



1996
A N N U A L
R E P O R T

COMPANY PROFILE

Kimco Realty Corporation, a publicly-traded real estate investment trust ("REIT"), owns and operates the nation's largest portfolio of neighborhood and community shopping centers with interests in 267 properties comprising approximately 32.6 million square feet of leasable area in 37 states. The Company also manages an additional 31 properties comprising approximately 4.1 million square feet of leasable area. Since incorporation in 1966, the Company has specialized in the acquisition, development and management of well-located centers with strong growth potential. Self-administered and self-managed, the Company's focus is to increase the cash flow and enhance the value of its shopping center properties through strategic re-tenanting, redevelopment, renovation and expansion, and to make selective acquisitions of neighborhood and community shopping centers which have below market-rate leases or other cash flow growth potential. The Company will consider investments outside of its mainstream neighborhood and community shopping center business and in geographic markets where it does not presently operate should suitable opportunities arise. The Company's common shares are traded on the New York Stock Exchange under the symbol KIM.

DEAR FELLOW ASSOCIATES
AND SHAREHOLDERS:

This past 22nd of November marked the fifth anniversary of our Initial Public Offering. It's an appropriate time to reflect on what has happened, where we are and where we are going.

When we were on our first public offering road show, I told investors that I was concerned about retail over-storing, retail bankruptcies and the very anemic retail environment. Subsequent events have shown my pessimism to be well-founded.

And yet, and yet, since our IPO...

- The market capitalization of our common stock has increased approximately five-fold from \$277 million to \$1.3 billion as of year end.
- The square footage of our shopping center property interests owned and managed has increased from 22.0 million to 36.7 million square feet.
- Our Funds from Operations per share has increased by 73% from \$1.37 (pro forma for 1992) to \$2.37 in 1996.
- If one invested \$10,000 in our stock at our IPO and re-invested the dividends, total market value would have grown to \$34,556 as of December 31, 1996, representing a compounded annual rate of return of approximately 25%.

Not too shabby for stormy weather, again illustrating that a vibrant real estate organization can grow and prosper independent of the health of its property sector.

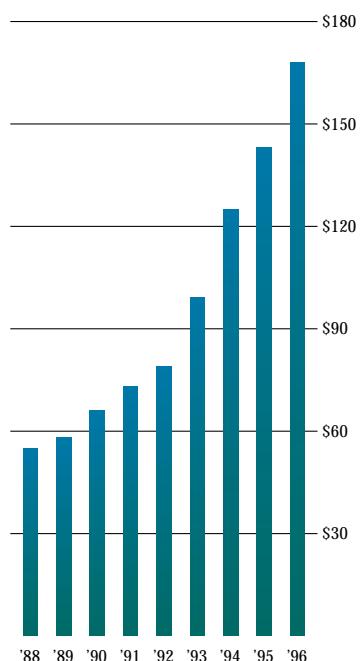
Our Company remains in a very strong position. We have modest debt. Our free and clear cash flow covers our interest charges by over five times. Our portfolio, located throughout 37 states, is a source of strength and diversity. No single tenant accounts for more than 4.2% of our rents. No single property provides more than 3% of our cash flow. We have quick and efficient access to attractively-priced capital. We continue to be blessed with a very talented and dedicated staff of experienced professionals.

We are excited about the prospects for our Company as we approach the 21st century.

Permit me to outline for you the fundamental principles that I believe should guide our business and investment activities in what continues to be a challenging business and real estate climate.

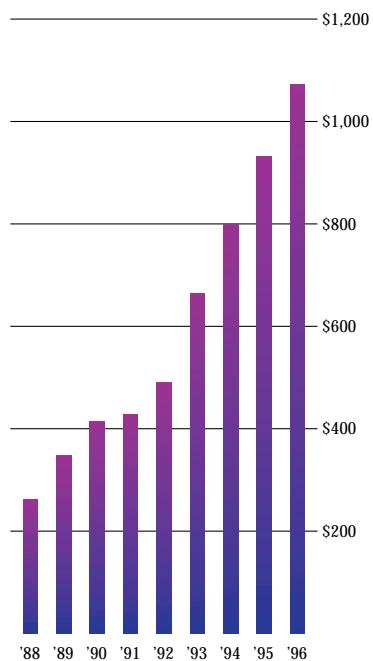
1) We must always maintain a strong balance sheet, and our debt must remain modest as a percentage of our total debt and market capitalization. Our capital structure must position us for access to capital in order to take advantage of opportunities as they arise. At the same time, we must always remember that there will be cycles—and we must be strong enough to weather any cyclical downturns that might materialize. I realize that the absence of greater leverage

REVENUES FROM
RENTAL PROPERTY
(MILLIONS)



Fiscal years ended April 30, 1988 through 1991 and calendar years 1992 through 1996.

REAL ESTATE ASSETS,
BEFORE DEPRECIATION
(MILLIONS)



As of April 30, 1988 through 1991 and December 31, 1992 through 1996.

may hurt us in inflationary times, but the peace of mind that comes from feeling secure and liquid is essential to our long-term success.

2) We must continue to focus on fundamental inherent real estate values. You and I know that tenants will come and go (sometimes when we least expect it), but that intrinsic real estate values will determine the future cash flows from our properties.

3) We will maintain our commitment to excellence and integrity. We must continue to act on the principle that real estate is a business and not a passive asset. We cannot rely on inflation to grow the value of our assets. We must rely on talented, skilled and dedicated people to make things happen in the portfolio, and to create new opportunities. We must continue to maintain an atmosphere that attracts talent to us through the scent of our success, commitment to excellence and a culture that insists on absolute fairness and integrity in our dealings with others.

4) We will continue to maintain a disciplined approach to cost reductions and profit enhancement for every operating function in our core business, including legal, leasing, finance, real estate tax administration, construction and other business elements. This approach will support and service our new entrepreneurial ventures described below.

5) Kimco will remain dedicated to the principle of nurturing talented entrepreneurs by providing them with services and access to capital. Many aspects of a successful real estate business require gifted, highly motivated entrepreneurs. We have created an environment and a program whereby we can motivate these very talented entrepreneurs to create wealth for us and themselves. We implemented this concept earlier this year through our formation of Kimco Select Investments. David Samber, formerly President and COO of our Company, is the CEO and a 10% principal in this new entity. David will attempt to create value by capitalizing on unique opportunities, which will not be limited to retail properties. We will furnish and be reimbursed for all the services and disciplines that Kimco Select Investments may need.

In addition to providing our own capital, we will help Kimco Select access outside capital to support its activities. We think this is a good menu for future growth.



Milton Cooper

6) If we find opportunities for growth outside of our core shopping center business, we will seize them. While we will continue to enhance and grow our core neighborhood and community shopping center business, our hunger for growth requires more—just as Oliver Twist wanted “more”. To get more, we should not limit ourselves to our core business, but must be ready to diversify with experienced management into other sectors where growth prospects look very favorable.

We had a good year in 1996, which Mike Flynn will review with you in his President's letter. While this is his first letter to you, Mike is not new to Kimco. He was our first Chief Financial Officer, having arrived at a time when we had only 10 shopping centers. When he left Kimco to relocate his family, we had grown to over 100 properties and Mike was an integral part of that growth. We kept in close touch with Mike through the years, and he has been a director of our Company since our IPO. Needless to say, we were thrilled to have him join us in January 1996, and know that he will be a great help in enabling us to reach our goals.

We were also fortunate to have Joe Grills join our Board of Directors. Joe was Chief Investment Officer for the IBM Retirement Funds from 1986 to 1993. His general knowledge of business, financial acumen and appreciation for the concerns of pensions and retirement funds will be an invaluable asset to us.

Once again, my sincere thanks to our other outside directors, Dick Dooley, Martin Kimmel and Frank Lourenso. They are passionate in their dedication to our growth and stability. They are available not only at directors' meetings, but are in continual contact with me. I have had at least 200 telephone conversations with them during the course of the year, and their perspective on our growth plans and strategies has been extremely helpful to all of us.

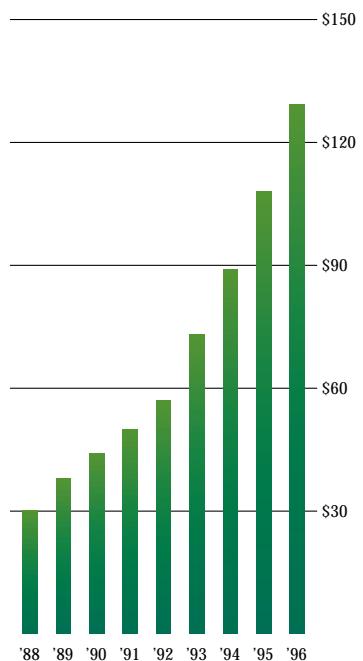
I cannot close this letter without thanking the Kimco family of associates. We have an exceptionally talented, dedicated and loyal staff. Our associates work with heart, mind and energy to help us achieve our objectives with both enthusiasm and pride. With continued confidence for success for all of us, I remain

As ever,



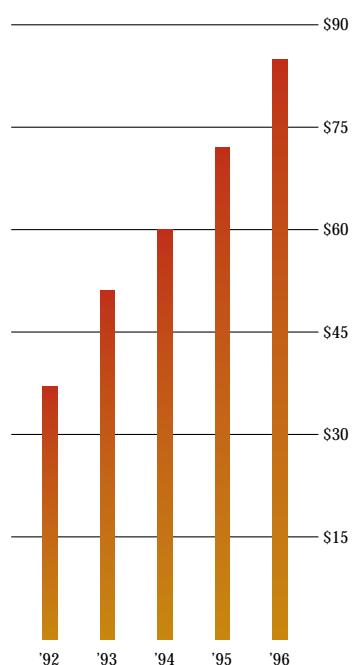
Milton Cooper
Chairman

NET OPERATING INCOME
(MILLIONS)



Fiscal years ended April 30, 1988 through 1991 and calendar years 1992 through 1996. Net operating income is defined as revenues less operating expenses, excluding depreciation and amortization and interest expense, plus income from investment in retail store leases.

FUNDS FROM OPERATIONS
(MILLIONS)



Funds from Operations since 1992—the first full calendar year of operations following the Company's reorganization and recapitalization effected in connection with its 1991 initial public stock offering.

I am honored to serve as President of Kimco Realty Corporation. As mentioned in Milton's letter, 1996 was a good year. We are proud of our success, and I am pleased to report that during 1996 we were able to achieve substantial accomplishments while maintaining our recognized traditional conservatism in financial reporting and a high level of cost effectiveness.

During 1996 we—

- Acquired interests in 39 shopping centers and retail properties at a cost of approximately \$101 million. These properties contain approximately 4 million square feet of leasable space.
- Signed new leases for premises comprising approximately 2 million square feet of leasable area. Redevelopment, renovation and expansion programs involved 52 shopping centers and an approximate \$40 million investment.
- Increased Funds from Operations available to our common shareholders to \$85.1 million, or \$2.37 per share, from the 1995 level of \$72.1 million, or \$2.16 per share. Net income increased by \$.28 per share between years rising from \$51.9 million, or \$1.33 per share, to \$73.8 million, or \$1.61 per share.
- Reduced to approximately 20% the debt component of our total \$1.9 billion debt and market capitalization as of December 31, 1996.
- Increased our dividend by 10.3% from \$1.56 per share in 1996 to \$1.72 per share for 1997.



Michael J. Flynn



To assure continued growth and performance in the future, we will continue to work to establish an even better partnership for excellence with our very capable associates and management.

Our growth can be attributed to a number of distinctive factors:

- Very competent and dedicated management and associates with extensive experience in the real estate industry and working as a team to create significant value.
- Aggressive, successful leasing programs. Our Company has developed a network of relationships with leading tenants in our shopping center sector.
- Expansion and upgrading of existing shopping centers, thus insuring the long-term stability of our properties.
- Acquisitions—Focusing on a very specific property type that offers opportunities to create meaningful added value.

Focusing on strategic property acquisitions based on intrinsic real estate values, rather than tenant credit, has been accretive to our current cash flows while providing longer-term growth potential.

ACQUISITIONS

INNOVATION STRUCTURE DESIGN CONSTRUCTION



Shopping center redevelopments provide the opportunity to create value by capitalizing on the leasing, site planning, design and construction expertise of our associates.

- Information and specialized communication systems providing and reinforcing our ability to achieve and enhance our business goals, and the decision-making process.

While the financial status of some retailers remains uncertain, we feel confident that the entire Kimco staff will respond with enthusiasm and professionalism to new challenges. Our continued emphasis on intrinsic real estate values, rather than tenant credit, protects us on the downside and may provide future opportunities.

We continue to analyze our present portfolio and evaluate the potential to improve the performance of each property.

In designing the strategy for the future growth of our Company, we seek to build a firm foundation and create a center of excellence. Sharing the vision should develop many exciting opportunities and contribute to the potential for appreciation in shareholders' value.

Geographic expansion may permit investment opportunities in states experiencing strong demographic trends. This geographic reach will enable us to maintain a strong acquisition pipeline.

As both shareholders and associates, our primary goal is to increase shareholder value. We are dedicated to insuring that Kimco remain a strong, profitable and growth company with an exciting future.



Michael J. Flynn
President

BOARD OF DIRECTORS



Left to right (top): Richard G. Dooley, Michael J. Flynn, Frank Lourenso, Joe Grills. Left to right (bottom): Martin S. Kimmel, Milton Cooper



The MIS team continues to utilize the power of evolving computer technologies in order to increase productivity and deliver a high level of data processing support and services to our associates.

P O R T F O L I O O F P R O P E R T Y
I N T E R E S T S O W N E D O R M A N A G E D

CITY	CENTER NAME	GLA	CITY	CENTER NAME	GLA
ALABAMA			134 Miami (135) (Coral Way)	Coral Way Plaza	162,278
* 731 Birmingham	East Town Shopping Plaza	103,161	* 735 Miami (Opa Locka)	Carol City S.C.	103,161
* 734 Birmingham	Red Mountain Plaza	103,161	390 Miami (SW Dade)	Miller Rd. S.C.	81,780
* 740 Fairfield	Fairfield S.C.	103,161	340 N. Miami Beach	Ives Dairy Crossing	133,340
ARIZONA			198 New Port Richey	Port Richey S.C.	9,000
* 745 Mesa	Hayden Plaza South	103,161	* 761 New Port Richey	Southgate S.C.	65,000
640 Phoenix	Hayden Plaza North	186,575	638 Orlando	Century Plaza	129,036
ARKANSAS			* 749 Orlando	Lee Rd. S.C.	103,161
* 767 Little Rock	Little Rock S.C.	79,902	114 Orlando	Miami Subs	2,800
* 754 North Little Rock	North Little Rock S.C.	106,029	125 Orlando (Central)	Grant Square	103,480
CALIFORNIA			174 Orlando (East)	Sports Authority Plaza	124,798
106 Anaheim	La Palma S.C.	15,306	115 Orlando (West)	Sun Plaza	114,434
COLORADO			121 Orlando (NE)	Fern Park Plaza	131,894
* 780 Colorado Springs	Woodman Valley S.C.	61,453	618 Orlando (South)	Sand Lake Plaza	230,554
* 781 Colorado Springs	Hancock Plaza S.C.	64,452	195 Palatka	Big Lots Plaza	72,216
CONNECTICUT			* 726 Pensacola	Pensacola S.C.	102,997
500 Hamden	Hamden Mart	341,502	161 Pinellas Park	Park Blvd. Promenade	116,770
608 Waterbury	Bradlees Plaza	136,153	251 Plantation	Whole Foods Center	60,414
DELAWARE			118 Pompano Beach	Sample Plaza	63,838
278 Elsmere	Value City S.C.	111,600	113 Riviera Beach	Riviera Square	46,390
FLORIDA			392 Sanford	Seminole Centre	301,801
636 Altamonte Springs	Pearl Arts S.C.	94,193	378 Sarasota (Central)	Southeast Plaza	109,273
101 Boca Raton	Camino Square S.C.	73,549	171 Sarasota (West)	Tuttle Bee Plaza	103,085
152 Bradenton	Bradenton Plaza	24,700	634 South Miami	South Miami S.C.	60,804
* 739 Casselberry	Butler Plaza	103,161	128 St. Petersburg	Oak Tree Plaza	119,179
641 Clearwater	Countryside Square	177,700	* 725 Tallahassee	Tallahassee Mall	100,000
623 Coral Springs	Coral Square Promenade	46,497	644 Tampa	Carrollwood Commons	122,699
* 776 Daytona Beach	Holly Hill Plaza	90,930	* 743 Tampa	Busch Plaza S.C.	106,986
147 Ft. Pierce	Kmart Plaza	210,460	* 769 Tarpon Springs	Tarpon Springs Mall	66,242
203 Homestead	Homestead Towne Square	137,319	633 West Palm Beach	Baby Superstore Plaza	80,845
* 727 Jacksonville	Normandy Mall	102,997	111 West Palm Beach	Belmart Plaza	74,326
619 Jensen Beach	Marketplace Square	170,291	208 Winter Haven	Chain O'Lakes Plaza	88,400
613 Kissimmee	Vine St. Square	133,583	GEORGIA		
124 Largo (West)	Wal-Mart Plaza	149,472	442 Atlanta	Atlanta S.C.	165,314
139 Largo (East)	Tri-City Plaza	215,436	* 720 Atlanta	Outlet S.C. Mall	102,997
196 Largo (Central)	East Bay Junction	56,630	635 Augusta	Augusta Square	119,930
120 Lauderdale Lakes	Reef Plaza	110,444	137 Forest Park	Forest Park Plaza	99,252
240 Lauderhill	Baby Superstore Plaza	179,706	159 Gainesville	Gainesville Towne Center	142,288
136 Leesburg	Leesburg Shops	13,468	187 Macon	Macon Plaza	127,260
604 Margate	Peppertree Plaza	256,030	* 724 Marietta	Town & Country S.C.	105,405
127 Melbourne	NASA Plaza	168,797	632 Savannah	Largo Plaza	88,480
616 Melbourne (North)	Northgate S.C.	131,851	185 Savannah	Savannah Center	187,302
129 Miami (Coconut Gr.)	Grove Gate S.C.	104,968	215 Warner Robins	Robins Plaza	101,230

CITY	CENTER NAME	GLA	CITY	CENTER NAME	GLA			
ILLINOIS								
122 Addison	Lake St. Plaza	93,289	221 Hagerstown	Hagerstown S.C.	115,718			
176 Bloomington	Bloomington Commons	175,530	173 Laurel	Laurel Plaza	75,882			
825 Bradley	Northfield Square Mall	80,300	214 Laurel	Laurel Plaza	81,550			
* 722 Dekalb	Northland Plaza S.C.	80,562	* 766 Salisbury	Salisbury S.C.	79,902			
224 Elgin (387)	Town & Country S.C.	178,539	MARYLAND					
822 Geneva	Venture S.C.	104,000	221 Hagerstown	Hagerstown S.C.	115,718			
* 755 Homewood	Washington Park Plaza	106,029	173 Laurel	Laurel Plaza	75,882			
* 758 Oaklawn	Marketplace of Oaklawn	94,707	214 Laurel	Laurel Plaza	81,550			
175 Ottawa	Value City S.C.	60,000	* 766 Salisbury	Salisbury S.C.	79,902			
INDIANA								
397 Evansville	Plaza East	193,007	667 Clarkson	White Lake Commons	156,864			
398 Evansville	Plaza West	147,775	143 Clawson	Clawson Center	177,302			
153 Greenwood	Greenwood S.C.	157,160	146 Farmington	Downtown Farmington Center	97,139			
107 Indianapolis	Eagledale S.C.	75,000	383 Flint	Hallwood Plaza	243,847			
132 Indianapolis	Felbram S.C.	27,400	226 Grand Haven	South Shore Plaza	88,014			
133 Indianapolis	Linwood Square	166,104	* 747 Lansing	Southfield S.C.	103,161			
388 Indianapolis	Target 31 South S.C.	177,558	119 Livonia	Century Plaza	44,185			
145 Lafayette	Lafayette S.C.	90,500	335 Muskegon	Beltline Plaza	71,235			
671 Lafayette	Target S.C.	176,940	606 Walker	Green Orchard S.C.	284,143			
* 732 Lafayette	Lafayette Square	103,161	607 Taylor	Cross Creek S.C.	121,364			
* 721 Terre Haute	Terre Haute S.C.	102,997	MINNESOTA					
* 777 Terre Haute	S.Third St. S.C.	73,828	* 785 Virginia	Thunderbird Mall	63,550			
IOWA								
812 Clive	Venture S.C.	90,000	MISSISSIPPI					
813 S.E. Des Moines	Venture S.C.	96,400	* 782 Biloxi	Edgewater Square	61,453			
* 773 Spencer	Southpark Mall	53,361	* 746 Jackson	Ellis Isle S.C.	103,161			
811 Waterloo	Venture S.C.	96,000	MISSOURI					
KANSAS								
* 736 Topeka	Topeka S.C.	103,161	154 Ellisville	Shop & Save S.C.	118,080			
* 751 Wichita	Wichita S.C.	103,161	169 Hazelwood	Kmart S.C.	130,780			
814 E. Wichita	Venture S.C.	96,100	* 744 Independence	Hub S.C.	103,161			
815 W. Wichita	Venture S.C.	97,000	165 Jennings	Jennings S.C.	155,095			
KENTUCKY			244 Lemay	Lemay S.C.	73,281			
267 Bellevue	Kroger S.C.	53,695	625 Springfield	Primrose Marketplace S.C.	270,137			
140 Lexington	South Park S.C.	260,086	162 St. Louis	Gravois Plaza	163,821			
LOUISIANA			MONTANA					
* 752 Baton Rouge	Baton Rouge S.C.	103,161	* 774 Bozeman	Main Mall S.C.	49,694			
297 New Orleans	Lake Forest S.C.	190,000	NEBRASKA					
MAINE			* 741 Omaha	Frederick S.C.	92,332			
706 Topsham	Topsham Fair Mall	190,667	NEW HAMPSHIRE					
MAINE			620 Salem	Rockingham Plaza	330,584			
MAINE			NEW JERSEY					
MAINE			* 787 Audubon	Black Horse Pike S.C.	69,984			
MAINE			644 Blackwood	Blackwood S.C.	123,970			
MAINE			306 Cherry Hill	Fashion Square	121,673			

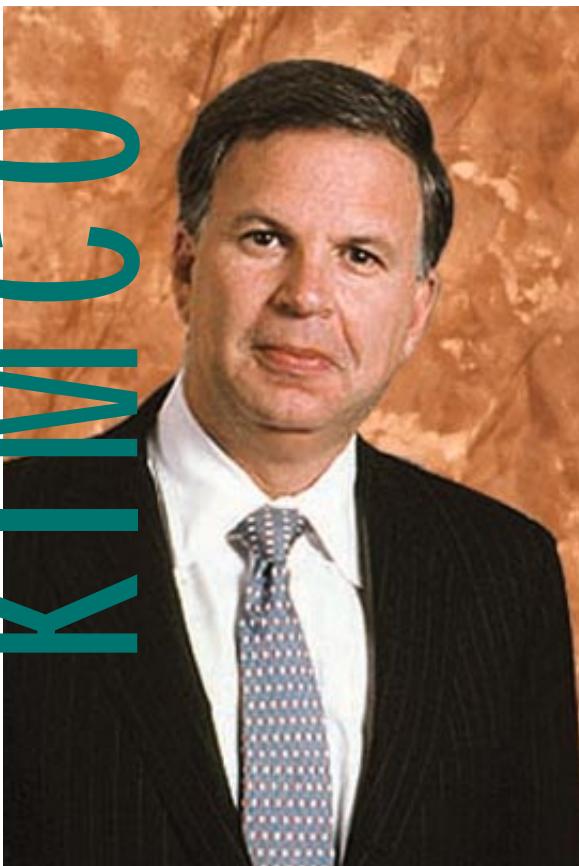
CITY	CENTER NAME	GLA	CITY	CENTER NAME	GLA
643 Cherry Hill	Marlton Plaza	129,809	422 Canton	Canton Hills S.C.	99,267
645 Cinnaminson	Cinnaminson S.C.	121,084	182 Canton	Canton Hills S.C.	63,712
617 N. Brunswick	N. Brunswick Plaza	403,079	439 Canton	Hills Plaza	150,900
615 Ridgewood	Ridgewood S.C.	24,280	188 Canton	Belden Village Commons	161,675
614 Westmont	Westmont Plaza	195,824	405 Centerville	Cross Pointe S.C.	115,378
* 756 Willingboro	Willingboro Village Mall	80,280	413 Cincinnati	Ridge Plaza	139,985
* 765 Woodbury Hgts.	Oak Valley Plaza	82,857	415 Cincinnati	Glenway Plaza	128,950
NEW YORK					
360 Bridgehampton	Bridgehampton Commons	281,632	233 Cleveland	Greenlite S.C.	82,411
453 Buffalo	Elmwood Plaza	141,070	* 775 Columbus	Columbus Square	79,902
454 Buffalo	Shops @ Seneca	153,500	402 Columbus	S. Hamilton S.C.	140,993
456 Buffalo, Amherst	Tops Plaza	101,066	424 Columbus	S. High Plaza	99,262
395 Carle Place	Voice Rd. Plaza	132,408	403 Columbus	Olentangy Plaza	129,830
605 Centereach	Centereach S.C.	371,028	401 Columbus	Morse Plaza	131,789
701 Great Neck	Great Neck Shops	14,385	407 Columbus	West Broad Plaza	134,644
354 Hampton Bays	Hampton Bays Plaza	70,990	102 Columbus	Whitehall S.C.	112,813
307 Nanuet	Nanuet Mall South	70,829	404 Dayton	Salem Plaza	141,616
116 Plainview	Manetto Hill Plaza	83,678	309 Dayton (311/313)	Woodman Plaza	120,520
218 Poughkeepsie	44 Plaza	181,434	406 Dayton	Value City Plaza	123,148
105 Riverhead	East End Commons	107,806	131 Dayton	Shiloh Springs Plaza	163,131
425 Rochester	Irondequoit S.C.	144,459	308 Dayton (310)	Oak Creek Plaza	215,891
427 Rochester	Henrietta S.C.	123,000	408 Elyria	Kmart Plaza	103,400
426 Rochester (149)	West Gates S.C.	185,153	437 Kent	Hills Plaza	103,500
601 Staten Island	Richmond S.C.	210,990	325 Lima	Eastgate Plaza	194,130
109 Syosset	Syosset S.C.	32,124	440 Massillon	Hills Plaza	102,632
801 Yonkers	Shop Rite S.C.	43,560	399 Mentor	Hills Plaza	103,871
417 Mentor			417 Mentor	Erie Commons	269,797
NORTH CAROLINA					
144 Charlotte	Woodlawn Marketplace	110,300	409 Middleburg Hgts.	Hills Plaza	104,342
192 Charlotte	Independence Square	135,257	414 North Olmsted	Hills Plaza	99,862
380 Charlotte (384)	Tyvola S.C.	226,091	* 729 Northwood	Northwood S.C.	103,161
639 Durham	Oakcreek Village S.C.	116,195	276 Sharonville	Kmart Plaza	130,715
602 Gastonia	Akers Center	235,607	320 Springfield Pike	Southland 75 S.C.	99,007
177 Raleigh	Pleasant Valley Promenade	374,669	416 Springfield	Kmart Plaza	131,628
126 Winston-Salem	Cloverdale S.C.	137,829	* 728 Toledo	Toledo S.C.	102,997
386 Troy			386 Troy	Sherwood S.C.	87,660
130 Upper Arlington			130 Upper Arlington	Arlington Square	149,412
423 Westerville (178)			423 Westerville	Westerville Plaza	240,224
234 Wickliffe			234 Wickliffe	Town Square	128,180
410 Willoughby Hills			410 Willoughby Hills	Willoughby Plaza	146,885
* 730 Youngstown			* 730 Youngstown	Youngstown S.C.	102,908
OKLAHOMA					
810 S. Tulsa			810 S. Tulsa	Venture S.C.	96,100
PENNSYLVANIA					
653 Allentown			653 Allentown	Whitehall Mall	84,524
649 Blue Bell			649 Blue Bell	Center Square S.C.	116,055

CITY	CENTER NAME	GLA	CITY	CENTER NAME	GLA
341 Braddock Hills	Braddock Hills	109,717	T E X A S		
148 Duquesne	Duquesne Plaza	69,733	823 Baytown	Baytown Village S.C.	103,800
223 Eagleville	Ridge Pike Plaza	165,410	170 Dallas	Big Town Mall	564,192
210 E. Stroudsburg	Pocono Plaza	167,654	270 Dallas	Big Town Center	101,040
312 E. Norriton	Norriton Square	136,528	819 Duncanville	Venture S.C.	96,500
661 Eastwick	The Wellness Place	38,753	* 748 El Paso	El Paso S.C.	103,161
110 Erie	Erie Mini Mart	2,196	816 E. Plano	Venture S.C.	96,700
658 Exton	Whiteland Town Center	85,184	* 783 Euless	Euless Town Center	61,453
651 Feasterville	Bucks County Mall	86,575	824 Ft. Worth	Venture S.C.	106,000
375 Gettysburg	Gettysburg Plaza	30,706	642 Garland	Kroger Center	41,364
193 Harrisburg	Harrisburg East S.C.	175,917	820 Garland	Venture S.C.	103,600
227 Harrisburg	Harrisburg West S.C.	152,565	230 Houston	Kroger S.C.	45,494
656 Havertown	Township Line S.C.	80,938	821 Houston	Beltway Plaza Center	106,000
* 723 Horsham	Village Mall	105,569	* 742 Lubbock	Lubbock S.C.	103,161
659 Lansdale	Ralph's Corner S.C.	71,760	256 Mesquite	Kroger Plaza	79,550
373 Middletown	Middletown Plaza	35,747	818 N. Arlington	Venture S.C.	97,000
243 Middletown	Olmsted Plaza	140,481	* 768 Plano	Parker Plaza S.C.	79,902
648 Morrisville	Morrisville S.C.	117,511	* 771 San Antonio	San Pedro Ave. S.C.	79,902
342 New Kensington	New Kensington S.C.	106,624	* 778 Temple	Market Place S.C.	61,453
343 Penn Hills	Hills Plaza	110,517	* 738 Waco	Parkdale S.C.	101,093
294 Philadelphia	Cottman-Castor S.C.	214,970	817 W. Oaks (Houston)	Venture S.C.	96,500
612 Philadelphia	Cottman-Bustleton Center	275,033			
650 Philadelphia	Frankford Avenue S.C.	82,345			
660 Philadelphia	The Gallery	133,309			
389 Richboro	Crossroads Plaza S.C.	80,737			
* 760 Souderton	Souderton S.C.	68,380	103 Ogden	Kmart S.C.	121,425
288 Springfield	Springfield S.C.	219,083			
374 Upper Allen	Upper Allen Plaza	59,470			
662 Upper Darby	The Wellness Place	53,000			
652 Warrington	Warrington S.C.	82,338			
249 West Mifflin	Kennywood Plaza	194,876			
385 West Mifflin	Century III Mall	84,279			
370 York	Eastern Blvd. Plaza	61,979			
371 York	Mount Rose Plaza	53,011			
372 York	W. Market St. Plaza	35,500			
S O U T H C A R O L I N A					
379 Aiken	Heritage Square	132,345			
254 Charleston	St. Andrews Center	167,438			
631 Charleston	Westwood Plaza	188,237			
T E N N E S S E E					
TOTAL NUMBER OF PROPERTY INTERESTS					
TOTAL GLA					
36,746,993					

* Denotes retail store lease relating to the anchor store premises in a neighborhood and community shopping center. The premises are subleased to a national retailer(s) which lease the space pursuant to a net lease agreement(s).

KIMCO SELECT

Kimco Select will seek opportunities outside of the Company's mainstream neighborhood and community shopping center business.



David M. Samber

This is my first letter to you on behalf of Kimco Select Investments. Kimco Select was formed at the start of 1997 to allow your Company, through its 90% ownership interest in this new venture, to take advantage of opportunities outside of its mainstream neighborhood and community shopping center business. Although our targeted investments may be largely retail-focused, we will not restrict ourselves to the pursuit of solely 100% fee-owned shopping centers. Rather, we intend to acquire real estate mortgage loans, public/private debt and equity securities, unoccupied properties, properties leased to weak or bankrupt tenants and other assets which we believe will provide superior returns relative to the inherent risk. To further enhance returns on our equity capital, we may, from time to time, seek to finance our activities with a greater percentage of debt than would be customary in the REIT.

Investments currently under consideration include (i) participation in a REMIC secured with shopping centers anchored by a weak, home improvement operator; (ii) a portfolio of retail premises under lease to a struggling retailer; (iii) a totally vacant shopping center suitable for redevelopment; and (iv) a portfolio of free-standing retail buildings which, although only 50% occupied, are well located in front of prominent shopping centers.

The common thread to this patchwork of investment opportunities is that they are assets tainted by questionable or currently non-existent cash flows, difficult to finance and which require near-term re-tenanting and/or redevelopment. However, due to the intrinsic value of the real estate, each represents a conservatively aggressive investment if appropriately priced. The inability to finance and/or the leasing/redevelopment skills needed to effect a turnaround of these assets substantially limits the universe of potential buyers and affords the purchaser higher yields. Provided we are confident in the quality of the real estate, the suspect credit of a current occupant or the fact that a building is completely dark, is of little concern.

In addition to the opportunistic type of investing described above, our activities will include investments in health care facilities through a joint venture we have formed with Metropolitan Partners, a Delaware-based consultant to the medical industry. The changes in the funding of medical care have caused many hospitals to develop ambulatory care facilities within their market areas, but at some distance from their headquarter operations. Metropolitan has developed the concept of "Wellness Centers" which combine the hospital's medical facilities with complementary retail space. We have made our first such investments with the acquisition of 53,000 and 39,000 square foot buildings in suburban Philadelphia. Simultaneous with these acquisitions, we net leased the majority of each property to a leading regional healthcare system having substantial equity on its balance sheet. We are currently involved in negotiations concerning the leasing of the contiguous retail space.

I appreciate the support you have shown in establishing our partnership and will be working to deliver to you the results that each of us are anticipating.

FINANCIAL REVIEW



KIMCO REALTY

C O R P O R A T I O N

FINANCIAL HIGHLIGHTS

	Years Ended December 31,				
	1996	1995	1994	1993	1992
<i>(In thousands, except per share data)</i>					
Revenues from rental property ⁽¹⁾	\$ 168,144	\$143,132	\$125,272	\$ 98,854	\$ 78,769
Income before extraordinary items	\$ 73,827	\$ 51,922	\$ 41,071	\$ 35,159 ⁽³⁾	\$ 18,964
Income before extraordinary items, per common share	\$ 1.61	\$ 1.33	\$ 1.17	\$ 1.17 ⁽³⁾	\$ 0.83
Funds from Operations ⁽²⁾	\$ 85,106	\$ 72,128	\$ 59,638	\$ 50,869	\$ 36,625
Funds from Operations, per common share	\$ 2.37	\$ 2.16	\$ 1.98	\$ 1.77	\$ 1.61
Weighted average number of shares of common stock outstanding	35,906	33,388	30,072	28,657	22,709
Cash dividends per common share	\$ 1.56	\$ 1.44	\$ 1.33	\$ 1.25	\$ 0.99
As of December 31,					
	1996	1995	1994	1993	1992
<i>(In thousands, except number of property interests)</i>					
Real estate, before accumulated depreciation	\$1,072,056	\$932,390	\$796,611	\$662,874	\$490,367
Total assets	\$1,022,566	\$884,242	\$736,709	\$652,823	\$453,330
Total debt	\$ 364,655	\$389,223	\$372,999	\$290,886	\$278,026
Number of property interests	269	234	157	148	129
Gross leasable area (square feet)	32,534	28,860	21,125	19,609	13,202

(1) Does not include revenues from rental property relating to unconsolidated joint ventures or revenues related to the investment in retail store leases.

(2) Industry analysts generally consider Funds from Operations to be an appropriate measure of the performance of an equity REIT. Funds from Operations is defined as net income applicable to common shares before depreciation and amortization, extraordinary items, gains or losses on sales of real estate, plus Funds from Operations of unconsolidated joint ventures determined on a consistent basis. Funds from Operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and, therefore, should not be considered a substitute for net income as a measure of results of operations, or for cash flows from operations calculated in accordance with generally accepted accounting principles as a measure of liquidity.

(3) Includes approximately \$3.4 million, or \$.12 per share, in non-recurring gains related to the sale of a shopping center and a casualty claim related to a joint venture property.

STOCK PRICE AND DIVIDEND INFORMATION

Calendar Year	Stock Price		Dividends per Common Share ⁽¹⁾
	High	Low	
1995			
First Quarter	\$26.00	\$23.75	\$.36
Second Quarter	\$26.67	\$24.83	\$.36
Third Quarter	\$27.50	\$25.25	\$.36
Fourth Quarter	\$28.17	\$23.92	\$.36
1996			
First Quarter	\$27.88	\$25.50	\$.39
Second Quarter	\$28.50	\$25.75	\$.39
Third Quarter	\$30.25	\$26.63	\$.39
Fourth Quarter	\$34.88	\$28.38	\$.39

(1) The Company has determined that all dividends paid to its common and preferred stockholders during calendar year 1996 represent ordinary dividend income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements, including trends which might appear, should not be taken as indicative of future operations.

RESULTS OF OPERATIONS

Comparison of 1996 to 1995

Revenues from rental property increased approximately \$25.0 million, or 17.5% to \$168.1 million for the year ended December 31, 1996, as compared with \$143.1 million for the year ended December 31, 1995. This increase resulted primarily from the combined effect of shopping center acquisitions during the respective periods (39 property interests in 1996 and 18 property interests in 1995) as well as new leasing and re-tenanting within the portfolio at improved rental rates.

Rental property expenses, including depreciation and amortization, increased approximately \$8.1 million, or 9.1%, to \$97.0 million for the year ended December 31, 1996, as compared with \$88.9 million for the preceding calendar year. This increase is primarily due to property acquisitions and renovations within the existing portfolio during the respective periods which gave rise to an overall increase in real estate taxes and depreciation and amortization expenses, as well as increased snow removal costs during 1996. Interest charges increased approximately \$1.4 million between the respective periods reflecting higher average outstanding borrowings during calendar year 1996 as compared to the preceding year.

During July 1995, certain subsidiaries of the Company obtained interests in retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been substantially sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in retail store leases during the years ended December 31, 1996 and 1995 were \$3.6 and \$1.8 million, respectively.

General and administrative expenses increased approximately \$1.5 million to \$10.3 million for the year ended December 31, 1996, as compared to \$8.8 million for the preceding calendar year. This increase is primarily attributable to increased senior management and staff levels during 1996 and 1995.

Other income, net increased approximately \$3.3 million for the year ended December 31, 1996 as compared with the preceding year. This increase is primarily attributable to interest earned on funds raised through public equity offerings

during 1996 and held in short-term income producing investments pending the acquisition of interests in neighborhood and community shopping center properties.

During September 1996, the Company disposed of a property in Watertown, New York. Cash proceeds from the disposition totaling \$1.8 million, together with an additional \$2.2 million cash investment, were used to acquire an exchange shopping center property during January 1997.

Net income for the year ended December 31, 1996 of approximately \$73.8 million, represented an improvement of approximately \$21.9 million, as compared with net income of approximately \$51.9 million for the preceding calendar year. After adjusting for the gain on the sale of a shopping center property during 1996, net income for 1996 increased by \$21.1 million, or \$.26 per share, compared to 1995. This substantially improved performance was primarily attributable to property acquisitions and redevelopments, the investment in retail store leases and sustained leasing activity which strengthened operating profitability.

Comparison of 1995 to 1994

Revenues from rental property increased approximately \$17.8 million, or 14.3% to \$143.1 million for the year ended December 31, 1995, as compared with \$125.3 million for the year ended December 31, 1994. This increase resulted primarily from the combined effect of shopping center acquisitions during the respective periods (18 property interests in 1995 and 11 property interests in 1994) as well as new leasing and re-tenanting within the portfolio at improved rental rates.

Rental property expenses, including depreciation and amortization, increased approximately \$8.4 million, or 10.3% to \$88.9 million for the calendar year ended December 31, 1995, as compared with \$80.5 million for the preceding calendar year. This increase is primarily due to property acquisitions and renovations within the existing portfolio during the periods which gave rise to an overall increase in real estate taxes and depreciation and amortization expenses. Interest charges increased approximately \$5.1 million between periods reflecting the higher average outstanding borrowings and the rise in short-term interest rates during 1995 as compared with 1994.

During July 1995, certain subsidiaries of the Company obtained interests in various retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been substantially sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in retail store leases during the year ended December 31, 1995 was \$1.8 million.

During 1994, the Company and certain of its subsidiaries repaid various mortgage loans outstanding with banks and other financial institutions resulting in an extraordinary loss of approximately \$8 million. This loss represents the net amount of discounts received, premiums paid and deferred financing and other costs written off in connection with the early satisfaction of these mortgage loans.

Net income for the year ended December 31, 1995 of approximately \$51.9 million, represented an improvement of approximately \$11.6 million, as compared with net income of approximately \$40.3 million for the preceding calendar year. Adjusting for the effect of the extraordinary item during 1994, net income for 1995 increased by \$10.8 million, or \$.16 per share, compared to 1994. This substantially improved performance was primarily attributable to property acquisitions and redevelopments, the investment in retail store leases and sustained leasing activity which strengthened operating profitability.

LIQUIDITY AND CAPITAL RESOURCES

Completion of the Company's November 1991 initial public stock offering ("IPO"), which resulted in net cash proceeds of approximately \$116 million, permitted the Company to significantly deleverage its real estate portfolio and has made available the public debt and equity markets as the Company's principal source of capital for the future. A \$100 million, unsecured revolving credit facility established in June 1994, which is scheduled to expire in June 1999, has made available funds to both finance the purchase of properties and meet any short-term working capital requirements. As of December 31, 1996 there were no borrowings under this credit facility. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.) The Company has also implemented a \$150 million medium-term notes program pursuant to which it may from time to time offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions and redevelopment costs and (ii) better managing the Company's debt maturities.

Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity raising in the aggregate over \$900 million for the purposes of repaying indebtedness, acquiring neighborhood and community shopping centers and for expanding and improving properties in the portfolio.

In connection with its intention to continue to qualify as a REIT for Federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows which are

expected to increase due to property acquisitions and growth in rental revenues in the existing portfolio and from other sources. Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties as suitable opportunities arise, and such other factors as the Board of Directors considers appropriate.

Although the Company receives most of its rental payments on a monthly basis, it intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments.

It is management's intention that the Company continually have access to the capital resources necessary to expand and develop its business. Accordingly, the Company may seek to obtain funds through additional equity offerings or debt financing in a manner consistent with its intention to operate with a conservative debt capitalization policy.

The Company anticipates that adequate cash will be available from operations to fund its operating and administrative expenses, regular debt service obligations and the payment of dividends in accordance with REIT requirements in both the short-term and long-term.

EFFECTS OF INFLATION

Substantially all of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indices. In addition, many of the Company's leases are for terms of less than 10 years, which permits the Company to seek to increase rents upon renewal to market rates. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. The Company periodically evaluates its exposure to short-term interest rates and will, from time to time, enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate loans.

R E P O R T O F I N D E P E N D E N T A C C O U N T A N T S

To the Board of Directors and Stockholders of
Kimco Realty Corporation:

We have audited the accompanying consolidated balance sheets of Kimco Realty Corporation (the "Company") and Subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 the 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 Kimco Realty Corporation and Subsidiaries as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

New York, New York
February 28, 1997

	December 31, 1996	December 31, 1995
ASSETS:		
Real Estate		
Rental property		
Land	\$ 165,636,244	\$ 143,716,163
Buildings and improvements	905,033,615	787,287,971
	1,070,669,859	931,004,134
Less, accumulated depreciation and amortization	180,552,647	156,131,718
	890,117,212	774,872,416
Undeveloped land	1,386,127	1,386,127
	891,503,339	776,258,543
Real estate, net		
Investment in retail store leases	18,994,321	22,127,786
Investments and advances in real estate joint ventures	15,143,222	12,626,831
Cash and cash equivalents	37,425,206	16,164,666
Accounts and notes receivable	13,520,048	16,146,808
Deferred charges and prepaid expenses	17,854,754	17,465,734
Other assets	28,125,581	23,451,766
	\$1,022,566,471	\$ 884,242,134
LIABILITIES & STOCKHOLDERS' EQUITY:		
Notes payable	\$ 310,250,000	\$ 325,250,000
Mortgages payable	54,404,939	63,972,735
Accounts payable and accrued expenses	21,983,886	19,253,444
Dividends payable	18,720,819	14,217,726
Other liabilities	7,242,868	10,100,578
	412,602,512	432,794,483
Minority interests in partnerships	4,659,080	4,297,191
Commitments and contingencies		
Stockholders' equity		
Preferred Stock, \$1 par value, authorized 930,000 shares		
Class A Preferred Stock, authorized 345,000 shares		
Issued and outstanding 300,000 shares	300,000	300,000
Aggregate liquidation preference \$75,000,000		
Class B Preferred Stock, authorized 230,000 shares		
Issued and outstanding 200,000 shares	200,000	200,000
Aggregate liquidation preference \$50,000,000		
Class C Preferred Stock, authorized 460,000 shares		
Issued and outstanding 400,000 shares	400,000	—
Aggregate liquidation preference \$100,000,000		
Common stock, \$.01 par value, authorized 50,000,000 shares		
Issued and outstanding 36,215,055 and 33,731,348 shares, respectively	362,151	337,313
Paid-in capital	719,601,956	562,311,822
Cumulative distributions in excess of net income	(115,093,138)	(114,665,183)
	605,770,969	448,483,952
Notes receivable from officer stockholders	(466,090)	(1,333,492)
	605,304,879	447,150,460
	\$1,022,566,471	\$ 884,242,134

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

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1996	1995	1994
Revenues from rental property	\$168,144,419	\$143,132,165	\$125,272,037
Rental property expenses:			
Rent	1,417,263	1,301,340	1,289,777
Real estate taxes	19,815,808	16,869,710	16,214,776
Interest	27,019,283	25,585,063	20,482,687
Operating and maintenance	21,659,620	18,935,374	19,097,677
Depreciation and amortization	27,066,709	26,187,794	23,477,865
	96,978,683	88,879,281	80,562,782
Income from rental property	71,165,736	54,252,884	44,709,255
Income from investment in retail store leases	3,631,845	1,810,505	—
	74,797,581	56,063,389	44,709,255
Management fee income	3,447,577	3,736,062	2,970,512
General and administrative expenses	(10,333,924)	(8,831,626)	(8,511,622)
Equity in income (losses) of real estate joint ventures, net	820,083	(288,582)	(74,101)
Minority interests in income of partnerships, net	(470,441)	(215,656)	(114,929)
Other income, net	4,764,062	1,458,212	2,092,223
Income before gain on sale of shopping center and extraordinary item	73,024,938	51,921,799	41,071,338
Gain on sale of shopping center	801,955	—	—
Income before extraordinary item	73,826,893	51,921,799	41,071,338
Extraordinary item	—	—	(824,635)
Net income	\$ 73,826,893	\$ 51,921,799	\$ 40,246,703
Net income applicable to common shares	\$ 57,692,418	\$ 44,291,243	\$ 34,434,203
Per common share:			
Income before extraordinary item	\$ 1.61	\$ 1.33	\$ 1.17
Net income	\$ 1.61	\$ 1.33	\$ 1.15

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

C O N S O L I D A T E D S T A T E M E N T S O F
S T O C K H O L D E R S ' E Q U I T Y

For the Years Ended December 31, 1996, 1995 and 1994

	Preferred Stock		Common Stock		Paid-in Capital	Cumulative Distributions in Excess of Net Income	Notes Receivable	Total Stockholders' Equity
	Issued	Amount	Issued	Amount				
Balance, December 31, 1993	300,000	\$ 300,000	30,043,298	\$ 300,433	\$ 430,097,996	(\$92,826,297)	(\$1,659,909)	\$336,212,223
Net income						40,246,703		40,246,703
Dividends (\$1.69 per common share and \$1.9375 per Class A Depository Share)						(56,756,013)		(56,756,013)
Exercise of common stock options			54,598	546	837,725			838,271
Collection of notes receivable							170,616	170,616
Balance, December 31, 1994	300,000	300,000	30,097,896	300,979	430,935,721	(109,335,607)	(1,489,293)	320,711,800
Net income						51,921,799		51,921,799
Dividends (\$1.47 per common share; \$1.9375 and \$.9975 per Class A and Class B Depository Shares, respectively)						(57,251,375)		(57,251,375)
Issuance of preferred stock	200,000	200,000			47,975,027			48,175,027
Issuance of common stock			3,592,871	35,929	82,724,947			82,760,876
Exercise of common stock options			40,581	405	676,127			676,532
Collection of notes receivable							155,801	155,801
Balance, December 31, 1995	500,000	500,000	33,731,348	337,313	562,311,822	(114,665,183)	(1,333,492)	447,150,460
Net income						73,826,893		73,826,893
Dividends (\$1.60 per common share; \$1.9375, \$2.125 and \$1.59943 per Class A, Class B and Class C Depository Shares, respectively)						(74,254,848)		(74,254,848)
Issuance of preferred stock	400,000	400,000			96,037,337			96,437,337
Issuance of common stock			2,320,125	23,201	58,087,001			58,110,202
Exercise of common stock options			163,582	1,637	3,165,796			3,167,433
Collection of notes receivable							867,402	867,402
Balance, December 31, 1996	900,000	\$900,000	36,215,055	\$362,151	\$719,601,956	(\$115,093,138)	(\$466,090)	\$605,304,879

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
Cash flow from operating activities:			
Net income	\$ 73,826,893	\$ 51,921,799	\$ 40,246,703
Adjustments for noncash items—			
Depreciation and amortization	27,066,709	26,187,794	23,477,865
Extraordinary item	—	—	824,635
Gain on sale of shopping center	(801,955)	—	—
Minority interests in income of partnerships, net	470,441	215,656	114,929
Equity in (income) losses of real estate joint ventures, net	(820,083)	288,582	74,101
Change in accounts and notes receivable	2,626,760	(940,256)	(4,201,513)
Change in accounts payable and accrued expenses	2,730,442	1,162,406	5,137,747
Change in other operating assets and liabilities	(3,207,396)	(4,602,986)	(2,741,867)
Net cash flow provided by operations	101,891,811	74,232,995	62,932,600
Cash flow from investing activities:			
Acquisition of and improvements to real estate	(140,916,684)	(105,139,671)	(133,736,793)
Investment in retail store leases	—	(23,026,673)	—
Acquisition of real estate through joint venture investment	—	(6,523,502)	—
Investment in marketable equity securities	(4,935,008)	(2,470,990)	—
Construction advances to real estate joint ventures	—	(1,870,500)	(8,445,819)
Reimbursement of construction advance to real estate joint venture	—	6,794,928	—
Proceeds from sale of shopping center	1,825,000	4,975,582	—
Net cash flow used for investing activities	(144,026,692)	(127,260,826)	(142,182,612)
Cash flow from financing activities:			
Principal payments on debt, excluding normal amortization			
of rental property debt	(8,299,980)	(29,037,746)	(122,138,914)
Principal payments on rental property debt, net	(1,267,816)	(1,221,912)	(948,303)
Change in notes payable	(15,000,000)	20,050,000	205,200,000
Dividends paid	(69,751,755)	(53,885,490)	(45,904,172)
Proceeds from issuance of stock	157,714,972	122,343,419	838,271
Net cash flow provided by financing activities	63,395,421	58,248,271	37,046,882
Increase (decrease) in cash and cash equivalents	21,260,540	5,220,440	(42,203,130)
Cash and cash equivalents, beginning of year	16,164,666	10,944,226	53,147,356
Cash and cash equivalents, end of year	\$ 37,425,206	\$ 16,164,666	\$ 10,944,226
Supplemental schedule of noncash investing/financing activity:			
Acquisition of real estate interests by issuance of common stock and assumption of debt	—	\$ 38,714,717	—
Declaration of dividends paid in succeeding year	\$ 18,720,819	\$ 14,217,726	\$ 10,851,841

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business

Kimco Realty Corporation (the "Company") and its subsidiaries, affiliates and related real estate joint ventures are engaged principally in the operation of neighborhood and community shopping centers which are anchored generally by discount department stores, supermarkets or drugstores. Additionally, the Company provides management services for shopping centers owned by affiliated entities and various real estate joint ventures.

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties and a large tenant base, avoiding dependence on any single property or tenant. At December 31, 1996, the Company's single largest neighborhood and community shopping center and tenant accounted for only 2.3% and 4.2%, respectively, of the Company's annualized base rental revenues.

Principles of Consolidation and Estimates

The accompanying Consolidated Financial Statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and all majority-owned partnerships. All significant intercompany balances and transactions have been eliminated in consolidation.

Generally accepted accounting principles require the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period. Actual results may differ from such estimates.

Real Estate

Real estate assets are stated at cost, less accumulated depreciation and amortization. Such carrying amounts would be adjusted, if necessary, to reflect an impairment in the value of the assets. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 39 years
Fixtures and leasehold improvements	Terms of leases or useful lives, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations are capitalized.

Investments in Real Estate Joint Ventures

Investments in real estate joint ventures are accounted for on the equity method.

Deferred Leasing and Financing Costs

Costs incurred in obtaining tenant leases and long-term financing, included in deferred charges and prepaid expenses in the accompanying Consolidated Balance Sheets, are amortized over the terms of the related leases or debt agreements, as applicable.

Revenue Recognition

Minimum revenues from rental property are recognized on a straight-line basis over the terms of the related leases.

Income Taxes

The Company and its subsidiaries file a consolidated Federal income tax return. The Company has made an election to qualify, and believes it is operating so as to qualify, as a Real Estate Investment Trust (a "REIT") for Federal income tax purposes. Accordingly, the Company generally will not be subject to Federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code.

Per Share Data

Income per share of common stock is based upon 35,906,029, 33,388,004 and 30,072,486 weighted average numbers of common shares outstanding during years 1996, 1995, and 1994, respectively.

2. SHOPPING CENTER ACQUISITIONS:

During the years 1996, 1995 and 1994 certain subsidiaries of the Company acquired real estate interests in various shopping center properties at aggregate costs of approximately \$39 million, \$83 million and \$89 million, respectively. These acquisitions have been funded principally through the application of proceeds from the Company's public unsecured debt and equity offerings. (See Notes 12 and 14.)

3. RETAIL PROPERTY ACQUISITIONS:

During January 1996, certain subsidiaries of the Company entered into two sale-leaseback transactions pursuant to which it acquired fee title to 16 retail properties located in Texas, Iowa, Oklahoma, Illinois and Kansas for a purchase price of \$40 million. Simultaneously, the Company executed two long-term net leases covering the 16 locations pursuant to which the seller/tenant may remain in occupancy and continue to conduct business in these premises.

During August 1996, certain subsidiaries of the Company acquired interests in 16 retail properties, including 2 properties to which the Company and its affiliates already held fee title, for \$21.8 million in cash. These property interests were acquired from a retailer which had elected to discontinue operation of its discount department store division. The Company has executed long-term net leases with tenants covering 8 of the properties and is actively involved in negotiations concerning the re-tenanting and redevelopment of the remaining locations.

These retail property acquisitions have been funded principally through the application of proceeds from the Company's 1996 equity offerings. (See Note 12.)

4. INVESTMENT IN RETAIL STORE LEASES:

During July 1995, certain subsidiaries of the Company obtained interests in various retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been substantially sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in these retail store leases during the years ended December 31, 1996 and 1995 was approximately \$3.6 million and \$1.8 million, respectively. These amounts represent sublease revenues during the years ended December 31, 1996 and 1995 of approximately \$21.0 million and \$8.7 million, respectively, less related expenses of \$15.2 million and \$6.0 million, respectively, and an amount, which in management's estimate, reasonably provides for the recovery of the investment over a ten-year period. The Company's future minimum revenues under the terms of all noncancellable tenant subleases and future minimum obligations through the remaining terms of its retail store leases are as follows (in millions of dollars): 1997, \$19.2 and \$14.4; 1998, \$19.4 and \$14.2; 1999, \$17.1 and \$12.7; 2000, \$13.5 and \$10.0; 2001, \$10.1 and \$7.1; and thereafter, \$15.6 and \$10.6, respectively.

5. INVESTMENTS AND ADVANCES IN REAL ESTATE JOINT VENTURES:

The Company and its subsidiaries have investments in and advances to various real estate joint ventures. These joint ventures are engaged in the operation of shopping centers which are either owned or held under long-term operating

leases. Summarized financial information for the recurring operations of these real estate joint ventures is as follows (in millions of dollars):

	December 31,		
	1996	1995	
Assets:			
Real estate, net	\$41.5	\$40.0	
Other assets	4.0	5.3	
	\$45.5	\$45.3	
Liabilities and Partners' Capital:			
Mortgages payable	\$30.3	\$31.2	
Other liabilities	15.1	13.2	
Partners' capital	.1	.9	
	\$45.5	\$45.3	
Years Ended December 31,			
	1996	1995	1994
Revenues from rental property	\$11.2	\$ 8.3	\$ 7.5
Operating expenses	(2.9)	(2.1)	(1.7)
Mortgage interest	(2.5)	(2.4)	(1.8)
Depreciation and amortization	(2.2)	(2.0)	(1.6)
Other, net	(1.3)	(1.2)	(1.3)
Net income	\$ 2.3	\$.6	\$ 1.1

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately \$4.1 and \$4.7 million at December 31, 1996 and 1995, respectively. The Company and its subsidiaries have varying equity interests in these real estate joint ventures which may differ from their proportionate share of net income or loss recognized in accordance with generally accepted accounting principles.

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents (demand deposits in banks, commercial paper and certificates of deposit with original maturities of three months or less) includes tenants' security deposits, escrowed funds and other restricted deposits approximating \$2.4 million and \$1 million at December 31, 1996 and 1995, respectively.

Cash and cash equivalent balances may, at a limited number of banks and financial institutions, exceed insurable amounts. The Company believes it mitigates its risks by investing in or through major financial institutions. Recoverability of investments is dependent upon the performance of the issuers.

7. NOTES PAYABLE:

The Company has implemented a \$150 million unsecured medium-term notes ("MTN") program pursuant to which it may from time to time offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisition and redevelopment costs, and (ii) better managing the Company's debt maturities.

During August 1996, the Company redeemed its \$50 million unsecured Floating Rate Senior Notes due in 1998. These Floating Rate Senior Notes, redeemable at par at the option of the Company after May 11, 1996 and bearing interest at LIBOR plus .50%, were refinanced with a \$50 million floating-rate unsecured medium-term note. This medium-term note is due in 1998 and bears interest at LIBOR plus .12% (5.6% at December 31, 1996). Interest on this floating-rate, senior unsecured medium-term note resets and is payable quarterly in arrears.

As of December 31, 1996, an additional principal amount of \$60.25 million in fixed-rate senior unsecured notes had been issued under the MTN program for the acquisition of neighborhood and community shopping centers and the expansion and improvement of properties in the Company's portfolio. These notes have maturities ranging from ten to twelve years and bear interest at rates ranging from 6.70% to 7.91%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears.

As of December 31, 1996, the Company had \$100 million in Floating Rate Senior Notes due 1999 bearing interest at LIBOR plus .50% (6.0% at December 31, 1996). Interest on these floating-rate, senior unsecured notes resets and is payable quarterly in arrears.

As of December 31, 1996, the Company had \$100 million in 6.5% fixed-rate unsecured Senior Notes due 2003. Interest on these senior unsecured notes is paid semi-annually in arrears.

In accordance with the terms of the Indenture pursuant to which the Company's senior, unsecured notes have been issued, the Company is (a) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate and secured debt, minimum debt service coverage ratios and minimum equity levels, and (b) restricted from paying dividends in amounts that exceed by more than \$26 million the funds from operations, as defined, generated through the end of the calendar quarter most recently completed prior to the declaration of such dividend; however, this dividend limitation does not apply to any distributions necessary to maintain the Company's qualification as a REIT providing the Company is in compliance with its total leverage limitations.

The Company maintains a \$100 million, unsecured revolving credit agreement with a group of banks. Borrowings under this facility are available for general corporate purposes, including property acquisitions and redevelopment. Interest on borrowings accrues at a spread (currently .75%) to LIBOR which fluctuates in accordance with changes in the Company's senior debt ratings. A fee approximating .16% per annum is payable on that portion of the facility which remains unused. Pursuant to the terms of the agreement, the Company, among other things, is (a) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate and secured debt, a minimum debt service coverage ratio and minimum unencumbered asset and equity levels, and (b) restricted from paying dividends in amounts that exceed 90% of funds from operations, as defined, plus 10% of the Company's stockholders' equity determined in accordance with generally accepted accounting principles. There were no borrowings outstanding under this facility at December 31, 1996. This revolving credit facility is scheduled to expire in June 1999.

8. MORTGAGES PAYABLE:

Mortgages payable, collateralized by certain shopping center properties and related tenants' leases, are generally due in monthly installments of principal and/or interest which mature at various dates through 2007. Interest rates range from approximately 6.8% to 12.9% (weighted average interest rate of 8.7% as of December 31, 1996). The scheduled maturities of all mortgages payable as of December 31, 1996, are approximately as follows (in millions of dollars): 1997, \$5.6; 1998, \$5.3; 1999, \$19.6; 2000, \$6.9; 2001, \$5.3; and thereafter, \$11.7.

Three of the Company's properties are encumbered by approximately \$13.8 million in floating-rate, tax-exempt mortgage bond financing. The rates on the bonds are reset annually, at which time bondholders have the right to require the Company to repurchase the bonds. The Company has engaged a remarketing agent for the purpose of offering for resale those bonds that are tendered to the Company. All bonds tendered for redemption in the past have been remarketed and the Company has arrangements, including letters of credit, with banks to both collateralize the principal amount and accrued interest on such bonds and to fund any repurchase obligations.

9. EXTRAORDINARY ITEM:

The Consolidated Statement of Income for the calendar year ended 1994 includes approximately \$.8 million, or \$.02 per share, representing the net amount of discounts received, premiums paid and deferred financing and other costs written-off in connection with the early satisfaction of mortgage debt.

10. KC HOLDINGS, INC.:

To facilitate the Company's November 1991 initial public stock offering (the "IPO"), forty-six shopping center properties and certain other assets, together with indebtedness related thereto, were transferred to subsidiaries of KC Holdings, Inc. ("KC Holdings"), a newly-formed corporation that is owned by the stockholders of the Company prior to the IPO. The Company continues to manage eighteen of these shopping center properties and was granted ten-year, fixed-price options to reacquire the real estate assets owned by KC Holdings' subsidiaries, subject to any liabilities outstanding with respect to such assets at the time of an option exercise. As of December 31, 1996, KC Holdings' subsidiaries had conveyed 14 shopping centers back to the Company and had disposed of ten additional centers in transactions with third parties. The members of the Company's Board of Directors who are not also shareholders of KC Holdings have unanimously approved the purchase of each of the 14 shopping centers that have been reacquired by the Company from KC Holdings. (See Note 14.)

Selected financial information for the twenty-two properties owned by KC Holdings' subsidiaries as of and for the year ended December 31, 1996, is as follows: Real estate, net of accumulated depreciation and amortization, \$55.5 million; Notes and mortgages payable, \$64.0 million; Revenues from rental property, \$11.2 million; Loss from rental operations, \$.3 million, after depreciation and amortization deductions of \$2.1 million; Income adjustment for real estate joint ventures, net, \$.4 million.

11. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS:

All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at amounts which, in management's estimation based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt) considered appropriate, reasonably approximate their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

12. PREFERRED AND COMMON STOCK:

On April 10, 1996, the Company completed a public offering of 4,000,000 Depository Shares (the "Class C Depository Shares") at \$25.00 per share, each such Class C Depository Share representing 1/10 of a share of the Company's 8-3/8%

Class C Cumulative Redeemable Preferred Stock (the "Class C Preferred Stock"), par value \$1.00 per share. The cash proceeds to the Company, net of related transaction costs of approximately \$3.6 million, totaling approximately \$96.4 million, have been used for the acquisition of interests in neighborhood and community shopping centers, and the redevelopment, expansion and improvement of properties in the Company's portfolio.

Dividends on the Class C Depository Shares are cumulative and payable quarterly in arrears at the rate of 8-3/8% per annum based on the \$25 per share initial offering price, or \$2.0938 per share. The Class C Depository Shares are redeemable, in whole or in part, for cash on or after April 15, 2001 at the option of the Company at a redemption price of \$25 per share, plus any accrued and unpaid dividends thereon. The redemption price of the Class C Preferred Stock may be paid solely from the sale proceeds of other capital stock of the Company, which may include other classes or series of preferred stock. The Class C Depository Shares are not convertible or exchangeable for any other property or securities of the Company. The Class C Preferred Stock (represented by the Class C Depository Shares outstanding) ranks pari passu with the Company's 7-3/4% Class A Cumulative Redeemable Preferred Stock and 8-1/2% Class B Cumulative Redeemable Preferred Stock as to voting rights, priority for receiving dividends and liquidation preferences as set forth below.

On July 26, 1995, the Company completed a public offering of 2,000,000 Depository Shares (the "Class B Depository Shares") at \$25.00 per share, each such Class B Depository Share representing 1/10 of a share of the Company's 8-1/2% Class B Cumulative Redeemable Preferred Stock (the "Class B Preferred Stock"), par value \$1.00 per share. The cash proceeds to the Company, net of related transaction costs of approximately \$1.8 million, totaling approximately \$48.2 million, have been used for the acquisition of interests in neighborhood and community shopping centers, and the redevelopment, expansion and improvement of properties in the Company's portfolio.

Dividends on the Class B Depository Shares are cumulative and payable quarterly in arrears at the rate of 8-1/2% per annum based on the \$25 per share initial offering price, or \$2.125 per share. The Class B Depository Shares are redeemable for cash, in whole or in part, on or after July 15, 2000 at the option of the Company at a redemption price of \$25 per share, plus any accrued and unpaid dividends thereon. The redemption price of the Class B Preferred Stock may be paid solely from the sale proceeds of other capital stock of the Company, which may include other classes or series of preferred stock. The

Class B Depositary Shares are not convertible or exchangeable for any other property or securities of the Company. The Class B Preferred Stock (represented by the Class B Depositary Shares outstanding) ranks pari passu with the Company's 7-3/4% Class A Cumulative Redeemable Preferred Stock and 8-3/8% Class C Cumulative Redeemable Preferred Stock as to voting rights, priority for receiving dividends and liquidation preferences as set forth below.

The Company also has outstanding 3,000,000 Depositary Shares (the "Class A Depositary Shares"), each such Class A Depositary Share representing 1/10 of a share of the Company's 7-3/4% Class A Cumulative Redeemable Preferred Stock (the "Class A Preferred Stock"), par value \$1.00 per share. Dividends on the Class A Depositary Shares are cumulative and payable quarterly in arrears at the rate of 7-3/4% per annum based on the \$25 per share initial offering price, or \$1.9375 per share. The Class A Depositary Shares are redeemable for cash, in whole or in part, on or after September 23, 1998 at the option of the Company, at a redemption price of \$25 per share, plus any accrued and unpaid dividends thereon. The Class A Depositary Shares are not convertible or exchangeable for any other property or securities of the Company. The Class A Preferred Stock (represented by the Class A Depositary Shares outstanding) ranks pari passu with the Company's Class B Preferred Stock and Class C Preferred Stock as to voting rights, priority for receiving dividends and liquidation preferences as set forth below.

Voting Rights—As to any matter on which the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock (collectively, the "Preferred Stock") may vote, including any action by written consent, each share of Preferred Stock shall be entitled to 10 votes, each of which 10 votes may be directed separately by the holder thereof. With respect to each share of Preferred Stock, the holder thereof may designate up to 10 proxies, with each such proxy having the right to vote a whole number of votes (totaling 10 votes per share of Preferred Stock). As a result, each Class A, each Class B and each Class C Depositary Share is entitled to one vote.

Liquidation Rights—In the event of any liquidation, dissolution or winding up of the affairs of the Company, the Preferred Stockholders are entitled to be paid, out of the assets of the Company legally available for distribution to its stockholders, a liquidation preference of \$250.00 per share (\$25 per Class A, Class B and Class C Depositary Share, respectively), plus an amount equal to any accrued and unpaid dividends to the date

of payment, before any distribution of assets is made to holders of Common Stock or any other capital stock that ranks junior to the Preferred Stock as to liquidation rights.

On February 2, 1996, the Company completed a primary public stock offering of 2,200,000 shares of Common Stock at \$26.50 per share. The proceeds from this sale of Common Stock, net of related transaction costs of approximately \$3.4 million, totaling approximately \$55.0 million, have been used primarily for the acquisition of neighborhood and community shopping centers.

On January 24, 1995, the Company completed a primary public stock offering with the sale of 2,700,000 shares of Common Stock at \$24.17 per share. Effective January 31 and February 16, 1995, the Company sold an additional 225,000 and 129,300 shares, respectively, of Common Stock at \$24.17 per share pursuant to elections by the underwriters to exercise, in part, their over-allotment option. The cash proceeds to the Company from these sales of Common Stock, net of related transaction costs of approximately \$4.3 million, totaling approximately \$69.5 million, have been used to (a) repay \$20.8 million in debt assumed in connection with the acquisition of nine shopping centers from a subsidiary of KC Holdings (See Note 14), (b) temporarily repay borrowings under the Company's revolving credit facility, and (c) expand and improve properties in the Company's portfolio.

13. DISPOSITIONS OF REAL ESTATE:

During September 1996, the Company disposed of a property in Watertown, New York. Proceeds from the disposition totaling approximately \$1.8 million in cash, together with an additional \$2.2 million cash investment, were used to acquire an exchange shopping center property located in Lafayette, IN during January 1997.

During March 1995, a subsidiary of the Company disposed of a property in Vernon, Connecticut. Cash proceeds from the disposition totaled approximately \$5.0 million, and the purchaser acquired the property subject to approximately \$3.0 million in mortgage debt. The cash proceeds, together with approximately \$4.7 million in cash, have been used to acquire exchange shopping centers located in Richmond, VA and South Miami, FL.

14. TRANSACTIONS WITH RELATED PARTIES:

The Company provides management services for shopping centers owned principally by affiliated entities and various real estate joint ventures in which certain stockholders of the

Company have economic interests. Such services are performed pursuant to management agreements which provide for fees based upon a percentage of gross revenues from the properties and other direct costs incurred in connection with management of the centers. The Consolidated Statements of Income include management fee income from KC Holdings of approximately \$.6 million, \$.6 million, and \$.8 million during years 1996, 1995 and 1994, respectively.

During January 1995, the Company exercised its option to acquire nine shopping center properties from a subsidiary of KC Holdings. These shopping centers, comprising approximately 1.2 million square feet of gross leasable area, were acquired for an aggregate option purchase price of approximately \$39 million, paid \$9.3 million in shares of the Company's Common Stock (valued at \$24.17 per share) and \$29.7 million through the assumption of debt encumbering the properties. Approximately \$20.8 million of the debt assumed in connection with the acquisition of these properties was repaid by the Company immediately following the purchase with proceeds from its January 1995, Common Stock offering. The members of the Company's Board of Directors who are not also shareholders of KC Holdings have unanimously approved the Company's purchase of these nine shopping centers.

Reference should be made to Notes 5 and 10 for further information regarding transactions with related parties.

15. COMMITMENTS AND CONTINGENCIES:

The Company and its subsidiaries are engaged in the operation of shopping centers which are either owned or held under long-term leases which expire at various dates through 2076. The companies in turn lease premises in these centers to tenants pursuant to lease agreements which provide for terms ranging generally from 5 to 25 years and for annual minimum rentals plus incremental rents based on operating expense levels and tenants' sales volumes. Annual minimum rentals plus incremental rents based on operating expense levels comprised approximately 97% of total revenues from rental property during years 1996, 1995 and 1994, respectively.

The future minimum revenues from rental property under the terms of all noncancelable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows (in millions of dollars): 1997, \$130.5; 1998, \$122.3; 1999, \$113.7; 2000, \$100.1; 2001, \$89.2; and thereafter, \$708.9.

Minimum rental payments under the terms of all noncancelable operating leases pertaining to its shopping center portfolio for future years are approximately as follows (in millions of dollars): 1997, \$1.7; 1998, \$1.7; 1999, \$1.7; 2000, \$1.7; 2001, \$1.4; and thereafter, \$36.7.

16. INCENTIVE PLANS:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum 3,000,000 shares of Common Stock may be issued for qualified and non-qualified options. Options granted under the Plan generally vest ratably over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board in its sole discretion.

The Company has extended loans to certain executive officers to supplement available margin loans and partially fund the purchase of shares of the Company's Common Stock held by these individuals. These loans bear interest at 6% per annum, are collateralized by the shares of Common Stock purchased and, are repayable over an average term of approximately eight years.

Information with respect to stock options under the Plan for years 1996, 1995 and 1994 is as follows:

	Shares	Weighted Average Exercise Price Per share
Options outstanding,		
December 31, 1993	894,742	\$18.97
Exercised	(54,598)	\$15.35
Granted	229,125	\$22.35
Options outstanding,		
December 31, 1994	1,069,269	\$19.87
Exercised	(40,581)	\$16.67
Granted	423,540	\$24.96
Options outstanding,		
December 31, 1995	1,452,228	\$21.44
Exercised	(163,582)	\$19.36
Granted	315,500	\$28.32
Options outstanding,		
December 31, 1996	1,604,146	\$23.01
Options exercisable—		
December 31, 1994	484,968	\$18.32
December 31, 1995	762,204	\$19.45
December 31, 1996	954,175	\$20.84

The exercise prices for options outstanding as of December 31, 1996 range from \$13.33 to \$29.75 per share. The weighted average remaining contractual life for options outstanding as of December 31, 1996 was approximately 7.8 years. Options to purchase 800,373, 1,115,873, and 39,413, shares of Common Stock were available for issuance under the Plan at December 31, 1996, 1995 and 1994, respectively.

The Company has elected to adopt the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation". Accordingly, no compensation cost has been recognized with regard to options granted under the Plan in the accompanying Consolidated Statements of Income. If stock-based compensation costs had been recognized based on the estimated fair values at the dates of grant for options awarded during 1996 and 1995, net income and net income per common share for these calendar years would have been reduced by approximately \$.4 million, or \$.01 per share, and \$.1 million, or less than \$.01 per share, respectively.

These pro forma adjustments to net income and net income per common share assume fair values of each option grant estimated using the Black-Scholes option pricing formula. The more significant assumptions underlying the determination of such fair values for options granted during 1996 and 1995

include: (i) weighted average risk-free interest rates of 6.24% and 6.02%, respectively; (ii) weighted average expected option lives of 7.25 and 6.13 years, respectively; (iii) an expected volatility of 15.79%, and (iv) an expected dividend yield of 6.82%. The per share weighted average fair value at the dates of grant for options awarded during 1996 and 1995 was \$2.50 and \$2.14, respectively.

The Company maintains a 401(k) retirement plan covering substantially all officers and employees which permits participants to defer up to a maximum 10% of their compensation. This deferred compensation, together with Company matching contributions which generally equal employee deferrals up to a maximum of 5%, is fully vested and funded as of December 31, 1996. Company contributions to the plan totaled less than \$.3 million for each of years 1996, 1995 and 1994.

17. SUPPLEMENTAL FINANCIAL INFORMATION:

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during years 1996 and 1995.

	1996 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property	\$41,662	\$42,444	\$40,837	\$43,201
Net income	\$15,928	\$18,439	\$19,833	\$19,627
Net income, per common share	\$.38	\$.39	\$.42	\$.42
	1995 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property	\$34,448	\$36,454	\$35,958	\$36,272
Net income	\$12,005	\$12,860	\$13,875	\$13,182
Net income, per common share	\$.32	\$.34	\$.35	\$.32

Interest paid during years 1996, 1995 and 1994 approximated \$26.9 million, \$25.0 million and \$19.3 million, respectively. Accounts and notes receivable in the accompanying Consolidated Balance Sheets are net of estimated unrecoverable amounts of approximately \$1.4 million at December 31, 1996 and 1995, respectively.

18. PRO FORMA FINANCIAL INFORMATION (UNAUDITED):

The Company and certain of its subsidiaries acquired and disposed of interests in shopping center properties during 1996. The pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for years 1996 and 1995, adjusted to give effect to these transactions as of January 1, 1995.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred on January 1, 1995, nor does it purport to represent the results of operations for future periods. (Amounts presented in millions of dollars, except per share figures.)

Years Ended December 31,	1996	1995
Revenues from rental property	\$170.1	\$148.3
Net Income	\$ 74.1	\$ 54.7
Net Income, per common share	\$ 1.62	\$ 1.38

KIMCO REALTY CORPORATION AND SUBSIDIARIES
C O R P O R A T E D I R E C T O R Y

D I R E C T O R S

Martin S. Kimmel
Chairman (Emeritus) of the Board

Milton Cooper
Chairman of the Board

Michael J. Flynn
Vice Chairman of the Board

Richard G. Dooley
Executive Vice President and
Chief Investment Officer—Retired
Massachusetts Mutual
Life Insurance Company

Joe Grills
Chief Investment Officer—Retired
IBM Retirement Funds

Frank Lourenso
Executive Vice President
The Chase Manhattan Bank

O F F I C E R S

Milton Cooper
Chairman and Chief Executive Officer

Michael J. Flynn
Vice Chairman and President

Joseph V. Denis
Vice President, Construction

Bruce M. Kauderer
Vice President, Legal

Louis J. Petra
Chief Financial Officer

Robert P. Schulman
General Counsel and Secretary

Alex Weiss
Vice President,
Management Information Systems

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508-741-0091

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216-292-8284

Dayton, OH
513-434-5421

Orlando, FL
407-330-3242

Philadelphia, PA
215-322-2750

Tampa, FL
813-536-3287

C O U N S E L

Latham & Watkins
New York, NY

A U D I T O R S

Coopers & Lybrand L.L.P.
New York, NY

R E G I S T R A R A N D T R A N S F E R A G E N T

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S T O C K L I S T I N G

NYSE — Symbols KIM, KIMprA, KIMprB, KIMprC

A N N U A L R E P O R T — F O R M 1 0 - K

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained at no cost to stockholders by writing to:

Investor Relations
Kimco Realty Corporation
3333 New Hyde Park Road
Suite 100
New Hyde Park, NY 11042

A N N U A L M E E T I N G O F S T O C K H O L D E R S

Stockholders of Kimco Realty Corporation are cordially invited to attend the 1997 Annual Meeting of Stockholders scheduled for Wednesday, May 28, 1997, at 270 Park Avenue, New York City, New York, 11th floor, Room C at 2:00 p.m.

**D I V I D E N D R E I N V E S T M E N T A N D
C O M M O N S T O C K P U R C H A S E P L A N**

The Company's Dividend Reinvestment and Common Stock Purchase Plan provides common and preferred stockholders with an opportunity to conveniently and economically acquire Kimco Common Stock. Stockholders may have their dividends automatically directed to our transfer agent to purchase common shares without paying any brokerage commissions. Requests for booklets describing the Plan, enrollment forms and any correspondence or questions regarding the Plan should be directed to:

The First National Bank of Boston
Dividend Reinvestment Dept.
Mail Stop 45-01-06
P.O. Box 1681
Boston, MA 02105-1681

H O L D E R S O F R E C O R D

Holders of record of the Company's Common Stock, par value \$0.01 per share, totaled 498 as of February 28, 1997.



**Kimco
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Corporation**

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