IRT PROPERTY CO
Form 10-Q
August 14, 2001

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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, 2001

OR

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

For the Transition Period From _____________ to ________________

Commission File Number 1-7859

IRT PROPERTY COMPANY

(Exact name of registrant as specified in its charter)

Georgia	58-1366611
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Galleria Parkway, Suite 1400 Atlanta, Georgia	30339
(Address of principal executive offices)	(Zip Code)

(770) 955-4406

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 14, 2001
Common Stock, $1 Par Value	30,472,430 Shares

CERTAIN INFORMATION CONTAINED IN THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. READERS OF THIS REPORT SHOULD BE AWARE THAT THERE ARE VARIOUS FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS MADE HEREIN. THIS INFORMATION IS FURTHER QUALIFIED BY THE SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS AND THE INFORMATION IN THE SECTION ENTITLED "RISK FACTORS" CONTAINED IN THE IRT PROPERTY COMPANY ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000, WHICH ARE INCORPORATED HEREIN BY REFERENCE.

Item 1. Financial Statements

IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share amounts)

	June 30, 2001 (Unaudited)
ASSETS	
Real estate investments:	
Rental properties	$ 644,708
Properties under development	10,879
	655,587
Accumulated depreciation	(101,940)
Net rental properties	553,647
Equity investment in and advances to unconsolidated affiliates	--
Net investment in direct financing leases	2,239
Mortgage loans, net	4,706
Net real estate investments	560,592
Cash and cash equivalents	5,002
Prepaid expenses and other assets	12,251
Total assets	$ 577,845
LIABILITIES & SHAREHOLDERS' EQUITY	
Liabilities:	
Mortgage notes payable, net	$ 136,024
7.3% convertible subordinated debentures, net	23,275
Senior notes, net	124,739
Indebtedness to banks	36,000

Accrued interest	3,652
Accrued expenses and other liabilities	10,560
Total liabilities	334,250
Commitments and contingencies (Note 10)	
Minority interest payable	7,889
Shareholders' equity:	
Preferred stock, $1 par value, authorized 10,000,000 shares; none issued	--
Common stock, $1 par value, 150,000,000 shares authorized; 33,234,206 shares issued in 2001 and 2000, respectively	33,234
Additional paid-in capital	272,115
Deferred compensation/stock loans	(1,791)
Treasury stock, at cost, 2,781,136 and 2,889,276 shares in 2001 and 2000, respectively	(23,084)
Cumulative distributions in excess of net earnings	(44,768)
Total shareholders' equity	235,706
Total liabilities and shareholders' equity	$ 577,845

The accompanying notes are an integral part of these consolidated balance sheets.

IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Three and Six Months Ended June 30, 2001 and 2000
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		
	2001	2000	2
REVENUES:			
Income from rental properties	$ 21,266	$ 20,981	$ 4
Interest income	148	265	
Interest on direct financing leases	94	110	
Gain on sale of outparcel	452	--	
Total revenues	21,960	21,356	4
EXPENSES:			
Operating expenses of rental properties	5,362	4,969	1
Interest expense	5,830	5,402	1
Depreciation	3,799	3,538	

Amortization of debt costs	164	133	
General and administrative	1,113	889	
Total expenses	16,268	14,931	3
Equity in loss of unconsolidated affiliates	--	(23)	
Earnings before income taxes, minority interest and gain on sales of properties	5,692	6,402	1
Income tax provision	(53)	--	
Minority interest of unitholders in operating partnership	(244)	(157)	
Gain on sales of properties	2,498	--	
NET EARNINGS	$ 7,893	$ 6,245	$ 1
PER SHARE:			
Net earnings -- basic	$ 0.26	$ 0.20	$
Net earnings -- diluted	$ 0.26	$ 0.20	$
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic	30,281	31,761	3
Diluted	32,462	32,587	3

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

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IRT PROPERTY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three and Six Months Ended June 30, 2001 and 2000
(Unaudited)
(In thousands)

	Six Mon Jun
	2001
Cash flows from operating activities:	
Net earnings	$ 13,881
Adjustments to reconcile earnings to net cash from operating activities:	
Depreciation	7,522
Gain on sale of operating properties	(2,498)
Gain on sale of outparcels	(745)
Minority interest of unitholders in partnership	(79)
Straight line rent adjustment	(271)
Amortization of deferred compensation	59
Amortization of debt costs and discounts	330
Amortization of capitalized leasing income	88

Changes in assets and liabilities:	
Increase in accrued interest on debentures and senior notes	40
Decrease in interest receivable, prepaid expenses and other assets	(48)
Increase in accrued expenses and other liabilities	1,177
Net cash flows from operating activities	19,456
Cash flows (used in) from investing activities:	
Additions to operating properties, net	(11,329)
Additions to development properties, net	(1,989)
Proceeds from sales of operating properties, net	11,260
Proceeds from sale of outparcels, net	931
Investment in unconsolidated affiliates	--
Purchase of unconsolidated affiliate, net of assets acquired	177
Distribution from dissolution of unconsolidated affiliate	21
Funding of mortgage loans	(414)
Collections of mortgage loans, net	21
Net cash flows (used in) from investing activities	(1,322)
Cash flows used in financing activities:	
Cash dividends, net	(14,261)
Purchase of treasury stock	(405)
Exercise of stock options	1,266
Proceeds from mortgage notes payable	20,740
Principal amortization of mortgage notes payable	(1,225)
Repayment of mortgage notes payable	--
Proceeds from 7.77% senior notes issuance	50,000
Repayment of 7.45% senior notes	(50,000)
(Decrease) increase in bank indebtedness	(19,000)
Payment of deferred financing costs	(1,078)
Net cash flows used in financing activities	(13,963)
Net increase (decrease) in cash and cash equivalents	4,171
Cash and cash equivalents at beginning of period	831
Cash and cash equivalents at end of period	$ 5,002
Supplemental disclosures of cash flow information:	
Total cash paid during period for interest	$ 11,711

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

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IRT PROPERTY COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2001 and 2000
(Dollars in thousands, except per share amounts)

1. Unaudited Financial Statements

These consolidated financial statements for interim periods are unaudited and should be read in conjunction with the Company's Report on Form 10-K for the year ended December 31, 2000. The accompanying consolidated financial statements include the accounts of IRT Property Company and its wholly-owned subsidiaries, IRT Management Company ("IRTMC"), VW Mall, Inc., IRT Alabama, Inc. ("IRTAL") and IRT Capital Corporation II ("IRTCCII"), and its majority-owned subsidiary, IRT Partners L.P. ("LP") (collectively, the "Company"). Intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to a fair presentation of the financial statements as of June 30, 2001 and 2000 have been recorded. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

As of December 31, 2000, the Company's investment in IRT Capital Corporation ("IRTCC") and IRTCCII was accounted for under the equity method of accounting. In January 2001, IRTCC was dissolved and the Company's investment in IRTCC was eliminated. In March 2001, the Company purchased the remaining voting and non-voting common stock of IRTCCII, making IRTCCII a wholly-owned subsidiary. See Note 8.

2. Investment in and Advances to Unconsolidated Affiliates

As of June 30, 2001, LP, IRTCCII, IRTAL and IRTMC guaranteed the Company's indebtedness under the Company's existing unsecured revolving term loan and its other senior debt. The guarantees are joint and several and full and unconditional.

		GUARANTORS	
	IRT PROPERTY COMPANY	COMBINED SUBSIDIARIES(1)	IRT PARTNERS, LP
AS OF JUNE 30, 2001			
ASSETS			
Net rental properties	$ 391,033	$ 24,249	$ 138,365
Investment in affiliates	115,421	--	--
Other assets	39,044	27,391	24,156
Total assets	545,498	51,640	162,521
LIABILITIES			
Mortgage notes payable	94,070	4,134	37,820
Senior Notes, net	124,739	--	--
Indebtedness to banks	36,000	--	--
Other liabilities	80,976	20,302	11,484
Total liabilities	335,785	24,436	49,304
SHAREHOLDERS' EQUITY			
Total shareholders' equity	209,713	27,204	113,217
Total liabilities and shareholders' equity	$ 545,498	$ 51,640	$ 162,521

	IRT PROPERTY COMPANY	GUARANTORS COMBINED SUBSIDIARIES(1)	GUARANTORS IRT PARTNERS, LP
FOR THE THREE MONTHS ENDED JUNE 30, 2001			
REVENUES			
Income from rental properties	$ 15,063	$ 344	$ 5,859
Interest Income	241	--	189
Interest on direct financing leases	94	--	--
Other income	37	3,846	--
Total revenues	15,435	4,190	6,048
EXPENSES			
Operating expenses of rental properties	3,743	71	1,548
Interest expense	5,186	218	709
Depreciation	2,767	63	969
Amortization of debt costs	160	1	3
General and administrative	792	68	253
Total expenses	12,648	421	3,482
Equity in earnings (losses) of affiliates	3,716	--	--
Earnings before income taxes, minority interest and gain on sales of properties	6,503	3,769	2,566
Income tax provision	--	(53)	--
Minority interest in operating partnership	--	--	--
Gain on sales of properties	1,388	--	1,108
Net Earnings	$ 7,891	$ 3,716	$ 3,674
FOR THE SIX MONTHS ENDED JUNE 30, 2001			
REVENUES			
Income from rental properties	$ 30,300	$ 622	$ 11,598
Interest Income	709	--	170
Interest on direct financing leases	284	--	--
Other income	43	6,412	293
Total revenues	31,336	7,034	12,061
EXPENSES			
Operating expenses of rental properties	7,452	136	3,100
Interest expense	10,483	286	1,312
Depreciation	5,502	91	1,929

Amortization of debt costs	308	1	3
General and administrative	1,478	107	494
Total expenses	25,223	621	6,838
Equity in earnings (losses) of affiliates	6,360	--	--
Earnings before income taxes, minority interest and gain on sales of properties	12,473	6,413	5,223
Income tax provision	--	(53)	--
Minority interest in operating partnership	--	--	--
Gain on sales of properties	1,388	--	1,108
Net Earnings	$ 13,861	$ 6,360	$ 6,331
Net cash flows provided by (used in) operating activities	$ 13,382	$ 5,717	$ 7,147
Net cash flows provided by (used in) investing activities	$ 18,156	$ (597)	$ (1,724)
Net cash flows provided by (used in) financing activities	$ 10,518	$ (5,155)	$ (11,736)

		Guarantors	
	IRT Property Company	Combined Subsidiaries(1)	IRT Partners, LP
As of December 31, 2000			
ASSETS			
Net rental properties	$ 394,144	$ 5,575	$ 137,114
Investment in affiliates	127,364	--	--
Other assets	29,444	21,720	8,700
Total assets	550,952	27,295	145,814
LIABILITIES			
Mortgage notes payable	81,741	4,173	30,595
Senior Notes, net	124,714	--	--
Indebtedness to banks	55,000	--	--
Other liabilities	54,344	1,319	8,320
Total liabilities	315,799	5,492	38,915

SHAREHOLDERS' EQUITY			
Total shareholders' equity	235,153	21,803	106,899
Total liabilities and shareholders' equity	$ 550,952	$ 27,295	$ 145,814
For the three months ended June 30, 2000			
Revenues			
Income from rental properties	$ 15,725	$ 166	$ 5,090
Interest Income	156	--	109
Interest on direct financing leases	110	--	--
Other income	22	2,028	--
Total revenues	16,013	2,194	5,199
Expenses			
Operating expenses of rental properties	3,613	30	1,326
Interest expense	4,722	68	612
Depreciation	2,646	19	873
Amortization of debt costs	133	--	--
General and administrative	707	1	181
Total expenses	11,821	118	2,992
Equity in earnings (losses) of affiliates	2,051	--	--
Earnings before minority interest and gain on sales of properties	6,243	2,076	2,207
Minority interest in operating partnership	--	--	--
Gain on sales of properties	--	--	--
Net Earnings	$ 6,243	$ 2,076	$ 2,207
For the six months ended June 30, 2000			
Revenues			
Income from rental properties	$ 31,534	$ 337	$ 10,175
Interest Income	246	--	234
Interest on direct financing leases	297	--	--
Other income	44	4,074	--
Total revenues	32,121	4,411	10,409
Expenses			
Operating expenses of rental properties	7,097	64	2,632
Interest expense	9,439	137	1,227

Depreciation	5,325	38	1,746
Amortization of debt costs	264	1	--
General and administrative	1,296	3	370
Total expenses	23,421	243	5,975
Equity in earnings (losses) of affiliates	4,133	--	--
Earnings before minority interest and gain on sales of properties	12,833	4,168	4,434
Minority interest in operating partnership	--	--	--
Gain on sales of properties	2,738	--	--
Net Earnings	$ 15,571	$ 4,168	$ 4,434
Net cash flows provided by (used in) operating activities	$ 8,210	$ 3,923	$ 6,042
Net cash flows provided by (used in) investing activities	$ 10,911	$ --	$ (1,308)
Net cash flows provided by (used in) financing activities	$ (21,543)	$ (3,923)	$ (3,044)

	Eliminating Entries	Consolidated IRT Property Company
As of December 31, 2000		
ASSETS		
Net rental properties	$ (17,989)	$ 536,833
Investment in affiliates	(110,022)	17,342
Other assets	(39,907)	20,385
Total assets	(167,918)	574,560
LIABILITIES		
Mortgage notes payable	--	116,509
Senior Notes, net	--	124,714
Indebtedness to banks	--	55,000
Other liabilities	(39,197)	43,184
Total liabilities	(39,197)	339,407
SHAREHOLDERS' EQUITY		
Total shareholders' equity	(128,721)	235,153

Total liabilities and shareholders' equity	$(167,918)	$ 574,560
For the three months ended June 30, 2000		
Revenues		
Income from rental properties	$ (39)	$ 20,981
Interest Income	--	265
Interest on direct financing leases	--	110
Other income	(2,050)	--
Total revenues	(2,089)	21,356
Expenses		
Operating expenses of rental properties	(17)	4,969
Interest expense	--	5,402
Depreciation	(8)	3,538
Amortization of debt costs	--	133
General and administrative	(39)	889
Total expenses	(64)	14,931
Equity in earnings (losses) of affiliates	(2,074)	(23)
Earnings before minority interest and gain on sales of properties	(4,099)	6,402
Minority interest in operating partnership	(157)	(157)
Gain on sales of properties	--	--
Net Earnings	$ (4,256)	$ 6,245
For the six months ended June 30, 2000		
Revenues		
Income from rental properties	$ (75)	$ 42,046
Interest Income	--	480
Interest on direct financing leases	--	297
Other income	(4,118)	--
Total revenues	(4,193)	42,823
Expenses		
Operating expenses of rental properties	(47)	9,793
Interest expense	--	10,803
Depreciation	(15)	7,109
Amortization of debt costs	--	265
General and administrative	(48)	1,669

Total expenses	(110)	29,639
Equity in earnings (losses) of affiliates	(4,167)	(34)
Earnings before minority interest and gain on sales of properties	(8,250)	13,150
Minority interest in operating partnership	(316)	(316)
Gain on sales of properties	--	2,738
Net Earnings	$ (8,566)	$ 15,572
Net cash flows provided by (used in) operating activities	$ 3,138	$ 21,283
Net cash flows provided by (used in) investing activities	$ (3,606)	$ 4,418
Net cash flows provided by (used in) financing activities	$ 612	$ (26,215)

NOTES:

(1) For the three and six months ended June 30, 2001, includes IRTMC, IRTAL, and IRTCCII. As of the year ended December 31, 2000 and for the three and six months ended June 30, 2000, includes IRTMC and IRTAL.

3. Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period. The effects of the conversion of the operating partnership units held by the minority interest are dilutive for the six months ended June 30, 2001 and the three and six months ended June 30, 2000 and have been included in the calculation of diluted earnings per share for those periods. The effects of the conversion of the operating partnership units have been excluded from the three months ended June 30, 2001 as they are anti-dilutive. For the three and six months ended June 30, 2001 and the six months ended June 30, 2000, the effects of the conversion of the 7.3% debentures have been included in the calculation of diluted earnings per share as they are dilutive. The effects of the conversion of such debentures have been excluded from the calculation of diluted earnings per share for the three months ended June 30, 2000 as they were anti-dilutive for that period. The effects of certain stock options and non-vested restricted stock, using the treasury stock method, have been included in the calculation of diluted earnings per share, as they are dilutive.

(In thousands except per share amounts)

	Income	Shares
For the three months ended June 30, 2001		
Basic net earnings available to shareholders	$ 7,893	30,281
Options outstanding	--	92
Restricted Stock	--	20
Conversion of 7.3% debentures	450	2,069
Diluted net earnings available to shareholders	$ 8,343	32,462
For the three months ended June 30, 2000		
Basic net earnings available to shareholders	$ 6,245	31,761
Options outstanding	--	10
Minority interest of unitholders in operating partnership	157	816
Diluted net earnings available to shareholders	$ 6,402	32,587
For the six months ended June 30, 2001		
Basic net earnings available to shareholders	$13,881	30,247
Options outstanding	--	65
Restricted Stock	3	
Minority interest of unitholders in operating partnership	305	816
Conversion of 7.3% debentures	900	2,069
Diluted net earnings available to shareholders	$15,086	33,200
For the six months ended June 30, 2000		
Basic net earnings available to shareholders	$15,572	32,030
Options outstanding	--	8
Minority interest of unitholders in operating partnership	316	816
Conversion of 7.3% debentures	900	2,069
Diluted net earnings available to shareholders	$16,788	34,923

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4. Rental Properties

ACQUISITIONS

Acquired	Property Nam	City, State	Square Footage	Year Built	% Lease at Acquis
4/12/01	Unigold Shopping Center	Orlando, FL	102,985	1987	97%

DISPOSITIONS

Date Sold	Property Name	City, State	Square Footage	Sales Price
4/18/01	Eden Center	Eden, NC	56,355	$ 3,950
5/4/01	Old Phoenix National Bank	Medina County, Ohio	73,074	3,500
5/31/01	Chadwick Square	Hendersonville, NC	32,100	2,401
6/8/01	Ft. Walton Beach Plaza	Ft. Walton Beach, FL	48,248	1,650
			209,777	$ 11,501

In connection with the sale of Ft. Walton Beach Plaza, the Company received a note for a second mortgage in the amount of $250. The note bears interest at 7.0%, payable monthly, and the entire principal balance of the note is due on July 1, 2003.

Old Phoenix National Bank was classified and accounted for as a direct financing lease.

5. Mortgage Notes Payable

On April 19, 2001, the Company obtained non-recourse, secured loans totaling $20,740, on three shopping centers at a weighted average fixed interest rate of 7.17%. The loans are due and payable in ten years and the principal amortization is based on a thirty year amortization schedule. Costs associated with obtaining the secured loans totaled $366 and are being amortized over the term of the loan.

6. 7.3% Convertible Subordinated Debentures

Based upon the $11.25 conversion price, 2,068,889 authorized but unissued common shares have been reserved for possible issuance if the remaining $23,275 of debentures outstanding on June 30, 2001 are converted.

7. Senior Notes

On March 23, 2001, the Company established a Medium Term Note Program (the "MTN Program"), pursuant to the Company's shelf registration statement filed in January 2001, pursuant to which the Company may from time to time issue and sell up to $100,000 of medium term notes (the "Medium Term Notes"). The Medium Term Notes have a maturity of nine months or more from the date of issuance and are unconditionally guaranteed as to the payment of principal, premium, if any, and interest, if any, by each of LP, IRTMC, IRTAL and IRTCCII.

On March 29, 2001, pursuant to the MTN Program, the Company issued $50,000 of 7.77% senior notes due April 1, 2006. Interest on these senior notes is payable semi-annually on April 1 and October 1. Costs associated with the issuance of these senior notes totaled approximately $672 and are being amortized over the life of the notes. Proceeds of these notes were used to repay the $50,000 of 7.45% senior notes that matured April 1, 2001.

8. Investment in Joint Venture

IRTCII, a taxable subsidiary, was formed under the laws of Georgia in 1999. IRTCCII has the ability to develop properties, buy and sell properties, provide equity to developers and perform third party management, leasing and brokerage. As of December 31, 2000, the Company accounted for IRTCCII under the equity method of accounting, as the Company held 96% of the non-voting common stock and 1% of the voting common stock. The remaining voting common stock was held by an officer and a director of the Company. In March 2001 the Company purchased the remaining non-voting and voting common stock from such officer and director for approximately $2, which was the initial investment amount of such officer and director. As a result, as of June 30, 2001, IRTCCII is a wholly-owned taxable subsidiary of the Company.

9. Treasury Stock

On January 16, 2001, the Company completed the $25,000 stock repurchase program authorized by the Board of Directors in November 1999. The Company repurchased a total of 3,028,276 shares at an average price of $8.26 per share.

10. Commitments and Contingencies

Certain of the Company's properties have environmental concerns that have been or are being addressed. The Company maintains limited insurance coverage for this type of environmental risk. Although no assurance can be given that Company properties will not be affected adversely in the future by environmental problems, the Company presently believes that there are no environmental matters that are reasonably likely to have a material adverse effect on the Company's financial position.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.
(Dollars in thousands)

Material Changes in Financial Condition.

During the six months ended June 30, 2001, the Company:

- obtained cash proceeds of $50,000 from the issuance of the 7.77% senior unsecured notes,

- obtained cash proceeds of $20,740 from obtaining non-recourse, secured loans on three shopping centers at a weighted average fixed interest rate of 7.17%.

- obtained cash proceeds of approximately $11,260 upon the sales of four properties and recognized a gain of approximately $2,498 for financial reporting purposes,

- obtained cash proceeds of approximately $931 upon the sales of two outparcels and recognized a gain of approximately $745 for financial reporting purposes, and

- obtained cash, net of assets acquired, of $177 in the purchase of IRTCCII stock.

During the six months ended June 30, 2001, the Company utilized funds of:

- approximately $14,261 to pay dividends to the holders of the Company's common stock,

- approximately $405 to repurchase outstanding shares of the Company's common stock,

- approximately $1,989 for development of land and properties,

- approximately $3,426 for capital expenditures relating to operating properties,

- approximately $7,903 for the acquisition of a shopping center investment,

- approximately $1,078 for deferred financing costs in connection with the issuance of the 7.77% Senior Notes and the $20,740 of secured loans, and

- $19,000 to repay a portion of the outstanding balance of the unsecured line of credit.

During the six months ended June 30, 2000, the Company:

- obtained cash proceeds of approximately $11,660 from the sale of two properties and recognized a gain of approximately $2,738 for financial reporting purposes.

During the six months ended June 30, 2000, the Company utilized funds of:

- approximately $14,968 to pay dividends to the holders of the Company's common stock,

- approximately $8,318 to repurchase 1,030,501 shares of the Company's common stock,

- approximately $3,520 to repay a 7.75% mortgage at its scheduled maturity,

- approximately $2,214 to fund a loan for a co-development project,

- approximately $3,382 for capital expenditures and tenant improvements, and

- approximately $1,650 for advances to IRTCCII for further development of land and properties acquired in 1999.

Material Changes in Results of Operations.

During the three and six months ended June 30, 2001, rental income from the Company's portfolio of shopping center investments:

- decreased approximately $150 and $28, respectively, for the core portfolio,

- increased approximately $816 and $1,273, respectively, due to the acquisition of a shopping center in 2000 and one in the second quarter of 2001, and

- decreased approximately $381 and $771, respectively, due to sales of three investments in 2001 and five investments in 2000.

During the three and six months ended June 30, 2000, compared to the corresponding periods of 1999, rental income from the Company's portfolio of shopping center investments:

- increased approximately $361 and $706, respectively, for the core portfolio,

- increased approximately $0 and $502, respectively, due to the acquisition of two shopping centers in the first quarter of 1999, and

- decreased approximately $683 and $1,278, respectively, due to sales of two investments in 2000 and four in 1999.

Percentage rentals received from shopping center investments, excluding percentage rentals received from the two Wal-Mart investments classified as direct financing leases, totaled approximately $224 and $221 during the three months ended June 30, 2001 and 2000, respectively, and $817 and $820 during the six months ended June 30, 2001 and 2000, respectively. Percentage rental income is recorded upon collection based on the tenants' lease year end.

Interest income during the three and six months ended June 30, 2001 decreased $117 and $200, respectively, due primarily to the interest charged to previously unconsolidated affiliates offset by interest accrued on development loans.

During the three and six months ended June 30, 2001, operating expenses related to the Company's portfolio of real estate investments:

- increased approximately $248 and $706, respectively, for the core portfolio,

- increased approximately $210 and $367, respectively, due to the acquisition of a shopping center in 2000 and one in the second quarter of 2001, and

- decreased approximately $65 and $178 due to sales of three investments in 2001 and five investments in 2000.

During the three and six months ended June 30, 2000, operating expenses related to the Company's portfolio of real estate investments:

- increased approximately $275 and $388, respectively, for the core portfolio,

- increased approximately $0 and $125, respectively, due to the acquisition of two shopping centers in 1999, and

- decreased approximately $181 and $311, respectively, due to the sales of two properties in 2000 and four in 1999.

During the three and six months ended June 30, 2001, interest expense on mortgages increased approximately $262 and $196 primarily due to the addition in the second quarter of 2001 of the non-recourse, secured loans totaling $20,740, on three shopping centers at a weighted average fixed interest rate of 7.17%. The loans are due and payable in ten years and principal amortization is based on a thirty year amortization schedule.

Interest expense on bank indebtedness decreased approximately $57 for the three months ended and increased $88 for the six months ended June 30, 2001, respectively. The Company had average borrowings of approximately $42,705 and $20,768 at effective interest rates of 6.88% and 7.6%, under its bank credit facility during the three months ended June 30, 2001 and 2000, respectively. The Company had average borrowings of approximately $24,251 and $20,505 at an effective interest rates of 7.3% for the six months ended June 30, 2001 and 2000, respectively. The Company incurred commitment fees of approximately $100 and $101 in 2001 and 2000, respectively, which are included in this interest expense.

The net increase of $261 and $413 in depreciation expense for the three and six months ended June 30, 2001 was due to the acquisition of a real estate investment in the fourth quarter of 2000 and one in the second quarter of 2001, net of the effect of the disposition of three properties in the second quarter of 2001 and five properties in 2000.

The net increase in general and administrative expense of approximately $224 and $414 for the three and six months ended June 30, 2001 was primarily due to an increase in development expenditures.

Funds from Operations. The Company defines funds from operations, consistent with the National Association of Real Estate Investment Trusts ("NAREIT") definition of such term, as net earnings on real estate less gains (losses) on sales of properties and extraordinary items plus depreciation and amortization of capitalized leasing costs. Interest and amortization of issuance costs related to convertible subordinated debentures and minority interest expenses ("OP Units") are added back to funds from operations when assumed conversion of the debentures and OP Units is dilutive. Conversion of the debentures and OP Units is dilutive and therefore assumed for the three and six months ended June 30, 2001 and 2000. Management believes funds from operations should be considered along with, but not as an alternative to, net income as defined by generally accepted accounting principles as a measure of the

Company's operating performance. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

	Three Months Ended June 30,		Six Months En[ded] June 30,	
	2001	2000	2001	
NET EARNINGS	$ 7,893	$ 6,245	$ 13,881	$
Gain on sales of properties	(2,498)	--	(2,498)	
Depreciation (*)	3,735	3,483	7,390	
Amortization of capitalized leasing fees (*)	308	198	595	
Amortization of capitalized leasing income	37	32	88	
FUNDS FROM OPERATIONS	9,475	9,958	19,456	
Interest on convertible debentures	425	425	850	
Amortization of convertible debenture costs	25	25	50	
Amounts attributable to minority interests	313	223	446	
FULLY DILUTED FUNDS FROM OPERATIONS	$ 10,238	$10,631	$ 20,802	$
FULLY DILUTED FUNDS FROM OPERATIONS PER SHARE	$ 0.31	$ 0.31	$ 0.63	$
APPLICABLE WEIGHTED AVERAGE SHARES	33,278	34,656	33,199	

(*) Net of amounts attributable to minority interests

Additional Information: The following data is presented with respect to amounts incurred for improvements to the Company's real estate investments, for the straight line rent adjustment, for leasing fees paid and for principal amortization of mortgage notes payable during the three and six months ended June 30, 2001 (in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Straight line rent adjustment	$ 160	$ 20	$ 271	$ 31

Revenue-generating capital expenditures				
Tenant Improvements - Anchors	$1,500	$ 460	$1,641	$1,255
Tenant Improvements - Non anchors	159	208	554	482
Total revenue-generating capital expenditures**	$1,659	$ 668	$2,195	$1,737
Non revenue-generating capital expenditures	$1,126	$1,447	$1,514	$1,645
Lease fee payments	$ 468	$ 344	$ 944	$ 734
Scheduled principal amortization	$ 624	$ 511	$1,225	$1,024

** Includes tenant improvements and capital expenditures to prepare spaces for leasing. Excludes expansions.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

The Company filed a Report on Form 8-K dated March 30, 2001 relating to the sale of $50,000,000 of its 7.77% Fixed Rate Senior Notes due 2006 (the "Notes") pursuant to the Company's $100,000,000 Medium Term Note Program (the "MTN Program"). No other reports on Form 8-K were filed by the Company during the quarter ended March 31, 2001.

SIGNATURES

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

IRT PROPERTY COMPANY

Date: August 14, 2001

/s/ Thomas H. McAuley

Thomas H. McAuley
President & Chief Executive Officer

Date: August 14, 2001

/s/ James G. Levy

James G. Levy
Executive Vice President &
Chief Financial Officer