CHELSEA PROPERTY GROUP INC
Form 10-K
March 11, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 No. 1-12328

CHELSEA PROPERTY GROUP, INC.

(Exact name of registrant as specified in its charter)

Maryland	**22-3251332**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

103 Eisenhower Parkway, Roseland, New Jersey 07068
(Address of principal executive offices - zip code)

(973) 228-6111
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

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

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Based on the closing sales price on February 27, 2002 of $52.30 per share the aggregate market value of the voting stock held by non-affiliates of the registrant was $975,722,544.

The number of shares outstanding of the registrant's common stock, $0.01 par value was 18,780,579 at February 27, 2002.

Documents incorporated by reference:

Portions of the registrant's definitive Proxy Statement relating to its 2002 Annual Meeting of Shareholders are incorporated by reference into Part III as set forth herein.

PART I

Item 1. Business

The Company

Chelsea Property Group, Inc. ("the Company") is a self-administered and self-managed real estate investment trust ("REIT"). The Company made its initial public offering of common stock on November 2, 1993 (the "IPO") and simultaneously became the managing general partner of CPG Partners, L.P. (the "Operating Partnership" or "OP"), a partnership that specializes in owning, developing, redeveloping, leasing, marketing and managing upscale and fashion-oriented manufacturers' outlet centers (the "Premium Portfolio"). On September 25, 2001, as part of a transaction with Konover Property Trust Inc. and affiliates ("Konover"), the Company acquired 32 retail centers, 30 of which constitute other retail centers ("Other Retail Centers") containing 4.3 million square feet of gross leasable area ("GLA") (see "Recent Developments") (the Premium Portfolio and Other Retail Centers are collectively the "Properties"). As of December 31, 2001, the Company wholly or partially owned 57 centers in 29 states and Japan containing approximately 12.6 million square feet of GLA represented by more than 700 tenants in approximately 2,900 stores. The Company's Premium Portfolio includes 27 properties containing 8.3 million square feet of GLA. These centers generally are located near metropolitan areas including New York City, Los Angeles, Boston, Washington, D.C., San Francisco, Sacramento, Cleveland, Atlanta, Dallas, Portland (Oregon), Tokyo and Osaka, Japan, which have a population of at least one million people within a 30-mile radius, with average annual household income of greater than $50,000. Some Premium Portfolio centers are also located within 20 miles of major tourist destinations including Palm Springs, the Napa Valley, Orlando, and Honolulu. During 2001, the Company's Premium Portfolio generated weighted average tenant sales of $379 per square foot, defined as total sales reported by tenants divided by their gross leasable area weighted by months in operation.

The Company's executive offices are located at 103 Eisenhower Parkway, Roseland, New Jersey 07068 (telephone 973-228-6111). The Company was incorporated in Maryland on August 24, 1993.

The Company is taxed as a REIT under the provisions of the Internal Revenue Code. The Company generally will not be taxed at the corporate level on income it currently distributes to its shareholders, provided it distributes at least 90% of its taxable income (95% prior to 2001).

Recent Developments

On September 25, 2001, the Company acquired a total of 32 retail centers from Konover. The purchase price was $182.5 million, including the assumption of $131.0 million of non-recourse mortgage debt. One of these centers was acquired subject to a repurchase agreement and was sold back to Konover on December 3, 2001 at the established cost basis of $2.5 million. Another 21,000 square foot center in Kittery, Maine, was classified as a Premium Portfolio property. The remaining 30 Other Retail Centers contain 4.3 million square feet of GLA represented by 180 tenants in approximately 700 stores. The Company expects that within two years three additional Other Retail Centers will be classified as Premium Portfolio properties as a result of its re-tenanting efforts and the centers' locations. Certain centers that do not meet the Company's strategic criteria for long term hold will be identified for sale. The 30 Other Retail Centers were 91% leased as December 31, 2001.

In October 2001, the Company sold Mammoth Premium Outlets to a third party for a net sales price that approximated the carrying value.

The following table sets forth a summary of expansions, acquisitions and dispositions from January 1 through December 31, 2001:

Property	% Owned	Date(1)	GLA (Sq. Ft.)	Number of Stores	Tenants(2)
As of January 1, 2001..................			8,159,000	2,141	
Expansions:					
Allen Premium Outlets, Allen, TX...	100	3/&11/01	146,000	33	Adidas, Brooks Brot Lenox
Other (net)........................			4,000	(14)	
Total expansions:			**150,000**	**19**	
Acquisitions:					
Kittery Premium Outlets II, formerly Factory Stores at Kittery Kittery, ME..........................	100	09/01	21,000	5	
Factory Stores at Vacaville, Vacaville, CA.........................	100	09/01	447,000	107	Carter's, Eddie Bau L'eggs/Hanes/Bali/P Nike, OshKosh B' Go Reebok
Carolina Outlet Center, Smithfield ,NC.......................	100	09/01	443,000	51	Carter's, Casual Co Gap, Liz Claiborne, L'eggs/Hanes/Bali/P Nike, Polo, Tommy H
Factory Stores at North Bend North Bend, WA........................	100	09/01	223,000	49	Factory Brand Shoe, Lenox, Nike
Other Retail Centers acquired.........	100	09/01	3,166,000	490	VF Factory Outlet
Total acquisitions:.................			**4,300,000**	**702**	
Dispositions:					
Mammoth Premium Outlets, Mammoth, CA.................	100	10/01	(35,000)	(11)	Polo Ralph Lauren
Total for 2001.....................			**4,415,000**	**710**	
As of December 31, 2001..............			**12,574,000**	**2,851**	

---

(1) Expansion, acquisition or disposition date.
(2) Consists of tenants who lease at least 5,000 square feet of GLA or have estimated sales of more than $300 per square foot. Most tenants pay a fixed base rent based on the square feet leased and also pay a percentage rent based on sales.

Some of the most recent newly acquired or expanded centers are discussed below:

Allen Premium Outlets, Allen, Texas. Allen Premium Outlets, a 352,000 square foot center containing 81 stores, opened its initial phase in October 2000. Expansions in 2001 consisted of the 28,000 square foot completion of Phase I and 118,000 square feet on Phase II . The center is located approximately 30 miles north of Dallas on US Highway 75. The populations within a 15-mile, 30-mile and 60-mile radius are approximately 0.6 million, 2.4 million and 5.0 million, respectively. Average household income within a 30-mile radius is approximately $73,000.

Kittery Premium Outlets (II), Kittery, Maine. Kittery Premium Outlets, a 21,000 square foot center containing 5 stores was acquired in September 2001. The center is located approximately 60 miles north of Boston (MA) and 60 miles south of Portland (ME). The populations within a 15-mile, 30-mile and 60-mile radius are approximately 0.2 million, 0.5 million and 3.8 million, respectively. Average household income within a 30-mile radius is approximately $60,000. The center is adjacent to Kittery Premium Outlets I.

Factory Stores at Vacaville, Vacaville, California. Factory Stores at Vacaville, a 447,000 square foot center containing 107 stores was acquired in September 2001. The center is located approximately 50 miles east of San Francisco and 25 miles west of Sacramento. The populations within a 15-mile, 30-mile and 60-mile radius are approximately 0.2 million, 1.4 million and 7.0 million, respectively. Average household income within a 30-mile radius is approximately $69,000.

Carolina Outlet Center, Smithfield, North Carolina. Carolina Outlet Center, a 443,000 square foot center containing 51 stores was acquired in September 2001. The center is located approximately 30 miles southeast of Raleigh/Durham. The populations within a 15-mile, 30-mile and 60-mile radius are approximately 0.1 million, 0.8 million, and 2.3 million, respectively. Average household income within a 30-mile radius is approximately $55,000.

Factory Stores at North Bend, North Bend, Washington. Factory Stores at North Bend, a 223,000 square foot center containing 49 stores was acquired in September 2001. The center is located approximately 36 miles southeast of Seattle. The populations within a 15-mile, 30-mile and 60-mile radius are approximately 0.1 million, 1.7 million, and 3.4 million, respectively. Average household income within a 30-mile radius is approximately $77,000.

The Company continues construction on additional phases of three existing centers totaling 57,000 square feet. These projects, along with others, are in various stages of development and there can be no assurance they will be completed or opened, or that there will not be delays in opening or completion.

During 2000, the Company developed a new technology-based e-commerce platform through an unconsolidated investment, Chelsea Interactive, Inc., ("Chelsea Interactive") that provides fashion and other retail brands with their own customized direct-to-the-consumer Internet online store, incorporating e-commerce design, development, fulfillment and customer services. In consideration for such services, Chelsea Interactive is receiving a percentage of each brand's online sales. To date, the Company has invested approximately $43 million in Chelsea Interactive to build the platform. There is no assurance that this concept will be successful or its future impact on the Company's financial condition or results of operations.

Strategic Alliance and Joint Ventures

In June 1999, the Company signed a definitive agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The joint venture, known as Chelsea Japan Co., Ltd. ("Chelsea Japan"), developed its initial projects in the cities of Gotemba and Izumisano, outside of Tokyo and Osaka, respectively. Subject to governmental and other approvals, Chelsea Japan expects to announce additional projects during 2002.

In May 1997, the Company formed a strategic alliance with Simon to develop and acquire high-end outlet centers with GLA of 500,000 square feet or more in the United States. The Company and Simon are co-managing general partners, each with 50%-ownership of the joint venture and any entities formed with respect to specific projects; the Company will have primary responsibility for the day-to-day activities of each project. Simon is one of the largest publicly traded real estate companies in North America as measured by market capitalization, and at February 2002 owned, had an interest in and/or managed approximately 193 million square feet of retail and mixed-use properties in 36 states and Europe. The strategic alliance is currently scheduled to terminate on December 31, 2002. The 50/50 Orlando Premium Outlets joint venture is the only project under this alliance to date.

In October 1998 the Company sold its interest in and terminated the development of Houston Premium Outlets, a joint venture project with Simon. Under the terms of the agreement, the Company received non-compete payments totaling $21.4 million from The Mills Corporation; $3.0 million was received at closing and all four annual installments of $4.6 million were received, including the final January 2002 payment which had a $0.3 million legal reserve withheld.

The Company has made several investments through joint ventures with others. Joint venture investments may involve risks not otherwise present for investments solely by the Company, including the possibility its co-venturers might become bankrupt, its co-venturers might at any time have different interests or goals than the Company, and that the co-venturers may take action contrary to the Company's instructions, requests, policies or objectives, including its policy with respect to maintaining the qualification of Chelsea Property Group, Inc. as a REIT. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither its co-venturer nor the Company would have full control over the joint venture. There is no limitation under the Company's organizational documents as to the amount of funds that may be invested in partnerships or joint ventures.

Organization of the Company

Virtually all of the Company's assets are held by, and all of its business activities conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership (which owned 85.6% in the Operating Partnership as of December 31, 2001) and has full and complete control over the management of the Operating Partnership and each of the Properties, excluding joint ventures.

The Manufacturers' Outlet Business

Manufacturers' outlets are manufacturer-operated retail stores that sell primarily first-quality, branded goods at significant discounts from regular department and specialty store prices. Manufacturers' outlet centers offer numerous advantages to both consumer and manufacturer; by eliminating the third party retailer, manufacturers are often able to charge customers lower prices for brand name and designer merchandise; manufacturers benefit by being able to sell first quality in-season, as well as out-of-season, overstocked or discontinued merchandise without compromising their relationships with department stores or hampering the manufacturers' brand name. In addition, outlet stores enable manufacturers to optimize the size of production runs while maintaining control of their distribution channels.

Business Strategy

The Company believes its strong tenant relationships, high-quality property portfolio and managerial expertise give it significant advantages in the manufacturers' outlet business.

Strong Tenant Relationships. The Company maintains strong tenant relationships with high-fashion, upscale manufacturers and retailers that have a selective presence in the outlet industry, such as Armani, Brooks Brothers, Chanel, Coach Leather, Cole-Haan, Donna Karan, Gap/Banana Republic, Gucci, Jones New York, Nautica, Polo Ralph Lauren, Tommy Hilfiger and Versace, as well as with national brand-name manufacturers such as Adidas, Carter's, Nike, Phillips-Van Heusen (Bass, Izod, Geoffrey Beene, Van Heusen) and Timberland. The Company believes that its ability to draw from both groups is an important factor in providing broad customer appeal and higher tenant sales.

High Quality Property Portfolio. The Company's 25 Premium domestic centers generated weighted average reported tenant sales during 2001, of $379 per square foot, the highest among the three publicly traded outlet companies. As a result, the Company has been successful in attracting some of the world's most sought-after brand-name designers, manufacturers and retailers and each year has added new names to the outlet business and its centers. The Company believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

Management Expertise. The Company believes it has a competitive advantage in the manufacturers' outlet business as a result of its experience in the business, long-standing relationships with tenants and expertise in the development and operation of manufacturers' outlet centers. Management developed a number of the earliest and most successful outlet centers in the industry, including Liberty Village Premium Outlets (one of the first manufacturers' outlet centers in the U.S.) in 1981, Woodbury Common Premium Outlets in 1985 and Desert Hills Premium Outlets in 1990. Since its IPO, the Company has added significantly to its senior management in the areas of development, leasing and property management without increasing general and administrative expenses as a percentage of total revenues; additionally, the Company intends to continue to invest in systems and controls to support the planning, coordination and monitoring of its activities.

Growth Strategy

The Company seeks growth through increasing rents in its existing centers; developing new centers and expanding existing centers; and acquiring and re-developing centers.

Increasing Rents at Existing Centers. The Company's leasing strategy includes aggressively marketing available space and maintaining a high level of occupancy; providing for inflation-based contractual rent increases or periodic fixed contractual rent increases in substantially all leases; renewing leases at higher base rents per square foot; re-tenanting space occupied by under performing tenants; and continuing to sign leases that provide for percentage rents.

Developing New Centers and Expanding Existing Centers. The Company believes that there continue to be significant opportunities to develop manufacturers' outlet centers across the United States and internationally. The Company intends to undertake such development selectively, and believes that it will have a competitive advantage in doing so as a result of its development expertise, tenant relationships and access to capital. The Company expects that the development of new centers and the expansion of existing centers will continue to be a substantial part of its growth strategy. The Company believes that its development experience and strong tenant relationships enable it to determine site viability on a timely and cost-effective basis. However, there can be no assurance that any development or expansion projects will be commenced or completed as scheduled.

International Development. The Company continues to develop, own and operate premium outlet centers in Japan through its joint venture company, Chelsea Japan. In 2000, Chelsea Japan developed its first two outlet centers, one in Gotemba, located outside Tokyo, and the other in Izumisano, outside Osaka, Japan. The Company believes that there are significant opportunities to develop additional manufacturers' outlet centers in Japan and intends to pursue these opportunities as viable sites are identified.

The Company has minority interests ranging from 5% to 15% in several outlet centers and outlet development projects in Europe. Five outlet centers, containing approximately 900,000 square feet of GLA, including Bicester Village outside of London, England, La Roca Company Stores outside of Barcelona, Spain, Las Rozas Village outside Madrid, Spain, La Vallee near Disneyland Paris and Maasmechelen Village in Belgium are currently open and operated by Value Retail PLC and its affiliates. There is more new center development planned and one new European project is under construction and expected to open in Spring 2003.

Acquiring and Redeveloping Centers. The Company intends to selectively acquire individual properties and portfolios of properties that meet its strategic investment criteria as suitable opportunities arise. The Company believes that its extensive experience in the outlet center business, access to capital markets, familiarity with real estate markets and advanced management systems will allow it to evaluate and execute its acquisition strategy successfully. Furthermore, management believes that the Company will be able to enhance the operation of acquired properties as a result of its strong tenant relationships with both national and upscale fashion retailers and development, marketing and management expertise as a full-service real estate organization. Additionally, the Company may be able to acquire properties on a tax-advantaged basis through the issuance of Operating Partnership units. However, there can be no assurance that any acquisitions will be consummated or, if consummated, will result in an advantageous return on investment for the Company.

Operating Strategy

The Company's primary business objective is to enhance the value of its properties and operations by increasing cash flow. The Company plans to achieve these objectives through continuing efforts to improve tenant sales and profitability, and to enhance the opportunity for higher base and percentage rents.

Leasing. The Company pursues an active leasing strategy through long-standing relationships with a broad range of tenants including manufacturers of men's, women's and children's ready-to-wear, lifestyle apparel, footwear, accessories, tableware, housewares, linens and domestic goods. Key tenants are placed in strategic locations to draw customers into each center and to encourage shopping at more than one store. The Company continually monitors tenant mix, store size, store location and sales performance, and works with tenants to improve each center through re-sizing, re-location and joint promotion.

Market and Site Selection. To ensure a sound long-term customer base, the Company generally seeks to develop sites near densely-populated, high-income metropolitan areas, and/or at or near major tourist destinations. While these areas typically impose numerous restrictions on development and require compliance with complex entitlement and regulatory processes, the Company believes that these areas provide the most attractive long-term demographic characteristics. The Company generally seeks to develop sites that can support at least 400,000 square feet of GLA and that offer the long-term opportunity to dominate their respective markets through a critical mass of tenants.

Marketing. The Company pursues an active, property-specific marketing strategy using a variety of media including newspapers, television, radio, billboards, regional magazines, guide books and direct mailings. The centers are marketed to tour groups, conventions and corporations; additionally, each property participates in joint destination marketing efforts with other area attractions and accommodations. Virtually all consumer marketing expenses incurred by the Company are reimbursable by tenants.

Property Design and Management. The Company believes that effective property design and management are significant factors in the success of its properties and works continually to maintain or enhance each center's physical plant, original architectural theme and high level of on-site services. Each property is designed to be compatible with its environment and is maintained to high standards of aesthetics, ambiance and cleanliness in order to promote longer visits and repeat visits by shoppers. The Company has 569 full-time and 153 part-time employees. Of these employees, 434 full-time and 149 part-time are involved in on-site maintenance, security, administration and marketing. Centers are generally managed by an on-site property manager with oversight from a regional operations director.

Financing

The Company seeks to maintain a strong, flexible financial position by: (i) maintaining a moderate level of leverage, (ii) extending and sequencing debt maturity dates, (iii) managing floating interest rate exposure and (iv) maintaining liquidity. Management believes these strategies will enable the Company to access a broad array of capital sources, including bank or institutional borrowings, secured and unsecured debt and equity financings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition

The Properties compete for retail consumer spending on the basis of the diverse mix of retail merchandising and value oriented pricing. Manufacturers' outlet centers have established a niche capitalizing on consumers' desire for value-priced goods. The Properties compete for customer spending with other outlet locations, traditional shopping malls, off-price retailers, and other retail distribution channels. The Company believes that the Premium Portfolio Properties generally are the leading manufacturers' outlet centers in each market. The Company carefully considers the degree of existing and planned competition in each proposed market before deciding to build a new center.

Environmental Matters

The Company is not aware of any environmental liabilities relating to the Properties that would have a material impact on the Company's financial position and results of operations.

Personnel

As of December 31, 2001, the Company had 569 full-time and 153 part-time employees. None of the employees are subject to any collective bargaining agreements, and the Company believes it has good relations with its employees.

Item 2. Properties

The Company's Premium Portfolio consists of 27 upscale, fashion-oriented manufacturers' outlet centers located in or near New York City, Los Angeles, Boston, Washington, D.C., San Francisco, Sacramento, Cleveland, Atlanta, Dallas, Portland (Oregon), Tokyo and Osaka, Japan, or at or near tourist destinations including Palm Springs, the Napa Valley, Orlando, and Honolulu. The Premium Portfolio was 98% leased as of December 31, 2001 and contained approximately 2,200 stores with more than 500 different tenants. The Company's Other Retail Centers were 91% leased as of December 31, 2001 and contained approximately 700 stores with more than 180 different tenants. As of December 31, 2001, the Company had 57 centers in 29 states and Japan containing approximately 12.6 million square feet of gross leasable area. Of the 57 centers, 50 are owned 100% (45 in fee and five under a long-term lease); and seven are partially owned through joint ventures (four in fee and three under long-term leases). The Company manages all 55 of its domestic centers and Chelsea Japan Co., Ltd., a 40%-owned joint venture, manages the two centers in Japan.

The Company believes the Properties are adequately covered by insurance.

Premium Portfolio

The Company does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the Company's gross revenues or total GLA; and only one tenant occupies more than 4% of the Company's total GLA. As a result, and considering the Company's past success in re-leasing available space, the Company believes the loss of any individual tenant would not have a significant effect on future operations.

Approximately 22% of the Company's Premium Portfolio revenues for the year ended December 31, 2001 and 21%, 23% and 24% of the Company's total revenues for the years ended December 31, 2001, 2000, and 1999 respectively, were derived from the Company's center with the highest revenues, Woodbury Common Premium Outlets. The loss of this center or a material decrease in revenues from the center for any reason might have a material adverse effect on the Company. In addition, approximately 29% of the Company's Premium Portfolio revenues for the year ended December 31, 2001 and 28% of the Company's revenues for the years ended December 31, 2001, and 2000 and 30% for the year ended December 31, 1999, were derived from the Company's centers in California.

Woodbury Common Premium Outlets contributed more than 10% of the Company's aggregate gross revenues during 2001 and had a book value of more than 10% of the total assets of the Company at year-end 2001. No tenant at this center leases more than 10% of the center's GLA. The following chart shows certain information for Woodbury Common.

Fiscal Year	Occupancy Rate	Avg. Annual Rent per sq ft
1997	100.0%	$31.42
1998	100.0	33.16
1999	99.5	35.61
2000	100.0	38.55
2001	98.8	38.63

Woodbury Common Premium Outlets opened in four phases in 1985, 1993, 1995 and 1998 and contains 847,000 square feet of GLA. As of December 31, 2001, the center was leased to 212 tenants. Woodbury Common is located approximately 50 miles north of New York City at the Harriman exit of the New York State Thruway. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 2.5 million, 17.3 million and 25.2 million, respectively. Average household income within the 30-mile radius is approximately $83,000.

The following table shows lease expiration data as of December 31, 2001 for Woodbury Common Premium Outlets for the next ten years (assuming that none of the tenants exercise renewal options).

Expiration Year	GLA	Contractual Base Rents ("CBR") per sq ft	Contractual Base Rents ("CBR") Total	No. of Leases Expiring	% of Annual "CBR" Represented Expiring Lea
2002	67,095	$33.08	$2,220,000	19	7.2
2003	234,469	33.59	7,876,000	59	25.4
2004	35,051	33.12	1,161,000	10	3.7
2005	117,378	36.98	4,341,000	29	14.0
2006	43,020	44.85	1,929,000	17	6.2
2007	32,997	47.00	1,551,000	11	5.0
2008	124,790	38.90	4,855,000	24	15.7
2009	43,801	51.53	2,257,000	16	7.3
2010	32,702	49.34	1,614,000	10	5.2
2011	54,303	46.75	2,539,000	13	8.2

Depreciation on Woodbury Common Premium Outlets is calculated using the straight line method over the estimated useful life of the real property and land improvements which ranges from 10 to 40 years. At December 31, 2001, the

Federal tax basis in this center was $124.0 million.

The realty tax rate on Woodbury Common Premium Outlets is approximately $5.39 per $100 of assessed value. Estimated 2002 taxes are $3.9 million.

Other Retail Centers

30 Other Centers lease approximately 25% of the centers' GLA, or 8% of the Company's total GLA, to VF Corporation (Vanity Fair). This tenant is also responsible for approximately 15% of the annualized revenue derived from Other Retail Centers, which constitutes approximately 3% of the Company's total revenues. The Company attempts to mitigate the risk of loss from this tenant by attempting to extend lease expiration dates.

Set forth in the table below is certain property information as of December 31, 2001:

Name/Location	Year Opened	GLA (Sq. Ft.)	No. of Stores	Tenants
Premium Portfolio:				
Woodbury Common Premium Outlets............ Central Valley, NY (New York City area)	1985	847,000	212	Banana Republic, Brooks Coach, Giorgio Armani, Marcus Last Call, Polo Salvatore Ferragamo
Wrentham Village Premium Outlets........... Wrentham, MA (Boston/Providence area)	1997	601,000	158	Barneys New York, Donna Hugo Boss, Kenneth Cole Polo Ralph Lauren, Sony
Gilroy Premium Outlets.................... Gilroy, CA (40 miles south of San Jose)	1990(1)	577,000	141	Brooks Brothers, Coach, Polo Ralph Lauren, Timb Tommy Hilfiger, Versace
North Georgia Premium Outlets............. Dawsonville, GA (Atlanta metro area)	1996	537,000	132	Coach, Crate & Barrel, Liz Claiborne, Polo Ral Tommy Hilfiger, William
Lighthouse Place Premium Outlets.......... Michigan City, IN (50 miles east of Chicago)	1987(1)	491,000	122	Burberry, Coach, Crate Gap, Liz Claiborne, Pol Tommy Hilfiger
Desert Hills Premium Outlets............... Cabazon, CA (Palm Springs-Los Angeles)	1990	475,000	122	Burberry, Coach, Giorgi Max Mara, Polo Ralph La Zegna
Leesburg Corner Premium Outlets........... Leesburg, VA (Washington DC area)	1998	463,000	103	Barneys New York, Kenne Liz Claiborne, Nike, Po Williams-Sonoma
Camarillo Premium Outlets.................. Camarillo, CA (Los Angeles metro area)	1995	454,000	122	Banana Republic, Barne Coach, Donna Karan, Nau Ralph Lauren, Versace
Orlando Premium Outlets.................... Orlando, FL (between Sea World & Epcot)	2000 (2)	428,000	114	Barneys New York, Coach Giorgio Armani, Hugo Bo Nike, Polo Ralph Lauren
Waterloo Premium Outlets................... Waterloo, NY (Finger Lakes Region)	1995 (1)	392,000	100	Brooks Brothers, Coach, Gap, J. Crew, Jones New Claiborne, Mikasa, Polo
Allen Premium Outlets......................	2000	352,000	81	Barneys New York, Brook

Allen, TX (20 miles north of Dallas)				Cole-Haan, Crate & Barr Claiborne, Polo Ralph L Hilfiger
Folsom Premium Outlets..................... Folsom, CA (Sacramento metro area)	1990	299,000	80	Bass, Eddie Bauer, Gap, Liz Claiborne, Nike, Of Fifth Avenue
Aurora Premium Outlets..................... Aurora, OH (Cleveland metro area)	1987	297,000	67	Brooks Brothers, Gap, L Off 5th-Saks Fifth Aven Ralph Lauren, Tommy Hil
Clinton Crossing Premium Outlets........... Clinton, CT(I-95/NY-New England corridor)	1996	272,000	66	Barneys New York, Coach Gap, Kenneth Cole, Liz Polo Ralph Lauren
Gotemba Premium Outlets.................... Gotemba, Japan (60 miles west of Tokyo) (4)	2000 (3)	220,000	78	Brooks Brothers, Coach, Gap, J. Crew, L.L. Bean Nike, Timberland
Waikele Premium Outlets.................... Waipahu, HI (Honolulu area)	1997	213,000	51	Banana Republic, Barney Brooks Brothers, Guess, Max Mara
Petaluma Village Premium Outlets.......... Petaluma, CA (San Francisco metro area)	1994	196,000	51	Brooks Brothers, Coach, Jones New York, Liz Cla Off 5th-Saks Fifth Aven
Rinku Premium Outlets...................... Rinku, Japan (30 miles South of Osaka) (4)	2000 (3)	180,000	71	Brooks Brothers, Coach, Gabbana, Eddie Bauer, G Nautica, Nike, Timberla
Napa Premium Outlets....................... Napa, CA (Napa Valley)	1994	171,000	49	Barneys New York, J. Cr Jones New York, Kenneth Nautica, Tommy Hilfiger
Columbia Gorge Premium Outlets............. Troutdale, OR (Portland metro area)	1991	164,000	45	Adidas, Bass, Carter's, Mikasa, Samsonite
Liberty Village Premium Outlets........... Flemington, NJ (New York-Phila. metro area)	1981	154,000	55	Ellen Tracy, Jones New Polo Ralph Lauren, Tomm Timberland, Waterford W
American Tin Cannery Premium Outlets....... Pacific Grove, CA (4) (Monterey Peninsula)	1987	135,000	45	Bass, Geoffrey Beene, N Reebok, Samsonite, West
Kittery Premium Outlets.................... Kittery, ME (60 miles north of Boston) (4)	1984(1)	131,000	26	Banana Republic, Coach, Barrel, Polo Ralph Laur
Santa Fe Premium Outlets.................. Santa Fe, NM	1993	125,000	38	Brooks Brothers, Coach, Jones New York, Liz Cla Van Heusen
Patriot Plaza Premium Outlets............. Williamsburg, VA (Norfolk-Richmond area)	1986	77,000	11	Lenox, Polo Ralph Laure WestPoint Stevens
St. Helena Premium Outlets................ St. Helena, CA (Napa Valley)	1992	23,000	9	Brooks Brothers, Donna Escada
Kittery Premium Outlets (II).............. Kittery, ME (60 miles north of Boston)	2001	21,000	5	Factory Brand Shoes
Other Retail Centers:				
Factory Stores at Vacaville............... Vacaville, CA	2001	447,000	107	Adidas, Carter's, Eddie Gap, Mikasa, Nike, OshK Reebok,
Carolina Outlet Center..................... Smithfield, NC(4)	2001	443,000	51	Brooks Brothers, Gap, L Nike, Polo, Ralph Laure

				Tommy Hilfiger
Factory Shoppes at Branson Meadows......... Branson, MO	2001	287,000	44	Dress Barn, Easy Spirit VF Factory Outlet
Factory Stores at North Bend .... North Bend, WA	2001	223,000	49	Adidas, Eddie Bauer, Ba Nike, Oshkosh B'Gosh, S
Factory Stores of America.................. Draper, UT	2001	184,000	31	Adidas, Dress Barn, Sam VF Factory Outlet
Factory Stores of America.................. Georgetown, KY	2001	177,000	27	Bass, Dress Barn, Levi'
Factory Stores of America................. La Marque, TX	2001	176,000	43	Bass, Levi's, Van Heuse Point Stevens
Factory Stores of America .... Mesa, AZ	2001	167,000	30	Bass, Dress Barn, Field Samsonite, VF Factory O
North Ridge Shopping Center................ North Ridge, Raleigh, NC	2001	165,000	33	Ace Hardware, Kerr Drug Dixie
Factory Stores of America .... Crossville, TN	2001	151,000	30	Bass, Corning Revere, F Canon, VF Factory Outle
Mac Gregor Village......................... Cary, NC	2001	142,000	45	Spa Health Club, Tuesda
Factory Stores of America.................. Tri-Cities, TN	2001	133,000	16	L'eggs/Hanes/ Bali/ Pla Tri-Cities Cinemas
Factory Stores of America.................. Iowa, LA (4)	2001	131,000	18	Bass, Easy Spirit, VF F Van Heusen
Factory Stores of America.................. Tupelo, MS	2001	129,000	12	Banister Shoes, VF Fact Van Heusen
Factory Stores of America.................. Tucson, AZ	2001	127,000	20	Book Warehouse, Baniste Samsonite, VF Factory O
Dare Center................................ Kill Devil, NC (4)	2001	115,000	15	Fashion Bug, Food Lion
Factory Stores of America.................. Story City, IA	2001	112,000	17	Dress Barn, Factory Bra VF Factory Outlet, Van
Factory Stores of America.................. Boaz, AL (4)	2001	105,000	18	Banister Shoes, Paper F Factory Outlet
Factory Stores of America.................. West Frankfort, IL	2001	91,000	10	VF Factory Outlet
Factory Stores of America.................. Arcadia, LA	2001	90,000	11	Bass, Dress Barn, VF Fa Van Heusen
Factory Stores of America.................. Nebraska City, NE	2001	90,000	10	Bass, Dress Barn, VF Fa
Factory Stores of America.................. Lebanon, MO	2001	86,000	13	Dress Barn, VF Factory
Factory Stores of America.................. Graceville, FL	2001	84,000	13	Factory Brand Shoes, VF Van Heusen
Factory Stores of America.................. Corsicana, TX	2001	64,000	4	VF Factory Outlet
Factory Stores of America..................	2001	64,000	4	Banister Shoes, VF Fact

Hanson, KY				
Factory Stores of America.................. Hempstead, TX	2001	64,000	3	VF Factory Outlet
Factory Stores of America.................. Livingston, TX	2001	64,000	4	VF Factory Outlet
Factory Stores of America.................. Mineral Wells, TX	2001	64,000	4	VF Factory Outlet
Factory Stores of America.................. Union City, TN	2001	60,000	4	Bass, VF Factory Outlet
Factory Stores of America.................. Lake George, NY	2001	44,000	11	Levi's, L'eggs/ Hanes/B
Total..................................		12,574,000	2,851	

Notes to Property Data:

(1) 49%-interest through a joint venture with Fortress Registered Investment Trust
(2) 50%-owned through a joint venture with Simon Property Group, Inc.
(3) 40%-owned through a joint venture with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation
(4) Property held under long term land lease expiring as follows: Kittery Premium Outlets, October 2009; Gotemba Premium Outlets, October 2019; Rinku Premium Outlets, March 2020; American Tin Cannery Premium Outlets, December 2004; Factory Stores of America at Smithfield (87,000 sq. ft), January 2029; Factory Stores of America at Iowa, September 2087; Factory Stores of America at Boaz, January 2007; Dare Center, September 2058

The Company rents approximately 36,000 square feet of office space in its headquarters facility in Roseland, New Jersey; approximately 5,600 square feet at Chelsea Interactive's office in Reston, Virginia; 3,500 square feet at its office in New York; and 2,000 square feet at its office in Mission Viejo, California.

Item 3. Legal Proceedings

The Company is not presently involved in any material litigation other than routine litigation arising in the ordinary course of business and that is either expected to be covered by liability insurance or to have no material impact on the Company's financial position and results of operations.

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

None.

Directors and Executive Officers of the Company

The following table sets forth the directors and executive officers of the Company:

Name	**Age**	**Position**
David C. Bloom	45	Chairman of the Board (term expires in 2002) and Chief Executive Officer
William D. Bloom	39	Vice Chairman and Director (term expires in 2003)
Brendan T. Byrne	77	Director (term expires in 2004)
Robert Frommer	66	Director (term expires in 2003)
Barry M. Ginsburg	64	Director (term expires in 2002)
Philip D. Kaltenbacher	64	Director (term expires in 2002)
Reuben S. Leibowitz	54	Director (term expires in 2003)

Leslie T. Chao	45	President
Thomas J. Davis	46	Chief Operating Officer
Michael J. Clarke	48	Senior Vice President and Chief Financial Officer
Bruce Zalaznick	45	Executive Vice President-International
Anthony J. Galvin	42	Senior Vice President-Leasing
John R. Klein	43	Senior Vice President-Real Estate
Christina M. Casey	46	Vice President-Human Resources
Denise M. Elmer	45	Vice President, General Counsel and Secretary
Philip E. Ende	31	Vice President - Leasing
Eric K. Helstrom	43	Vice President-Architecture and Construction
Daniel L. Kelly	36	Vice President- International Leasing
Gregory C. Link	52	Vice President-Operations
Michele Rothstein	43	Vice President-Marketing
Catherine A. Lassi	42	Treasurer
Sharon M. Vuskalns	38	Controller

David C. Bloom, Chairman of the Board and Chief Executive Officer since 1993. Mr. Bloom was a founder and principal of Chelsea, and was President of Chelsea from 1985 to 1993. As Chairman of the Board and Chief Executive Officer of the Company, he sets policy and coordinates and directs all the Company's primary functions. Prior to founding Chelsea, he was an equity analyst with The First Boston Corporation (now Credit Suisse First Boston Corporation) in New York. Mr. Bloom graduated from Dartmouth College and received an MBA from Harvard Business School.

William D. Bloom, Vice Chairman since 2000 and Director since 1995. Mr. Bloom joined The Chelsea Group in 1986 with responsibility for leasing of Company's projects and was appointed Executive Vice President-Leasing in 1993 and Executive Vice President-Strategic Relationships in 1996. Mr. Bloom's current responsibilities include day to day operations of Chelsea Interactive, Inc. Prior to joining Chelsea, he was an institutional bond broker with Mabon Nugent in New York. Mr. Bloom graduated from Boston University School of Management.

Brendan T. Byrne, Director since 1993. Since 1982, Mr. Byrne has been a senior partner in the law firm of Carella, Byrne, Bain, Gilfillan, Cecchi, Stewart & Olstein. He previously served as Governor of New Jersey from 1974 to 1982, Prosecutor of Essex County (New Jersey), President of the Public Utility Commission and Assignment Judge of the New Jersey Superior Court. He has also served as Vice President of the National District Attorneys Association; Trustee of Princeton University; Chairman of the Princeton University Council on New Jersey Affairs; Chairman of the United States Marshals Foundation; and Chairman of the National Commission on Criminal Justice Standards and Goals (1977). He serves on a Board of the National Judicial College, is a former Commissioner of the New Jersey Sports and Exposition Authority, and was a member of the board of directors of New Jersey Bell Telephone Company, Elizabethtown Water Company, Ingersoll-Rand Company and a former director of The Prudential Insurance Company of America. He is a member of the Board of Mack-Cali, Inc. Mr. Byrne graduated from Princeton University and received an LL.B. from Harvard Law School.

Robert Frommer, Director since 1993. Mr. Frommer is currently a Managing Member of Chatham Development Partners, LLC in San Francisco. From 1991 to 2000, he was a principal of Robert Frommer Associates, a real estate consulting firm. He has been responsible for developing major commercial, residential and mixed-use real estate projects in New York, Philadelphia, Washington, DC, Chicago and Seattle. He has served as President of the Pebble Beach Co., the Ritz-Carlton Hotel of Chicago and PG&E Properties in California. Mr. Frommer is a graduate of the Wharton School of the University of Pennsylvania, and received an LL.B. Degree from Yale Law School.

Barry M. Ginsburg, Director since 1993. Mr. Ginsburg was a founder and principal of Ginsburg Craig Associates and its predecessor companies from 1986 to 1993 and Vice Chairman of the Company from 1993 to 1999 at which time he retired. From 1966 through 1985, he was employed by Dansk International Designs, Ltd. and was corporate Chief Operating Officer and Director from 1980 to 1985. Dansk operated a chain of 31 manufacturers' outlet stores. He is currently a Director of Liz Lange Maternity and New Milford (Connecticut) Hospital. Mr. Ginsburg graduated from Colby College and received an MBA from Cornell University.

Philip D. Kaltenbacher, Director since 1993. Since 1974, Mr. Kaltenbacher has been Chairman of the Board of Directors and Chief Executive Officer of Seton Company, a manufacturer of leather and chemicals. Mr. Kaltenbacher was a Commissioner of The Port Authority of New York and New Jersey from September 1985 through February 1993, and served as Chairman from September 1985 through April 1990. Mr. Kaltenbacher graduated from Yale University and received an LL.B. from Yale Law School.

Reuben S. Leibowitz, Director since 1993. Mr. Leibowitz is a Managing Director of E. M. Warburg Pincus & Co., LLC, a private equity investment firm. He has been associated with Warburg Pincus since 1984. Mr. Leibowitz currently serves as Chairman of the Board of Directors of Grubb & Ellis Company, a Director of Price Legacy Corporation and is a Director of a number of private companies. Mr. Leibowitz graduated from Brooklyn College, received an MBA from New York University, a JD from Brooklyn Law School, and an LL.M. from New York University School of Law.

Leslie T. Chao, President since April 1997. As President of the Company, Mr. Chao oversees the corporate finance, international development, legal, administrative, investor relations and human resource functions of the Company. He joined Chelsea in 1987 as Chief Financial Officer. Prior to joining Chelsea, he was a Vice President in the corporate finance/treasury area of Manufacturers Hanover Corporation (now J.P. Morgan Chase & Co.), a New York bank holding company. Mr. Chao graduated from Dartmouth College and received an MBA from Columbia Business School.

Thomas J. Davis, Chief Operating Officer since April 1997. As Chief Operating Officer, Mr. Davis oversees the asset management activities of the domestic outlet portfolio including leasing, operations and marketing as well as development and construction. Mr. Davis joined Chelsea in 1996 as Executive Vice President-Asset Management. From 1988 to 1995, he held various senior positions at Phillips-Van Heusen Corporation, most recently as Vice President-Real Estate. Mr. Davis has over twenty years of factory outlet industry experience and has served the industry in various trade association positions including Chairman of Manufacturers Idea Exchange as well as a board member of the Steering Committee for FOMA (Factory Outlet Marketing Association). Mr. Davis received the 1995 *Value Retail News* Award of Excellence for individual achievement in the outlet industry.

Michael J. Clarke, Senior Vice President and Chief Financial Officer since 1999. Since joining the Company in 1994, Mr. Clarke has held various senior level financial positions. As Chief Financial Officer, he is responsible for Chelsea's financial functions including reporting, treasury, accounting, budgeting, banking and rating agency relations. From 1985 to 1993, he held various senior positions at a NYSE-listed operator of hotels, most recently as Executive Vice President & Chief Financial Officer. Mr. Clarke graduated from Seton Hall University and is a certified public accountant.

Bruce Zalaznick, Executive Vice President-International since 1999. Mr. Zalaznick is responsible for the Company's development activities outside the United States as Executive Vice President-International. He joined the Company in 1994 as Vice President-Acquisitions responsible for the Company's domestic site acquisition activities. From 1996 to 1999 he served as Executive Vice President-Real Estate, responsible for the domestic site selection, development, design and construction activities of the Company. From 1990 to 1994, he was Senior Vice President-Site Acquisition at Prime Retail, Inc., a publicly traded REIT, and in that capacity was responsible for the acquisition and entitlement of approximately three million square feet of outlet space in ten states. Mr. Zalaznick graduated from Cornell University and received an MBA from the Wharton School at the University of Pennsylvania.

Anthony J. Galvin, Senior Vice President-Leasing since 2001. Mr. Galvin joined the Company in 1997 as Vice President-Leasing and was named Senior Vice President-Leasing in January 2001. Mr. Galvin is responsible for the management of all aspects of the Company's domestic leasing activities. From 1995 to 1997, he was Director of Real

Estate for Coach Leather, a division of Sara Lee Corporation. From 1987 to 1995 he held positions in both real estate and construction at Phillips-Van Heusen Corporation. Mr. Galvin has served the industry in various trade association positions including Chairperson of the Northeast Merchants Association and the Board of Directors of ORMA (Outlet Retail Merchants Association). Mr. Galvin is a graduate of Glassboro State College (now Rowan University), where he serves on the Executive Committee of the Alumni Advisory Council for the School of Business.

John R. Klein, Senior Vice President-Real Estate, since 2001. Mr. Klein joined the Company in 1995 as Director-Acquisitions, was named Vice President-Acquisitions and Development in 1996, and named Senior Vice President-Real Estate in January 2001. He oversees the Company's domestic acquisitions, development and construction activities. From 1991 to 1995, he held various positions at Prime Retail, Inc., most recently as Vice President-Site Acquisition. At Prime, Mr. Klein was involved in the acquisition and entitlement of over two million square feet of manufacturers' outlet space in nine states. Mr. Klein graduated from Columbia University and received an MBA from George Washington University School of Business.

Christina M. Casey, Vice President-Human Resources since 1998. Ms. Casey joined the Company in 1996 as Director of Human Resources. As Vice President-Human Resources, she oversees all aspects of the Company's human resource activities, including recruitment, benefits, compensation, policy development, training and employee relations. From 1987 to 1996 she held various positions in Human Resources with Boise Cascade Corporation, Specialty Paperboard and Rock-Tenn Company. Ms. Casey graduated from Villanova University and received a Masters in Social Service from Bryn Mawr Graduate School.

Denise M. Elmer, Vice President, General Counsel and Secretary since 1993. Ms. Elmer joined Chelsea as General Counsel in 1993. As Vice President, General Counsel and Secretary, she oversees the legal activities of the Company, including those related to property acquisition and development, leasing, finance and operations. From 1988 to 1993, she was an attorney in the New York law firm of Stadtmauer Bailkin Levine & Masur, where she specialized in commercial real estate law and became a partner in 1990. Ms. Elmer graduated from St. Lawrence University and received a JD from Duke University School of Law.

Philip Ende, Vice President-Leasing since 2001. Mr. Ende joined the Company in 1993 and has held various positions with increasing responsibility in leasing and construction prior to being named Vice President-Leasing in March 2001. Mr. Ende is responsible for the management of all aspects of the day-to-day leasing activities of the Company's domestic portfolio. Mr. Ende graduated from the University of Florida.

Eric K. Helstrom, Vice President-Architecture and Construction, since 1996. Mr. Helstrom joined the Company in 1995 as Director-Development and was named Vice President-Architecture and Construction in 1996. He oversees the design, engineering and construction activities of the Company. From 1987 to 1995, he held various positions including Director-Architecture/Construction with Alexander Haagen Properties, an AMEX-listed REIT. Mr. Helstrom graduated from California Polytechnic San Luis Obispo and received a Masters in Real Estate Development from the University of Southern California. Mr. Helstrom is a licensed architect and general contractor.

Daniel L. Kelly, Vice President International Leasing since 2001. Since joining the Company in 1993, Mr. Kelly has held various positions in the leasing area. From July 1999 to August 2001, Mr. Kelly served as Senior Managing Director of Chelsea Japan in Tokyo before being named Vice President-International Leasing. Mr. Kelly received his MBA in International Business from Rutgers University and a BA in Mathematics from Providence College.

Gregory C. Link, Vice President-Operations since 1996. Mr. Link joined the Company in 1994 as Vice President-Leasing responsible for the management of the Company's leasing activities. In January 1996, Mr. Link was appointed Vice President-Operations and is responsible for supervising property management activities at the Company's operating properties. From 1987 to 1994, he was Chairman, President and Chief Executive Officer of The Ribbon Outlet, Inc., an affiliate of the world's largest ribbon manufacturer, and in that capacity opened over 100 factory outlet stores across the United States. From 1971 to 1987 he held various senior merchandising positions with

Phillips-Van Heusen Corporation, Westpoint Pepperell Corporation, May Department Stores and Associated Dry Goods Corporation. Mr. Link graduated from the College of Business and Public Administration of the University of Arizona at Tucson.

Michele Rothstein, Vice President-Marketing since 1993. Ms. Rothstein joined Chelsea in 1989 as Vice President-Marketing. As Vice President-Marketing of the Company, she oversees all aspects of the Company's marketing and promotion activities. From 1987 to 1989, she was a product manager at Regina Company and, prior to 1987, was with Waring & LaRosa Advertising in New York. Ms. Rothstein graduated from the School of Business at the State University of New York at Albany.

Catherine A. Lassi, Treasurer since 1997. Ms. Lassi joined Chelsea in 1987, became Controller in 1990 and Treasurer in January 1997. As Treasurer, she oversees budgeting, forecasting, contract administration, cash management, banking, information systems and lease accounting activities for the Company. Ms. Lassi is a certified public accountant and graduated from the University of South Florida.

Sharon M. Vuskalns, Controller since 1997. Ms. Vuskalns joined the Company in 1995 as Director of Accounting Services. As Controller, she oversees the accounting and financial reporting activities for the Company. Prior to joining Chelsea, she was a Senior Audit Manager with Ernst & Young, LLP. Ms. Vuskalns graduated from Indiana University and is a certified public accountant.

David C. Bloom and William D. Bloom are brothers.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Matters

The common stock of the Company is traded on the New York Stock Exchange under the ticker symbol CPG. As of February 27, 2002 the closing market price of the Company's stock was $52.30 and there were 521 shareholders of record. The Company believes it has more than 14,000 beneficial holders of common stock. The following table sets forth the quarterly high and low closing sales price per share (as derived from the Wall Street Journal) and the cash distributions declared in 2001 and 2000:

	Sales Price ($)		
Quarter Ended	High	Low	Distributions ($)
December 31, 2001	50-7/8	44-1/4	0.78
September 30, 2001	52-3/4	43	0.78
June 30, 2001	46-15/16	41-9/16	0.78
March 31, 2001	42-1/4	36-15/16	0.78
December 31, 2000	38-7/16	36-1/2	0.75
September 30, 2000	36-5/8	32-5/16	0.75
June 30, 2000	36	28-5/8	0.75
March 31, 2000	31-7/16	25-13/16	0.75

While the Company intends to continue paying regular quarterly dividends, future dividend declarations will be at the discretion of the Board of Directors and will depend on the cash flow and financial condition of the Company; capital requirements; annual distribution requirements under the REIT provisions of the Internal Revenue Code; covenant limitations under the Senior Credit Facility and the Term Notes; and such other factors as the Board of Directors deems relevant.

PART II

Item 6: Selected Financial Data

Chelsea Property Group, Inc.
(In thousands except per share, and number of centers)

	Year Ended December 31,			
Operating Data:	**2001**	**2000**	**1999**	**1998**
Rental revenue	$145,278	$125,824	$114,485	$99,976
Total revenues	206,855	179,903	162,618	139,315
Loss on writedown of assets	-	-	694	15,713
Total expenses	150,640	123,876	114,676	98,166
Income from unconsolidated investments	15,642	6,723	308	-
Loss from Chelsea Interactive	(5,337)	(2,364)	-	-
Income before minority interest and extraordinary item	66,520	60,386	47,556	25,436
Minority interest	(14,706)	(14,606)	(9,275)	(3,803)
Income before extraordinary item	51,814	45,780	38,281	21,633
Extraordinary item - loss on retirement of debt	-	-	-	(283)
Net income	51,814	45,780	38,281	21,350
Preferred dividend	(4,188)	(4,188)	(4,188)	(4,188)
Net income available to common shareholders	$47,626	$41,592	$34,093	$17,162
Income per common share before extraordinary item (diluted) (1)	$2.74	$2.58	$2.14	$1.12
Net income per common share (diluted) (1)	$2.74	$2.58	$2.14	$1.10
Ownership Interest:				
REIT common shares	17,355	16,126	15,908	15,672
Operating Partnership units	3,179	3,356	3,389	3,431
Weighted average shares/units outstanding	20,534	19,482	19,297	19,103
Balance Sheet Data:				
Rental properties before accumulated depreciation	$1,127,906	$908,344	$848,813	$792,726
Total assets	1,099,308	901,314	806,055	773,352
Total liabilities	624,246	528,752	426,198	450,410
Minority interest	115,639	101,203	102,561	42,551
Stockholders'/owners' equity	359,423	271,359	277,296	280,391
Distributions declared per common share	$3.12	$3.00	$2.88	$2.76
Other Data:				
Funds from operations available to common shareholders (1)	$108,862	$93,556	$79,980	$67,994
Cash flows from:				
Operating activities	$121,723	$106,658	$87,502	$78,731
Investing activities	(112,551)	(121,479)	(77,490)	(119,807)
Financing activities	(2,604)	23,995	(10,781)	36,169
GLA at end of period (2)	12,574	8,159	5,216	4,876
Weighted average GLA (3)	9,349	5,703	4,995	4,614
Centers in operation at end of the period	57	27	19	19
New centers opened	-	4	-	1
Centers expanded	1	3	4	7
Center sold	1	1	1	-
Centers held for sale	8	-	1	2

Centers acquired..	31	4	-	-

Notes to Selected Financial Data:

1) The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. See Management's Discussion and Analysis for definition of FFO.
2) Includes seven centers containing 2.4 million square feet of GLA in which the Company has a joint venture interest.
3) GLA weighted by months in operation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in connection with the financial statements and notes thereto appearing elsewhere in this annual report.

Certain comparisons between periods have been made on a percentage or weighted average per square foot basis. The latter technique adjusts for square footage changes at different times during the year.

General Overview

At December 31, 2001 the Company operated 57 centers, compared to 27 and 19 at the end of 2000 and 1999, respectively. Between January 1, 2001 and December 31, 2001, the Company added approximately 4.4 million square feet of GLA to its portfolio as a result of acquiring 30 Other Retail Centers and one Premium Outlet Center comprising 4.3 million square feet of GLA and expanding one existing wholly-owned center by 146,000 square feet. The Company also sold a 35,000 square foot center in Mammoth, California in October 2001.

From January 1, 1999 to December 31, 2001, the Company grew by increasing rents at its operating centers, opening four new centers, expanding six centers and acquiring thirty-five centers. Increasing rents at operating centers resulted in base and percentage rent revenue growth of $18.8 million. The opening of one wholly-owned new center and expansion of six wholly-owned centers increased base and percentage rent revenues by $3.7 million and $13.4 million, respectively, during the three year period ended December 31, 2001. The acquisition of 31 retail centers (exclusive of the four centers in which the Company acquired a 49% interest) increased base and percentage rent revenues by $9.4 million during the three year period ended December 31, 2001. Income from unconsolidated investments aggregated $22.7 million during the three year period ended December 31, 2001 increasing from $0.3 million in 1999 to $15.6 million in 2001 primarily as a result of opening three new centers developed by joint ventures during 2000 and by acquiring a 49% interest in four centers through a joint venture in December 2000. The Company operated gross leasable area at December 31, 2001 and 2000 of 12.6 million square feet and 8.2 million square feet, respectively, including wholly and partially-owned GLA, compared to 5.2 million square feet of wholly-owned GLA at December 31, 1999. The 7.7 million square feet ("sf") of net GLA added during the three year period is detailed as follows:

	Since January 1, 1999	2001	2000	19
Changes in GLA (sf in 000's):				
New centers developed:				
Allen Premium Outlets..............................	206	-	206	
Orlando Premium Outlets (50%-owned)	428	-	428	
Gotemba Premium Outlets (40%-owned)	220	-	220	
Rinku Premium Outlets (40%-owned)	180	-	180	
Total new centers.....................................	**1,034**	**-**	**1,034**	
Centers expanded:				
Allen Premium Outlets..............................	146	146	-	
Wrentham Village...................................	247	-	127	12
Leesburg Corner....................................	193	-	138	5
Folsom Premium Outlets.............................	54	-	54	
North Georgia Premium Outlets......................	103	-	-	10
Camarillo Premium Outlets..........................	45	-	-	4
Other..	20	4	(1)	1
Total centers expanded................................	**808**	**150**	**318**	**34**
Centers acquired:				
Gilroy Premium Outlets (49%-owned)................	577	-	577	
Lighthouse Place Premium Outlets(49%-owned).......	491	-	491	
Waterloo Premium Outlets (49%-owned)..............	392	-	392	
Kittery Premium Outlets I (49%-owned)	131	-	131	
Kittery Premium Outlets II (1)...................	21	21	-	
Other Retail Centers (2).........................	4,279	4,279	-	
Total centers acquired................................	**5,891**	**4,300**	**1,591**	
Center sold:				
Mammoth Premium Outlet...........................	(35)	(35)	-	
Net GLA added during the period.......................	**7,698**	**4,415**	**2,943**	**3**
Other Data:				
GLA at end of period................................		12,574	8,159	5,2
Weighted average GLA................................		9,349	5,703	4,9
Centers in operation at end of period................		57	27	
New centers opened..................................		-	4	
Centers expanded....................................		1	3	
Centers sold..		1	1	
Centers acquired....................................		31	4	

(1) Acquired in the September 25, 2001 Konover transaction and formerly Factory Stores of America at Kittery.
(2) Acquired in the September, 25, 2001 Konover transaction and excludes Vegas Pointe Plaza which was repurchased by Konover on December 3, 2001.

The Company's domestic Premium Outlet Centers produced weighted average reported tenant sales of approximately $379 per square foot in 2001, $400 per square foot in 2000 (excluding the four 49%-owned centers acquired on December 22, 2000), and $377 per square foot in 1999. Weighted average sales is a measure of tenant performance that has a direct effect on base and percentage rents that can be charged to tenants over time.

One of the Company's centers, Woodbury Common Premium Outlets, generated approximately 21%, 23% and 24% of the Company's total revenues for the years 2001, 2000 and 1999 respectively. In addition, approximately 28% of the Company's revenues for the years ended December 31, 2001 and 2000 and 30% for the year ended December 31, 1999, were derived from the Company's centers in California.

The Company does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the Company's gross revenues. VF Corporation occupied 8% of the Company's total GLA at December 31, 2001 and was the only tenant that occupied more than 5% of GLA at year end. In view of these statistics and the Company's past success in re-leasing available space, the Company believes that the loss of any individual tenant would not have a significant effect on future operations.

The discussion below is based upon operating income before minority interest. The minority interest in net income varies from period to period as a result of changes in Operating Partnership interests.

Comparison of year ended December 31, 2001 to year ended December 31, 2000.

Income before interest, depreciation and amortization and minority interest increased $30.0 million, or 22.7%, to $162.0 million in 2001 from $132.0 million in 2000. This increase was primarily the result of expansions and new center openings during the latter part of 2000, higher rents on releasing and renewals during 2001, income from unconsolidated investments that commenced operations in the latter part of 2000 and the September 25, 2001 acquisition of 31 retail centers. These increases were partially offset by the loss from Chelsea Interactive, and increases in interest and operating and maintenance expenses. Income before interest expense and minority interest increased $18.6 million to $103.4 million in 2001 from $84.8 million in 2000 due to the addition of GLA while stabilizing overhead costs. Base rentals increased $19.1 million, or 17.7%, to $127.2 million in 2001 from $108.1 million in 2000 due to expansions of wholly-owned centers and a new center opening in 2000, higher average rents and the acquisition of the 31 retail centers in September 2001. Base rental revenue per weighted average square foot in the Premium Portfolio increased to $20.39 in 2001 from $20.23 in 2000 as a result of higher rental rates on new leases and renewals.

Percentage rents increased $0.3 million, or 2.0%, to $18.0 million in 2001 from $17.7 million in 2000 primarily due to the acquisition of the 31 retail centers in 2001. Percentage rents per weighted average square foot on the Company's wholly-owned centers decreased to $2.60 in 2001 from $3.31 in 2000. The decrease is due to much lower sales per square foot from the Other Retail Centers acquired in September 2001. The Company's wholly-owned Premium Portfolio's percentage rents per weighted average square foot decreased to $3.08 in 2001 from $3.31 in 2000 due to changes of some tenants from overage to base rents and lower sales.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased $6.5 million, or 14.6%, to $50.6 million in 2001 from $44.1 million in 2000, due to the recovery of operating and maintenance costs from increased GLA. Excluding the 31 retail centers acquired in 2001, on a weighted average square foot basis, expense reimbursements increased 0.7% to $8.32 in 2001 from $8.26 in 2000. The average recovery of reimbursable expenses for the wholly-owned Premium Portfolio was 90.8% in 2001 compared to 90.0% in 2000. The average recovery of reimbursable expense for the Other Retail Centers was 51.1% in 2001.

Other income increased $1.0 million to $11.0 million in 2001 from $10.0 million in 2000. The increase was due to increased interest and ancillary income, partially offset by lower pad sale gains in 2001 versus 2000.

Operating and maintenance expenses increased $8.8 million, or 18.0%, to $57.8 million in 2001 from $49.0 million in 2000. The increase was primarily due to costs related to increased GLA and the acquisition of the 31 new retail centers. Excluding the 31 retail centers acquired in 2001, on a weighted average square foot basis, operating and maintenance expenses decreased to $9.16 in 2001 from $9.17 in 2000.

Depreciation and amortization expense increased $5.6 million to $48.6 million in 2001 from $43.0 million in 2000. The increase was due to depreciation of expansions of wholly-owned and new centers opened in 2000 and the acquisition of the 31 retail centers in September 2001.

General and administrative expenses were $4.6 and $4.8 million in 2001 and 2000, respectively.

Other expenses were $2.8 million and $2.7 million in 2001 and 2000, respectively. Increased 2001 bad debt and legal expenses were greater than the non-recurring write-off of development costs related to inactive projects in 2000.

Income from unconsolidated investments increased $8.9 million to $15.6 million in 2001 from $6.7 million in 2000. This resulted from full years results of equity-in-earnings and fees earned from joint venture investments that were opened or acquired in the latter part of 2000.

The loss from Chelsea Interactive was $5.3 million in 2001 and $2.4 million in 2000. The increase was due to a full year of operations in 2001 versus a partial year in 2000.

Interest, in excess of amounts capitalized, increased $12.4 million to $36.9 million in 2001 from $24.5 million in 2000, due to higher debt balances from acquisitions and lower construction activity in 2001.

Comparison of year ended December 31, 2000 to year ended December 31, 1999.

Income before interest, depreciation and amortization and minority interest increased $19.8 million, or 17.7%, to $132.0 million in 2000 from $112.2 million in 1999. This increase was primarily the result of expansions and new center openings, higher rents on releasing and renewals during 2000 and 1999 and income from unconsolidated investments that commenced operations in the latter part of 2000. These increases were partially offset by the loss from Chelsea Interactive and increases in operating and maintenance expenses. Income from operations increased $8.8 million, or 18.5%, to $56.0 million in 2000 from $47.2 million in 1999. Increased revenues from expansions of wholly-owned centers and new center openings in 2000 and 1999 were offset by increases in operating and maintenance expenses and depreciation expense due to the expansions and new center openings.

Base rentals increased $9.3 million, or 9.3%, to $108.1 million in 2000 from $98.8 million in 1999 due to expansions of wholly-owned centers, a new center opening in 2000 and higher average rents. Base rental revenue per weighted average square foot increased to $20.23 in 2000 from $19.79 in 1999 as a result of higher rental rates on new leases and renewals.

Percentage rents increased $2.0 million, or 13.1%, to $17.7 million in 2000 from $15.7 million in 1999. The increase was primarily due to increased tenant sales and a higher number of tenants contributing percentage rents.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased $4.4 million, or 11.0%, to $44.1 million in 2000 from $39.7 million in 1999, due to the recovery of operating and maintenance costs from increased GLA. On a weighted average square foot basis, expense reimbursements increased 3.8% to $8.26 in 2000 from $7.96 in 1999. The average recovery of reimbursable expenses was 90.0% in 2000 compared to 90.8% in 1999.

Other income increased $1.6 million to $10.0 million in 2000 from $8.4 million in 1999. The increase was due to pad sale gains in 2000 and increased interest and ancillary income.

Operating and maintenance expenses increased $5.2 million, or 11.9%, to $49.0 million in 2000 from $43.8 million in 1999. The increase was primarily due to costs related to increased GLA. On a weighted average square foot basis, operating and maintenance expenses increased 4.7% to $9.17 in 2000 from $8.76 in 1999 as a result of increased maintenance costs and real estate taxes.

Depreciation and amortization expense increased $3.3 million to $43.0 million in 2000 from $39.7 million in 1999. The increase was due to depreciation of expansions of wholly-owned and new centers opened in 2000 and 1999.

General and administrative expenses were $4.8 million in 2000 and 1999 due to stabilized overhead costs.

Other expenses increased $0.6 million to $2.7 million in 2000 from $2.1 million in 1999. The increase was primarily due to the write-off of development costs related to inactive projects in 2000.

The loss on write down of assets of $0.7 million in 1999 was attributable to the re-valuation of a center held for sale at its estimated fair value.

Income from unconsolidated investments increased $6.4 million to $6.7 million in 2000 from $0.3 million in 1999. This resulted from equity-in-earnings and fees totaling $4.4 million earned from Orlando Premium Outlets, a 50%-joint venture center that opened in May 2000; Gotemba Premium Outlets and Rinku Premium Outlets, two 40%-joint venture centers that opened in July 2000 and November 2000, respectively; and to a lesser extent from four 49%-joint venture centers that were acquired in December 2000. Other items in 2000 include a gain from an Orlando pad sale of $1.1 million and opening consulting fees from the two centers in Japan of $1.3 million.

The loss from Chelsea Interactive in 2000 of $2.4 million was related to depreciation, selling, general, administrative and maintenance expenses, offset by nominal revenue.

Interest, in excess of amounts capitalized, increased $0.3 million to $24.5 million in 2000 from $24.2 million in 1999, due to higher interest rates in 2000 that were offset by higher average debt balances in 1999.

Liquidity and Capital Resources

The Company believes it has adequate financial resources to fund operating expenses, distributions, and planned development, construction and acquisition activities over the short term, which is less than 12 months and the long term, which is 12 months or more. Operating cash flow for the year ended December 31, 2001 of $121.7 million is expected to increase with a full year of operations of the 4.4 million square feet of GLA added during 2001 and scheduled openings of approximately 127,000 square feet in 2002, representing additional phases of three existing centers (57,000 square feet) and Rinku Premium Outlets (70,000 square feet). As of December 31, 2001, the Company has adequate funding sources to complete and open all current development projects, including those of its e-commerce affiliate, Chelsea Interactive, Inc. This will be accomplished with available cash of $24.6 million and $160 million available under the Senior Credit Facility. The Company also has the ability to access the public markets through its $450 million debt shelf registration and its $185 million equity shelf registration.

Operating cash flow is expected to provide sufficient funds for dividends and distributions in accordance with REIT federal income tax requirements. In addition, the Company anticipates retaining sufficient operating cash to fund re-tenanting and lease renewal tenant improvement costs, as well as capital expenditures to maintain the quality of its centers, and meet funding requirements for Chelsea Interactive.

Common distributions declared and recorded in 2001 were $62.8 million, or $3.12 per share or unit. The Company's dividend payout ratio as a percentage of net income before minority interest, depreciation and amortization (exclusive of amortization of deferred financing costs ("FFO")) was 57.7%. The Senior Credit Facility limits aggregate dividends and distributions to the lesser of (i) 90% of FFO on an annual basis or (ii) 100% of FFO for any two consecutive quarters.

The Company's ratio of earnings-to-fixed charges for each of the three years ended December 31, 2001, 2000 and 1999 was 2.6, 2.6 and 2.5, respectively. For purposes of computing the ratio, earnings consist of income from continuing operations after depreciation and before minority interest and fixed charges, exclusive of interest capitalized and amortization of loan costs capitalized. Fixed charges consist of interest expense, including interest costs capitalized, the portion of rent expense representative of interest and total amortization of debt issuance costs expensed and capitalized.

The OP has a $160 million senior unsecured bank line of credit (the "Senior Credit Facility") and has an annual right to request a one-year extension that may be granted at the option of the lenders. The Senior Credit Facility was extended until March 30, 2004. The Senior Credit Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (4.21% at December 31, 2001) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the Company's Senior Debt rating. A fee on the unused portion of the Senior Credit Facility is payable quarterly at rates ranging from 0.15% to 0.25% depending on the balance outstanding. At December 31, 2001, the entire $160 million of the Senior Credit Facility was available.

During the year ended December 31, 2001, the Company acquired 31 retail centers, completed a new unsecured debt financing transaction totaling $150 million, and repaid $100 million unsecured term notes and $65.2 million mortgage loan assumed in the Konover acquisition. The Company's balance sheet was significantly enhanced by two common stock offerings in 2001, the first in August and the second in October that aggregated 2.5 million new common shares and net proceeds of $110 million. These proceeds plus cash on hand were more than sufficient to fund the closing of the Konover transaction and pay-off the assumed $65.2 million mortgage loan, which the Company was obligated to pre-pay in December 2001.

In February 2002 the Company redeemed and retired 136,500 shares of 8.375% Series A Cumulative Redeemable Preferred Stock at $47 per share using available cash of $6.4 million.

In January 2001, the OP completed a $150 million offering of 8.25% Senior unsecured term notes due February 2011 (the "8.25% Notes"). The 8.25% Notes were priced to yield 8.396% to investors. Net proceeds from the offering were used to repay $100 million of 7.75% unsecured notes due January 26, 2001, to repay all borrowings outstanding under the Company's Senior Credit Facility and for general corporate purposes. The Company utilized $150 million of its $600 million debt shelf registration for this offering.

Development activity for real estate operations as of December 31, 2001 includes additional phases of three existing centers, totaling 57,000 square feet scheduled to open in mid-2002, and the 70,000 square foot second phase of Rinku Premium Outlets, located outside Osaka, Japan, scheduled to open in March of 2002. The Company is also in the predevelopment stage of domestic projects outside Las Vegas, NV scheduled to open in the fall of 2003; Chicago, IL scheduled to open in late 2003; and Seattle, WA scheduled to open in 2004; and an international project north of Toyko in Sano scheduled to open in mid-2003. These projects are under development and there can be no assurance that they will be completed or opened, or that there will not be delays in opening or completion. All current development activity is fully financed either through project specific secured construction financing, the yen denominated line of credit, available cash or through the Senior Credit Facility. The Company will seek to obtain permanent financing once the projects are completed and income has been stabilized.

The Company has minority interests ranging from 5% to 15% in several outlet centers and outlet development projects in Europe. Five outlet centers, containing approximately 900,000 square feet of GLA, including Bicester Village outside of London, England, La Roca Company Stores outside of Barcelona, Spain, Las Rozas Village outside Madrid, Spain, La Vallee near Disneyland Paris and Maasmechelen Village in Belgium are currently open and operated by Value Retail PLC and its affiliates. There is additional new center development planned and one new European project is under construction and expected to open in Spring 2003. In 2001, the Company sold a portion of its Bicester Village holding to a third party, for a gain of $1.8 million. The Company's total investment in Europe as of December 31, 2001 was $3.7 million. The Company has also agreed to provide up to $24.1 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail PLC, to construct outlet centers in Europe. The term of the standby facility for new guarantees expired in November, 2001 and these guarantees shall not be outstanding for longer than five years after project completion. In October 2001 the guarantee was increased to $24.1 million from $22.0 million until April 2002. The Company received $2.1 million in restricted cash collateral for this short-term increase, which will revert back to Value Retail in April 2002.

The 50/50 Orlando Premium Outlets joint venture with Simon Property Group, Inc. has a $58.5 million construction loan (maximum commitment of $62.0 million) that originally matured in February 2002 and which was recently extended to August 2002. The loan, which has three additional six month extension options, bears interest at LIBOR plus 1.30% (3.32% at December 31, 2001). The loan is 10% guaranteed by each of the Company and Simon as of December 31, 2001.

In June 1999, the Company entered into an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The joint venture is known as Chelsea Japan Co., Ltd. ("Chelsea Japan"). In conjunction with the agreement, the Company contributed $1.7 million in equity. In addition, an equity investee of the Company entered into a 4 billion yen (approximately US $35.0 million) line of credit guaranteed by the Company and OP to fund its share of construction costs. The line of credit bears interest at yen LIBOR plus 1.35% (1.45% at December 31, 2001) and matures April 2002 and has two one-year extensions. At December 31, 2001, 1.08 billion yen (approximately US $8.2 million) was outstanding under the line of credit. In March 2000, Chelsea Japan entered into a 3.8 billion yen (approximately US $28.9 million) loan with a Japanese bank to fund construction costs. As of December 31, 2001, the entire facility was outstanding and bears interest at 2.20%. The loan is secured by two operating properties and is 40% guaranteed by the Company. Subject to governmental and other approvals, Chelsea Japan expects to announce additional projects during 2002. Funding for such construction is anticipated to be through partner loans or a loan with a Japanese bank.

In July 2000, the Company developed an e-commerce venture through its affiliate, Chelsea Interactive. The Company's investment in this venture was approximately $43 million at December 31, 2001. The Board of Directors has approved funding up to $60.0 million that is expected to be provided from operating cash flow over the next several years. The Company anticipates funding approximately $10 to $15 million of development costs during the next twenty four months, however there can be no assurance that future revenue will be adequate to recover the Company's investment.

To achieve planned growth and favorable returns in both the short and long-term, the Company's financing strategy is to maintain a strong, flexible financial position by: (i) maintaining a conservative level of leverage; (ii) extending and sequencing debt maturity dates; (iii) managing exposure to floating interest rates; and (iv) maintaining liquidity. Management believes these strategies will enable the Company to access a broad array of capital sources, including bank or institutional borrowings and secured and unsecured debt and equity offerings, subject to market conditions.

Net cash provided by operating activities was $121.7 million and $106.7 million for the years ended December 31, 2001 and 2000, respectively. The increase was primarily due to the growth of the Company's GLA to 12.6 million square feet in 2001 from 8.2 million square feet in 2000. Net cash used in investing activities decreased $8.9 million for the year ended December 31, 2001 compared to the corresponding 2000 period, as a result of decreased joint venture investing activity, proceeds from sale of a center and partial sale of a joint venture investment offset by the acquisition of the 31 retail centers. For the year ended December 31, 2001, net cash provided by financing activities decreased by $26.6 million compared to the corresponding period in 2000 as a result of reduced borrowing and increased debt repayments offset by offerings of the Company's common stock.

Net cash provided by operating activities was $106.7 million and $87.5 million for the years ended December 31, 2000 and 1999, respectively. The increase was primarily due to the growth of the Company's GLA to 8.2 million square feet in 2000 from 5.2 million square feet in 1999. Net cash used in investing activities increased $41.9 million for the year ended December 31, 2000 compared to the corresponding 1999 period, as a result of $40.0 million investments in various joint ventures and Chelsea Interactive. For the year ended December 31, 2000, net cash provided by financing activities increased by $34.8 million primarily due to higher net borrowings during 2000 offset in part by an increase in distributions of $7.1 million in 2000 and the sale of preferred units and common stock in 1999. Borrowings were used to invest in joint ventures and fund center expansions and developments.

Funds from Operations

Management believes that funds from operations ("FFO") should be considered in conjunction with net income, as presented in the statements of operations included elsewhere herein, to facilitate a clearer understanding of the operating results of the Company. The White Paper on Funds from Operations ("FFO") approved by the Board of Governors of NAREIT in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

Funds from Operations (continued)

	Year Ended December 31, 2001	2000	1999
Income available to common shareholders	$47,626	$41,592	$34,093
Add:			
Depreciation and amortization-wholly-owned	48,554	42,978	39,716
Depreciation and amortization-joint ventures	5,964	2,024	-
Amortization of deferred financing costs and depreciation of non-rental real estate assets	(1,807)	(1,796)	(1,849)
Gain(loss) on sale or writedown of assets	(333)	-	694
Minority interest	14,706	14,606	9,275
Preferred unit distribution	(5,848)	(5,848)	(1,949)
FFO	**$108,862**	**$93,556**	**$79,980**
Average shares/units outstanding	20,534	19,482	19,297
Dividends declared per share	$3.12	$3.00	$2.88

Recent Accounting Pronouncements

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which are effective January 1, 2002. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the Statement. The adoption of these statements will have no impact on the Company's results of operations or its financial position.

In August 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") which is effective January 1, 2003. SFAS 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The Company does not expect this pronouncement to have a material impact on the Company's results of operations or financial position.

In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This standard harmonizes the accounting for impaired assets and resolves some of the implementation issues as originally described in SFAS 121. The new standard becomes effective for the Company for the year ending December 31, 2002. The Company does not expect this pronouncement to have a material impact on the Company's results of operations or financial position.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Bad Debt

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rent payments. If the financial condition of the Company's tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Foreign Exchange Exposure

From time to time, the Company may enter into hedging contracts to protect against fluctuations in foreign exchange rates. Receivables from Chelsea Japan are recorded in the accompanying financial statements at the exchange rate on the date of valuation. Significant changes in the exchange rate may result in changes to the receivable realized.

Valuation of Investments

The Company reviews its investments in unconsolidated affiliates for impairment wherever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company recorded a $1.2 million loss in 2001 for an impairment writedown of its investment in an outlet center in Guam.

Economic Conditions

Substantially all leases contain provisions, including escalations of base rents and percentage rentals calculated on gross sales, to mitigate the impact of inflation. Inflationary increases in common area maintenance and real estate tax expenses are substantially all reimbursed by tenants.

Virtually all tenants have met their lease obligations and the Company continues to attract and retain quality tenants. The Company intends to reduce operating and leasing risks by continually improving its tenant mix, rental rates and lease terms, and by pursuing contracts with creditworthy upscale and national brand-name tenants.

Item 7-A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to changes in interest rates primarily from its floating rate debt arrangements. In December 2000, the Company implemented a policy to protect against interest rate and foreign exchange risk. The Company's primary strategy is to protect against this risk by using derivative transactions as appropriate to minimize the variability that floating rate interest and foreign currency fluctuations could have on cash flow. In December 2000 a wholly-owned subsidiary of the Company entered into an interest rate swap agreement effective January 2, 2001 with a financial institution for a notional amount of $69.3 million amortizing to $64.1 million to hedge against unfavorable fluctuations in the LIBOR rates of its secured mortgage loan facility. The hedge has a 5.7625% fixed rate plus the 1.50% spread results in a fixed interest rate of 7.2625% until January 1, 2006. At December 31, 2001 a hypothetical 100 basis point adverse move (increase) in US Treasury and LIBOR rates applied to unhedged debt would adversely affect the Company's annual interest cost by approximately $0.3 million annually.

Following is a summary of the Company's debt obligations at December 31, 2001 (in thousands):

	Expected Maturity Date							
	2002	2003	2004	2005	2006	Thereafter	Total	Fair
Fixed Rate Debt:	-	-	-	$49,892	-	$395,830	$445,722	$459
Average Interest Rate:	-	-	-	8.38%	-	7.88%	7.93%	
Variable Rate Debt:	-	$29,531	$5,034	-	-	$68,250	$102,815	$102
Average Interest Rate:	-	3.33%	4.21%	-	-	5.56%	4.85%	

Item 8. Financial Statements and Supplementary Data

The financial statements and financial information of the Company for the years ended December 31, 2001, 2000 and 1999 and the Report of the Independent Auditors thereon are included elsewhere herein. Reference is made to the financial statements and schedules in Item 14.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Items 10, 11, 12 and 13.

The required information in the following items will appear in the Company's Proxy Statement furnished to shareholders in connection with the 2002 Annual Meeting, and is incorporated by reference in this Form 10-K Annual Report.

Item 10. Directors and Executive Officers of the Registrant*

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

* Certain information regarding Directors and Officers is included at the end of Part I.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1 and 2. The response to this portion of Item 14 is submitted as a separate section of this report.

3. Exhibits

3.1 Articles of Incorporation of the Company, as amended, including Articles Supplementary relating to 8 3/8% Series A Cumulative Redeemable Preferred Stock and Articles Supplementary relating to 9% Series B Cumulative Redeemable Preferred Stock. Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 1999. ("1999 10-K")

3.2 By-laws of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement filed by the Company on Form S-11 under the Securities Act of 1933 (file No. 33-67870) ("S-11").

3.3 Agreement of Limited Partnership for the Operating Partnership. Incorporated by reference to Exhibit 3.3 to S-11.

3.4 Amendments No. 1 and No. 2 to Partnership Agreement dated March 31, 1997 and October 7, 1997. Incorporated by reference to Exhibit 3.4 to Form 10-K for the year ended December 31, 1997. ("1997 10-K")

3.5 Amendment No. 3 to Partnership Agreement dated September 3, 1999. Incorporated by reference to Exhibit 3.5 to 1999 10-K.

4.1 Form of Indenture among the Company, Chelsea GCA Realty Partnership, L.P., and State Street Bank and Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 to Registration Statement filed by the Company on Form S-3 under the Securities Act of 1933 (File No. 33-98136).

10.1 Registration Rights Agreement among the Company and recipients of Units. Incorporated by reference to Exhibit 4.1 to S-11.

10.2 Term Loan Agreement dated November 3, 1998 among Chelsea GCA Realty Partnership, L.P., BankBoston, N.A., individually and as an agent, and other Lending Institutions listed therein. Incorporated by reference to Exhibit 10.2 to Form 10-K for the year ended December 31, 1998 ("1998 10-K").

10.3 Credit Agreement dated March 30, 1998 among Chelsea GCA Realty Partnership, L.P., BankBoston, N.A, individually and as an agent, and other Lending Institutions listed therein. Incorporated by reference to Exhibit 10.3 to 1998 10-K.

10.4 Limited Liability Company Agreement of Simon/Chelsea Development Co., L.L.C. dated May 16, 1997 between Simon DeBartolo Group, L.P. and Chelsea GCA Realty Partnership, L.P. Incorporated by reference to Exhibit 10.3 to 1997 10-K.

10.5 Contribution Agreement by and among an institutional investor and Chelsea GCA Realty Partnership, L.P. and Chelsea GCA Realty, Inc. dated September 3, 1999. Incorporated by reference to Exhibit 10.8 to 1999 10-K.

10.6 Joint Venture Agreement among Chelsea GCA Realty Partnership, L.P., Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation dated June 16, 1999. Incorporated by reference to Exhibit 10.9 to 1999 10-K.

10.7

Agreement for Purchase and Sale of Assets dated December 22, 2000. Incorporated by reference to Exhibit 2.1 to current report on Form 8-K reporting on an event which occurred December 22, 2000.

10.8 Limited Liability Company Agreement of F/C Acquisition Holdings LLC. Incorporated by reference to Exhibit 2.2 to current report on Form 8-K reporting on an event which occurred December 22, 2000

10.9 Agreement for Purchase and Sale of Assets dated July 12, 2001. Incorporated by reference to Exhibit 2 to current report on Form 8-K reporting on an event which occurred on September 25, 2001.

21 List of Subsidiaries

23.1 Consent of Ernst & Young LLP.

(b) Reports on Form 8-K.
None

(c) Exhibits
See (a) 3

(d) Financial Statement Schedules - The response to this portion of Item 14 is submitted as a separate schedule of this report.

Item 8, Item 14(a)(1) and (2) and Item 14(d)

(a)1. Financial Statements

	Form 10-K Report Page
Consolidated Financial Statements-Chelsea Property Group, Inc.	
Report of Independent Auditors	F-1
Consolidated Balance Sheets as of December 31, 2001 and 2000	F-2
Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	F-3
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	F-5
Notes to Consolidated Financial Statements	F-6

(a)2 and (d) Financial Statement Schedule

Schedule III-Consolidated Real Estate and Accumulated Depreciation F-27

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

Report of Independent Auditors

Board of Directors
Chelsea Property Group, Inc.

We have audited the accompanying consolidated balance sheets of Chelsea Property Group, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index as Item 14(a). These financial statements and schedule are the responsibility of the management of Chelsea Property Group, Inc. Our responsibility is to express an opinion on the financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chelsea Property Group, Inc. as of December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

New York, New York
February 15, 2002

Chelsea Property Group, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	December 31, 2001	December 31, 2000
Assets		
Rental properties:		
Land	$160,458	$ 118,238
Depreciable property	967,448	790,106
Total rental property	1,127,906	908,344
Accumulated depreciation	(217,462)	(175,692)
Rental properties, net	910,444	732,652
Cash and cash equivalents	24,604	18,036
Restricted cash- escrows	3,347	-
Investments in unconsolidated affiliates	93,689	91,629
Notes receivable-related parties	3,281	2,216
Deferred costs, net	22,534	14,886
Other assets	41,409	41,895
Total assets	$1,099,308	$ 901,314

Liabilities and stockholders' equity

Liabilities:		
Unsecured bank debt	$ 5,035	$ 35,035
Unsecured notes	373,294	324,542
Mortgage debt	170,209	90,776
Construction payables	8,001	10,001
Accounts payable and accrued expenses	47,039	43,507
Obligation under capital lease	2,141	2,714
Accrued dividend and distribution payable	3,851	3,910
Other liabilities	14,676	18,267
Total liabilities	624,246	528,752
Commitments and contingencies		
Minority interest	115,639	101,203
Stockholders' equity:		
8.375% series A cumulative redeemable preferred stock, $0.01 par value, authorized 1,000 shares, issued and outstanding 1,000 shares in 2001 and 2000 (aggregate liquidation preference $50,000)	10	10
Common stock, $0.01 par value, authorized 50,000 shares, issued and outstanding 18,770 in 2001 and 15,957 in 2000	190	160
Paid-in-capital	444,344	348,141
Distributions in excess of net loss	(82,142)	(76,829)
Accumulated other comprehensive loss	(2,979)	(123)
Total stockholders' equity	359,423	271,359
Total liabilities and stockholders' equity	$1,099,308	$ 901,314

The accompanying notes are an integral part of the financial statements.

Chelsea Property Group, Inc.
Consolidated Statements of Income
(In thousands, except per share data)

	Year ended December 31, 2001	2000	1999
Revenues:			
Base rent	$127,229	$108,123	$98,838
Percentage rent	18,049	17,701	15,647
Expense reimbursements	50,559	44,116	39,748
Other income	11,018	9,963	8,385
Total revenues	206,855	179,903	162,618
Expenses:			
Operating and maintenance	57,791	48,992	43,771
Depreciation and amortization	48,554	42,978	39,716
General and administrative	4,611	4,784	4,853
Other	2,819	2,663	2,128
Total expenses	113,775	99,417	90,468
Income before unconsolidated investments, interest expense and minority interest	93,080	80,486	72,150
Income from unconsolidated investments	15,642	6,723	308
Loss from Chelsea Interactive	(5,337)	(2,364)	-
Loss on writedown of assets	-	-	(694)
Interest expense	(36,865)	(24,459)	(24,208)

Income before minority interest....................	66,520	60,386	47,556
Minority interest..................................	(14,706)	(14,606)	(9,275)
Net income...	51,814	45,780	38,281
Preferred dividend requirement.....................	(4,188)	(4,188)	(4,188)
Net income available to common shareholders.........	$47,626	$41,592	$34,093
Earnings per share			
Basic:			
Net income per common share..........................	$2.83	$2.61	$2.17
Weighted average common shares outstanding	16,839	15,940	15,742
Diluted:			
Net income per common share..........................	$2.74	$2.58	$2.14
Weighted average common shares outstanding	17,355	16,126	15,908

The accompanying notes are an integral part of the financial statements.

Chelsea Property Group, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except per share data)

	Preferred Stock At Par Value	Common Stock At Par Value	Paid-in-Capital	Distrib. in Excess of Net Income	Acc Other Los
Balance December 31, 1998.................	$10	$156	$339,490	($59,265)	$
Net income................................	-	-	-	38,281	
Preferred dividend requirement............	-	-	-	(4,188)	
Cash distributions declared ($2.88 per common share of which $0.86 represented a return of capital for federal income tax purposes)......	-	-	-	(45,426)	
Exercise of stock options.................	-	-	1,286	-	
Shares issued through dividend reinvestment program.................	-	3	5,987	-	
Shares issued in exchange for units of the Operating Partnership..........	-	-	903	-	
Shares issued through Employee Stock Purchase Plan (net of costs)..........	-	-	59	-	
Balance December 31, 1999.................	10	159	347,725	(70,598)	
Net income................................	-	-	-	45,780	
Other comprehensive income					
Foreign currency translation..........	-	-	-	-	(1
Total comprehensive income................	-	-	-	-	
Preferred dividend requirement............	-	-	-	(4,188)	
Cash distributions declared ($3.00 per common share of which $0.33					

represented a return of capital for federal income tax purposes)..........	-	-	-	(47,823)	
Exercise of stock options..................	-	1	310	-	
Shares issued in exchange for units of the Operating Partnership..........	-	-	48	-	
Shares issued through Employee Stock Purchase Plan (net of costs)..........	-	-	58	-	
Balance December 31, 2000.................	10	160	348,141	(76,829)	(
Net income................................	-	-	-	51,814	
Other comprehensive income					
Foreign currency translation	-	-	-	-	(
Interest rate swap....................					(2,
Total comprehensive income................	-	-	-	-	
Preferred dividend requirement............	-	-	-	(4,188)	
Cash distributions declared ($3.12 per common share, all ordinary income)....	-	-	-	(52,939)	
Exercise of stock options..................	-	2	2,020	-	
Shares issued through offerings by the Company.............................	-	26	109,975	-	
Shares issued in exchange for units of the Operating Partnership..........	-	2	2,289	-	
Shares issued through Employee Stock Purchase Plan (net of costs)..........	-	-	128	-	
Revaluation of minority interest...........	-	-	(18,209)	-	
Balance December 31, 2001.................	$10	$190	$444,344	($82,142)	($2,

The accompanying notes are an integral part of the financial statements.

Chelsea Property Group, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year ended December 31, 2001	2000	1999
Cash flows from operating activities			
Net income..	$51,814	$45,780	$38,2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.........................	48,554	42,978	39,7
(Gain) loss on sale or write down of assets...........	(333)	-	6
Equity in earnings of unconsolidated investments in excess of distributions received...........	(2,215)	(1,375)	(
Loss from Chelsea Interactive.........................	5,337	2,364	
Minority interest in net income.......................	14,706	14,606	9,2
Write-off of development costs........................	-	869	
Proceeds from non-compete receivable..................	4,600	4,600	4,6
Amortization of non-compete revenue...................	(5,136)	(5,136)	(5,1
Additions to deferred lease costs.....................	(1,869)	(2,708)	(2,7
Other operating activities............................	(570)	(531)	5
Changes in assets and liabilities:			
Straight-line rent receivable........................	(1,761)	(1,536)	(1,5
Other assets...	965	(5,995)	(3,0
Due from affiliates..................................	(1,924)	(2,878)	
Accounts payable and accrued expenses................	9,555	15,620	7,0
Net cash provided by operating activities..................	121,723	106,658	87,5

Cash flows from investing activities			
Additions to rental properties	(103,521)	(59,980)	(62,1
Proceeds from sale of center	7,100	3,372	4,4
Additions to investments in unconsolidated affiliates	(14,763)	(64,837)	(21,3
Distributions from investments in unconsolidated affiliates in excess of earnings	5,079	-	
Proceeds from sale of investment in unconsolidated affiliate	2,839	-	
Loans to related parties	(2,750)	(3)	(2,2
Payments from related parties	1,685	-	4,5
Additions to deferred development costs	(8,220)	(31)	(7
Net cash used in investing activities	(112,551)	(121,479)	(77,4
Cash flows from financing activities			
Debt proceeds	177,538	246,526	49,0
Repayments of debt	(217,318)	(151,750)	(69,0
Distributions	(72,873)	(67,830)	(60,7
Additions to deferred financing costs	(2,102)	(3,320)	(6
Net proceeds from sale of common stock	112,151	369	7,3
Net proceeds from sale of preferred units	-	-	63,3
Net cash (used in) provided by financing activities	(2,604)	23,995	(10,7
Net increase (decrease) in cash and cash equivalents	6,568	9,174	(7
Cash and cash equivalents, beginning of period	18,036	8,862	9,6
Cash and cash equivalents, end of period	$24,604	$18,036	$8,8

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Organization and Basis of Presentation

Organization

Chelsea Property Group, Inc. (the "Company"), formerly Chelsea GCA Realty, Inc., is a self-administered and self-managed real estate investment trust ("REIT"). The Company is the managing general partner of CPG Partners, L.P., (the "Operating Partnership" or "OP"), formerly Chelsea GCA Realty Partnership, L.P., an operating partnership that specializes in owning, developing, leasing, marketing and managing upscale and fashion-oriented manufacturers' outlet centers (the "Premium Portfolio") and 30 centers acquired on September 25, 2001, containing approximately 4.3 million square feet of gross leasable area ("Other Retail Centers") (collectively the "Properties"). As of December 31, 2001, the Company wholly or partially owned 57 centers in 29 states and Japan containing approximately 12.6 million square feet of gross leasable area("GLA"). The Company's Premium Portfolio included 27 properties containing 8.3 million square feet of GLA. These properties generally are located near metropolian areas including New York City, Los Angeles, Boston, Washington, D.C., San Francisco, Sacramento, Cleveland, Atlanta, Dallas, Portland (Oregon), Tokyo and Osaka, Japan. Some Premium properties are also located within 20 miles of major tourist destinations including Palm Springs, the Napa Valley, Orlando, and Honolulu.

During 2000 the Company developed a technology-based e-commerce platform through an unconsolidated affiliate, Chelsea Interactive, Inc. ("Chelsea Interactive"). This platform provides fashion and other retail brands with their own customized direct-to-the-consumer Internet online stores, incorporating e-commerce design, development, fulfillment and customer services.

Basis of Presentation

Virtually, all of the Company's assets are held by, and all of its operations conducted through, the Operating Partnership. Due to the Company's ability, as the sole general partner, to exercise financial and operational control over the Operating Partnership, the Operating Partnership is consolidated in the accompanying financial statements. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Presentation (continued)

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2001 and 2000, using available market information and appropriate valuation methodologies. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since such date and current estimates of fair value may differ significantly from the amounts presented herein.

2. Summary of Significant Accounting Principles

Rental Properties

Rental properties are presented at cost net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Company uses 25-40 year estimated lives for buildings, and 15 and 5-7 year estimated lives for improvements and equipment, respectively. Expenditures for ordinary maintenance and repairs are charged to operations as incurred, while significant renovations and enhancements that improve and or extend the useful life of an asset are capitalized and depreciated over the estimated useful life. The Company reviews real estate assets for impairment wherever events or changes in circumstances indicate that the carrying value of assets to be held and used may not be recoverable. Impaired assets are reported at the lower of cost or fair value. Assets to be disposed of are reported at the lower of cost or fair value less cost to sell. No impairment write downs were required in 2001 or 2000.

Gains and losses from sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale.

Cash and Equivalents

All demand and money market accounts and certificates of deposit with original terms of three months or less from the date of purchase are considered cash equivalents. At December 31, 2001 and 2000, cash equivalents consisted of repurchase agreements, commercial paper, U.S. Government agency securities, bank liabilities and other corporate and municipal obligations that mature between January and March of the following year. The carrying amount of such investments approximated fair value.

Development Costs

Development costs, including interest, taxes, insurance and other costs incurred in developing new properties, are capitalized. Upon completion of construction, development costs are amortized on a straight-line basis over the useful lives of the respective assets. Development costs related to inactive projects are expensed at such time as the project is deemed abandoned.

Capitalized Interest

Interest, including the amortization of deferred financing costs for borrowings used to fund development and construction, is capitalized as construction in progress and allocated to individual property costs.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Principles (continued)

Foreign Currency Translation

The Company conforms to the requirements of the Statement of Financial Accounting Standards No. 52 entitled "Foreign Currency Translation." Accordingly, assets and liabilities of foreign equity investees are translated at prevailing year-end rates of exchange.

Rental Expense

Rental expense is recognized on a straight-line basis over the initial term of the lease.

Deferred Lease Costs

Deferred lease costs consist of fees and direct internal costs incurred to initiate and renew operating leases, and are amortized on a straight-line basis over the initial lease term or renewal period as appropriate.

Deferred Financing Costs

Deferred financing costs are amortized as interest costs over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is retired before maturity.

Revenue Recognition

Leases with tenants are accounted for as operating leases. Base rent revenue is recognized on a straight-line basis over the lease term according to the provisions of the lease. The excess of rents recognized over amounts contractually due and unpaid rents are included in other assets in the accompanying balance sheets. Certain lease agreements contain provisions for rents that are calculated on a percentage of sales and recorded on the accrual basis. These rents are accrued monthly once the required thresholds per the lease agreement are exceeded. Virtually all lease agreements contain provisions for additional rents representing reimbursement of real estate taxes, insurance, advertising and common area maintenance costs.

Bad Debt Expense

Bad debt expense included in other expense totaled $1.2 million, $0.9 million and $0.8 million for the years ended December 31, 2001, 2000 and 1999, respectively. The allowance for doubtful accounts included in other assets totaled $1.7 million and $1.0 million at December 31, 2001 and 2000, respectively.

Income Taxes

The Company is taxed as a REIT under Section 856(c) of the Internal Revenue Code of 1986, as amended, commencing with the tax year ended December 31, 1993. As a REIT, the Company generally is not subject to federal income tax. To maintain qualification as a REIT, the Company must distribute at least 90% of its REIT taxable income to its stockholders (95% prior to January 1, 2001) and meet certain other requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate rates. The Company may also be subject to certain state and local taxes on its income and property. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. At December 31, 2001 and 2000, the Company was in compliance with all REIT requirements and was not subject to federal income taxes.

2. Summary of Significant Accounting Principles (continued)

Net Income Per Common Share

Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock of 0.5 million in 2001 and 0.2 million in 2000 and 1999.

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

(In thousands, except per share amounts)	2001	2000	1999
Numerator			
Numerator for basic and diluted earnings per share - net income available to common shareholders............	$47,626	$41,592	$34,093
Denominator			
Denominator for basic earnings per share - weighted average shares..	16,839	15,940	15,742
Effect of dilutive securities:			
Stock options......................................	516	186	166
Denominator for diluted earnings per share - adjusted weighted-average share and assumed conversions..........	17,355	16,126	15,908
Per share amounts:			
Net income - basic.................................	$2.83	$2.61	$2.17
Net income - diluted...............................	$2.74	$2.58	$2.14

Stock Option Plan

The Company follows Accounting Principles Board Opinion No. 25 (Accounting for Stock Issued to Employees) and the related interpretations in accounting for its employee stock options. In accordance with SFAS No. 123 (Accounting for Stock-Based Compensation), the Company has provided the required footnote disclosure for the compensation expense related to the fair value of the outstanding stock options.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Principles (continued)

Concentration of Company's Revenue and Credit Risk

Approximately 21%, 23% and 24% of the Company's total revenues for the years ended December 31, 2001, 2000 and 1999, respectively, was derived from Woodbury Common Premium Outlets. The loss of this center or a material decrease in revenues from the center for any reason may have a material adverse effect on the Company. In addition, approximately 28% of the Company's total revenues for the years ended December 31, 2001 and 2000 and 30% for the year ended December 31, 1999 were derived from the Company's centers in California.

Management of the Company performs ongoing credit evaluations of its tenants and requires certain tenants to provide security deposits. Although the Company's tenants operate principally in the retail industry, there is no dependence upon any single tenant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Minority Interest

Minority interest is comprised of the following:

The common unitholders' interest in the OP which was issued in exchange for the assets contributed to the OP on November 2, 1993 and additional units exchanged for property acquisitions during 1997. The unitholders' interest at December 31, 2001 and 2000, was 14.4% and 17.4% (3,150,000 units and 3,352,000 units), respectively. Common shares are reserved for the potential conversion of the units. Units may be exchanged for shares of the Company's common stock on a one for one basis. Upon exchange, shares are valued at the book value of the units on the date of the exchange. During the years ended December 31, 2001, 2000 and 1999, the Company made the following distributions per unit:

	2001	2000	1999
Distributions per unit	$3.12	$3.00	$2.88
Return of capital	-	(0.33)	(0.86)
Ordinary income	$3.12	$ 2.67	$2.02

The preferred unitholder's interest in the OP which was issued in a private sale of $65 million of Series B Cumulative Redeemable Preferred Units to an institutional investor in September 1999.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Principles (continued)

Comprehensive Income

In 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income" ("Statement 130"). Statement 130 established standards for reporting comprehensive income and its components in a full set of general-purpose financial statements. Statement 130 requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. At December 31, 2001, other comprehensive loss included as a reduction to stockholders equity and minority interest was a $3.1 million loss related to an interest rate swap and a $0.4 million loss related to a foreign currency exchange rate on receivables.

Derivative/Financial Instruments

In the normal course of business, the Company uses a variety of derivative financial instruments to manage, or hedge, interest rate and foreign currency risk. The Company requires that hedging derivative instruments are effective in reducing the interest rate or foreign currency risk exposure as they are designated. This effectiveness is an essential for hedge accounting under accounting principles generally accepted in the United States. Derivative instruments may be associated with the hedge of an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income each period until the instrument matures or is terminated or assigned. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market each period in net income.

To determine the fair values of derivative instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which are effective January 1, 2002. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. The Statement requires goodwill and intangible assets be tested for impairment. The adoption of these statements will have no impact on the Company's results of operations or its financial position.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Principles (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") which is effective January 1, 2003. SFAS 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The Company does not expect this pronouncement to have a material impact on the Company's results of operations or financial position.

In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This standard harmonizes the accounting for impaired assets and resolves some of the implementation issues as originally described in SFAS 121. The new standard becomes effective for the Company January 1, 2002. The Company does not expect this pronouncement to have a material impact on the Company's results of operations or financial position.

Reclassifications

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

3. Acquisitions and Dispositions

On September 25, 2001, the Company acquired 32 shopping centers from Konover Property Trust, Inc. and its affiliates ("Konover"). The purchase price was $182.5 million, including the assumption of $131.0 million of non-recourse debt. This purchase price was preliminarily allocated to each of the centers. One of these centers was acquired subject to a repurchase agreement and was sold back to Konover on December 3, 2001, at the established cost basis of $2.5 million. One of the centers acquired meets the Company's criteria for classification as a Premium Portfolio center. The other 30 centers contain 4.3 million square feet and are classified as Other Retail Centers. The accompanying financial statements include the operations of the acquired centers from the acquisition date.

The following condensed pro forma (unaudited) information assumes the acquisition had occurred on January 1, 2000 and that the sale of 545,000 common shares also occurred on January 1, 2000:

	Year Ended December 31, 2001	2000
Total revenue	$242,726	$228,679
Net income to common shareholders	53,948	51,736
Earnings per share:		
Basic:		
Net income to common shareholders	$3.14	$3.14
Weighted average common shares outstanding	17,157	16,485
Diluted:		
Net income to common shareholders	$3.05	$3.10
Weighted average common shares outstanding	17,673	16,671

In October 2001 the OP sold the 35,000 square feet center, Mammoth Premium Outlets to a third party and recognized a loss of approximately $0.3 million which is included in other income in the accompanying financial statements.

4. Rental Properties

The following summarizes the carrying values of rental properties as of December 31 (in thousands):

	2001	2000
Land and improvements	$328,324	$281,400
Buildings and improvements	775,309	608,730
Construction-in-progress	9,356	5,587
Equipment and furniture	14,917	12,627
Total rental property	1,127,906	908,344
Accumulated depreciation and amortization	(217,462)	(175,692)
Total rental property, net	$910,444	$732,652

Interest costs capitalized as part of buildings and improvements were $2.0 million, $5.4 million and $3.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Commitments for land, new construction, development, and acquisitions, excluding separately financed joint venture activity, totaled approximately $6.3 million and $12.8 million at December 31, 2001 and 2000, respectively.

Depreciation expense (including amortization of the capital lease) amounted to $42.9 million, $38.5 million and $35.6 million for the years ended December 31, 2001, 2000 and 1999, respectively.

5. Restricted Cash-Escrows

Restricted cash escrows includes $1.2 million of escrows and reserve funds for real estate taxes, property insurance, capital and tenant improvements and leasing costs established pursuant to certain mortgage financing agreements and $2.1 million funds held in escrow pursuant to certain loan guarantee arrangements with an unconsolidated investee of the Company.

6. Investments in Affiliates

The OP holds interests in several domestic and international joint ventures. Non-controlling investments are accounted for under the equity method. Equity in earnings or losses of these affiliates and related management advisory, license and guarantee fees earned are included in income from unconsolidated investments and loss from Chelsea Interactive in the consolidated financial statements.

On December 22, 2000, the OP and Fortress Registered Investment Trust ("Fortress") acquired four outlet centers from a competitor, through a joint venture known as F/C Acquisition Holdings, LLC ("F/C Acquisition") in which the OP has a 49% interest. The total purchase price was $240 million, including the assumption of approximately $174 million of 6.99% fixed-rate non-recourse mortgage debt due in 2008. In connection with the acquisition, the OP made an initial capital contribution of $32.0 million and subsequently made an additional $0.9 million contribution. The four premium outlet centers contain approximately 1.6 million square feet of gross leasable area and are located in Gilroy, California, Michigan City, Indiana, Waterloo, New York and Kittery, Maine. The Kittery, Maine center is subject to a ground lease that terminates in October 2009 with eight extension options of five years each. The OP is primarily responsible for the day-to-day operations of the joint venture. Under the terms of the three-year renewable Property Management Agreement, the OP and its subsidiary are compensated for management and leasing services. Under the terms of the Partnership Agreement with Fortress net income or loss and distributions are allocated in accordance with the members' equity interests.

Notes to Financial Statements (continued)

6. Investments in Affiliates (continued)

In June 1999, the OP entered into an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The OP has a 40% interest in the joint venture that is known as Chelsea Japan Co., Ltd. ("Chelsea Japan"). In conjunction with the agreement, the OP contributed $1.7 million in equity and will provide its share of construction financing and/or loan guarantees. Chelsea Japan opened its initial project, the 220,000 square-foot first phase of Gotemba Premium Outlets, on July 13, 2000. Gotemba is located on the Tomei Expressway, approximately 60 miles west of Tokyo and midway between Mt. Fuji and the Hakone resort area. Chelsea Japan opened its second project, the 180,000 square-foot first phase of Rinku Premium Outlets on November 23, 2000. The center is located outside Osaka, the second-largest city in Japan.

In May 1997, the OP and Simon Property Group, Inc. ("Simon") entered into a joint venture agreement to develop and acquire high-end outlet centers in the United States. The OP and Simon agreed to be co-managing general partners, each with 50% ownership interest in the joint venture and any entities formed with respect to a specific project. Orlando Premium Outlets ("OPO"), a 428,000 square foot 50/50 joint venture that was completed in May 2000, is the only project completed pursuant to this agreement. OPO is located on Interstate 4, midway between Walt Disney World/EPCOT and Sea World in Orlando. The OP has primary responsibility for the day-to-day operations of the center for which it receives a management fee.

The Company has minority interests ranging from 5 to 15% in several outlet centers and outlet development projects in Europe. Five outlet centers, containing approximately 900,000 square feet of GLA, including Bicester Village, outside London, England, La Roca Company Stores outside of Barcelona, Spain, Las Rozas Village outside Madrid, Spain and La Vallee near Disneyland Paris and Maasmechelen Village in Belgium are currently open and operated by Value Retail PLC and its affiliates. One new European project and expansions of two existing centers are in various stages of development and are expected to open within the next two years. The Company sold a portion of its Bicester Village holding to a third party, resulting in a gain of $1.8 million which is included in earnings from unconsolidated investments in the accompanying financial statements.

The Company has a 15% minority interest in a partnership that owns an outlet center located in Guam. The center has been generating operating losses and the Company does not anticipate recovering its investment. In December 2001, the Company wrote down its investment in Guam and recognized a loss of $1.2 million which is included in earnings from unconsolidated investments in the accompanying financial statements. The Company continues to be a partner in the Guam outlet center.

The Company owns 100% of the non-voting preferred stock of Chelsea Interactive, Inc. ("Chelsea Interactive"). The Company also owns 50% of the non-voting common stock representing 40% of the total common stock. Chelsea Interactive, as an unconsolidated investment, has been developing a new technology-based e-commerce platform that provides fashion and other retail brands their own customized direct-to-the-consumer Internet online stores, incorporating e-commerce design, development, fulfillment and customer services. In consideration for such services, Chelsea Interactive is receiving a percentage of each brand's online sales. There is no assurance that this concept will be successful or the future impact on the Company's financial condition or results of operations.

Notes to Financial Statements (continued)

6. Investments in Affiliates (continued)

The following is a summary of investments in and amounts due from affiliates during the years ended December 31, 2001 and 2000(in thousands):

	F/C	Chelsea Japan	Simon	Chelsea Interactive	Other	Total
Balance 12/31/99..........	-	$ 2,010	$12,536	$ 3,217	$ 6,065	$23,828
Initial investment........	$32,009	-	-	-	-	32,009
Additional Investment.....	917	2,133	510	29,046	384	32,990
Income (loss) from unconsolidated investments...........	188	3,211	2,991	(2,364)	333	4,359
Distribution and fees..............	(35)	(2,426)	(2,667)	-	(333)	(5,461)
Advances (net)............	35	1,317	2,552	-	-	3,904
Balance 12/31/00..........	33,114	6,245	15,922	29,899	6,449	91,629
Additional Investment..........	1,528	674	-	9,934	-	12,136
Income (loss) from unconsolidated investments...........	6,522	3,286	5,492	(5,337)	(275)	9,688
Distribution and fees..................	(6,088)	(2,222)	(10,745)	-	-	(19,055)
Sale of investment........	-	-	-	-	(2,839)	(2,839)
Gain on sale and (impairment loss)...................	-	-	-	-	617	617
Advances (net)............	1,042	1,313	(946)	360	(256)	1,513
Balance 12/31/01	$ 36,118	9,296	$9,723	$ 34,856	$3,696	$ 93,689

The Company's share of income before depreciation, depreciation expense and income from unconsolidated investments for the years ended December 31, 2001 and 2000 are as follows (in thousands):

	2001	2000
	Inc.	Inc.

	Income (loss) Before Depr.	Depr.	(loss) from Unconsol. Inv.	Income (loss) Before Depr.	Depr.	(loss) from Unconsol. Inv.
F/C..................	$9,214	$2,692	$6,522	$259	$71	$188
Chelsea Japan........	4,676	1,390	3,286	3,905	694	3,211
Simon................	7,374	1,882	5,492	4,250	1,259	2,991
Other................	342	-	342	333	-	333
Total............	$21,606	$5,964	$15,642	$8,747	$2,024	$6,723
Chelsea Interactive....	($2,449)	$2,888	($5,337)	($1,719)	$645	($2,364)

The Company had $0.3 million income from unconsolidated investments during the year ended December 31, 1999 from its other investments.

Notes to Financial Statements (continued)

6. Investments in Affiliates (continued)

Condensed financial information as of December 31, 2001 and for the year then ended for F/C, Chelsea Japan and Simon (which are included in Retail) and Chelsea Interactive is as follows:

	Retail	Chelsea Interactive
Property, plant and equipment (net)...............	$355,427	$29,923
Total assets......................................	409,944	34,963
Long term debt....................................	282,057(1)	-
Total liabilities.................................	321,854	2,665
Net income (loss).................................	20,812	(11,976)
Company's share of net income (loss)..............	10,013	(5,337)
Fee income..	5,286	-

(1) Includes long-term debt of $170.5 million in F/C, $58.5 million in Simon and $53.1 million in Chelsea Japan.

7. Deferred Costs

The following summarizes the carrying amounts for deferred costs as of December 31, 2001 and 2000 (in thousands):

	2001	2000
Lease costs.......................................	$24,152	$22,546
Financing costs...................................	16,977	14,875
Development costs.................................	8,349	129
Other...	871	871
Total deferred costs..............................	50,349	38,421
Accumulated amortization..........................	(27,815)	(23,535)
Total deferred costs, net.........................	$22,534	$14,886

Notes to Financial Statements (continued)

8. Non-Compete Agreement

In October 1998 the Company sold its interest in and terminated the development of Houston Premium Outlets, a joint venture project with Simon. Under the terms of the agreement, the Company received non-compete payments totaling $21.4 million from The Mills Corporation; $3.0 million at closing and four annual installments of $4.6 million, terminating in January 2002. The revenue is being recognized on a straight-line basis over the term of the non-compete agreement and the Company recognized income of $5.1 million during the years ended December 31, 2001, 2000 and 1999. Such amounts are included in other income in the accompanying financial statements.

9. Debt

Unsecured Bank Debt

The Company has a $160 million senior unsecured bank line of credit (the "Senior Credit Facility"). The Senior Credit Facility had an initial expiration date of March 30, 2001 and was extended through March 2004. The Company has an annual right to request a one-year extension of the Senior Credit Facility that may be granted at the option of the lenders. The Senior Credit Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (4.21% at December 31, 2001) or the prime rate, at the Company's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the Company's Senior Debt rating. A fee on the unused portion of the Senior Credit Facility is payable quarterly at rates ranging from 0.15% to 0.25% depending on the balance outstanding. At December 31, 2001, the entire $160 million was available under the Senior Credit Facility.

The Company also has a $5 million term loan (the "Term Loan") that carries the same interest rate and maturity as the Senior Credit Facility.

Unsecured Notes

A summary of the terms of the unsecured notes outstanding as of December 31, 2001 and 2000 is as follows:

	December 31, 2001	December 31, 2000	Effective Yield (1)
7.75% Unsecured Notes due January 2001.....	$ -	$99,987	7.85%
8.375% Unsecured Notes due August 2005.....	49,892	49,877	8.44%
7.25% Unsecured Notes due October 2007.....	124,809	124,776	7.29%
8.625% Unsecured Notes due August 2009.....	49,923	49,902	8.66%
8.25% Unsecured Notes due February 2011....	148,670	-	8.40%
Total	$373,294	$324,542	

(1) Including discount on the notes

Mortgage Debt

A summary of the terms of the mortgage debt outstanding as of December 31, 2001 and 2000, and the related Net Book Value of the associated collateral ("NBV") and interest rate as of December 31, 2001 are as follows:

Notes to Financial Statements (continued)

9. Debt (continued)

Mortgage Debt

	December 31, 2001	December 31, 2000	Due Date	Interest Rate	NBV
Construction Loan (1)	$29,531	$21,526	February 2003	3.33%	$45,625
Bank Mortgage Loan (2)	68,250	69,250	April 2010	7.26%	74,462
Mortgage Loan (3)	72,428	-	December 2012	7.67%	75,421
	$170,209	$90,776			$195,508

(1) In February 2000 Chelsea Allen entered into a $40.0 million Construction Loan used to fund the Allen Premium Outlets project. The Construction Loan bears interest equal to LIBOR plus 1.375% (3.33% at December 31, 2001) and is guaranteed by the Company and the OP.

(2) In April 2000 Chelsea Financing entered into a $70.0 million Bank Mortgage Loan secured by its four properties. The Bank Mortgage Loan bears interest equal to LIBOR plus 1.50% (3.64% at December 31, 2001) or prime rate plus 1.0% and calls for quarterly principal amortization of $ 0.3 million through April 2005 and thereafter $0.5 million per quarter until maturity. In December 2000, the Company entered into an interest rate swap agreement effective January 2, 2001 to hedge against unfavorable fluctuations in LIBOR rates by fixing the interest rate at 7.26% until January 2006. As of December 31, 2001, the Company recognized net interest expense of $1.2 million on the hedge that is included in interest expense in the accompanying financial statements.

(3) The Mortgage Loan was assumed as part of the September 25, 2001, Konover acquisition. The stated interest rate of 9.1% was greater than that available to the Company in the public debt markets. Accordingly the Company recorded a $6.9 million debt premium that will be amortized over the period of the loan and which reduces the effective interest rate to 7.67%. The loan calls for fixed monthly debt service payments of $0.5 million for interest plus principal based on a 26-year amortization schedule. The Mortgage Loan matures in March 2028 but can be prepaid beginning December 2012. As of December 31, 2001, the Company recognized $0.1 million in debt premium amortization that is included in interest expense in the accompanying financial statements.

In connection with the September 25, 2001, Konover acquisition, the Company assumed $65.2 million in REMIC loans that included Class A, B and C Loans with a blended stated fixed interest rate of 7.85%. The Company received a $0.5 million interest rate spread credit at closing, reducing the effective annual interest rate to 3.71%. The Loans were repaid on December 3, 2001.

Following is a schedule of the estimated fair value of the Company's debt using current broker quotations at December 31, 2001 (in thousands):

Description	Carrying Value	Principal Balance	Estimated Fair Value
Fixed Rate Debt	$445,722	$440,678	$459,970
Variable Rate Debt	$102,816	$102,816	$102,816

Interest paid, excluding amounts capitalized, was $34.5 million, $21.7 million and $24.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Notes to Financial Statements (continued)

9. Debt (continued)

Following is a schedule of the Company's debt maturities, including debt premium amortization, as of December 31, 2001:

2002...........	$1,945
2003...........	31,553
2004...........	7,123
2005...........	52,834
2006...........	3,288
Thereafter......	451,795
	$548,538

10. Financial Instruments: Derivatives and Hedging

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company limits these risks by following established risk management policies and procedures including the use of derivatives. For interest rate exposures, derivatives are used primarily to align rate movements between interest rates associated with the Company's leasing income and other financial assets with interest rates on related debt, and manage the cost of borrowing obligations. For foreign currency exposures, derivatives are used primarily to align movements between currency rates to protect forecasted returns of fees to the U.S.

The Company has a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, the Company has not sustained a material loss from those instruments nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives.

To manage interest rate and foreign currency risk, the Company may employ options, forwards, interest rate swaps, caps and floors or a combination thereof depending on the underlying exposure. The Company undertakes a variety of borrowings: from lines of credit, to medium- and long-term financings. To reduce overall interest cost, the Company uses interest rate instruments, typically interest rate swaps, to convert a portion of variable rate debt to fixed rate debt, or even a portion of its fixed-rate debt to variable rate. Interest rate differentials that arise under these swap contracts are recognized in interest expense over the life of the contracts. The resulting cost of funds is usually lower than that which would have been available if debt with matching characteristics was issued directly.

Interest rate swaps that are designated as cash flow hedges hedge the future cash outflows on debt. Interest rate swaps that convert variable payments to fixed payments, interest rate caps, floors, collars, and forwards are cash flow hedges. Unrealized gains and losses in the fair value of cash flow hedges are reported on the balance sheet with a corresponding adjustment to Accumulated Other Comprehensive Income to the extent they are offsetting and otherwise qualify in the period for cash flow hedge accounting. Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income will be reclassified to earnings. This reclassification occurs over the same time period in which the hedged items affect earnings. The Company hedges its exposure to variability in future cash flows for forecasted transactions other than those associated with existing floating-rate debt over a maximum period of 12 months. During the forecast period, unrealized gains and losses in the hedging instrument will be reported in Accumulated Other Comprehensive Income. Once the hedged transaction takes place, the hedge gains and losses will be reported in earnings during the same period in which the hedged item is recognized in earnings.

Notes to Financial Statements (continued)

10. Financial Instruments: Derivatives and Hedging (continued)

The notional value and fair value of the swap provide an indication of the extent of the Company's involvement in financial derivative instruments at December 31, 2001. It does not represent exposure to credit, interest rate or market risks. At year end, the swap was reported at its fair value and classified as other liabilities of $3.1 million. As of December 31, 2001, there were $3.1 million in deferred losses, and represented in other comprehensive income, a shareholder's equity account and minority interest. Within the next twelve months, the Company expects to reclassify to earnings approximately $0.8 million of the current balance held in accumulated other comprehensive loss and minority interest related to the interest rate swap.

	As of December 31, 2001			
Hedge Type	Notional Value	Rate	Maturity	Fair Value
Swap, Cash Flow	$68.3 mil	5.7625%	1/1/06	($3.1 mil)

In March 2001, the Company entered into a yen forward contract with a notional value of $1.4 million and a fair value of $0.04 million as a hedge against its yen-denominated receivable. On June 21, 2001 the receivable and yen forward contract were settled and the Company received $1.4 million.

11. Preferred Units

In September 1999, the OP completed a private sale of $65 million of Series B Cumulative Redeemable Preferred Units ("Preferred Units") to an institutional investor. The private placement took the form of 1.3 million Preferred Units at a stated value of $50 each. The Preferred Units may be called at par on or after September 2004, have no stated maturity or mandatory redemption and pay a cumulative quarterly dividend at an annualized rate of 9.0%. The Preferred Units are exchangeable into Series B Cumulative Redeemable Preferred Stock of the Company after ten years. The proceeds from the sale were used to pay down borrowings under the Senior Credit Facility. Activity related to the Preferred Units is included in minority interest.

12. Preferred Stock

In October 1997, the Company issued 1.0 million shares of non-voting 8.375% Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock"), par value $0.01 per share, having a liquidation preference of $50 per share. The Preferred Stock has no stated maturity and is not convertible into any other securities of the Company. The Preferred Stock is redeemable on or after October 15, 2027 at the Company's option. Net proceeds from the offering were used to repay borrowings under the Company's Credit Facilities. On February 15, 2002 the Company redeemed and retired 136,500 shares of Preferred Stock at a net price of $47 per share.

13. Common Stock

In July 2001, the Company completed the sale of 545,000 shares of common stock to an institutional investor at a net price of $46 per share, yielding net proceeds of $24.8 million that were used to partially fund the acquisition of the Konover assets and for general corporate purposes.

In October 2001, the Company sold two million shares of common stock at a price of $45 per share, yielding net proceeds of $85.2 million, which were used to repay borrowings under the Company's Senior Credit Facility and for general corporate purposes.

14. Lease Agreements

The Company is the lessor and sub-lessor of retail stores under operating leases with term expiration dates ranging from 2002 to 2020. Most leases are renewable for five years after expiration of the initial term at the lessee's option. Future minimum lease receipts under non-cancelable operating leases as of December 31, 2001, exclusive of renewal option periods, were as follows (in thousands):

2002	$141,156
2003	127,544
2004	106,834
2005	82,691
2006	59,433
Thereafter	147,328
	$664,986

In 1987, a predecessor partnership entered into a lease agreement for property in California. Land was estimated to be approximately 37% of the fair market value of the property, and accordingly the portion of the lease attributed to land is classified as an operating lease. The portion attributed to building is classified as a capital lease as the present value of payments related to the building exceeded 90% of its fair value at inception of the lease. The initial lease term was 25 years with two options of 5 and 4 1/2 years, respectively. The lease provides for additional rent based on specific levels of income generated by the property. No additional rental payments were incurred during 2001, 2000 or 1999. The Company has the option to cancel the lease upon six months written notice and six months advance payment of the then fixed monthly rent. If the lease is canceled, the building and leasehold improvements revert to the lessor. In August 1999, the Company amended its capital lease to reduce rent payments through December 2004 resulting in a writedown of the asset and obligation of $2.7 million and $6.0 million, respectively. The difference of $3.3 million will be recognized on a straight-line basis over the remaining term of the amended lease that ends December 2004.

Operating Leases

Future minimum rental payments under operating leases for land and administrative offices as of December 31, 2001 are as follows (in thousands):

2002	$1,546
2003	1,473
2004	1,480
2005	917
2006	52
	$5,468

Rental expense amounted to $0.8 million, $0.6 million and $0.9 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Notes to Financial Statements (continued)

14. Lease Agreements (continued)

Capital Lease

A leased property included in rental properties at December 31 consists of the following (in thousands):

	2001	2000
Building..............................	$6,796	$6,796
Less accumulated amortization..........	(5,520)	(5,175)
Leased property, net..................	$1,276	$1,621

Amortization expense on capital lease of $0.3 million for the years ended December 31, 2001, 2000 and 1999, is included in depreciation and amortization expense in the financial statements.

Future minimum payments under the capitalized building lease, including the present value of net minimum lease payments as of December 31, 2001 are as follows (in thousands):

2002...	$ 819
2003...	819
2004...	819
Total minimum lease payments..........................	2,457
Amount representing interest..........................	(316)
Present value of net minimum capital lease payments....	$2,141

Ground Lease

In connection with the Konover acquisition the OP acquired four properties subject to ground leases that were assumed by the OP. These ground leases have termination dates ranging from 2007 to 2087 and allow for renewal terms of 4 to 30 years.

Future minimum lease payments under ground leases as of December 31, 2001 exclusive of renewal option periods were as follows (in thousands):

2002..............	$ 398
2003.............	409
2004.............	415
2005.............	415
2006.............	415
Thereafter........	17,241
	$19,293

15. Commitments and Contingencies

The 50/50 OPO joint venture with Simon has a $58.5 million (maximum commitment $62.0 million) construction facility that was to mature in February 2002 and which was extended to August 2002. The loan has three additional six-month extension options. The loan bears interest at LIBOR plus 1.30% (3.32% at December 31, 2001) and is 10% guaranteed by each of the Company and Simon. Changes in debt service coverage ratio provide for a guarantee ranging from 10% to 25% per guarantor and a LIBOR interest rate spread ranging from 130 to 150 basis points.

Notes to Financial Statements (continued)

15. Commitments and Contingencies (continued)

In October 1999, an equity investee of the Company entered into a 4 billion yen (approximately US $30.4 million) line of credit guaranteed by the Company and OP to fund its share of Chelsea Japan's construction costs. The line of credit bears interest at yen LIBOR plus 1.35% (1.45% at December 31, 2001) is due April 2002 and has two one-year extensions. At December 31, 2001, 1.08 billion yen (approximately US $8.2 million) was outstanding under the loan. In March 2000, Chelsea Japan entered into a 3.8 billion yen (approximately US $28.9 million) loan with a bank to fund construction costs. As of December 31, 2001, the entire facility was outstanding and bears interest at 2.20%. The loan is secured by the two operating properties and is 40% guaranteed by the Company.

The Company has agreed under a standby facility to provide up to $22.0 million in limited debt service guarantees for loans provided to Value Retail PLC and affiliates, to construct outlet centers in Europe. The term of the standby facility expired in November 2001 and guarantees shall not be outstanding for longer than five years after project completion. As of December 31, 2001, the Company had provided limited debt service guarantees of approximately $17.0 million to Value Retail PLC. In October 2001, the guarantee limit was increased to $24.1 million until April 2002 at which time it will revert to $22.0 million. The Company received $2.1 million collateral for this short-term increase that will revert back to Value Retail in April 2002. Such escrow is included in restricted cash-escrows and other liabilities in the accompanying financial statements.

Accrued expenses and other liabilities include $14.4 million and $10.5 million at December 31, 2001 and 2000, respectively, related to a five year deferred incentive compensation program that ended as of December 31, 2001. Certain key officers will be paid on March 1, 2002.

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation arising in the ordinary course of business. Management believes the costs incurred by the Company related to any of its litigation will not be material and have been adequately provided for in the consolidated financial statements.

16. Related Party Information

In 1999, the OP established a $6.0 million secured loan facility that will expire on June 2004 for the benefit of certain unitholders. Each unit holder issued a note that is secured by OP units, bears interest at a rate of LIBOR plus 200 basis points per annum, payable quarterly and is due by the facility expiration date. At December 31, 2001 and 2000, loans made to two unitholders, who are also affiliates of management of the Company, totaled $3.2 million and $2.2 million respectively. During 2001 the Company received a $1.2 million repayment of one loan and $0.5 million pay down on the other loan outstanding at December 31, 2000. On January 31, 2002 the Company received an additional $0.3 million against one of the two loans. In September 2001 the Company advanced $2.7 million to another unitholder to acquire approximately a 10% non-voting equity interest in Chelsea Interactive from the non-affiliated joint venture partner. The carrying amount of such loans approximated fair value at December 31, 2001.

Notes to Financial Statements (continued)

16. Related Party Information (continued)

The Company leased space to related parties of approximately 56,000 square feet during the years ended December 31, 2001, 2000 and 1999. Rental income from those tenants, including reimbursement for taxes, common area maintenance and advertising, totaled $2.1 million, $1.9 million and $1.8 million during the years ended December 31, 2001, 2000 and 1999, respectively.

At December 31, 2001 and 2000 the Company had receivables from equity investees of $0.9 million and $4.2 million, respectively, that is included in other assets.

In August 1997, the Company and one of its directors entered into a Consulting Agreement pursuant to which the director agreed to perform services for the Company in connection with the development and operation of manufacturers outlet centers in Japan and Hawaii. The agreement provided for payments to the director of $10,000 per month and was terminated by the Company in December 1999. In addition, during the agreement and for four years after the termination of the agreement, the director will be entitled to a fee of 1% of the development costs, up to a maximum amount of $0.5 million per project, on all projects in which he was involved in Japan or Hawaii. Fees paid under this agreement totaled $0.5 million for each of the years ended December 31, 2001 and 2000 and $0.1 million for the year ended December 31, 1999. These fees are included in the investment in affiliates in the accompanying financial statements.

Certain Directors and unitholders guarantee Company obligations, which existed prior to the formation of the Company, under leases for one of the properties. The Company has indemnified these parties from and against any liability that they may incur pursuant to these guarantees.

17. Dividend Reinvestment Plan

Shareholders who own at least 100 shares of the Company's common stock are eligible to reinvest dividends quarterly. Administration costs associated with the plan are paid by the Company.

18. Stock Option Plans

The Company elected Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25") and related Interpretations in accounting for its employee stock options. Under APB No. 25, no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, management believes the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The Company's 1993 Stock Option Plan (the "1993 Plan") provides for an aggregate of 1.4 million authorized shares reserved for issuance. The Company's 2000 Stock Option Plan (the "2000 Plan") was adopted by the Board of Directors in March 2000 and also provides for an aggregate of 1.4 million authorized shares reserved for issuance. Under both Plans, the exercise price per share of initial grants of non-qualified options will be fixed by the Compensation Committee on the date of grant. The exercise price per share of incentive stock options will not be less than the fair market value of the common stock on the date of grant, except in the case of incentive stock options granted to individuals owning more than 10% of the total voting shares of the Company. Their exercise price will be at least 110% of the fair market value at the date of grant. Non-qualified and incentive stock options are exercisable for a period of ten years from the date of grant. Under the 1993 Plan, 20% of the options may be exercised on the first anniversary of the grant date and an additional 20% may be exercised on or after each of the second through fifth anniversaries. Under the 2000 Plan, options shall be exercisable by the holder at such times as may be fixed by the Compensation Committee.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2001, 2000 and 1999; respectively: risk- free interest rate of 5% for 2001 and 6% for 2000 and 1999; volatility factor of the expected market price of the Company's common stock based on historical results of 0.236, 0.397 and 0.164 and dividend yield of 7% in 2001 and 8% in 2000 and 1999, respectively, and an expected life option of four years for the 1993 Plan and three years for the 2000 Plan. The Company granted options in 2001 of 70,000 shares at $41.25 on March 14, 2001 under the 2000 Plan and in 2000 granted 15,000 shares at $30.25 on January 3, 2000 under the 1993 Plan and 480,000 shares at $27.81 on April 1, 2000 under the 2000 Plan. The options issued in 2001 will expire in 2011 and those issued in 2000 will expire in 2010. No options were granted during 1999.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands except for earnings per share information):

	2001	2000	1999
Pro forma net income	$46,657	$40,467	$33,853
Pro forma earnings per share:			
Basic	$2.77	$2.54	$2.15
Diluted	$2.69	$2.51	$2.13

A summary of the Company's stock option activity, and related information for the years ended December 31 follows:

	2001		2000		1999	
	Options (000's)	Wtd-avg Ex. price	Options (000's)	Wtd-avg Ex. price	Options (000's)	Wtd-avg Ex. price
Outstanding beginning of year	1,486.1	$28.87	1,009.2	$29.26	1,061.6	$28.97
Granted	70.0	41.25	495.0	$27.89	-	-
Exercised	(62.1)	34.95	(18.1)	$23.38	(52.4)	$23.38
Outstanding end of year	1,494.0	$29.36	1,486.1	$28.87	1,009.2	$29.26
Exercisable at end of year	955.0	$28.04	786.1	$27.40	695.2	$26.35
Weighted average fair value of options granted during the year	$5.08		$5.26		-	

Exercise prices for options outstanding as of December 31, 2001 ranged from $23.38 to $41.25 per share. The weighted average remaining contractual life of the options was 5.7 years.

19. Employee Stock Purchase Plan

The Company's Board of Directors and shareholders approved an Employee Stock Purchase Plan (the "Purchase Plan"), effective July 1, 1998. The Purchase Plan covers an aggregate of 500,000 shares of common stock. Eligible employees have been in the employ of the Company or a participating subsidiary for six months or more and customarily work more than 20 hours per week. The Purchase Plan excludes employees who are "highly compensated employees", as defined, or own 5% or more of the voting power of the Company's stock. Eligible employees will purchase shares through automatic payroll deductions up to a maximum of 10% of weekly base pay. The Purchase Plan will be implemented by consecutive three-month offerings (each an "Option Period"). The price at which shares may be purchased shall be the lower of (a) 85% of the fair market value of the stock on the first day of the Option Period or (b) 85% of the fair market value of the stock on the last day of the Option Period. As of December 31, 2001, 45 employees were enrolled in the Purchase Plan and $5,100 expense has been incurred and is included in the Company's general and administrative expense. The Purchase Plan will terminate after five years unless terminated earlier by the Board of Directors.

20. 401(k) Plan

The Company maintains a defined contribution 401(k) savings plan (the "Plan"), which was established to allow eligible employees to make tax-deferred contributions through voluntary payroll withholdings. All employees of the Company are eligible to participate in the Plan after completing six months of service and attaining age 21. Employees who elect to enroll in the Plan may elect to have from 1% to 15% of their pre-tax gross pay contributed to their account each pay period. As of January 1, 1998 the Plan was amended to include an employer discretionary matching contribution in an amount not to exceed 100% of each participant's first 6% of yearly compensation to the Plan. Matching contributions of approximately $128,000 in 2001, $141,000 in 2000 and $97,000 in 1999 are included in the Company's general and administrative expense.

21. Quarterly Financial Information (Unaudited)

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during 2001 and 2000:

	March 31	June 30	September 30	Decembe
2001				
Base rental revenue...........................	$28,751	$28,651	$30,528	$39,2
Total revenues................................	44,824	46,297	49,065	66,6
Net income available to common shareholders....	8,506	9,474	11,838	17,8
Net income per weighted average common share (diluted)....................	$0.53	$0.57	$0.69	$0.
2000				
Base rental revenue...........................	$26,252	$26,607	$26,867	$28,3
Total revenues................................	39,595	42,050	44,566	53,6
Net income available to common shareholders....	7,781	8,720	10,894	14,1
Net income per weighted average common share (diluted)....................	$0.49	$0.54	$0.67	$0.

22. Segment Information

The Company is principally engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers and has determined that under SFAS No.131 "Disclosures About Segments of an Enterprise and Related Information" it has three reportable retail real estate segments: premium domestic, other domestic and international in 2001. The Company evaluates real estate performance and allocates resources based on Net Operating Income ("NOI") defined as total revenue less operating and maintenance expense. The primary sources of revenue are generated from tenant base rents, percentage rents and reimbursement revenue. Operating expenses primarily consist of common area maintenance, real estate taxes and promotional expenses. The retail real estate business segments meet the quantitative threshold for determining reportable segments.

For the year ended December 31, 2001	Domestic Premium	Domestic Other	International	Other	Total
		(1)	(2)	(3)	
Total revenues....	$187,588	$ 12,196	$ -	$ 7,071	$ 206,855
Interest income...	848	45	-	1,913	2,806
Interest from unconsolidated investments......	12,014	-	3,628	(5,337)	10,305
NOI...............	148,570	5,021	6,562	1,849	162,002
Fixed assets additions.......	36,848	181,729	-	1,159	219,736

Total assets......	866,738	194,406	15,092	23,072	1,099,308

(1) Approximately 25% of the Retail Domestic Other GLA is leased to one tenant from which approximately 15% of the annualized revenues are derived.

(2) Principally comprised of the Company's equity interest in Chelsea Japan.

(3) Includes results of corporate assets and Chelsea Interactive.

The Company operated in one segment in 2000.

Following is a reconciliation of net operating income to net income for the year ended December 31, 2001 (in thousands):

Segment NOI	$162,002
Interest expense - consolidated	(36,865)
Interest expense - unconsolidated investments	(597)
Depreciation expense - consolidated	(48,554)
Depreciation expense - unconsolidated investments	(5,964)
Depreciation expense - Chelsea Interactive	(2,888)
Income tax - unconsolidated investments	(947)
Loss on Sale - Retail Domestic Premium	(284)
Gain/ (loss) on sale or write down-Retail International	617
Minority interest	(14,706)
Net income	$51,814

23. Non-Cash Financing Activities

In December 2001, 2000 and 1999, the Company declared quarterly distributions per share of $0.78, $0.75 and $0.72, respectively. The limited partners' distributions were paid in January of each subsequent year.

In connection with the Konover acquisition the Company assumed approximately $131.0 million in REMIC and mortgage loans payable.

Chelsea Property Group, Inc.
Schedule III-Consolidated Real Estate and Accumulated Depreciation
for the year ended December 31, 2001 (in thousands)

		Initial Cost to Company		Cost Capitalized (Disposed of) Subsequent to Acquisition (Improvements)		Step-Up Related to Acquisition of Partnership Interest (1)		Gross Amount Carried at Close of Period December 31, 2001			
Description Outlet Center Name	Encum- brances	Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equi- ment	Land	Buildings, Fixtures and Equipment	Total	Accumula Depreciat

Woodbury Common, NY	-	$4,448	$16,073	$4,967	$126,631	$-	$-	$9,415	$142,704	$152,119	$44,3
Wrentham, MA	-	157	2,817	4,109	79,318	-	-	4,266	82,135	86,401	15,2
Waikele, HI	-	22,800	54,357	-	2,052	-	-	22,800	56,409	79,209	9,0
Leesburg, VA	-	6,296	-	(811)	71,375	-	-	5,485	71,375	76,860	11,0
Desert Hills, CA	-	975	-	2,376	61,912	830	4,936	4,181	66,848	71,029	24,7
Camarillo, CA	-	4,000	-	12,431	54,262	-	-	16,431	54,262	70,693	13,5
North Georgia, GA	-	2,960	34,726	(191)	21,484	-	-	2,769	56,210	58,979	14,6
Clinton, CT	-	4,124	43,656	-	1,665	-	-	4,124	45,321	49,445	14,0
Vacaville, CA(6)	-	9,683	38,850	-	51	-	-	9,683	38,901	48,584	2
Allen, TX	$29,531	8,938	2,068	(836)	37,455	-	-	8,102	39,523	47,625	2,0
Folsom, CA	-(2)	4,169	10,465	2,692	26,082	-	-	6,861	36,547	43,408	10,4
Carolina (I), NC(6)	-(3)	6,220	24,860	-	48	-	-	6,220	24,908	31,128	1
Carolina(II), NC(6)	-(4)	-	7,862	-	14	-	-	-	7,876	7,876	
Petaluma Village, CA	-	3,735	-	2,949	31,218	-	-	6,684	31,218	37,902	9,3
Liberty Village, NJ	-	345	405	1,499	19,812	11,015	2,195	12,859	22,412	35,271	7,3
Napa, CA	-(2)	3,456	2,113	7,908	19,378	-	-	11,364	21,491	32,855	6,6
Aurora, OH	-	637	6,884	880	20,438	-	-	1,517	27,322	28,839	8,0
North Bend, WA(6)	-	4,735	18,925	-	35	-	-	4,735	18,960	23,695	1
Columbia Gorge, OR	-(2)	934	-	428	13,595	497	2,647	1,859	16,242	18,101	5,3
Santa Fe, NM	-	74	-	1,300	12,098	491	1,772	1,865	13,870	15,735	3,8
American Tin Cannery, CA	2,141	-	8,621	-	5,458	-	-	-	14,079	14,079	10,2
Patriot Plaza, VA	-	789	1,854	976	4,274	-	-	1,765	6,128	7,893	2,4
Corporate Offices, NJ, CA	-(4)	-	60	-	5,683	-	-	-	5,743	5,743	3,4
St. Helena, CA	-(2)	1,029	1,522	(25)	572	38	78	1,042	2,172	3,214	7
Kittery, ME(6)	-	567	2,265	-	-	-	-	567	2,265	2,832	
Chicago, IL	-	465	-	-	-	-	-	465	-	465	
Las Vegas, NV	-	405	-	-	-	-	-	405	-	405	
Other retail(6)	(3)(4)	14,968	62,512	26	15	-	-	14,994	62,527	77,521	3
Mammoth, CA	-	1,180	530	(2,174)	(1,960)	994	1,430	-	-	-	
	$172,350(2)(3)	$108,089	$341,425	$38,504	$612,965	$13,865	$13,058	$160,458	$967,448	$1,127,906	$2

The aggregate cost of the land, buildings, fixtures and equipment for federal tax purposes was approximately $1,103.5 million at December 31, 2001.

(1) As part of the formation transaction assets acquired for cash have been accounted for as a purchase. The step-up represents the amount of the purchase price that exceeds the net book value of the assets acquired.
(2) Projects encumbered by mortgage totaling $68.3 million at December 31, 2001.
(3) Projects encumbered by mortgage totaling $72.4 million at December 31, 2001.
(4) Project held under long term land lease.
(5) Acquired on September 25, 2001 from Konover Property Trust.
(6) Purchase Price has been preliminarily allocated.

Chelsea Property Group, Inc.
Schedule III-Consolidated Real Estate
and Accumulated Depreciation (continued)
(in thousands)

The changes in total real estate:

	Year ended December 31, 2001	2000	1999
Balance, beginning of period........	$908,344	$848,813	$792,726
Additions..........................	229,339	61,188	59,334

Dispositions and other.............	(9,777)	(1,657)	(3,247)
Balance, end of period.............	$1,127,906	$908,344	$848,813

The changes in accumulated depreciation:

	Year ended December 31, 2001	2000	1999
Balance, beginning of period........	$175,692	$138,221	$102,851
Additions...........................	44,071	38,539	35,619
Dispositions and other.............	(2,301)	(1,068)	(249)
Balance, end of period.............	$217,462	$175,692	$138,221

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 8th of March, 2002.

CHELSEA PROPERTY GROUP, INC.

By:/s/ David C. Bloom
David C. Bloom, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ David C. Bloom David C. Bloom	Chairman of the Board and Chief Executive Officer	March 8, 2002
/s/ William D. Bloom William D. Bloom	Vice Chairman	March 8, 2002
/s/ Leslie T. Chao Leslie T. Chao	President	March 8, 2002
/s/ Michael J. Clarke Michael J. Clarke	Chief Financial Officer	March 8, 2002
/s/ Brendan T. Byrne Brendan T. Byrne	Director	March 8, 2002

/s/ Robert Frommer Robert Frommer	Director	March 8, 2002
/s/ Barry M. Ginsburg Barry M. Ginsburg	Director	March 8, 2002
/s/ Philip D. Kaltenbacher Philip D. Kaltenbacher	Director	March 8, 2002
/s/ Reuben S. Leibowitz Reuben S. Leibowitz	Director	March 8, 2002