KITE REALTY GROUP TRUST
Form 424B5
April 10, 2013

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PROSPECTUS SUPPLEMENT
(To prospectus dated January 11, 2012)

13,500,000 Shares

Common Shares

Kite Realty Group Trust is offering 13,500,000 common shares of beneficial interest to be sold pursuant to this prospectus supplement and the accompanying prospectus. Our common shares are listed on the New York Stock Exchange, or the NYSE, under the symbol "KRG." On April 8, 2013 the last reported sale price for our common shares was $6.72 per share.

Investing in our common shares involves risks. See "Risk Factors" on page S-4 of this prospectus supplement and on page 9 of our Annual Report on Form 10-K for the year ended December 31, 2012.

	Per Share	Total
Public offering price	$6.55	$88,425,000
Underwriting discount	$.262	$3,537,000
Proceeds, before expenses, to us	$6.288	$84,888,000

The underwriters may also exercise their option to purchase up to an additional 2,025,000 common shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters will deliver the common shares on or about April 12, 2013.

BofA Merrill Lynch **KeyBanc Capital Markets** **Citigroup** **Wells Fargo Securities**

J.P. Morgan **Raymond James**

Evercore Partners **The Huntington Investment Company** **Stifel**

The date of this prospectus supplement is April 9, 2013.

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PROSPECTUS SUPPLEMENT

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document together with additional information described under the heading "Where You Can Find More Information and Incorporation by Reference" in this prospectus supplement. You should rely only on the information contained or incorporated by reference in this document. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the date which is specified in those documents.

References in this prospectus supplement to "Kite," "the Company," "we," "us," "our" or "our company" are to Kite Realty Group Trust and its subsidiaries, including Kite Realty Group, L.P., which we refer to as our "Operating Partnership." The term "you" refers to a prospective investor.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and other statements and information publicly disseminated by us, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements, financial or otherwise, expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include but are not limited to:

- national and local economic, business, real estate and other market conditions, particularly in light of the recent slowing of growth in the U.S. economy;
- financing risks, including the availability of and costs associated with sources of liquidity;
- the Company's ability to refinance, or extend the maturity dates of, its indebtedness;
- the level and volatility of interest rates;
- the financial stability of tenants, including their ability to pay rent and the risk of tenant bankruptcies;
- the competitive environment in which the Company operates;
- acquisition, disposition, development and joint venture risks;
- property ownership and management risks;
- the Company's ability to maintain its status as a real estate investment trust ("REIT") for federal income tax purposes;
- potential environmental and other liabilities;
- impairment in the value of real estate property the Company owns;
- risks related to the geographical concentration of our properties in Indiana, Florida, Texas and North Carolina;
- the dilutive effects of this offering and of issuing additional securities;
- other factors affecting the real estate industry generally; and

other uncertainties and factors identified in this prospectus supplement, the accompanying prospectus and other documents incorporated by reference herein, and, from time to time, in other reports we file with the SEC or in other documents that we publicly disseminate, including, in particular, the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and in our quarterly reports on Form 10-Q.

The Company undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement or the accompanying prospectus or the documents incorporated by reference herein or therein. This summary is not complete and may not contain all of the information that you should consider before buying securities in this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including each of the documents incorporated herein and therein by reference, before making an investment decision.

Our Company

Kite Realty Group Trust is a full-service, vertically integrated real estate company engaged in the ownership, operation, management, leasing, acquisition, construction management, redevelopment and development of high-quality neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States.

We conduct all of our business through our Operating Partnership, of which we are the sole general partner. As of December 31, 2012, we held a 92% interest in our Operating Partnership.

As of December 31, 2012, we owned interests in a portfolio of 54 retail operating properties totaling approximately 8.4 million square feet of gross leasable area (including approximately 2.6 million square feet of non-owned anchor space) located in eleven states. Our retail operating portfolio was 94.2% leased to a diversified retail tenant base, with no single retail tenant accounting for more than 4.2% of our total annualized base rent as of December 31, 2012. In the aggregate, our largest 25 tenants accounted for 37.5% of our annualized base rent as of December 31, 2012.

We also own interests in two commercial operating properties totaling approximately 0.4 million square feet of net rentable area, both located in the state of Indiana. The leased percentage of our commercial operating portfolio was 93.6% as of December 31, 2012.

As of December 31, 2012, we also had an interest in six in-process development or redevelopment retail projects. Upon completion, these projects are anticipated to have approximately 1.3 million square feet of gross leasable area (including approximately 0.4 million square feet of non-owned anchor space). In addition to our in-process developments and redevelopments, we have future developments, which are in various stages of preparation for construction to commence, including pre-development and pre-leasing activities. As of December 31, 2012, these future developments consisted of four projects that are expected to contain 1.0 million square feet of total gross leasable area (including non-owned anchor space) upon completion.

In addition, as of December 31, 2012, we owned interests in various land parcels totaling approximately 91 acres. These parcels are expected to be used for future expansion of existing properties, development of new retail or commercial properties or sold to third parties.

Our principal executive office is located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204 and our telephone number is (317) 577-5600. We maintain a website at *www.kiterealty.com*. The information contained on or connected to our website is not incorporated by reference into, and you must not consider the information to be a part of, this prospectus supplement or the accompanying prospectus. The information on our website is intended to be an inactive textual reference only.

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Recent Developments

Acquisition Activity

In January 2013, the Company acquired the Shoppes at Eastwood, a shopping center in Orlando, Florida, for a purchase price of $11.6 million. This center is anchored by Publix Supermarkets and, at the time of its acquisition, was 99% leased.

The Company has entered into a purchase agreement to acquire a 224,000 square foot shopping center in the Nashville, Tennessee metropolitan area for a purchase price (exclusive of closing costs) of approximately $37.5 million, in an off-market transaction. The closing of the transaction is subject to customary closing conditions, including satisfactory due diligence review by us, and there can be no assurance that we will complete the acquisition of this property on these terms or at all.

The Company also currently is pursuing a number of additional acquisition opportunities which are in various stages of negotiation and due diligence, including the potential acquisition of a 280,000 square foot shopping center in Indianapolis, Indiana with respect to which the Company is in advanced contract negotiations to acquire for a purchase price (exclusive of closing costs) of approximately $39.3 million, in an off-market transaction. There can be no assurance that any of these opportunities will be consummated, including the potential acquisition under a non-binding agreement. All such acquisitions are subject to additional risks and uncertainties. See "Risk Factors Risks Related to our Operations We may not be successful in identifying suitable acquisitions or development and redevelopment projects that meet our investment criteria, which may impede our growth" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Financing Activity

On February 26, 2013, the Company and the Operating Partnership entered into the Third Amended and Restated Credit Agreement (as so amended, the "Credit Agreement") with KeyBank National Association, as Administrative Agent, and the other lenders party thereto. The Credit Agreement amended and restated the Second Amended and Restated Credit Agreement, dated June 6, 2011, extending the maturity date by a year and modifying certain covenants. The Credit Agreement provides for a $200 million revolving credit facility and now has a scheduled maturity date of February 26, 2017, which maturity date may be extended for an additional year at the Operating Partnership's option subject to certain conditions. Borrowings under the Credit Agreement will, subject to certain exceptions, bear interest at a rate of LIBOR plus 165 to 250 basis points, depending on the Operating Partnership's leverage ratio. In March 2013, the Company and the Operating Partnership entered into an interest rate hedge agreement for a notional amount of $50 million, fixing LIBOR at 0.906%, which matures in 2018.

On February 26, 2013, the Company and the Operating Partnership also entered into a First Amendment to the Term Loan Agreement (as so amended, the "Term Loan Agreement") with KeyBank National Association, as Administrative Agent, and the other lenders party thereto. The amendment to the Term Loan Agreement modified certain covenants so that they would be consistent with the new covenants in the Credit Agreement.

Distribution Activity

On March 18, 2013, the Company's Board of Trustees declared a cash distribution of $0.06 per common share and per Operating Partnership unit for the first quarter of 2013. This distribution will be paid on April 12, 2013 to shareholders of record as of April 5, 2013.

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THE OFFERING

For a description of our common shares, see "Description of Common Shares" in the accompanying prospectus.

Securities offered by us	13,500,000 common shares of beneficial interest
Common shares to be outstanding after this offering	91,398,454 common shares of beneficial interest
Common shares and Operating Partnership units to be outstanding after this offering	98,134,238 common shares of beneficial interest and Operating Partnership units (excluding units owned by us)
Use of proceeds	We expect that the net proceeds of this offering will be approximately $84.6 million (approximately $97.4 million if the underwriters' option to purchase additional shares is exercised in full), after deducting the underwriting discount and estimated expenses of this offering. We intend to contribute to our Operating Partnership the net proceeds from this offering. Our Operating Partnership intends to use the net proceeds from this offering initially to repay approximately $62.2 million of outstanding indebtedness under our revolving credit facility and the remainder for the acquisition of properties. Such net proceeds that initially are used to repay outstanding indebtedness under our revolving credit facility are expected to be redeployed for other general corporate purposes, including the acquisition of properties and funding development costs. See "Use of Proceeds."
Restrictions on ownership and transfer	Our declaration of trust contains restrictions on ownership and transfer of our common shares intended to assist us in maintaining our status as a REIT for federal and/or state income tax purposes. For example, our declaration of trust generally restricts any person from acquiring beneficial ownership, either directly or indirectly, of more than 7%, in value or number of shares, whichever is more restrictive, of our issued and outstanding common shares, as more fully described in the section entitled "Restrictions on Ownership" in the accompanying prospectus.
Risk factors	See "Risk Factors" and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common shares.
New York Stock Exchange symbol	KRG

Unless expressly stated otherwise, the information set forth above and throughout this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares and excludes common shares that may be issued in the future under our equity incentive plan.

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RISK FACTORS

Investing in our common shares will provide you with an equity ownership in Kite. As one of our shareholders, you will be subject to risks inherent in our business. The trading price of your common shares will be affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of your investment may decrease, resulting in a loss. You should carefully consider the following factors as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 (which is incorporated by reference into this prospectus supplement) before deciding to invest in our common shares.

This offering may be dilutive, and there may be future dilution of our common shares.

Giving effect to the issuance of common shares in this offering, the receipt of the expected net proceeds and the use of those proceeds, this offering may have a dilutive effect on our expected earnings per share and funds from operation per share for the year ending December 31, 2013. The actual amount of dilution cannot be determined at this time and will be based on numerous factors. Additionally, we are not restricted from issuing additional common shares or preferred shares, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common shares or preferred shares or any substantially similar securities in the future. The market price of our common shares could decline as a result of sales of a large number of our common shares in the market after this offering or the perception that such sales could occur.

We may change the distribution policy for our common shares of beneficial interest in the future.

Our management and Board of Trustees evaluates our distribution policy on a quarterly basis as they monitor the capital markets, the impact of the economy on our operations and other factors. Future distributions will be declared and paid at the discretion of our Board of Trustees and will depend upon a number of factors, including cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, and such other factors as our Board of Trustees deems relevant. Any change in our distribution policy could have a material adverse effect on the market price of our common shares.

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our shareholders' investment.

The stock markets (including the NYSE, on which we list our common shares) have experienced significant price and volume fluctuations. The market price of our common shares could be similarly volatile, and investors in our shares may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

We may fail to consummate certain of our pending acquisitions, which could negatively impact our results of operations.

While we initially intend to use a portion of the net proceeds from this offering to pay down amounts outstanding under our revolving credit facility, we expect to use the remainder of the net proceeds of this offering, and to redeploy a large portion of the net proceeds that initially are used to repay outstanding indebtedness under our revolving credit facility, to fund the purchase price for two potential acquisitions, as described in "Prospectus Supplement Summary Recent Developments Acquisition Activity." These acquisitions are subject to a number of conditions, and there is no

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assurance that either acquisition will occur. If we fail to complete one or both of these acquisitions, we will have issued a significant number of additional common shares without realizing a corresponding increase in earnings and cash flow from acquiring these properties, and the net proceeds instead will be used to pay down outstanding debt. As a result, our failure to consummate these potential acquisitions could negatively impact our results of operations.

A substantial number of common shares eligible for future sale could cause our common share price to decline significantly.

We are offering 13,500,000 of our common shares, as described in this prospectus supplement. If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline significantly. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. As of April 5, 2012, we had outstanding 77,898,454 common shares. In addition, if Operating Partnership units held by our partners are redeemed for common shares, the market price of our common shares could drop significantly if the holders of such shares sell them or are perceived by the market as intending to sell them.

Future offerings of debt or equity securities, which could rank senior to our common shares, may adversely affect the market price of our common shares.

If we decide to issue debt or equity securities in the future, which could rank senior to our common shares, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of our common shares will bear the risk of our future offerings reducing the market price of our common shares and diluting the value of their share holdings in us.

Investing in our common shares may involve a high degree of risk.

The investments that we make in accordance with our investment objectives may result in a high amount of risk, resulting in a complete loss of principal, when compared to alternative investment options. Our investments may be highly speculative and aggressive, and therefore an investment in our common shares may not be suitable for someone with lower risk tolerance.

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USE OF PROCEEDS

We expect the net proceeds of this offering to be approximately $84.6 million (approximately $97.4 million if the underwriters' option to purchase additional shares is exercised in full), after deducting the underwriting discount and estimated expenses of this offering.

We intend to contribute to our Operating Partnership the net proceeds from this offering. Our Operating Partnership intends to use the net proceeds from this offering initially to repay approximately $62.2 million of outstanding indebtedness under our revolving credit facility and the remainder for the acquisition of properties, including a portion of the purchase price of (i) a 224,000 square foot shopping center in the Nashville, Tennessee metropolitan area for a purchase price (exclusive of closing costs) of approximately $37.5 million, and/or (ii) potentially, a 280,000 square foot shopping center in Indianapolis, Indiana for a purchase price (exclusive of closing costs) of approximately $39.3 million. For more information about these potential acquisitions, please see "Prospectus Supplement Summary Recent Developments Acquisition Activity" above. Such net proceeds that initially are used to repay outstanding indebtedness under our revolving credit facility are expected to be redeployed for other general corporate purposes, including the acquisition of properties (including the properties described in "Prospectus Supplement Summary Recent Developments Acquisition Activity" above) and funding development costs.

As of March 31, 2013, we had approximately $112.2 million outstanding under our revolving credit facility. Our revolving credit facility matures on February 26, 2017 (which maturity may be extended for an additional year at our option subject to certain conditions) and currently bears interest at a rate of LIBOR + 195 basis points.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc. and The Huntington Investment Company, which are underwriters of this offering, are lenders under our revolving credit facility. As described above, we intend to use a portion of the net proceeds to repay borrowings outstanding under our revolving credit facility. As such, these affiliates will receive their proportionate share of any amount of our revolving credit facility that is repaid with the net proceeds of this offering. See "Underwriting" in this prospectus supplement.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2012 (1) on an actual basis and (2) as adjusted to reflect the offering of our common shares, after deducting the underwriting discount and our estimated offering expenses, and the application of the net proceeds as described in "Use of Proceeds." No adjustments have been made to reflect normal course operations by us or other developments with our business after December 31, 2012. As a result, the as adjusted information provided below is not indicative of our actual consolidated capitalization as of any date. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K and our audited financial statements and related notes for the year ended December 31, 2012 included therein.

	As of December 31, 2012	
	Actual	As Adjusted(1) (unaudited)
	(amounts in thousands except per share amounts)	
Debt obligations:		
Unsecured revolving credit facility	$ 94,624	$ 32,424
Unsecured term loan	125,000	125,000
Mortgage loans	408,129	408,129
Construction loans	72,156	72,156
Total debt	699,909	637,709
Redeemable noncontrolling interests in Operating Partnership	37,670	37,670
Total debt and redeemable noncontrolling interests	737,579	675,379
Shareholders' equity:		
Preferred Shares, $.01 par value, 40,000,000 shares authorized, 4,100,000 shares issued and outstanding at December 31, 2012	102,500	102,500
Common Shares, $.01 par value, 200,000,000 shares authorized, 77,728,697 shares issued and outstanding at December 31, 2012 and 91,228,697 shares issued and outstanding as adjusted	777	912
Additional paid in capital and other	513,112	597,615
Accumulated other comprehensive loss	(5,259)	(5,259)
Accumulated deficit	(138,044)	(138,044)
Total shareholders' equity	473,086	557,724
Noncontrolling interests	3,535	3,535
Total equity	476,622	561,259
Total capitalization	$ 1,214,201	$ 1,236,638

(1) Assumes no exercise of the underwriters' option to purchase up to an additional 2,025,000 common shares from us.

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ADDITIONAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following supplements the discussion of the material U.S. federal income tax considerations of an investment in our common shares that was presented in Exhibit 99.1 to our Current Report on Form 8-K, filed with the SEC on May 19, 2011 (the "Tax Form 8-K"), and incorporated by reference in and supplemented by the discussion included under the heading "Material Federal Income Tax Considerations" included in the accompanying prospectus.

Information Reporting and Backup Withholding Tax Applicable to Shareholders U.S. Shareholders Legislation Relating to Foreign Accounts

Certain payments made after December 31, 2013 to "foreign financial institutions" in respect of accounts of U.S. shareholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. shareholders should consult their tax advisors regarding the effect, if any, of these withholding provisions on their ownership and disposition of their common shares. See "Information Reporting and Backup Withholding Tax Applicable to Shareholders Non-U.S. Shareholders Withholding on Payments to Certain Foreign Entities "below.

Information Reporting and Backup Withholding Tax Applicable to Shareholders Non-U.S. Shareholders Withholding on Payments to Certain Foreign Entities

The Foreign Account Tax Compliance Act ("FATCA"), which was enacted in 2010, imposes a 30% withholding tax on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied.

On January 17, 2013, final regulations under FATCA were published. As a general matter, FATCA imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our shares if paid to a foreign entity unless either (i) the foreign entity is a "foreign financial institution" that undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) the foreign entity is not a "foreign financial institution" and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is excepted under FATCA.

Under delayed effective dates provided for in the regulations, the required withholding would not begin until January 1, 2014 with respect to dividends on our shares, and January 1, 2017 with respect to gross proceeds from a sale or other disposition of our shares.

If withholding is required under FATCA on a payment related to our shares, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Prospective investors should consult their tax advisors regarding the effect of FATCA in their particular circumstances.

Other Tax Consequences Legislative or Other Actions Affecting REITs

The American Taxpayer Relief Act of 2012 ("ATRA") was enacted on January 3, 2013. As discussed in the Tax Form 8-K under the heading "U.S. Federal Income Tax Considerations Other Tax Consequences Sunset of Reduced Tax Rate Provisions," certain provisions of U.S. federal income tax law relating to capital gain taxation (including the taxation of capital gain dividends) and the applicability of capital gain rates to dividends designated as "qualified dividend income" were scheduled to "sunset" and revert to provisions of prior law for taxable years beginning after December 31, 2012. ATRA has modified those rules. As a result, for taxable years beginning after 2012, for non-corporate taxpayers, both the maximum capital gain tax rate (for gain other than "unrecaptured section 1250 gain") and the maximum rate applicable to qualified dividend income generally is 20%. In

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addition, for taxable years beginning after 2012, the backup withholding rate (which was scheduled to increase to 31%) is 28%. Under ATRA, for taxable years beginning after 2012, the highest marginal U.S. federal income tax rate for non-corporate taxpayers is 39.6% and the highest marginal U.S. federal income tax rate for corporate taxpayers continues to be 35%.

In addition, as discussed in the Tax Form 8-K under the heading "U.S. Federal Income Tax Considerations Taxation of the Company as a REIT Taxation," we may be subject to tax at the highest applicable corporate rate on the gain we recognize from the disposition of an asset acquired from a non-REIT C corporation in a carry-over basis transaction to the extent of the "built-in gain" in the asset. Built-in gain is the amount by which an asset's fair market value exceeds its adjusted tax basis at the time we acquire the asset. In general, this tax applies for a period of 10 years beginning with the day the property of a non-REIT C corporation is transferred to us in a carry-over basis transaction (the "recognition period"). Pursuant to ATRA, the recognition period is reduced to 5 years for assets sold in 2012 or 2013. Absent further legislation, the recognition period will revert to 10 years in 2014.

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UNDERWRITING (CONFLICTS OF INTEREST)

Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBanc Capital Markets Inc., are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of common shares set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	2,970,000
KeyBanc Capital Markets Inc.	2,700,000
Citigroup Global Markets Inc.	2,160,000
Wells Fargo Securities, LLC	2,160,000
J.P. Morgan Securities LLC	1,350,000
Raymond James & Associates, Inc.	1,350,000
Evercore Group L.L.C.	270,000
The Huntington Investment Company	270,000
Stifel, Nicolaus & Company, Incorporated	270,000
Total	13,500,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $.15 per share. After the offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$6.55	$88,425,000	$101,688,750
Underwriting discount	$.262	$3,537,000	$4,067,550
Proceeds, before expenses, to us	$6.288	$84,888,000	$97,621,200

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The expenses of the offering, not including the underwriting discount, are estimated at $250,000 and are payable by us.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus supplement, to purchase up to 2,025,000 additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers and trustees, and our trustee nominee, have agreed not to sell or transfer any common shares or securities convertible into, exchangeable for, exercisable for, or repayable with common shares, for 45 days after the date of this prospectus supplement without first obtaining the written consent of the representatives. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common shares,
- sell any option, right or warrant to purchase any common shares,
- grant any option, right or warrant for the sale of any common shares,
- lend or otherwise dispose of or transfer any common shares,
- file or cause to be filed a registration statement related to the common shares, or
- enter into any swap or other agreement that transfers, in whole or in part, any of the economic benefits or risks of ownership of any common shares whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common shares and to securities convertible into or exchangeable or exercisable for or repayable with common shares including common units of limited partnership interest in our operating partnership. It also applies to common shares owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

New York Stock Exchange Listing

Our common shares are listed on the New York Stock Exchange under the symbol "KRG."

Price Stabilization, Short Positions

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common shares. However, the representatives may engage in transactions that stabilize the price of the common shares, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common shares in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market.

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In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. "Naked" short sales are sales in excess of the underwriters' option to purchase additional shares. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common shares made by the underwriters in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of our common shares. As a result, the price of our common shares may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common shares. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc. and The Huntington Investment Company are lenders under our unsecured revolving credit facility and are or may be lenders from time to time in connection with certain development projects, including, amongst others, construction loans in connection with the Delray Marketplace and the Holly Springs Towne Center development projects, for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is a lender. Affiliates of KeyBanc Capital Markets Inc., Wells Fargo Securities, LLC, Raymond James & Associates, Inc. and The Huntington Investment Company also are lenders under our unsecured term loan. Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC and Raymond James & Associates, Inc. also are agents under our "at-the-market" program. The underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. As described above under "Use of Proceeds," we intend to use a portion of the net proceeds of this offering to repay borrowings outstanding under our unsecured revolving credit facility, and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc. and The Huntington Investment Company therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. As of March 31, 2013, we had approximately $112.2 million outstanding under our revolving credit facility. Our revolving credit facility matures on February 26, 2017 (which maturity may be extended for an additional year at our option subject to

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certain conditions) and currently bears interest at a rate of LIBOR + 195 basis points. In addition, The Huntington Investment Company is a counterparty to the Company and the Operating Partnership on an interest rate hedge agreement in connection with the revolving credit facility for a notional amount of $50 million, which fixes LIBOR at 0.906%, and matures in 2018.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Conflicts of Interest

As described in "Use of Proceeds" and "Other Relationships," a portion of the net proceeds of this offering will be used to repay borrowings outstanding under our unsecured revolving credit facility. Because certain affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Raymond James & Associates, Inc. and The Huntington Investment Company are lenders under our unsecured revolving credit facility, these affiliates will receive their proportionate share of any amount of our revolving credit facility that is repaid with the proceeds of this offering.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Dir