in real estate joint ventures are reduced by the percentage of the profits earned for leasing and development services associated with our ownership interest in each joint venture. Our carrying value of investments in unconsolidated joint ventures differs from our share of the assets reported in the "Summary Balance Sheets - Unconsolidated Joint Ventures" shown below due to adjustments to the book basis, including intercompany profits on sales of services that are capitalized by the unconsolidated joint ventures. The differences in basis are amortized over the various useful lives of the related assets.

Deer Park Warehouse, Long Island, New York

In June 2008, we, along with our partners in Deer Park, entered into a joint venture to purchase a warehouse adjacent to the Tanger Outlet Center located in Deer Park, NY for a total purchase price of $3.3 million and obtained mortgage financing of $2.3 million. The interest only mortgage loan secured by the warehouse matured on May 17, 2011 and the joint venture did not qualify for the one-year extension option. As a result, in June 2012 the joint venture reduced the outstanding principal balance by $500,000 to $1.8 million and entered into a loan forbearance agreement with the lender whereby the lender agreed that it will not enforce its rights under the loan until the forbearance termination date of October 1, 2012 unless extended. Additional interest expense accrues at a rate of Prime + 5.5% less the amount paid. During this time, the joint venture committed to continue making monthly debt service payments pursuant to the forbearance and the loan agreement at a pay rate of LIBOR + 1.85%, to maintain the property, and to list the property for sale. In June 2012, the joint venture recorded an impairment charge of approximately $420,000 to lower the basis of the warehouse to its estimated fair market value.

Galveston/Houston, Texas

In June 2011, we announced the formation of a joint venture for the development of a Tanger Outlet Center south of Houston in Texas City, TX. We expect the center to be completed in time for a grand opening on October 19, 2012 and to feature over 85 brand name and designer outlet stores in the first phase of approximately 350,000 square feet, with room for expansion for a total build out of approximately 470,000 square feet. In July 2011, the joint venture acquired the land underlying the site for approximately $5.6 million. As of June 30, 2012, we have contributed $20.6 million in cash to the joint venture to fund development activities. We will provide property management and marketing services to the center; and with our partner, are jointly providing development and leasing services.

National Harbor, Washington, D.C. Metro Area

In May 2011, we announced the formation of a joint venture for the development of a Tanger Outlet Center at National Harbor in the Washington, D.C. Metro area. The resulting Tanger Outlet Center is expected to contain approximately 80 brand name and designer outlet stores in a center measuring up to 350,000 square feet. The project is currently in the pre-development phase and in December 2011, both parties each made initial equity contributions of $850,000 to fund certain pre-development costs. We will provide property management, leasing and marketing services to the joint venture. We and our partner will jointly provide site development and construction supervision services to the joint venture.

RioCan Canada

On December 9, 2011, the RioCan Canadian Joint Venture purchased the Cookstown Outlet Mall. The existing outlet center was acquired for $47.4 million, plus an additional $13.8 million for excess land upon the seller meeting certain conditions, for an aggregate purchase price of $61.2 million. RioCan is providing development and property management services to this existing outlet center and we are providing leasing and marketing services. In connection with the purchase, the joint venture assumed the in place financing of $29.6 million which carried an interest rate of 5.10% and had an original maturity date of June 21, 2014. In March 2012, the joint venture retired the outstanding loan and we contributed an additional $15.1 million to the joint venture to fund the payment.

During the first quarter of 2012, the joint venture terminated an option contract to develop a center in Halton Hills, Ontario and accordingly wrote-off pre-development costs of approximately $1.3 million.

Westgate, Glendale, Arizona

On May 4, 2012, we closed on the formation of a joint venture for the development of a Tanger Outlet Center in Glendale, Arizona. Construction of the center began in February 2012. Situated on 38-acres, the outlet center is

located on Loop 101 and Glendale Avenue in Western Phoenix. We currently expect this center to be completed in time for a November 15, 2012 grand opening and will have approximately 80 brand name and designer outlet stores in the first phase which will contain approximately 330,000 square feet. As of June 30, 2012, we have contributed $18.1 million in cash to the joint venture to fund development activities. We are providing property management, construction supervision, leasing and marketing services to the joint venture.

On June 27, 2012, the joint venture closed on a construction loan with the ability to borrow up to $43.8 million (our share $25.4 million), which carries an interest rate of LIBOR + 1.75%. As of June 30, 2012 the balance on the loan was zero and no draws were made during the second quarter of 2012.

We evaluate our real estate joint ventures in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC"). As a result of our qualitative assessment, we concluded that our Westgate and Deer Park joint ventures are Variable Interest Entities ("VIEs") and all of our other joint ventures are not VIEs. Westgate is considered a VIE because the voting rights are disproportionate to the economic interests. Deer Park is considered a VIE because it does not meet the criteria of the members having a sufficient equity investment at risk. Investments in real estate joint ventures in which we have a non-controlling ownership interest are accounted for using the equity method of accounting.

After making the determination that Westgate and Deer Park were VIEs, we performed an assessment to determine if we would be considered the primary beneficiary and thus be required to consolidate their balance sheets and results of operations. This assessment was based upon whether we had the following:

a. The power to direct the activities of the VIE that most significantly impact the entity's economic performance

b. The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

Based on the provisions of the operating, development, leasing, and management agreements of Westgate and Deer Park, we determined that neither member has the power to direct the significant activities that affect the economic performance of Westgate or Deer Park.

We have determined that the partners at both Westgate and Deer Park share power in the decisions that most significantly impact the respective joint ventures, and therefore we are not required to consolidate Westgate or Deer Park. Our equity method investments in Westgate and Deer Park as of June 30, 2012 were approximately $18.3 million and $4.1 million, respectively. We are unable to estimate our maximum exposure to loss at this time because our guarantees are limited and based on the future operating performance of Westgate and Deer Park.

Condensed combined summary financial information of unconsolidated joint ventures accounted for using the equity method is as follows (in thousands):

Summary Balance Sheets - Unconsolidated Joint Ventures	As of June 30, 2012	As of December 31, 2011
Assets		
Investment properties at cost, net	$338,144	$332,822
Construction in progress	66,263	11,276
Assets held for sale [1]	1,800	—
Cash and cash equivalents	16,855	7,582
Deferred lease costs, net	13,514	14,815
Deferred debt origination costs, net	6,566	7,566
Prepaids and other assets	16,386	11,687
Total assets	$459,528	$385,748
Liabilities and Owners' Equity		
Mortgages payable	$273,034	$303,230
Construction trade payables	23,135	2,669
Accounts payable and other liabilities	25,641	27,246
Total liabilities	321,810	333,145
Owners' equity	137,718	52,603
Total liabilities and owners' equity	$459,528	$385,748

(1) Assets related to our Deer Park Warehouse joint venture, which is currently for sale.

Summary Statements of Operations - Unconsolidated Joint Ventures	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues	$11,606	$9,752	$23,264	$19,314
Expenses				
Property operating	5,083	4,473	9,974	8,574
General and administrative	237	(131)	400	56
Acquisition costs	—	—	704	—
Abandoned development costs	436	—	1,310	—
Impairment charge	420	—	420	—
Depreciation and amortization	4,300	3,627	8,908	7,238
Total expenses	10,476	7,969	21,716	15,868
Operating income	1,130	1,783	1,548	3,446
Interest expense	3,598	4,126	7,427	5,929
Net loss	$(2,468)	$(2,343)	$(5,879)	$(2,483)
The Company and Operating Partnership's share of:				
Net loss	$(867)	$(764)	$(2,319)	$(796)
Depreciation and impairment charge (real estate related)	$1,793	$1,336	$3,608	$2,642

4. Debt of the Company

All of the Company's debt is held directly by the Operating Partnership.

The Company guarantees the Operating Partnership's obligations with respect to its unsecured lines of credit which have a total borrowing capacity of $520.0 million. As of June 30, 2012 and December 31, 2011, the Operating Partnership had amounts outstanding on these lines totaling $141.2 million and $357.1 million, respectively.

The Company also guarantees the Operating Partnership's unsecured term loan in the amount of $250.0 million as well as its obligation with respect to the mortgage assumed in connection with the acquisition of the outlet center in Ocean City, Maryland in July 2011.

5. Debt of the Operating Partnership

The debt of the Operating Partnership consisted of the following (in thousands):

			As of June 30, 2012		As of December 31, 2011	
	Stated Interest Rate(s)	Maturity Date	Principal	Premium (Discount)	Principal	Premium (Discount)
Senior, unsecured notes:						
Senior notes	6.15 %	November 2015	$250,000	(368)	$250,000	$(417)
Senior notes	6.125 %	June 2020	300,000	(1,736)	300,000	(1,820)
Mortgages payable [1]:						
Atlantic City	5.14%-7.65%	November 2021-December 2026	53,030	4,697	53,826	4,894
Ocean City	5.24 %	January 2016	18,705	331	18,867	375
Hershey	5.17%-8.00%	August 2015	30,946	1,874	31,252	2,165
Note payable [1]	1.50 %	June 2016	10,000	(620)	10,000	(692)
Unsecured term loan [2]	LIBOR + 1.80%	February 2019	250,000	—	—	—
Unsecured lines of credit [3]	LIBOR + 1.25%	November 2015	141,224	—	357,092	—
			$1,053,905	$4,178	$1,021,037	$4,505

(1) The effective interest rates assigned during the purchase price allocation to these assumed mortgages and note payable during acquisitions in 2011 were as follows: Atlantic City 5.05%, Ocean City 4.68%, Hershey 3.40% and note payable 3.15%.

(2) Our term loan is pre-payable without penalty beginning in February of 2015.

(3) We have the option to extend the lines for an additional one year to November 10, 2016. These lines require a facility fee payment of 0.25% annually based on the total amount of the commitment. The credit spread and facility fee can vary depending on our investment grade rating.

2012 Transactions

On February 24, 2012, the Operating Partnership closed on a seven-year $250.0 million unsecured term loan. The term loan is interest only, matures in the first quarter of 2019 and is pre-payable without penalty beginning in February of 2015. Based on our current credit ratings, the loan has an interest rate of LIBOR + 1.80%. We used the net proceeds of the term loan to reduce the outstanding balances on our unsecured lines of credit.

Debt Maturities
Maturities of the existing long-term debt as of June 30, 2012 are as follows (in thousands):

Calendar Year	Amount
2012	$1,298
2013	4,633
2014	3,599
2015	423,563
2016	30,279
Thereafter	590,533
Subtotal	1,053,905
Net premiums	4,178
Total	$1,058,083

6. Shareholders' Equity of the Company

Throughout the first six months of 2012, various Family Limited Partners exchanged a total of 1,542,533 Operating Partnership units for 6,170,132 common shares of the Company. After the above described exchanges, the Family Limited Partners owned 1,330,440 Operating Partnership units which were exchangeable for 5,321,760 common shares of the Company.

7. Partners' Equity of the Operating Partnership
When the Company issues common shares upon exercise of options or issues restricted share awards, the Operating Partnership issues one corresponding unit of partnership interest to the Company for every four common shares issued. The ownership interests of the Operating Partnership consisted of the following:

	As of June 30, 2012	As of December 31, 2011
Common units:		
General partner	250,000	250,000
Limited partners	24,451,437	24,304,887
Total common units	24,701,437	24,554,887

8. Noncontrolling Interests
Noncontrolling interests relate to the interests in the Operating Partnership owned by Family Limited Partners, as discussed in Note 1, and interests in consolidated partnerships not wholly-owned by the Company or the Operating Partnership. Family Limited Partners are holders of Operating Partnership units that may be exchanged for the Company's common shares in a ratio of one unit for four common shares. The noncontrolling interests in other consolidated partnerships consist of outside equity interests in partnerships that are consolidated with the financial results of the Company and Operating Partnership because the Operating Partnership exercises control over the entities that own the properties.

As discussed in Note 6, various Family Limited Partners exchanged a total of 1,542,533 Operating Partnership units for 6,170,132 common shares of the Company. Therefore, the Company recorded an increase to additional paid-in capital of $32.3 million during the first six months of 2012 related to these exchanges. The changes in the Company's ownership interests in the subsidiaries impacted consolidated equity during the periods shown as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to Tanger Factory Outlet Centers, Inc.	$11,717	$9,422	$19,845	$18,820
Increase (decrease) in Tanger Factory Outlet Centers, Inc. paid-in-capital adjustments to noncontrolling interests [1]	4,151	(228)	32,329	(261)
Changes from net income attributable to Tanger Factory Outlet Centers, Inc. and transfers from noncontrolling interest	$15,868	$9,194	$52,174	$18,559

1) In 2012 and 2011, adjustments of the noncontrolling interest were made as a result of changes in the Company's ownership of the Operating Partnership in connection with the Company's issuance of common shares upon exercise of options, share-based compensation and the issuance of common shares upon exchange of Operating Partnership units by Family Limited Partners.

9. Share-Based Compensation of the Company

We have a shareholder approved share-based compensation plan, the Amended and Restated Incentive Award Plan of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership (the "Plan"), which covers our independent directors, officers and our employees. During the first three months of 2012, the Company's Board of Directors approved grants of 346,000 restricted common shares to the Company's independent directors and the Company's senior executive officers. The grant date fair value of the awards was $29.50 per share. The independent directors' restricted common shares vest ratably over a three year period and the senior executive officers' restricted shares vest ratably over a five year period. Compensation expense related to the amortization of the deferred compensation is being recognized in accordance with the vesting schedule of the restricted shares.

In addition, the Board of Directors approved the grant of 225,000 restricted common shares with a grant date fair value of $25.44 to Steven B. Tanger, our President and Chief Executive Officer, under the terms of his amended and restated Employment Agreement (the "Employment Agreement") signed on February 28, 2012. Under the terms of the Employment Agreement, the Company granted Mr. Tanger the following: 45,000 fully-vested common shares; 90,000 restricted common shares that vest ratably over five years based on Mr. Tanger's continued employment with the Company and 90,000 restricted common shares that vest ratably over five years based on Mr. Tanger's continued employment with the Company and the Company achieving certain minimum total returns to shareholders.

We recorded share-based compensation expense in general and administrative expenses in our consolidated statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Restricted common shares [1]	$1,864	$1,266	$4,714	$2,533
Notional unit performance awards	490	507	979	1,013
Options	52	47	104	72
Total share-based compensation	$2,406	$1,820	$5,797	$3,618

(1) For the six months ended June 30, 2012, includes approximately $1.3 million of compensation expense related to 45,000 shares that vested immediately upon grant related to the Employment Agreement described above.

The following table summarizes information related to unvested restricted common shares outstanding as of June 30, 2012:

Unvested Restricted Common Shares	Number of shares	Weighted-average grant date fair value
Unvested at December 31, 2011	791,337	$ 20.93
Granted	571,000	27.90
Vested	(273,800)	21.44
Forfeited	(5,000)	29.50
Unvested at June 30, 2012	1,083,537	$ 24.43

The total value of restricted common shares vested during the six months ended June 30, 2012 and June 30, 2011 was $7.9 million and $5.5 million, respectively.

As of June 30, 2012, there was $29.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.6 years.

10. Equity-Based Compensation of the Operating Partnership

As discussed in Note 9, the Operating Partnership and the Company have a joint plan whereby equity based and performance based awards may be granted to directors, officers and employees. When shares are issued by the Company, the Operating Partnership issues corresponding units to the Company based on the current exchange ratio as provided by the Operating Partnership agreement. Based on the current exchange ratio, each unit in the Operating Partnership is equivalent to four common shares of the Company. Therefore, when the Company grants an equity based award, the Operating Partnership treats each award as having been granted by the Operating Partnership.

The tables below set forth the equity based compensation expense and other related information as recognized in the Operating Partnership's consolidated financial statements.

We recorded equity-based compensation expense in general and administrative expenses in our consolidated statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Restricted units [1]	2012	2011	2012	2011
Restricted units [1]	$1,864	$1,266	$4,714	$2,533
Notional unit performance awards	490	507	979	1,013
Options	52	47	104	72
Total equity-based compensation	$2,406	$1,820	$5,797	$3,618

(1) For the six months ended June 30, 2012, includes approximately $1.3 million of compensation expense related to 11,250 units issued related to a restricted share grant that vested immediately pursuant to the Employment Agreement as described in footnote 9.

The following table summarizes information related to unvested restricted units outstanding as of June 30, 2012:

Unvested Restricted Units	Number of units	Weighted-average grant date fair value
Unvested at December 31, 2011	197,834	$ 83.70
Granted	142,750	111.60
Vested	(68,450)	85.75
Forfeited	(1,250)	118.00
Unvested at June 30, 2012	270,884	$ 93.73

The total value of restricted units vested during the six months ended June 30, 2012 and June 30, 2011 was $7.9 million and $5.5 million, respectively.

As of June 30, 2012, there was $29.4 million of total unrecognized compensation cost related to unvested equity-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.6 years.

11. Earnings Per Share of the Company

The following table sets forth a reconciliation of the numerators and denominators in computing the Company's earnings per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator				
Net income attributable to Tanger Factory Outlet Centers, Inc.	$11,717	$9,422	$19,845	$18,820
Less allocation of earnings to participating securities	(209)	(165)	(367)	(357)
Net income available to common shareholders of Tanger Factory Outlet Centers, Inc.	$11,508	$9,257	$19,478	$18,463
Denominator				
Basic weighted average common shares	91,717	80,483	90,694	80,418
Effect of notional units	1,014	416	1,007	416
Effect of senior exchangeable notes	—	131	—	131
Effect of outstanding options	85	74	74	74
Diluted weighted average common shares	92,816	81,104	91,775	81,039
Basic earnings per common share:				
Net income	$0.13	$0.11	$0.21	$0.23
Diluted earnings per common share:				
Net income	$0.12	$0.11	$0.21	$0.23

The notional units are considered contingently issuable common shares and are included in earnings per share if the effect is dilutive using the treasury stock method.

Outstanding senior, exchangeable notes were included in the diluted earnings per share computation, if the effect was dilutive, using the treasury stock method. In applying the treasury stock method, the effect was dilutive if the average market price of our common shares for at least 20 trading days in the 30 consecutive trading days at the end of each quarter were higher than the exchange price, which prior to redemption was $17.83 per share. There were no outstanding senior, exchangeable notes as of June 30, 2012.

The computation of diluted earnings per share excludes options to purchase common shares when the exercise price is greater than the average market price of the common shares for the period. For the three months ended June 30, 2012 and 2011, 172,100 and 185,000 options, respectively, were excluded from the computation. For the six months ended June 30, 2012 and 2011, 172,200 and 185,000 options, respectively, were excluded from the computation. The assumed exchange of the partnership units held by the Family Limited Partners as of the beginning of the year, which would result in the elimination of earnings allocated to the noncontrolling interest in the Operating Partnership, would have no impact on earnings per share since the allocation of earnings to a partnership unit, as if exchanged, is equivalent to earnings allocated to a common share.

Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to dividends or dividend equivalents. The impact of the unvested restricted common share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted common share awards based on dividends declared and the unvested restricted common shares' participation rights in undistributed earnings.

12. Earnings Per Unit of the Operating Partnership

The following table sets forth a reconciliation of the numerators and denominators in computing the Operating Partnership's earnings per unit (in thousands, except per unit data):

	Three Months Ended June 30,		Six Months Ending June 30,	
	2012	2011	2012	2011
Numerator				
Net income attributable to partners of the Operating Partnership	$12,483	$10,842	$21,324	$21,659
Less allocation of earnings to participating securities	(209)	(165)	(367)	(357)
Net income available to common unitholders of the Operating Partnership	$12,274	$10,677	$20,957	$21,302
Denominator				
Basic weighted average common units	24,428	23,154	24,405	23,138
Effect of notional units	254	104	252	104
Effect of senior exchangeable notes	—	32	—	32
Effect of outstanding options	21	19	19	19
Diluted weighted average common units	24,703	23,309	24,676	23,293
Basic earnings per common unit:				
Net income	$0.50	$0.46	$0.86	$0.92
Diluted earnings per common unit:				
Net income	$0.50	$0.46	$0.85	$0.91

The notional units are considered contingently issuable common units and are included in earnings per unit if the effect is dilutive using the treasury stock method.

When the Company issues common shares upon exercise of options or issues restricted share awards, the Operating Partnership issues one corresponding unit to the Company for every four common shares issued. Outstanding senior, exchangeable notes were included in the diluted earnings per unit computation, if the effect was dilutive, using the treasury stock method. In applying the treasury stock method, the effect was dilutive if the average market price of the Company's common shares for at least 20 trading days in the 30 consecutive trading days at the end of each quarter were higher than the exchange price, which prior to redemption was $17.83 per common share. There were no outstanding senior, exchangeable notes as of June 30, 2012.

The computation of diluted earnings per unit excludes units that would be issued upon the exercise of options to purchase the Company's common shares when the exercise price is greater than the average market price of the Company's common shares for the period. For the three months ended June 30, 2012 and 2011, 43,025 and 46,250 units, respectively, which would be issued upon the exercise of outstanding options, were excluded from the computation. For the six months ended June 30, 2012 and 2011, 43,050 and 46,250 units, respectively, which would be issued upon the exercise of outstanding options, were excluded from the computation.
Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted unit awards on earnings per unit has been calculated using the two-class method whereby earnings are allocated to the unvested restricted unit awards based on distributions declared and the unvested restricted units' participation rights in undistributed earnings.

13. Fair Value Measurements

Fair value guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Tier	Description
Level 1	Defined as observable inputs such as quoted prices in active markets
Level 2	Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable
Level 3	Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

We had no assets or liabilities measured at fair value on either a recurring or non-recurring basis as of June 30, 2012 or December 31, 2011.

The estimated fair value of our debt, consisting of senior unsecured notes, unsecured terms loans, secured mortgages and unsecured lines of credit, at June 30, 2012 and December 31, 2011, was $1.1 billion and $1.1 billion, respectively, and its recorded value was $1.1 billion and $1.0 billion, respectively. Fair values were determined based on level 2 inputs using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements.

14. Non-Cash Activities
We purchase capital equipment and incur costs relating to construction of facilities, including tenant finishing allowances. Expenditures included in construction trade payables as of June 30, 2012 and 2011 amounted to $14.7 million and $27.3 million, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion of our results of operations reported in the unaudited, consolidated statements of operations compares the three and six months ended June 30, 2012 with the three and six months ended June 30, 2011. The results of operations discussion is combined for Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership because the results are virtually the same for both entities. The following discussion should be read in conjunction with the unaudited consolidated financial statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the unaudited, consolidated statements of operations, including trends which might appear, are not necessarily indicative of future operations. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Cautionary Statements

Certain statements made below are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, beliefs and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, those set forth under Item 1A - "Risk Factors" in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to the risk factors listed there through June 30, 2012.

General Overview

At June 30, 2012 , we had 36 consolidated outlet centers in 24 states totaling 10.7 million square feet. The table below details our development and acquisition activities that significantly impacted our results of operations and liquidity from January 1, 2011 to June 30, 2012.

Center	Date Acquired/Open	Purchase Price (in millions)	Square Feet (in thousands)	Centers	States
As of January 1, 2011			9,190	31	21
Redevelopments:					
Hilton Head I, SC	March 31, 2011		177	1	—
Acquisitions:					
Jeffersonville, OH	June 28, 2011	$134.0	410	1	1
Atlantic City, NJ and Ocean City, MD [1]	July 15, 2011	$200.3	689	2	2
Hershey, PA [2]	September 30, 2011	$49.8	247	1	—
Other			33	—	—
As of June 30, 2012			10,746	36	24

(1) Substantially all of the economic interests in Phase I & II of Atlantic City Outlets The Walk and Ocean City were purchased on July 15, 2011, and substantially all of the economic interest in Phase III of Atlantic City Outlets The Walk was purchased on November 1, 2011.

(2) Excludes a $6.2 million loan to the noncontrolling interest holder collateralized by their ownership interest in the property.

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The following table summarizes certain information for our existing outlet centers in which we have an ownership interest as of June 30, 2012. Except as noted, all properties are fee owned.

Location	Square	%
Consolidated Properties	Feet	Occupied
Riverhead, New York [1]	729,736	100
Rehoboth Beach, Delaware [1]	568,975	99
Foley, Alabama	557,228	97
Atlantic City, New Jersey [1]	489,762	97
San Marcos, Texas	441,929	100
Myrtle Beach Hwy 501, South Carolina	425,247	99
Sevierville, Tennessee [1]	419,038	99
Jeffersonville, Ohio	406,969	99
Myrtle Beach Hwy 17, South Carolina [1]	402,791	100
Washington, Pennsylvania	372,972	99
Commerce II, Georgia	370,512	100
Charleston, South Carolina	365,107	96
Howell, Michigan	324,632	94
Locust Grove, Georgia	321,070	99
Mebane, North Carolina	318,910	100
Branson, Missouri	302,922	97
Park City, Utah	298,379	100
Westbrook, Connecticut	289,950	97
Gonzales, Louisiana	282,403	100
Williamsburg, Iowa	277,230	99
Lincoln City, Oregon	270,212	97
Lancaster, Pennsylvania	254,002	100
Tuscola, Illinois	250,439	90
Hershey, Pennsylvania	247,448	100
Tilton, New Hampshire	245,698	99
Hilton Head II, South Carolina	206,529	100
Ocean City, Maryland [1]	199,243	89
Fort Myers, Florida	198,877	89
Terrell, Texas	177,800	94
Hilton Head I, South Carolina	177,199	100
Barstow, California	171,300	100
West Branch, Michigan	112,570	100
Blowing Rock, North Carolina	104,154	97
Nags Head, North Carolina	82,229	100
Kittery I, Maine	57,667	100
Kittery II, Maine	24,619	100
Totals	10,745,748	98
Unconsolidated Joint Ventures		
Deer Park, New York [2]	771,229	91
Wisconsin Dells, Wisconsin	265,086	99
Cookstown, Ontario	155,522	91

(1) These properties or a portion thereof are subject to a ground lease.

(2) Includes a 29,253 square foot warehouse adjacent to the shopping center.

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Leasing Activity

The following table provides information for our consolidated outlet centers regarding space re-leased or renewed :

	Six months ended June 30, 2012					
	# of Leases	Square Feet	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) [1]
Re-tenant	92	319,000	$31.91	$41.64	8.77	$27.16
Renewal	242	1,189,000	$21.74	$—	4.60	$21.74

	Six months ended June 30, 2011					
	# of Leases	Square Feet	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) [1]
Re-tenant	132	469,000	$28.26	$34.86	8.33	$24.08
Renewal	241	1,192,000	$20.85	$1.70	4.89	$20.50

(1) Net average straight-line rentals is calculated by dividing the average tenant allowance costs per square foot by the average initial term and subtracting this calculated number from the average straight-line rent per year amount. The average annual straight-line rent disclosed in the table above includes all concessions, abatements and reimbursements of rent to tenants.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2012 to the three months ended June 30, 2011

NET INCOME

Net income increased $1.6 million in the 2012 period to $12.5 million as compared to $10.8 million for the 2011 period. The increase in net income was a result of a $15.2 million increase in operating revenues partially offset by a $4.2 million increase in operating expenses, a $1.5 million increase in general and administrative expenses, a $7.1 million increase in depreciation and amortization and $1.7 million in higher interest costs. In addition, the 2011 period included approximately $1.0 million in acquisition costs. No acquisition costs were incurred in the 2012 period.

BASE RENTALS

Base rentals increased $10.2 million, or 21%, in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of base rentals (in thousands):

	2012	2011	Change
Existing property base rentals	$49,413	$47,256	$2,157
Base rentals from new developments	989	789	200
Base rentals from acquisitions	7,826	101	7,725
Termination fees	200	45	155
Amortization of net above and below market rent adjustments	155	202	(47)
	$58,583	$48,393	$10,190

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces.

During the first quarter of 2011, we completed the redevelopment and, on March 31, 2011, opened our 177,000 square foot outlet center in Hilton Head I, SC. The Hilton Head outlet center stabilized during the period from April 1, 2011 to June 30, 2012. Additionally, throughout 2011 we acquired a total of four outlet centers adding approximately 1.3 million square feet to our consolidated outlet center portfolio.

At June 30, 2012, the net asset representing the amount of unrecognized, combined above and below market lease values, recorded as a part of the purchase price of acquired properties, totaled approximately $5.0 million. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related above or below market lease value will be written off and could materially impact our net income positively or negatively.

PERCENTAGE RENTALS

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels, the breakpoint, increased $481,000, or 42%, from the 2011 period to the 2012 period. The following table sets forth the changes in various components of percentage rentals (in thousands):

	2012	2011	Change
Existing property percentage rentals	$1,351	$1,137	$214
Percentage rentals from new developments	40	—	40
Percentage rentals from acquisitions	227	—	227
	$1,618	$1,137	$481

The increase in percentage rentals is primarily related to new developments and acquisitions completed in the 2011 period. In addition, percentage rentals from existing properties increased 18.8% due to higher tenant sales productivity. Reported tenant comparable sales for our consolidated properties for the rolling twelve months ended June 30, 2012 increased 3.9% to $375 per square foot. Reported tenant comparable sales is defined as the weighted average sales per square foot reported in space open for the full duration of each comparison period.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased $4.4 million, or 21%, in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of expense reimbursements (in thousands):

	2012	2011	Change
Existing property expense reimbursements	$21,334	$20,345	$989
Expense reimbursements from new developments	368	235	133
Expense reimbursements from acquisitions	3,143	17	3,126
Termination fees allocated to expense reimbursements	144	19	125
	$24,989	$20,616	$4,373

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses, generally fluctuate consistently with the reimbursable property operating expenses to which they relate.

OTHER INCOME

Other income increased $190,000, or 10%, in the 2012 period as compared to the 2011 period. The following table sets forth the changes in various components of other income (in thousands):

	2012	2011	Change
Existing property other income	$2,037	$1,933	$104
Other income from new developments	16	18	(2)
Other income from acquisitions	92	4	88
	$2,145	$1,955	$190

PROPERTY OPERATING EXPENSES

Property operating expenses increased $4.2 million, or 18%, in the 2012 period as compared to the 2011 period. The following table sets forth the changes in various components of property operating expenses (in thousands):

	2012	2011	Change
Existing property operating expenses	$23,480	$23,230	$250
Property operating expenses from new developments	430	509	(79)
Property operating expenses from acquisitions	4,067	26	4,041
	$27,977	$23,765	$4,212

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $1.5 million, or 21%, in the 2012 period compared to the 2011 period. This increase was mainly due to additional share-based compensation expense related to the 2012 restricted share grant to directors and certain officers of the Company and share-based compensation granted to Steven B. Tanger in February 2012 pursuant to an amendment to his employment contract. Also, the 2012 period included higher payroll related expenses on a comparative basis to the 2011 period due to the addition of new employees since July 1, 2011.

ACQUISITION COSTS

The 2011 period includes costs related to the acquisition of the properties described above in the "General Overview".

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased $7.1 million, or 40% , in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of depreciation and amortization (in thousands):

	2012	2011	Change
Existing property depreciation and amortization	$17,146	$17,533	$(387)
Depreciation and amortization from new developments	520	325	195
Depreciation and amortization from acquisitions	7,257	—	7,257
	$24,923	$17,858	$7,065

Depreciation and amortization costs increased in the 2012 period compared to the 2011 period primarily as a result of the additional centers added to the portfolio after April 1, 2011. The depreciation and amortization from acquisitions includes amortization of lease related intangibles recorded as part of the acquisition price of the acquired properties which are amortized over shorter lives.

INTEREST EXPENSE

Interest expense increased approximately $1.7 million, or 16%, in the 2012 period compared to the 2011 period. The primary reason for the increase in interest expense is the increase in the average amount of debt outstanding from approximately $803.8 million for the 2011 period to approximately $1.0 billion for the 2012 period. The higher debt levels outstanding were a result of the mortgages assumed as part of the acquisition of four properties, additional funding necessary for the development and acquisition projects described above and other general operating purposes. The increase from the higher debt outstanding was partially offset by lower interest rates on our unsecured lines of credit. These unsecured lines of credit were recast during the fourth quarter of 2011 resulting in the credit spread being reduced from 190 basis points to 125 basis points over LIBOR. In addition, in February 2012, we entered into a term loan for $250.0 million with a credit spread of 180 basis points over LIBOR.

EQUITY IN LOSSES OF UNCONSOLIDATED JOINT VENTURES

Equity in losses of unconsolidated joint ventures increased approximately $103,000, or 13%, in the 2012 period compared to the 2011 period. Equity in losses of unconsolidated joint ventures for the 2012 period included an impairment charge at the Deer Park Warehouse joint venture of approximately $420,000, of which our one-third share was $140,000, to lower the basis of the warehouse to its estimated fair market value. The 2011 period included no impairment charges for any unconsolidated joint ventures. Additionally, the 2012 period included our portion of a write-off of pre-development costs related to the termination of an option contract to develop a center in Halton Hills, Ontario. These losses were partially offset by the incremental income from our Cookstown, Ontario outlet center, which we acquired through our RioCan joint venture in December 2011, and improvements in net income at our Deer Park joint venture from stronger leasing activities and lower interest expenses in 2012 compared to the 2011.

Comparison of the six months ended June 30, 2012 to the six months ended June, 2011

NET INCOME

Net income decreased $0.4 million in the 2012 period to $21.3 million as compared to $21.7 million for the 2011 period. The decrease in net income was a result of a $6.2 million increase in operating expenses, a $4.8 million increase in general and administrative expenses, a $14.6 million increase in depreciation and amortization, $3.7 million in higher interest costs and a $1.5 million higher loss from unconsolidated joint ventures partially offset by a $28.7 million increase in operating revenues. In addition, the 2011 period included approximately $1.5 million in acquisition costs. No acquisition costs were incurred in the 2012 period.

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BASE RENTALS

Base rentals increased $21.2 million, or 22%, in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of base rentals (in thousands):

	2012	2011	Change
Existing property base rentals	$97,514	$93,170	$4,344
Base rentals from new developments	1,918	773	1,145
Base rentals from acquisitions	15,677	101	15,576
Termination fees	367	211	156
Amortization of net above and below market rent adjustments	326	357	(31)
	$115,802	$94,612	$21,190

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces.

During the first quarter of 2011, we completed the redevelopment and, on March 31, 2011, opened our 177,000 square foot outlet center in Hilton Head I, SC. The Hilton Head outlet center stabilized during the period from April 1, 2011 to June 30, 2012. Additionally, throughout 2011 we acquired a total of four outlet centers adding approximately 1.3 million square feet to our consolidated outlet center portfolio.

At June 30, 2012, the net asset representing the amount of unrecognized, combined above and below market lease values, recorded as a part of the purchase price of acquired properties, totaled approximately $5.0 million. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related above or below market lease value will be written off and could materially impact our net income positively or negatively.

PERCENTAGE RENTALS

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels, the breakpoint, increased $834,000, or 33%, from the 2011 period to the 2012 period. The following table sets forth the changes in various components of percentage rentals (in thousands):

	2012	2011	Change
Existing property percentage rentals	$2,814	$2,528	$286
Percentage rentals from new developments	180	—	180
Percentage rentals from acquisitions	368	—	368
	$3,362	$2,528	$834

The increase in percentage rentals is primarily related to new developments and acquisitions completed in the 2011 period. In addition, percentage rentals from existing properties increased 11.3% due to higher tenant sales productivity. Reported tenant comparable sales for our consolidated properties for the rolling twelve months ended June 30, 2012 increased 3.9% to $375 per square foot. Reported tenant comparable sales is defined as the weighted average sales per square foot reported in space open for the full duration of each comparison period.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased $6.6 million, or 16%, in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of expense reimbursements (in thousands):

	2012	2011	Change
Existing property expense reimbursements	$41,323	$41,224	$99
Expense reimbursements from new developments	772	467	305
Expense reimbursements from acquisitions	6,097	17	6,080
Termination fees allocated to expense reimbursements	273	113	160
	$48,465	$41,821	$6,644

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses, generally fluctuate consistently with the reimbursable property operating expenses to which they relate.

PROPERTY OPERATING EXPENSES

Property operating expenses increased $6.2 million, or 13%, in the 2012 period as compared to the 2011 period. The following table sets forth the changes in various components of property operating expenses (in thousands):

	2012	2011	Change
Existing property operating expenses	$45,521	$47,075	$(1,554)
Property operating expenses from new developments	870	772	98
Property operating expenses from acquisitions	7,674	26	7,648
	$54,065	$47,873	$6,192

Existing property operating expenses decreased in the 2012 period compared to the 2011 period as a result of a significant decrease in snow removal expenditures during the winter of 2012.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $4.8 million, or 34%, in the 2012 period compared to the 2011 period. This increase was mainly due to additional share-based compensation expense related to the 2012 restricted share grant to directors and certain officers of the Company and share-based compensation granted to Steven B. Tanger in February 2012 pursuant to an amendment to his employment contract. Also, the 2012 period included higher payroll related expenses on a comparative basis to the 2011 period due to the addition of new employees since July 1, 2011.

ACQUISITION COSTS

The 2011 period includes costs related to the acquisition of the properties described above in the "General Overview".

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased 14.6 million, or 41%, in the 2012 period compared to the 2011 period. The following table sets forth the changes in various components of depreciation and amortization (in thousands):

	2012	2011	Change
Existing property depreciation and amortization	$34,408	$35,497	$(1,089)
Depreciation and amortization from new developments	1,027	326	701
Depreciation and amortization from acquisitions	15,003	—	15,003
	$50,438	$35,823	$14,615

Depreciation and amortization costs increased in the 2012 period compared to the 2011 period primarily as a result of the additional centers added to the portfolio after July 1, 2011. The depreciation and amortization from acquisitions includes amortization of lease related intangibles recorded as part of the acquisition price of the acquired properties which are amortized over shorter lives.

INTEREST EXPENSE

Interest expense increased approximately $3.7 million, or 18%, in the 2012 period compared to the 2011 period. The primary reason for the increase in interest expense is the increase in the average amount of debt outstanding from approximately $800.6 million for the 2011 period to approximately $1.0 billion for the 2012 period. The higher debt levels outstanding were a result of the mortgages assumed as part of the acquisition of four properties, additional funding necessary for the development and acquisition projects described above and other general operating purposes.

The increase from the higher debt outstanding was partially offset by lower interest rates on our unsecured lines of credit. These facilities were recast during the fourth quarter of 2011 resulting in the credit spread being reduced from 190 basis points to 125 basis points over LIBOR. In addition, in February 2012, we entered into a term loan for $250.0 million with a credit spread of 180 basis points over LIBOR.

EQUITY IN LOSSES OF UNCONSOLIDATED JOINT VENTURES

Equity in losses of unconsolidated joint ventures increased approximately $1.5 million in the 2012 period compared to the 2011 period. Equity in losses of unconsolidated joint ventures for the 2012 period included an impairment charge at the Deer Park Warehouse joint venture of approximately $420,000, of which our one-third share was $140,000, to lower the basis of the warehouse to its estimated fair market value. The 2011 period included no impairment charges for any unconsolidated joint ventures. Additionally, the 2012 period included our portion of acquisition costs related to the Cookstown, Ontario outlet center acquisition by our RioCan joint venture and a write-off of pre-development costs related to the termination of an option contract to develop a center in Halton Hills, Ontario. These losses were partially offset by the incremental income from the Cookstown outlet center and improvements in net income at our Deer Park joint venture from stronger leasing activities and lower interest expenses in 2012 compared to the 2011 period.

LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY

In this "Liquidity and Capital Resources of the Company" section, the term, the Company, refers only to Tanger Factory Outlet Centers, Inc. on an unconsolidated basis, excluding the Operating Partnership.

The Company's business is operated primarily through the Operating Partnership. The Company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the Operating Partnership. The Company does not hold any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. The Company's principal funding requirement is the payment of dividends on its common shares. The Company's principal source of funding for its dividend payments is distributions it receives from the

Operating Partnership.

Through its ownership of the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. The Company causes the Operating Partnership to distribute all, or such portion as the Company may in its discretion determine, of its available cash in the manner provided in the Operating Partnership's partnership agreement. The Company receives proceeds from equity issuances from time to time, but is required by the Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to the Operating Partnership in exchange for partnership units of the Operating Partnership.

The Company is a well-known seasoned issuer with a shelf registration that expires in June 2015 that allows the Company to register unspecified various classes of equity securities and the Operating Partnership to register unspecified, various classes of debt securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. The Operating Partnership may use the proceeds to repay debt, including borrowings under its lines of credit, develop new or existing properties, to make acquisitions of properties or portfolios of properties, to invest in existing or newly created joint ventures or for general corporate purposes.

The liquidity of the Company is dependent on the Operating Partnership's ability to make sufficient distributions to the Company. The Company also guarantees some of the Operating Partnership's debt. If the Operating Partnership fails to fulfill its debt requirements, which trigger the Company's guarantee obligations, then the Company may be required to fulfill its cash payment commitments under such guarantees. However, the Company's only material asset is its investment in the Operating Partnership.

The Company believes the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured lines of credit, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its shareholders. However, there can be no assurance that the Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the Company. The unavailability of capital could adversely affect the Operating Partnership's ability to pay its distributions to the Company which will, in turn, adversely affect the Company's ability to pay cash dividends to its shareholders.

For the Company to maintain its qualification as a REIT, it must pay dividends to its shareholders aggregating annually at least 90% of its taxable income. While historically the Company has satisfied this distribution requirement by making cash distributions to its shareholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the Company's own shares.

As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its on-going operations to the same extent that other companies whose parent companies are not real estate investment trusts can. The Company may need to continue to raise capital in the equity markets to fund the Operating Partnership's working capital needs, as well as potential developments of new or existing properties, acquisitions or investments in existing or newly created joint ventures.

As the sole owner of the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. However, all debt is held directly or indirectly at the Operating Partnership level, and the Company has guaranteed some of the Operating Partnership's unsecured debt as discussed below. Because the Company consolidates the Operating Partnership, the section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.

On July 5, 2012, the Company's Board of Directors declared a $.21 cash dividend per common share payable on August 15, 2012 to each shareholder of record on June 30, 2012, and caused an $.84 per Operating Partnership unit cash distribution to the Operating Partnership's unitholders.

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LIQUIDITY AND CAPITAL RESOURCES OF THE OPERATING PARTNERSHIP

General Overview

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we", "our" and "us" refer to the Operating Partnership or the Operating Partnership and the Company together, as the text requires.

Property rental income represents our primary source to pay property operating expenses, debt service, capital expenditures and distributions, excluding non-recurring capital expenditures and acquisitions. To the extent that our cash flow from operating activities is insufficient to cover such non-recurring capital expenditures and acquisitions, we finance such activities from borrowings under our unsecured lines of credit or from the proceeds from the Operating Partnership's debt offerings and the Company's equity offerings.

Our strategy is to achieve a strong and flexible financial position by seeking to: (1) maintain a conservative leverage position relative to our portfolio when pursuing new development, expansion and acquisition opportunities, (2) extend and sequence debt maturities, (3) manage our interest rate risk through a proper mix of fixed and variable rate debt, (4) maintain access to liquidity by using our unsecured lines of credit in a conservative manner and (5) preserve internally generated sources of capital by strategically divesting of underperforming assets and maintaining a conservative distribution payout ratio. We manage our capital structure to reflect a long term investment approach and utilize multiple sources of capital to meet our requirements.

The following table sets forth our changes in cash flows (in thousands):

	Six months ended June 30,		
	2012	2011	Change
Net cash provided by operating activities	$82,705	$59,884	$22,821
Net cash used in investing activities	(69,059)	(182,118)	113,059
Net cash (used in) provided by financing activities	(9,789)	134,929	(144,718)
Net increase in cash and cash equivalents	$3,857	$12,695	$(8,838)

Operating Activities

The increase in cash provided by operating activities is primarily due to the incremental cash flow provided by the addition of the Hilton Head I, SC; Jeffersonville, OH; Atlantic City, NJ; and Ocean City, MD centers to our portfolio throughout 2011. In addition, base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces.

Investing Activities

Cash flow used in investing activities was higher in the 2011 period compared to the 2012 period due primarily to the $134.0 million acquisition of the Jeffersonville, OH outlet center in late June 2011. The 2011 period also included approximately $9.3 million of capital expenditures for the completion of the redevelopment of the Hilton Head I, SC outlet center which opened in March 2011. The investing activities in the 2012 period were primarily related to additional investments in unconsolidated joint ventures, including $15.1 million to RioCan to retire mortgage debt associated with the Cookstown, ON property; $18.1 million to fund construction activities at the Tanger outlet center in Westgate, AZ and $12.8 million to fund construction activities at the Tanger outlet center in Texas City, TX.

Financing Activities

Cash provided by financing activities was higher in the 2011 period due to an increase in debt utilized to fund the acquisition and redevelopment activities described above.

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Capital Expenditures

The following table details our capital expenditures (in thousands):

	Six Months Ended June 30,		
	2012	2011	Change
Capital expenditures analysis:			
New center developments	$4,148	$1,466	$2,682
Center redevelopment	259	9,338	(9,079)
Major center renovations	4,083	825	3,258
Second generation tenant allowances	8,716	8,422	294
Other capital expenditures	3,829	5,483	(1,654)
	21,035	25,534	(4,499)
Conversion from accrual to cash basis	(1,090)	4,497	(5,587)
Additions to rental property-cash basis	$19,945	$30,031	$(10,086)

- New center development expenditures, which includes first generation tenant allowances, increased in the 2012 period due to on-going expansion projects in Locust Grove, Georgia and Gonzales, Louisiana.
- Center redevelopment relates to our Hilton Head I, SC center which re-opened in March 2011.
- Major center renovations increased in the 2012 period due to our on-going renovation efforts at the centers acquired during the second and third quarters of 2011.

Current Developments

We intend to continue to grow our portfolio by developing, expanding or acquiring additional outlet centers. In the section below, we describe the new developments that are either currently planned, underway or recently completed. However, you should note that any developments or expansions that we, or a joint venture that we are involved in, have planned or anticipated may not be started or completed as scheduled, or may not result in accretive net income or funds from operations ("FFO"). See the section "Supplemental Earnings Measures" - "Funds From Operations" in the Management's Discussion and Analysis section for further discussion of FFO. In addition, we regularly evaluate acquisition or disposition proposals and engage from time to time in negotiations for acquisitions or dispositions of properties. We may also enter into letters of intent for the purchase or sale of properties. Any prospective acquisition or disposition that is being evaluated or which is subject to a letter of intent may not be consummated, or if consummated, may not result in an increase in liquidity, net income or FFO.

POTENTIAL FUTURE DEVELOPMENTS

As of the date of this filing, we are in the initial study period for potential new developments, including sites located in Scottsdale, Arizona; Foxwoods Resort Casino in Mashantucket, Connecticut ("Foxwoods"); Toronto, Ontario and Ottawa, Ontario. The Ottawa and Toronto sites, if developed, will be undertaken by our Canadian Joint Venture with our RioCan partner (see discussion under the caption "RioCan Canadian Joint Venture" in the section titled "Off-Balance Sheet Arrangements"). The Foxwoods site, if developed will be undertaken by a joint venture which will be consolidated for financial reporting purposes. We may also use joint venture arrangements to develop other potential sites. There can be no assurance, however, that these potential future developments will ultimately be developed.

In the case of projects to be wholly-owned by us, we expect to fund these projects from amounts availalbe under our unsecured lines of credit, but may also fund them with capital from additional public debt and equity offerings. For projects to be developed through joint venture arrangements, we typically use collateralized construction loans to fund a portion of the project, with our share of the equity requirements funded from sources previously described.

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UNCONSOLIDATED JOINT VENTURES

We have formed joint venture arrangements to develop outlet centers that are currently in various stages of development in several markets. See "Off-Balance Sheet Arrangements" for a discussion of unconsolidated joint venture development activities.

Financing Arrangements

At June 30, 2012, 90% of our outstanding debt consisted of unsecured borrowings and 87% of the gross book value of our real estate portfolio was unencumbered. We maintain unsecured lines of credit that provide for borrowings of up to $520.0 million. Our unsecured lines of credit have an expiration date of November 10, 2015 with an option for a one year extension.

On February 24, 2012, the Operating Partnership closed on a seven-year $250.0 million unsecured term loan. The term loan is interest only, matures in the first quarter of 2019 and is pre-payable without penalty beginning in February of 2015. Based on our current credit ratings, the loan has an interest rate of LIBOR + 1.80%. We used the net proceeds of the term loan to reduce the outstanding balances on our unsecured lines of credit.

We intend to retain the ability to raise additional capital, including public debt or equity, to pursue attractive investment opportunities that may arise and to otherwise act in a manner that we believe to be in the best interests of our shareholders and unitholders. The Company is a well-known seasoned issuer with a joint shelf registration with the Operating Partnership, expiring in June 2015, that allows us to register unspecified amounts of different classes of securities on Form S-3. To generate capital to reinvest into other attractive investment opportunities, we may also consider the use of additional operational and developmental joint ventures, the sale or lease of outparcels on our existing properties and the sale of certain properties that do not meet our long-term investment criteria. Based on cash provided by operations, existing credit facilities, ongoing negotiations with certain financial institutions and our ability to sell debt or issue equity subject to market conditions, we believe that we have access to the necessary financing to fund the planned capital expenditures during 2012.

We anticipate that adequate cash will be available to fund our operating and administrative expenses, regular debt service obligations, and the payment of dividends in accordance with REIT requirements in both the short and long-term. Although we receive most of our rental payments on a monthly basis, distributions to shareholders are made quarterly and interest payments on the senior, unsecured notes are made semi-annually. Amounts accumulated for such payments will be used in the interim to reduce the outstanding borrowings under our existing unsecured, lines of credit or invested in short-term money market or other suitable instruments.

We believe our current balance sheet position is financially sound; however, due to the uncertainty and unpredictability of the capital and credit markets, we can give no assurance that affordable access to capital will exist between now and 2015 when our next significant debt maturities occur.

The Operating Partnership's debt agreements require the maintenance of certain ratios, including debt service coverage and leverage, and limit the payment of dividends such that dividends and distributions will not exceed funds from operations, as defined in the agreements, for the prior fiscal year on an annual basis or 95% on a cumulative basis. We have historically been and currently are in compliance with all of our debt covenants. We expect to remain in compliance with all of our existing debt covenants; however, should circumstances arise that would cause us to be in default, the various lenders would have the ability to accelerate the maturity on our outstanding debt.
The Operating Partnership's senior unsecured notes contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Key financial covenants and their covenant levels include:

Senior unsecured notes financial covenants	Required	Actual

Total consolidated debt to adjusted total assets	<60%	47	%
Total secured debt to adjusted total assets	<40%	5	%
Total unencumbered assets to unsecured debt	>135%	204	%

OFF-BALANCE SHEET ARRANGEMENTS

The following table details certain information as of June 30, 2012 about various unconsolidated real estate joint ventures in which we have an ownership interest:

Joint Venture	Center Location	Ownership %	Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park	Deer Park, Long Island NY	33.3 %	741,796	4.1	246.9
Deer Park Warehouse	Deer Park, Long Island NY	33.3 %	29,253	—	1.8
Galveston/Houston	Texas City, TX	50.0 %	—	21.0	—
National Harbor	Washington D.C. Metro Area	50.0 %	—	0.9	—
RioCan Canada	Various	50.0 %	155,522	24.0	—
Westgate	Phoenix, Arizona	58.0 %	—	18.3	—
Wisconsin Dells	Wisconsin Dells, WI	50.0 %	265,086	3.9	24.3
Other		50.0 %	—	0.2	—
Total				$72.4	$273.0

Each of the above ventures contain make whole provisions in the event that demands are made on any existing guarantees and other provisions where a venture partner can force the other partners to either buy or sell their investment in the joint venture. Should this occur, we may be required to sell the property to the venture partner or incur a significant cash outflow in order to maintain ownership of these outlet centers.

The following table details our share of the debt maturities of the unconsolidated joint ventures as of June 30, 2012 (in thousands):

Joint Venture	Our Portion of Joint Venture Debt	Maturity Date	Interest Rate
Deer Park	$82,314	May 2014	LIBOR + 3.50% to 5.00%
Deer Park Warehouse	$614	May 2011 [1]	8.75%
Westgate	$—	June 2015	LIBOR + 1.75%
Wisconsin Dells	$12,125	December 2012	LIBOR + 3.00%

(1) The Deer Park Warehouse mortgage did not qualify for the associated one-year extension option which was exercisable in May 2011. See "Deer Park Warehouse, Long Island, New York" in this section for further discussion.

Deer Park Warehouse, Long Island, New York

In June 2008, we, along with our partners in Deer Park, entered into a joint venture to purchase a warehouse adjacent to the Tanger Outlet Center in Deer Park, NY for a total purchase price of $3.3 million and obtained mortgage financing of $2.3 million. The interest only mortgage loan secured by the warehouse matured on May 17, 2011 and the joint venture did not qualify for the one-year extension option. As a result, in June 2012 the joint venture reduced the outstanding principal balance by $500,000 to $1.8 million and entered into a loan forbearance agreement with the lender whereby the lender agreed that it will not enforce its rights under the loan until the forbearance termination date of October 1, 2012 unless extended. Additional interest expense accrues at a rate of Prime + 5.5% less the amount paid. During this time, the joint venture committed to continue making monthly debt service payments pursuant to the forbearance and the loan agreement at a pay rate of LIBOR + 1.85%, to maintain the property, and to list the property for sale. In June 2012, the joint venture recorded an impairment charge of approximately $420,000 to lower the basis of the warehouse to its estimated fair market value.

Galveston/Houston, Texas

In June 2011, we announced the formation of a joint venture with Simon Property Group, Inc. for the development of a Tanger Outlet Center south of Houston in Texas City, TX. We expect the center to be completed in time for a grand opening on October 19, 2012 and to feature over 85 brand name and designer outlet stores in the first phase of approximately 350,000 square feet, with room for expansion for a total build out of approximately 470,000 square feet. In July 2011, the joint venture acquired the land underlying the site for approximately $5.6 million. As of June 30, 2012, we have contributed $20.6 million in cash to the joint venture to fund development activities. We will provide property management and marketing services to the center; and with our partner, will jointly provide development and leasing services.

National Harbor, Washington, D.C. Metro Area

In May 2011, we announced the formation of a joint venture with The Peterson Companies for the development of a Tanger Outlet Center at National Harbor in the Washington, D.C. Metro area. The resulting Tanger Outlet Center is expected to contain approximately 80 brand name and designer outlet stores in a center measuring up to 350,000 square feet. The project is currently in the pre-development phase and in December 2011, both parties each made initial equity contributions of $850,000 to fund certain pre-development costs. We will provide property management, leasing and marketing services to the joint venture. We and The Peterson Companies will jointly provide site development and construction supervision services to the joint venture.

RioCan Canada

On December 9, 2011, the RioCan Canadian Joint Venture purchased the Cookstown Outlet Mall. The existing outlet center was acquired for $47.4 million, plus an additional $13.8 million for excess land upon the seller meeting certain conditions, for an aggregate purchase price of $61.2 million. RioCan is providing development and property management services to this existing outlet center and we are providing leasing and marketing services. In connection with the purchase, the joint venture assumed the in place financing of $29.6 million which carried an interest rate of 5.10% and had an original maturity date of June 21, 2014. In March 2012, the joint venture retired the outstanding loan and we contributed an additional $15.1 million to the joint venture to fund the payment.

During the first quarter of 2012, the joint venture terminated an option contract to develop a center in Halton Hills, Ontario and accordingly wrote-off pre-development costs of approximately $1.3 million.

Westgate, Glendale, Arizona

On May 4, 2012, we closed on the formation of a joint venture for the development of a Tanger Outlet Center in Glendale, Arizona. Construction of the center began in February 2012. Situated on 38-acres, the outlet center will be located on Loop 101 and Glendale Avenue in Western Phoenix. We currently expect this center to be completed in time for a November 15, 2012 grand opening and will have approximately 80 brand name and designer outlet stores in the first phase which will contain approximately 330,000 square feet. As of June 30, 2012, we have contributed $18.1 million in cash to the joint venture to fund development activities. We will provide property management, construction supervision, leasing and marketing services to the joint venture.

On June 27, 2012, the joint venture closed on a construction loan with the ability to borrow up to $43.8 million (our share $25.4 million), which carries an interest rate of LIBOR + 1.75%. As of June 30, 2012 the balance on the loan was zero and no draws were made during the second quarter of 2012.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to our 2011 Annual Report on Form 10-K of the Company and the Operating Partnership for a discussion of our critical accounting policies which include principles of consolidation, acquisition of real estate, cost capitalization, impairment of long-lived assets and revenue recognition. There have been no material changes to these policies in 2012.

RELATED PARTY TRANSACTIONS

Management, leasing and marketing fees, which we believe approximate current market rates, earned from services provided to our unconsolidated joint ventures were recognized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Fee:				
Management and leasing	$474	$469	$953	$973
Marketing	47	44	100	88
Total Fees	$521	$513	$1,053	$1,061

SUPPLEMENTAL EARNINGS MEASURES

Funds From Operations

Funds From Operations ("FFO") represents income before extraordinary items and gains (losses) on sale or disposal of depreciable operating properties, plus depreciation and amortization uniquely significant to real estate, impairment losses on depreciable real estate of consolidated real estate and impairment losses on investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and after adjustments for unconsolidated partnerships and joint ventures.

FFO is intended to exclude historical cost depreciation of real estate as required by Generally Accepted Accounting Principles ("GAAP") which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, 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, development activities and interest costs, providing perspective not immediately apparent from net income.

We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is widely used by us and others in our industry to evaluate and price potential acquisition candidates. The National Association of Real Estate Investment Trusts, Inc., of which we are a member, has encouraged its member companies to report their FFO as a supplemental, industry-wide standard measure of REIT operating performance. In addition, a percentage of bonus compensation to certain members of management is based on our FFO performance.

FFO has significant limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- FFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO does not reflect changes in, or cash requirements for, our working capital needs;
-

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and FFO does not reflect any cash requirements for such replacements;
- FFO, which includes discontinued operations, may not be indicative of our ongoing operations; and

- Other companies in our industry may calculate FFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, FFO should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or our dividend paying capacity. We compensate for these limitations by relying primarily on our GAAP results and using FFO only supplementally.

Below is a reconciliation of net income to FFO (in thousands, except per share and per unit data):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
FUNDS FROM OPERATIONS				
Net income	$12,458	$10,842	$21,292	$21,659
Adjusted for:				
Depreciation and amortization uniquely significant to real estate - consolidated	24,710	17,686	50,011	35,493
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	1,653	1,336	3,468	2,642
Impairment charge - unconsolidated joint ventures	140	—	140	—
Funds from operations (FFO)	38,961	29,864	74,911	59,794
FFO attributable to noncontrolling interests in other consolidated partnerships	16	—	14	—
Allocation of FFO to participating securities	(391)	(264)	(698)	(572)
Funds from operations available to common shareholders and noncontrolling interests in Operating Partnership	$38,586	$29,600	$74,227	$59,222
Tanger Factory Outlet Centers, Inc.:				
Weighted average common shares outstanding [1] [2]	98,812	93,237	98,702	93,172
Funds from operations per share	$0.39	$0.32	$0.75	$0.64
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [1]	24,703	23,309	24,676	23,293
Funds from operations per unit	$1.56	$1.27	$3.01	$2.54

(1) Includes the dilutive effect of options and senior exchangeable notes.

(2) Assumes the partnership units of the Operating Partnership held by the noncontrolling interests are exchanged for common shares of the Company. Each unit held by the Family Limited Partners is exchangeable for four of the Company's common shares, subject to certain limitations to preserve the Company's REIT status.

Adjusted Funds From Operations

We present Adjusted Funds From Operations ("AFFO") as a supplemental measure of our performance. We define AFFO as FFO further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating AFFO you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of AFFO should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present AFFO because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use AFFO, or some form of AFFO, when certain material, unplanned transactions occur, as a factor in evaluating management's performance when determining incentive compensation and to evaluate the

effectiveness of our business strategies.

AFFO has limitations as an analytical tool. Some of these limitations are:

- AFFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual

commitments;

- AFFO does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and AFFO does not reflect any cash requirements for such replacements;
- AFFO does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate AFFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, AFFO should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using AFFO only supplementally.

Below is a reconciliation of FFO to AFFO (in thousands, except per share and per unit data):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
ADJUSTED FUNDS FROM OPERATIONS				
Funds from operations	$38,961	$29,864	$74,911	$59,794
Adjusted for non-core items:				
Acquisition costs	—	974	—	1,541
Abandoned development costs	—	—	—	158
AFFO adjustments from unconsolidated joint ventures [1]	206	—	892	—
Adjusted funds from operations (AFFO)	39,167	30,838	75,803	61,493
FFO attributable to noncontrolling interests in other consolidated partnerships	16	—	14	—
Allocation of AFFO to participating securities	(393)	(272)	(707)	(588)
Adjusted funds from operations available to common shareholders and noncontrolling interests in Operating Partnership	$38,790	$30,566	$75,110	$60,905
Tanger Factory Outlet Centers, Inc.:				
Weighted average common shares outstanding [2] [3]	98,812	93,237	98,702	93,172
Adjusted funds from operations per share	$0.39	$0.33	$0.76	$0.65
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [2]	24,703	23,309	24,676	23,293
Adjusted funds from operations per unit	$1.57	$1.31	$3.04	$2.61

(1) Includes our share of acquisition costs, abandoned development costs and gain on early extinguishment of debt.

(2) Includes the dilutive effect of options and senior exchangeable notes.

(3) Assumes the partnership units of the Operating Partnership held by the noncontrolling interest are exchanged for common shares of the Company. Each unit held by the Family Limited Partners is exchangeable for four of the Company's common shares, subject to certain limitations to preserve the Company's REIT status.

Same Center Net Operating Income

We present Same Center Net Operating Income ("NOI") as a supplemental measure of our performance. We define NOI as total operating revenues less property operating expenses. Same Center NOI represents the NOI for the stabilized properties that were operational for the entire portion of both comparable reporting periods and which were not acquired, expanded, renovated or subject to a material, non-recurring event, such as a natural disaster, during the comparable reporting periods. We believe that NOI and Same Center NOI provide useful information to our investors and analysts about our financial and operating performance because it provides a performance measure of the revenues and expenses directly involved in owning and operating real estate assets and provides a perspective not immediately apparent from net income or FFO. Because Same Center NOI excludes the change in NOI from properties developed, redeveloped, acquired and disposed of, it highlights operating trends such as occupancy levels, rental rates and operating costs on properties that were operational for both comparable periods. Other REITs may use different methodologies for calculating Same Center NOI, and accordingly, our Same Center NOI may not be comparable to other REITs.

Same Center NOI should not be viewed as an alternative measure of the Company's financial performance since it does not reflect the operations of the Company's entire portfolio, nor does it reflect the impact of general and administrative expenses, acquisition-related expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact the Company's results from operations.

Below is a reconciliation of income before equity in losses of unconsolidated joint ventures to same center net operating income (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
SAME CENTER NET OPERATING INCOME				
Income before equity in losses of unconsolidated joint ventures	$13,325	$11,606	$23,611	$22,455
Interest expense	12,411	10,713	24,745	21,038
Operating income	25,736	22,319	48,356	43,493
Adjusted to exclude:				
Depreciation and amortization	24,923	17,858	50,438	35,823
Abandoned development costs	—	—	—	158
Acquisition costs	—	974	—	1,541
General and administrative expenses	8,699	7,185	18,719	13,952
Property net operating income	59,358	48,336	117,513	94,967
Less: non-cash adjustments and termination rents [1]	(1,790)	(1,540)	(3,714)	(2,785)
Property net operating income - cash basis	57,568	46,796	113,799	92,182
Less: non-same center and other NOI	(10,370)	(2,682)	(20,675)	(5,085)
Total same center NOI - cash basis	$47,198	$44,114	$93,124	$87,097

(1) Non-cash items include straight-line rent, net above and below market rent amortization and gains or losses on outparcel sales.

ECONOMIC CONDITIONS AND OUTLOOK

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

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

Due to the relatively short-term nature of our tenants' leases, a significant portion of the leases in our portfolio come up for renewal each year. As of January 1, 2012, we had approximately 1.6 million square feet, or 15%, of our consolidated portfolio coming up for renewal during 2012. During the first six months of 2012, we renewed approximately 1.2 million square feet of this space at a 15% increase in the average base rental rate compared to the expiring rate. We also re-tenanted approximately 319,000 square feet at a 55% increase in the average base rental rate. In addition, we continue to attract and retain additional tenants. However, there can be no assurance that we can achieve similar increases in base rental rates. In addition, if we were unable to successfully renew or release a significant amount of this space on favorable economic terms, the loss in rent could have a material adverse effect on our results of operations.

Our outlet centers typically include well-known, national, brand name companies. By maintaining a broad base of well-known tenants and a geographically diverse portfolio of properties located across the United States, we reduce our operating and leasing risks. No one tenant (including affiliates) accounts for more than 8% of our square feet or 7% of our combined base and percentage rental revenues. Accordingly, we do not expect any material adverse impact on our results of operations and financial condition as a result of leases to be renewed or stores to be released. As of June 30, 2012 and 2011, respectively, occupancy at our consolidated centers was 98%.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are exposed to various market risks, including changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We may periodically enter into certain interest rate protection and interest rate swap agreements to effectively convert floating rate debt to a fixed rate basis. We do not enter into derivatives or other financial instruments for trading or speculative purposes. As of June 30, 2012, we were not a party to any interest rate protection agreements.

As of June 30, 2012, approximately 37% of our outstanding debt had a variable interest rate and was therefore subject to market fluctuations. An increase in the LIBOR rate of 100 basis points would result in an increase of approximately $3.9 million in interest expense on an annual basis. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate effect upon our operating results of interest rate fluctuations will depend on the interest rate exposures that arise during the period, our hedging strategies at that time and future changes in the level of interest rates.

The estimated fair value of our debt, consisting of senior unsecured notes, unsecured term loans, secured mortgages and unsecured lines of credit, at June 30, 2012 and December 31, 2011 was $1.1 billion and $1.1 billion, respectively, and its recorded value was $1.1 billion and $1.0 billion, respectively. A 1% increase from prevailing interest rates at June 30, 2012 and December 31, 2011 would result in a decrease in fair value of total debt of approximately $35.6 million and $37.5 million, respectively. Fair values were determined, based on level 2 inputs, using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements.

Item 4. Controls and Procedures

Tanger Factory Outlet Centers, Inc. Controls and Procedures

Based on the most recent evaluation, the Company's Chief Executive Officer and Chief Financial Officer, have concluded the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2012. There were no changes to the Company's internal controls over financial reporting during the quarter ended June 30, 2012, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Tanger Properties Limited Partnership Controls and Procedures

Based on the most recent evaluation, the Chief Executive Officer of the Operating Partnership's general partner, and the Vice-President and Treasurer (Principal Financial and Accounting Officer) of the Operating Partnership's general partner, have concluded the Operating Partnership's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2012. There were no changes to the Operating Partnership's internal controls over financial reporting during the quarter ended June 30, 2012, that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

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 liability insurance.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 6. Exhibits

Exhibit Number	Exhibit Descriptions
3.1	Articles of amendment to amended and restated articles of incorporation of Tanger Factory Outlet Centers, Inc., dated May 24, 2012. (Incorporated by reference to the exhibits to the Company's and Operating Partnership's Form S-3 dated June 7, 2012.)
3.2	By-laws of Tanger Factory Outlet Centers, Inc. restated to reflect all amendments through May 18, 2012. (Incorporated by reference to the exhibits to the Company's and Operating Partnership's Form S-3 dated June 7, 2012.)
10.1	Term loan credit agreement dated February 24, 2012 between Tanger Properties Limited Partnership and Wells Fargo Bank, National Assocation, as Adminstrative Agent, Wells Fargo Bank Securities, LLC, SunTrust Robinson Humphrey, Inc.m and PNC Capital MArkets LLC, as Joint Lead Arrangers, SunTrust Bank and PNC Bank, National Association, as Co-Syndication Agents, Regions Bank, as Documentation Agent and Wells Fargo Securities, LLC, as Sole Bookrunner. (Incorporated by reference to the exhibits to the Company's and Operating Partnership's Current Report on Form 8-K dated February 29, 2012.)
10.2*	Amended and restated employment agreement of Steven B. Tanger dated February 28, 2012. (Incorporated by reference to the exhibits to the Company's and Operating Partnership's Current Report on Form 8-K dated February 29, 2012.)
10.3*	Restricted Share Agreement between the Company and Steven. B. Tanger dated February 28, 2012. (Incorporated by reference to the exhibits to the Company's and Operating Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.)
12.1	Company's Ratio of Earnings to Fixed Charges.
12.2	Operating Partnership's Ratio of Earnings to Fixed Charges.
31.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Factory Outlet Centers, Inc.
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101	The following financial statements from Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership's dual Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Other Comprehensive Income (unaudited), (iv) Consolidated Statements of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited). (In accordance with Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.)
*	Management contract or compensatory plan or arrangement.

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.

DATE: August 8, 2012

TANGER FACTORY OUTLET CENTERS, INC.

By: /s/ Frank C. Marchisello, Jr.
Frank C. Marchisello, Jr.
Executive Vice President and Chief Financial Officer

TANGER PROPERTIES LIMITED PARTNERSHIP

By: TANGER GP TRUST, its sole general partner

By: /s/ Frank C. Marchisello, Jr.
Frank C. Marchisello, Jr.
Vice President and Treasurer

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