

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

FORM 10-Q

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

For the quarterly period ended March 31, 2004

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. 33-98136

CPG PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

22-3258100

*(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)

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 No .

Indicate by check mark whether the registrant is an accelerated filer.

Yes No

There are no outstanding shares of Common Stock or voting securities.

CPG Partners, L.P.

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Part I. Financial Information

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CPG Partners, L.P. Consolidated Balance Sheets (In thousands)

	March 31, 2004	December 31, 2003
	(Unaudited)	
Assets:		
Rental properties:		
Land.....	\$299,406	\$ 299,176
Depreciable property.....	1,782,729	1,773,607
Total rental property.....	2,082,135	2,072,783
Accumulated depreciation.....	(348,087)	(332,406)
Rental properties, net.....	1,734,048	1,740,377
Cash and cash equivalents.....	16,296	18,476
Restricted cash-escrows.....	5,302	6,456
Tenant accounts receivable (net of allowance for doubtful accounts of \$2,242 in 2004 and \$1,615 in 2003).....	4,298	11,631
Deferred rent receivable.....	26,117	25,018
Property held for sale.....	3,500	3,500
Investments in unconsolidated affiliates.....	123,026	107,068
Notes receivable-related parties.....	17,295	2,151
Deferred costs, net.....	20,828	22,989
Other assets.....	33,683	32,748
Total assets.....	\$1,984,393	\$1,970,414
Liabilities and partners' capital:		
Liabilities:		
Unsecured bank debt.....	\$ 162,870	\$ 204,035
Unsecured notes.....	721,451	621,803
Mortgage debt.....	322,227	385,634
Construction payables.....	6,244	7,668
Accounts payable and accrued expenses.....	51,038	59,738
Accrued distribution payable.....	31,946	5,131
Other liabilities.....	19,508	20,871
Total liabilities.....	1,315,284	1,304,880
Commitments and contingencies		
Partners' capital:		
General partner units outstanding, 44,036 in 2004 and 43,592 in 2003.....	529,160	524,295
Limited partners' units outstanding, 7,233 in 2004 and 7,356 in 2003.....	80,280	81,934
Preferred partner units outstanding, 1,300 in 2004 and 2003.....	63,315	63,315
Accumulated other comprehensive loss.....	(3,646)	(4,010)
Total partners' capital.....	669,109	665,534
Total liabilities and partners' capital.....	\$1,984,393	\$1,970,414

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

CPG Partners, L.P. Consolidated Statements of Income for the Three Months Ended March 31, 2004 and 2003 (Unaudited) (In thousands, except per unit data)

	2004	2003
Revenues:		
Base rent.....	\$65,644	\$59,159
Percentage rent.....	4,806	4,121
Expense reimbursements.....	20,729	18,553
Other income.....	1,923	1,449
Total revenues.....	93,102	83,282
Expenses:		
Operating and maintenance.....	25,101	22,521
Depreciation and amortization.....	17,816	17,283
General and administrative.....	3,590	2,202
Other.....	2,436	2,195
Total expenses.....	48,943	44,201
Income before unconsolidated investments, interest expense		

and discontinued operations.....	44,159	39,081
Income from unconsolidated investments.....	5,042	1,451
Interest expense.....	(18,650)	(16,775)
Income from continuing operations.....	30,551	23,757
Income from discontinued operations.....	-	301
Net income.....	30,551	24,058
Preferred unit requirement.....	(2,296)	(2,296)
Net income available to common unitholders.....	\$28,255	\$21,762
Net income to common unitholders:		
General partner.....	\$24,208	\$18,413
Limited partners.....	4,047	3,349
Total.....	\$28,255	\$21,762
Net income per common unit:		
General partner.....	\$0.55	\$0.44
Limited partners.....	\$0.55	\$0.44
Weighted average units outstanding:		
General partner.....	43,746	41,570
Limited partners.....	7,314	7,561
Total.....	51,060	49,131

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

CPG Partners, L.P.
Consolidated Statements of Cash Flows
for the Three Months Ended March 31, 2004 and 2003
(Unaudited)
(In thousands)

	2004	2003
Cash flows from operating activities		
Net income.....	\$ 30,551	\$24,058
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	17,816	17,632
Equity in earnings of unconsolidated investments in excess of distributions.....	(1,590)	(261)
Additions of deferred leasing costs.....	(337)	-
Other operating activities.....	(976)	(253)
Changes in assets and liabilities:		
Straight-line rent.....	(1,364)	(1,760)
Due from affiliates.....	2,207	(1,185)
Other assets.....	6,717	4,951
Accounts payable and other liabilities.....	(8,923)	(4,769)
Net cash provided by operating activities.....	44,101	38,413
Cash flows from investing activities		
Additions to rental properties.....	(8,261)	(8,361)
Additions to investments in unconsolidated affiliates.....	(14,187)	(11,577)
Distributions from investments in unconsolidated affiliates in excess of earnings.....	185	-
Additions to deferred development costs.....	(405)	(113)
Payments from related parties.....	-	27
Net cash used in investing activities.....	(22,668)	(20,024)
Cash flows from financing activities		
Debt proceeds.....	107,534	-
Debt repayment.....	(129,951)	(17,207)
Net proceeds from sale of the Company's common stock.....	5,717	3,536
Distributions.....	(6,242)	(5,967)
Additions to deferred financing costs.....	(671)	(278)
Net cash used in financing activities.....	(23,613)	(19,916)
Net decrease in cash and cash equivalents.....	(2,180)	(1,527)
Cash and cash equivalents, beginning of period.....	18,476	22,551
Cash and cash equivalents, end of period.....	\$ 16,296	\$21,024

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

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

CPG Partners, L.P., a Delaware limited partnership, (the "Operating Partnership" or "OP") is 85.9% owned and managed by its sole general partner, Chelsea Property Group, Inc. (the "Company"), a self-administered and self-managed real estate investment trust ("REIT"). The OP specializes in owning, developing, leasing, marketing and managing upscale and fashion-oriented manufacturers' outlet centers. As of March 31, 2004, the OP wholly or partially-owned 61 centers in 31 states and Japan containing approximately

16.3 million square feet of gross leasable area ("GLA"); the OP's portfolio comprised 39 Domestic and International Outlet centers containing 13.5 million square feet of GLA (the "Outlets") and 22 other centers containing approximately 2.8 million square feet of GLA ("Other Retail") (collectively the "Properties"). The OP's Outlets generated approximately 98% and 96% of the OP's real estate net operating income for the three months ended March 31, 2004, and 2003, respectively. The Outlets generally are located near metropolitan areas including New York City, Los Angeles, Chicago, Boston, Washington, D.C., San Francisco, Sacramento, Atlanta, Dallas, and Tokyo, Osaka and Fukuoka, Japan. Some Outlets are also located within 20 miles of major tourist destinations including Palm Springs, Napa Valley, Orlando, Las Vegas and Honolulu.

The financial statements contain the accounts of the Operating Partnership and its majority owned subsidiaries. Such subsidiaries represent partnerships in which the OP has greater than a 50% ownership interest and the ability to maintain operational control. All significant intercompany transactions and accounts have been eliminated in consolidation.

Common ownership of the OP as of March 31, 2004, was approximately as follows:

	Number of units	% of total units
	-----	-----
General Partner	44,036,000	85.9%
Limited Partners	7,233,000	14.1%
	-----	-----
Total	51,269,000	100.0%

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the OP's Annual Report on Form 10-K for the year ended December 31, 2003.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation (continued)

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46)*. In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non controlling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all the VIE's assets, liabilities and non-controlling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest. As of March 31, 2004, the OP has determined that it does not have any variable interest in any VIEs.

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

2. 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, leasing and guarantee fees earned, are included in income from unconsolidated investments in the accompanying financial statements.

As of March 31, 2004, the OP's interests in joint ventures included a 50% interest in Las Vegas Premium Outlets ("Simon-Las Vegas") and a 50% interest in Chicago Premium Outlets ("Simon-Chicago") with Simon Property Group, Inc. ("Simon") (collectively "Simon-Ventures"); a 40% interest in Chelsea Japan Co., Ltd. ("Chelsea Japan"); a 50% interest in a strategic alliance with Sordo Madaleno y Asociados and affiliates; minority interests in various outlet centers and development projects in Europe operated by Value Retail PLC ("Value Retail"); and 100% of the non-voting preferred stock of Chelsea Interactive and 50% of the non-voting common stock representing 40% of the total common stock of Chelsea Interactive.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

2. Investments in Affiliates (continued)

In May 2002, the OP entered into a 50/50 joint venture agreement with Sordo Madaleno y Asociados and affiliates to jointly develop Premium Outlet centers in Mexico. Construction on the 230,000 square-foot first phase of Punta Norte Premium Outlets commenced in July 2003; the center is scheduled to open in late 2004. The OP is responsible for financing its 50% share of project costs of approximately \$15.0 million. As of March 31, 2004, the OP had contributed \$8.9 million. In January 2004, an affiliate of the OP entered into a 180 million peso-denominated credit facility, which is guaranteed by the OP to fund its share of construction costs. Borrowings under the credit facility were contributed to the joint venture.

In March 2004, Chelsea Japan opened its fourth project, the 187,000 square-foot first phase of Tosu Premium Outlets located approximately 20 miles south of Fukuoka, Japan's fourth largest city. Chelsea Japan owns and operates three other centers: Gotemba Premium Outlets, a 390,000 square-foot property located 60 miles west of Tokyo; Rinku Premium Outlets, a 250,000 square-foot property located near Osaka, scheduled to expand by an additional 70,000 square feet in late 2004; and Sano Premium Outlets, a 178,000 square-foot property located 40 miles north of Tokyo, scheduled to be expanded by 51,000 square feet in mid-2004.

In June 2002, the OP and Simon entered into a 50/50 joint venture to develop and operate Las Vegas Premium Outlets, a 435,000 square-foot single-phase outlet center located in Las Vegas, Nevada, which opened on August 1, 2003.

In August 2002, the OP and Simon entered into a new 50/50 joint venture to develop and operate Simon-Chicago, a 438,000 square-foot single-phase premium outlet center located in Aurora, Illinois, near Chicago. The center is scheduled to open in June 2004. The OP is responsible for financing its 50% share of the development costs, which are expected to be approximately \$45.0 million. As of March 31, 2004, the OP had contributed \$32.9 million and capitalized interest and other costs of \$2.7 million.

At March 31, 2004, the OP had minority interests ranging from 3% to 8%, in several outlet centers and outlet development projects in Europe. In July 2002, the OP sold approximately 40% of its holdings in Value Retail to a third party for \$11.4 million, resulting in a gain of approximately \$10.9 million.

On February 17, 2004, the OP announced a joint venture between Chelsea Interactive and a publicly traded third party, GSI Commerce, Inc. Under the terms of the agreement, Chelsea Interactive will no longer operate its e-commerce technology platform, but will retain a minority interest in GSI-Chelsea Solutions. Chelsea Interactive's largest clients have entered into service agreements with GSI-Chelsea Solutions and will transition e-commerce activities to the GSI-Chelsea platform in the second quarter of 2004. No gain or loss from Chelsea Interactive was recorded during the three months ended March 31, 2004.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

2. Investments in Affiliates (continued)

The following is a summary of investments in and amounts due from affiliates at March 31, 2004 (in thousands):

	Chelsea Japan	Simon Ventures	Chelsea Mexico	Other	Total
Balance December 31, 2003.....	\$19,461	\$77,739	\$6,212	\$3,656	\$107,068
Additional investment.....	2,231	7,874	5,145	(135)	15,115
Income from unconsolidated investments...	2,837	2,205	-	-	5,042
Distributions and fees.....	(2,306)	(1,899)	-	-	(4,205)
Foreign exchange.....	236	-	(49)	-	187
Advances (net).....	-	(196)	-	15	(181)
Balance March 31, 2004.....	<u>\$22,459</u>	<u>\$85,723</u>	<u>\$11,308</u>	<u>\$3,536</u>	<u>\$123,026</u>

The OP's share of income (loss) before depreciation, depreciation expense and income (loss) from unconsolidated investments for the three months ended March 31, 2004 and 2003, is as follows (in thousands):

Three Months Ended March 31,

	2004			2003		
	Income before depr.	Depr.	Income from unconsolidated investments	Income (loss) before depr.	Depr.	Income (loss) from unconsolidated investments
Chelsea Japan.....	\$4,066	\$1,229	\$2,837	\$2,050	\$599	\$1,451
S/C Las Vegas.....	2,035	435	1,600	-	-	-
S/C Chicago.....	605	-	605	-	-	-
Total.....	\$6,706	\$1,664	\$5,042	\$2,050	\$599	\$1,451
Chelsea Interactive.....	\$ -	\$ -	\$ -	\$ (837)	\$ -	\$ (837)

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

2. Investments in Affiliates (continued)

Condensed financial information as of March 31, 2004 and December 31, 2003, and for the three months ended March 31, 2004 and 2003 for Chelsea Japan and Simon-Ventures is as follows (in thousands):

Property, plant and equipment (net)	
March 31, 2004.....	\$ 324,505
December 31, 2003.....	288,780
Total assets	
March 31, 2004.....	449,052
December 31, 2003.....	380,426
Long term debt (1)	
March 31, 2004.....	136,000
December 31, 2003.....	129,731
Total liabilities	
March 31, 2004.....	271,457
December 31, 2003.....	220,238
Net income	
March 31, 2004.....	6,379
March 31, 2003.....	652
OP's share of net income	
March 31, 2004.....	2,943
March 31, 2003.....	261
Fee income	
March 31, 2004.....	2,100
March 31, 2003.....	1,190

(1) Long-term debt consists of borrowings related to Chelsea Japan.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

3. Debt

Unsecured Bank Debt

A summary of the terms of the unsecured bank debt outstanding at March 31, 2004 and December 31, 2003, and the related effective interest rate, is as follows (in thousands):

	March 31, 2004	Effective interest rate	December 31, 2003	Effective interest rate
Senior credit facility due March 2005 (1)	\$79,000	2.06%	\$99,000	2.09%
Term loan due March 2005 (2)	5,035	2.06%	5,035	2.09%
Bridge loan facility due July 2004 (3)	-	-	100,000	1.96%
Term loan due April 2010 (4)	61,225	7.26%	-	-
Yen credit facility due April 2005 (5)	12,841	1.31%	-	-
Peso credit facility due January 2007 (6)	4,769	8.08%	-	-
	\$162,870		\$204,035	

- 1) The OP maintains a \$200 million senior unsecured bank line of credit (the "Senior Credit Facility") that expires on March 31, 2005, and is extendible at the OP's option until March 31, 2006. The Senior Credit Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 0.95% or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.50% depending on the OP's Senior Debt rating. The OP received a debt rating upgrade in July 2003, resulting in a reduction of the LIBOR rate spread to 0.95% from 1.05%.
- 2) The term loan carries the same interest rate and maturity as the Senior Credit Facility.
- 3) In March 2004, the OP repaid the \$100 million bridge loan due July 31, 2004 with proceeds received from the issuance of \$100 million of unsecured term notes due March 15, 2009. The Bridge Loan facility bore interest on the outstanding balance, payable monthly, at LIBOR plus 0.80%.
- 4) In February 2004, the OP amended its mortgage loan due April 2010 to unencumber four properties and reduce the interest rate to LIBOR plus 1.25% from LIBOR plus 1.50% (2.35% at March 31, 2004). The original terms calling for quarterly principal amortization of \$0.25 million through April 2005 and \$0.45 million per quarter thereafter until maturity remained unchanged. The OP maintains an interest rate swap that effectively fixes the interest rate on the term loan at 7.26% until January 2006. During the three months ended March 31, 2004 and 2003, the OP recognized interest expense of \$0.8 million and \$0.7 million on the hedge, respectively, that is included in interest expense in the accompanying financial statements.
- 5) The OP's wholly-owned equity investee in Chelsea Japan Co. Ltd., has a 4.0 billion yen line of credit (approximately US \$38.4 million) to provide funding for projects developing in Japan. The yen line of credit bears interest at yen LIBOR plus 1.25% and matures April 1, 2005. This facility is guaranteed by the Company and the OP. At March 31, 2004, 1.3 billion yen (approximately US \$12.8 million) was outstanding under the loan.
- 6) In January 2004, a wholly-owned subsidiary of the OP entered into a 180 million peso dominated revolving facility (US \$16.2 million as of March 31, 2004) to provide funding for projects in Mexico. The peso facility has a three-year term and the drawn funds bear interest at the Interbank Interest Equilibrium Rate ("TIIE") plus 0.825% plus the bank's cost of funds spread limited to 20% of the TIIE, with an annual facility fee of 0.15% on the unused balance. The TIIE rate spread ranges from 0.725% to 1.37% depending on the OP's Senior Debt rating. This facility is guaranteed by the Company and the OP. At March 31, 2004, the outstanding balance was 52.3 million pesos (approximately US \$4.8 million).

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

3. Debt (continued)

Unsecured Notes

A summary of the terms of the unsecured notes outstanding at March 31, 2004 and December 31, 2003 is as follows (in thousands):

	March 31, 2004	December 31, 2003	Effective Yield (1)
8.375% Notes due August 2005.....	\$ 49,960	\$ 49,952	8.44%
7.250% Notes due October 2007.....	124,882	124,874	7.39%
3.500% Notes due March 2009(2).....	99,538	-	3.60%
8.625% Notes due August 2009.....	49,946	49,943	8.76%
8.250% Notes due February 2011.....	149,000	148,963	8.40%
6.875% Notes due June 2012.....	99,883	99,878	6.90%
6.000% Notes due January 2013.....	148,242	148,193	6.18%
	----- \$721,451	----- \$621,803	
	=====	=====	

- (1) Including discounts on the notes.
- (2) In March 2004, the OP completed a debt offering consisting of \$100 million, 3.5% unsecured term notes due March 15, 2009, priced to yield 3.603% to investors. Proceeds were used to repay virtually all of the \$100.0 million bridge loan facility due July 2004.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

3. Debt (continued)

Mortgage Debt

A summary of the terms of the mortgage debt outstanding at March 31, 2004 and December 31, 2003, and the related interest rate and Net Book Value ("NBV") of the associated collateral as of March 31, 2004, is as follows (in thousands):

	March 31, 2004	December 31, 2003	Effective Interest Rate	NBV
Due July 2008 (1)	\$163,938	\$164,727	7.26%	\$250,820
Due April 2010 (2)	-	61,475	7.26%	-
Due December 2012 (3)	24,950	25,477	6.29%	101,064
Due December 2012 (4)	70,189	70,460	7.67%	74,397
Due March 2013 (5)	63,150	63,495	5.10%	112,208
	----- \$322,227 =====	----- \$385,634 =====		----- \$538,489 =====

- 1) The F/C mortgage loan was consolidated as part of the August 20, 2002 buyout of Fortress' 51% interest in the F/C Acquisition joint venture. The mortgage bears interest at 6.99% per annum through July 11, 2008, (the "Optional Prepayment Date") and thereafter at a rate equal to the greater of 8.4% plus 5.0% or the Treasury Rate, as defined, plus 6.5% until the earlier of the date the mortgage is paid in full or its maturity date of July 11, 2028. The stated rate was less than that available to the OP in the public debt markets. Accordingly, the OP recorded a \$1.2 million debt discount that is amortized over the period of the loan, which increases the effective interest rate to 7.26%. The mortgage may be prepaid in whole or in part at any time after the Optional Prepayment Date without a prepayment penalty. The mortgage calls for a \$1.2 million fixed monthly interest plus principal payment based on a 26-year amortization schedule. During the three months ended March 31, 2004, the OP recognized \$36,000 in debt discount amortization that is included in interest expense in the accompanying financial statements.
- 2) In February 2004, the OP amended the mortgage loan to unencumber the properties (see unsecured bank debt).
- 3) The mortgage loan due December 2012 was assumed as part of an August 2003 acquisition. The stated interest rate of 8.12% was greater than that available to the OP for comparable debt. Consequently, the OP recognized a \$1.9 million debt premium that is amortized over the period of the loan, which reduces the effective interest rate to 6.29%. The mortgage loan calls for a \$0.3 million fixed monthly debt service payment on a 17-year amortization schedule. During the three months ended March 31, 2004, the OP recognized approximately \$75,000 in debt premium amortization that is included in interest expense in the accompanying financial statements.
- 4) The mortgage loan was assumed as part of a September 2001 acquisition. The stated interest rate of 9.1% was greater than that available to the OP in the public debt markets. Accordingly, the OP recorded a \$6.9 million debt premium that will be amortized over the period of the loan, 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. During the three months ended March 31, 2004 and 2003, the OP recognized \$0.1 million in debt premium amortization that is included in interest expense in the accompanying financial statements.
- 5) The mortgage loan due March 2013 was assumed as part of a June 2003 acquisition. The stated interest rate of 5.85% was greater than that available to the OP for comparable debt. Accordingly, the OP recorded a \$3.4 million debt premium that will be amortized over the period of the loan, which reduces the effective interest rate to 5.10%. The loan calls for a \$0.4 million fixed monthly debt service payment on a 25-year amortization schedule. During the three months ended March 31, 2004, the OP recognized approximately \$72,000 in debt premium amortization that is included in interest expense in the accompanying financial statements.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

4. Financial Instruments: Derivatives and Hedging

The OP employs interest rate and foreign currency forwards or purchased options to hedge qualifying anticipated transactions. Gains and losses are deferred and recognized in net income in the same period that the underlying hedged transaction affects net income, expires or is otherwise terminated or assigned.

At March 31, 2004, the OP's interest rate swap was reported at its fair value and classified as an other liability. At March 31, 2004, there were \$4.3 million in deferred losses recorded in accumulated other comprehensive loss.

<u>Hedge Type</u>	<u>Notional Value</u>	<u>Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
Swap, Cash Flow	\$66.3 million	5.7625%	1/1/2006	(\$4.7 million)

The notional value and fair value of the above hedge provides an indication of the extent of the OP's involvement in financial derivative instruments at March 31, 2004, but does not represent exposure to credit, interest rate, foreign exchange or market risk.

5. 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.

6. Partners' Capital

(in thousands):	General Partner's Capital	Limited Partners' Capital	Preferred Partner's Capital	Accum. Other Comp. (Loss) Income	Total
Balance December 31, 2003	\$524,295	\$81,934	\$63,315	\$(4,010)	\$665,534
Net income.....	25,042	5,509	-	-	30,551
Other comprehensive income:					
Foreign currency translation.....	-	-	-	235	235
Interest rate swap.....	-	-	-	129	129
Total comprehensive income.....				-	30,915
Common distributions.....	(26,421)	(4,337)	-	-	(30,758)
Preferred distribution.....	(834)	(1,462)	-	-	(2,296)
Contribution (net of costs).....	5,714	-	-	-	5,714
Transfer of a limited partners' interest..	1,364	(1,364)	-	-	-
	-	-	-	-	-
Balance March 31, 2004	\$ 529,160	\$80,280	\$ 63,315	\$(3,646)	\$669,109

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

7. Distribution

On March 3, 2004, the Board of Directors of the Company declared a \$0.60 per unit distribution to unitholders of record on March 31, 2004. The distribution totaling \$30.7 million was paid on April 12, 2004.

8. Income Taxes

No provision has been made for income taxes in the accompanying consolidated financial statements since such taxes, if any, are the responsibility of the individual partners.

9. Net Income Per Partnership Unit

Net income per partnership unit is determined by allocating net income to the general partner (including the general partner's preferred unit allocation) and the limited partners based on their weighted average partnership units outstanding during the respective periods presented.

10. Commitments and Contingencies

In connection with the Simon-Ventures, the OP has committed to provide 50% of the development costs or approximately \$45.0 million to Simon-Chicago. As of March 31, 2004, the OP had contributed \$32.9 million to Simon-Chicago.

Borrowings related to Chelsea Japan for which the Company and the OP have provided guarantees for repayment of debt as of March 31, 2004, are as follows (in thousands):

Total Facility		Outstanding				
Yen	US \$ Equivalent	Yen	US \$ Equivalent	US \$ Guarantee	Due Date	Interest Rate
3.8 billion (1)	\$36.5 million	3.2 billion	\$30.9 million	\$12.4 million	2015	2.20%
0.6 billion (1)	5.8 million	0.5 billion	4.8 million	1.9 million	2012	1.50%

(1) Facilities entered into by Chelsea Japan, secured by Gotemba and Rinku and 40% severally guaranteed by the OP.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

10. Commitments and Contingencies (continued)

In May 2002, the OP entered into a 50/50 joint venture agreement with Sordo Madaleno y Asociados and affiliates to jointly develop Premium Outlet centers in Mexico. Construction on the 230,000 square-foot first phase of Punta Norte Premium Outlets commenced in July 2003; the center is scheduled to open in late 2004. The OP is responsible for financing its share of project costs of approximately \$15.0 million. As of March 31, 2004, the OP had contributed \$8.9 million. In January 2004, an affiliate of the OP entered into a peso-denominated credit facility, which is guaranteed by the OP to fund its share of construction costs.

At March 31, 2004, other assets include \$7.7 million and accrued expenses and other liabilities include \$17.6 million related to the 2002 deferred unit incentive program, which may be paid to certain key officers in 2007.

As of March 31, 2004, the OP had provided limited debt service guarantees of approximately \$16.4 million to Value Retail and affiliates, under a standby facility for loans provided to Value Retail and affiliates to construct outlet centers in Europe. The standby facility, which has a maximum limit of \$22.0 million, expired in November 2001, and outstanding guarantees shall not survive more than five years after project completion.

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

11. Related Party Information

In August 1997, the OP and one of the Company's directors entered into a Consulting Agreement pursuant to which the director agreed to perform services for the OP in connection with the development and operation of manufacturer's outlet centers in Japan and Hawaii. The agreement provided for payments to the director of \$10,000 per month and was terminated by the OP in December 1999. During the term of the agreement and for four years after the termination, the director was entitled to deferred compensation 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 either directly or as a result of Mitsubishi and/or Nissho Iwai committing to develop such project with the OP in Japan during the previously mentioned four-year period. Fees paid under this agreement totaled \$0.7 million for the three months ended March 31, 2004. These fees are included in investment in affiliates in the accompanying financial statements. The final payment under this agreement, related to the opening of Tosu Premium Outlets which was Board approved during 2003, was paid in March 2004.

In 1999, the OP established a \$6.0 million secured loan facility that expires in June 2004 for the benefit of certain unitholders. Under the loan facility, each borrower issued a note that was secured by OP units, bore interest at a rate of LIBOR plus 2.0% per annum payable quarterly and was due by the facility expiration date. In April 2004, the OP received the sole remaining outstanding principal payment of \$2.2 million plus interest, thereby extinguishing the entire outstanding balance of the loan facility. Effective June 2002, the OP changed its policy to eliminate new loans to directors and officers.

The OP's wholly-owned equity investee in Japan has advanced partner loans to Chelsea Japan totaling 1.6 billion yen (approximately US \$15.1 million) at March 31, 2004. The loans, which were used to fund construction costs, bear interest at yen LIBOR plus 3.00% (3.05% at March 31, 2004) and mature in 2005 (900 million yen) and in 2014 (680 million yen). The loans are included in notes receivable-related parties in the accompanying financial statements.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

12. Segment Information

The OP 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 real estate segments in 2004: domestic outlets, international outlets and other retail. Prior to 2004, the OP's segments consisted of premium domestic, other domestic and international centers. In 2004, the OP combined 12 centers containing 4.3 million square feet of GLA with the premium domestic segment to create a new segment called domestic outlets. These centers, which were included in the other domestic segment prior to 2004, contain many of the same tenants and characteristics of the OP's Premium Outlets. The other retail segment consists of 22 centers containing 2.8 million square feet of GLA, which contributes approximately 2% of the OP's net operating income. The OP evaluates real estate performance and allocates resources based on Net Operating Income ("NOI") defined as total revenue less operating expenses. 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 real estate business segments meet the quantitative threshold for determining reportable segments:

For the three months ended:
(in thousands)

	Domestic Outlets	International Outlets	Other Retail	Other	Total
	-----	-----	-----	-----	-----
		(3)	(4)	(5)	
Total revenues (1)					
March 31, 2004.....	\$88,247	\$ -	\$4,612	\$243	\$ 93,102
March 31, 2003 (2).....	78,698	-	4,545	39	83,282
Interest income					
March 31, 2004.....	258	69	-	32	359
March 31, 2003.....	259	-	-	32	291
Income (loss) from unconsolidated investments					
March 31, 2004.....	2,205	2,837	-	-	5,042
March 31, 2003.....	-	1,451	-	(837)	614

NOI (loss) (1)					
March 31, 2004.....	66,410	5,261	1,439	(3,234)	69,876
March 31, 2003.....	56,907	2,414	2,369	(2,403)	59,287
Fixed asset additions (deletions)					
March 31, 2004.....	7,597	-	106	(765)	6,938
March 31, 2003.....	8,491	-	416	(546)	8,361
Total assets					
March 31, 2004.....	1,806,899	37,399	69,497	70,598	1,984,393
December 31, 2003.....	1,816,442	29,306	67,820	56,846	1,970,414

- (1) Approximately 71% and 74% of the OP's total revenues and approximately 74% and 77% of the OP's real estate NOI were generated by the OP's Premium Outlets during the 2004 and 2003 periods, respectively.
- (2) Excludes revenue for St. Helena, Mesa and American Tin Cannery properties, which are classified as discontinued operations.
- (3) Principally comprised of the OP's interests in Japan and Mexico.
- (4) Approximately 27% and 28% of the GLA is occupied by and approximately 21% and 30% of annual base rent is derived from one tenant during the 2004 and 2003 periods, respectively.
- (5) Includes corporate overhead assets and results from Chelsea Interactive.

CPG Partners, L.P.
Notes to Consolidated Financial Statements
(Unaudited)

12. Segment Information (continued)

Following is a reconciliation of net operating income to net income for the three months ended March 31, 2004 and 2003, (in thousands):

	2004	2003
Segment NOI.....	\$69,876	\$59,287
Interest expense - consolidated.....	(18,650)	(16,634)
Interest expense - unconsolidated investments.....	(307)	(144)
Depreciation expense - consolidated.....	(17,816)	(17,632)
Depreciation expense - unconsolidated investments.....	(1,664)	(599)
Income tax - unconsolidated investments.....	(888)	(220)
Net income.....	\$30,551	\$24,058

13. Fair Value of Financial Instruments

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the OP could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of March 31, 2004. 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.

Cash equivalents, accounts receivable, accounts payable, and revolving credit facilities balances reasonably approximate their fair values due to the short maturities of these items. Mortgage debt and the unsecured notes payable have an estimated fair value based on discounted cash flow models of approximately \$1.1 billion, which exceeds the book value by \$85.7 million. Unsecured bank debt is carried at an amount which reasonably approximates its fair value since it is a variable rate instrument whose interest rate reprices frequently.

14. Subsequent Events

The OP sold two non-core centers in April and May 2004: Factory Stores of America in Lake George, New York and Iowa, Louisiana. Net proceeds from the sales of the two centers were \$1.6 million and the combined net book value was \$2.5 million. Accordingly the OP recognized a \$0.9 million impairment loss for the three months ended March 31, 2004, which is included in other expense in the accompanying financial statements.

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

The following discussion should be read in connection with the accompanying unaudited condensed consolidated financial statements and notes thereto. These financial statements include all adjustments, which in the opinion of management are necessary to reflect a fair statement of results for all interim periods presented, and all such adjustments are of a normal recurring nature.

Critical Accounting Policies and Estimates

The OP's discussion and analysis of its financial condition and results of operations are based upon the OP'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 OP to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The OP 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 OP believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Purchase Price Allocation

The OP allocates the purchase price of real estate to land, building, and tenant improvements and if determined to be material, intangibles, such as the value of above, below and at market leases and origination cost associated with in-place leases. The OP depreciates the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from five to forty years. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. The values associated with in-place leases are amortized over the term of the lease. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to contractual expiration date). The OP assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and market/economic conditions that may affect the property.

Bad Debt

The OP 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 OP's tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The OP's allowance for doubtful accounts included in tenant accounts receivable totaled \$2.2 million and \$1.6 million at March 31, 2004, and December 31, 2003, respectively.

Valuation of Investments

On a periodic basis, management assesses whether there are any indicators that the value of real estate properties, including joint venture properties, may be impaired. If the carrying amount of the property is greater than the estimated expected future cash flow (undiscounted and without interest charges) of the asset, impairment has occurred. In March 2004, the OP recognized an impairment loss of \$0.9 million on the anticipated disposition of two non-core assets. The loss from impairment is reflected in other expense in the accompanying financial statements for the period ended March 31, 2004.

General Overview

From April 1, 2003 to March 31, 2004, rental revenue from wholly-owned assets grew by \$7.2 million or 11.3% to \$70.5 million from \$63.3 million. The acquisition of three centers and expansion of one wholly-owned center in 2003 also drove total revenue to \$93.1 million, up 11.8% from the year earlier period. Growth was further enhanced through the joint venture development of two new Premium Outlets and expansion of one Premium Outlet center in 2003. In March 2004, Chelsea Japan Co., Ltd, a 40% joint venture interest, opened Tosu Premium Outlets, located near Fukuoka, Japan.

At March 31, 2004, the OP's portfolio consisted of 61 wholly or partially owned properties containing 16.3 million square feet of GLA. In 2004, the OP changed its reportable segments to combine 12 centers containing 4.3 million square feet of GLA with its Premium domestic segment to create a new segment called Domestic Outlets. The OP's Domestic and International Outlets include 39 centers containing 13.5 million square feet of GLA and Other Retail includes 22 centers containing 2.8 million square feet of GLA. These centers which were included in the Other Retail segment prior to 2004 contain many of the same tenants and characteristics of the OP's Premium Outlets.

Details of the 1.8 million square feet of net GLA added since April 1, 2003 are as follows:

	12 months ended March 31, 2004	3 months ended March 31, 2004	9 months ended December 31, 2003
Changes in GLA (sf in 000's):			
New centers developed:			
Las Vegas Premium Outlets (50% owned)	435	-	435
Tosu Premium Outlets (40% owned).....	187	187	-
Total new centers.	622	187	435
Centers expanded:			
Gotemba Premium Outlets (40% owned)	170	-	170
Albertville Premium Outlets.....	125	-	125
Other (net)	(26)	4	(30)

Total centers expanded	269	4	265
Centers acquired:			
Las Vegas Outlet Center.....	477	-	477
The Crossings Factory Stores.....	390	-	390
Lakeland Factory Outlet Mall (1)	319	-	319
Total centers acquired	1,186	-	1,186
Centers disposed:			
American Tin Cannery Premium Outlets(2).....	(135)	-	(135)
St. Helena Premium Outlets.....	(23)	-	(23)
Other Retail(3)	(167)	-	(167)
Total centers disposed:	(325)	-	(325)
Net GLA added during the period.....	1,752	191	1,561
GLA at the end of period	16,318	16,318	16,127

- 1) Acquired Lakeland Factory Outlet Mall in August 2003 in conjunction with the Las Vegas Outlet Center. The Lakeland property is held for sale.
- 2) In January 2004, the OP terminated its long-term lease agreement, expiring December 2004.
- 3) Consists of a property acquired in the September 25, 2001 Konover transaction.

Results of Operations

Comparison of the three months ended March 31, 2004 with the three months ended March 31, 2003.

Income from continuing operations was \$30.6 million, an increase of \$6.8 million, or 28.6%, from \$23.8 million in 2003. The increase resulted from the acquisition, development, and expansion of seven centers in 2003, and higher rents from releasing and renewals. These increases to income were offset by higher operating and maintenance, general and administrative, interest and other expenses due to the growth of the portfolio.

Base rentals improved to \$65.6 million, an increase of \$6.4 million, or 11.0% in 2004 from \$59.2 million in 2003 primarily due to the acquisitions of three centers during 2003, higher average rents on releasing and renewals, and the expansion of a center in late 2003.

Percentage rents rose \$0.7 million, or 16.6%, to \$4.8 million in 2004 from \$4.1 million in 2003, primarily from improved tenant sales and acquisitions during 2003.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax and promotional and management expenses, increased \$2.1 million, or 11.7% to \$20.7 million in 2004 from \$18.6 million in 2003, due to the recovery of operating and maintenance costs from increased GLA. The average recovery of reimbursable expenses for the Domestic Outlets was 87% in 2004 and 2003. The average recovery of reimbursable expenses for the Other Retail centers improved to 32% in 2004, compared with 30% in the previous year.

Other income increased \$0.5 million or 32.7% to \$1.9 million in 2004, from \$1.4 million in 2003. The increase was primarily driven by improved ancillary operating income and interest income from higher rates in 2004.

Operating and maintenance expenses increased \$2.6 million, or 11.5%, to \$25.1 million in 2004 from \$22.5 million in 2003 primarily due to costs related to increase GLA.

Depreciation and amortization expense was up \$0.5 million, or 3.1%, to \$17.8 million in 2004 from \$17.3 million in 2003 due to increased depreciation from the acquisition of the three centers and the expansion of one Premium Outlet center.

General and administrative expense grew \$1.4 million, or 63.0%, to \$3.6 million in 2004 from \$2.2 million in 2003, primarily due to increases in compensation, employee benefits and professional fees.

Other expenses increased \$0.2 million, or 11.0%, to \$2.4 million in 2004 from \$2.2 million in 2003 due to increased bad debt expense and impairment losses on two non-core centers sold in April and May 2004, offset by the Chelsea Interactive loss in 2003.

Income from unconsolidated investments was up \$3.5 million, or 247.5%, to \$5.0 million in 2004 from \$1.5 million in 2003 due to higher earnings and an opening leasing fee from Chelsea Japan, as well as the opening of Las Vegas Premium Outlets in August 2003, and a pad sale at Chicago Premium Outlets.

Interest expense increased \$1.9 million, or 11.2%, to \$18.7 million in 2004, from \$16.8 million in 2003 due to higher debt that financed acquisitions and development.

Liquidity and Capital Resources

The OP 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, 2003 of \$181.6 million is expected to increase with a full year of operations from the development, acquisition and expansion of three joint venture centers and four wholly owned centers, which contributed 2.1 million square feet of GLA during 2003 as well as scheduled openings of approximately 975,000 square feet of new joint venture GLA in 2004. The OP has adequate funding sources to complete and open all current development projects from

available cash, credit facilities and secured construction financing. The OP also has access to the public markets through its remaining \$1.45 billion debt and equity shelf registration.

Operating cash flow is expected to provide sufficient funds for distribution and distributions in accordance with REIT federal income tax requirements. In addition, the OP 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 partially fund development projects.

Common distributions declared and recorded in 2004 were \$26.4 million, or \$0.60 per unit. The OP's dividend payout ratio as a percentage of net income before minority interest, gain or loss on sale of assets and depreciation and amortization (reduced by amortization of deferred financing costs, depreciation of non-real estate assets and preferred Distribution ("FFO")) was 65%. The OP's senior unsecured bank line of credit ("Senior Credit Facility") limits aggregate Distribution 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 OP's \$200 million Senior Credit Facility expires in March 2005 (unless extended until March 2006), bears interest on the outstanding balance at an annual rate equal to the London Interbank Offered Rate ("LIBOR") plus 0.95% (2.06% at March 31, 2004) or the prime rate, at the OP's option and has an annual facility fee of 0.125%. The LIBOR rate spread ranges from 0.85% to 1.50% depending on the OP's Senior Debt rating. At March 31, 2004, \$79.0 million was outstanding under the Senior Credit Facility.

In March 2004, the OP issued \$100 million 3.5% unsecured notes due March 15, 2009. The notes were priced at 99.534% of par value to yield 3.603% to investors. Proceeds were used to repay borrowings under a \$100.0 million bridge loan due July 2004.

A summary of the maturity of the OP's contractual debt obligations (at par) as of March 31, 2004, is as follows (in thousands):

	Total	Less than 1 Year	2 to 3 Years	4 to 5 Years	More than 5 Years
Unsecured bank debt	\$ 162,870	\$ 1,000	\$105,245	\$ 3,600	\$53,025
Unsecured notes	725,000	-	175,000	150,000	400,000
Mortgage debt	312,260	7,061	16,407	162,574	126,218
Total debt	1,200,130	8,061	296,652	316,174	579,243
Ground and operating leases	24,235	1,817	2,610	1,632	18,176
Real estate commitments	52,130	52,130	-	-	-
Deferred compensation	17,600	-	17,600	-	-
Total Obligations	\$1,294,095	\$ 62,008	\$316,862	\$317,806	\$597,419

Liquidity and Capital Resources (continued)

At April 1, 2004, construction for international and domestic development included projects totaling 1.1 million square feet of GLA. Internationally, projects include the 230,000 square-foot first phase of Punta Norte Premium Outlets in Mexico City scheduled to open in late 2004 and the expansion of two centers in Japan: 51,000 square feet at Sano Premium Outlets in July and 70,000 square feet at Rinku Premium Outlets in December. In addition, the 178,000 square-foot first phase of Toki Premium Outlets, located near Nagoya, Japan, is scheduled to be completed by spring 2005. Domestically, projects underway include the single-phase 438,000 square-foot Chicago Premium Outlets, scheduled to open in June 2004. The Punta Norte project is a development of the OP's 50% owned Mexican joint venture. The Sano, Rinku and Toki projects are developments of the OP's 40% owned Japanese joint venture and the Chicago project is a 50/50 joint venture with Simon. Other projects in various stages of development are expected to commence construction in 2004 and open in 2005 and beyond including the 355,000 square-foot Seattle Premium Outlets, located near Seattle, Washington, which commenced construction in 2004 and is scheduled to open in spring 2005. There can be no assurance that these projects 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, the peso denominated line of credit, available cash or through the Senior Credit Facility. The OP will seek to obtain permanent financing once the projects are completed and income has been stabilized.

In connection with the Simon joint venture, the OP has committed to provide 50% of the development costs, or approximately \$45.0 million for Chicago Premium Outlets. As of March 31, 2004, the OP had contributed \$32.9 million to the Chicago project.

The OP has an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate Premium Outlet centers in Japan under the joint venture Chelsea Japan. Borrowings related to Chelsea Japan for which the Company and the OP have provided guarantees as of March 31, 2004, are as follows:

Total Facility		Outstanding				
Yen	US \$ Equivalent	Yen	US \$ Equivalent	US \$ Guarantee	Due Date	Interest Rate
3.8 billion (1)	\$36.5 million	3.2 billion	\$30.9 million	\$12.4 million	2015	2.20%
0.6 billion (1)	5.8 million	0.5 billion	4.8 million	1.9 million	2012	1.50%

(1) Facilities entered into by Chelsea Japan, secured by Gotemba and Rinku and 40% severally guaranteed by the OP.

The Company along with the OP has a 50/50 joint venture agreement with Sordo Madaleno y Asociados and affiliates to jointly develop, own and operate Premium Outlet centers in Mexico. In July 2003, the first development project broke ground, the 230,000 square-foot first phase of Punta Norte Premium Outlets, located near Mexico City which is scheduled to open in late 2004. The OP is responsible for financing its 50% share of project costs of approximately \$15.0 million. As of March 31, 2004, the OP had contributed \$8.9 million.

Liquidity and Capital Resources (continued)

In January 2004, a wholly-owned subsidiary of the OP entered into a 180 million peso dominated revolving facility (US \$16.2 million as of March 31, 2004) to provide funding for projects in Mexico. The peso facility has a three- year term and the drawn funds bear interest at the Interbank Interest Equilibrium Rate ("TIIE") plus 0.825% plus the bank's cost of funds spread limited to 20% of the TIIE, with an annual facility fee of 0.15% on the unused balance. The TIIE with rate spread ranges from 0.725% to 1.37% depending on the OP's Senior Debt rating. This facility is guaranteed by the Company and the OP. At March 31, 2004, the outstanding balance was 52.3 million pesos (approximately US \$4.8 million).

On February 17, 2004, the OP announced a joint venture between Chelsea Interactive and a publicly traded third party, GSI Commerce, Inc. ("GSI-Chelsea Solutions"). Under the terms of the agreement, Chelsea Interactive will no longer operate its e-commerce technology platform, but will retain a minority interest in GSI-Chelsea Solutions. Chelsea Interactive's largest clients have entered into service agreements with GSI-Chelsea Solutions and will transition e-commerce activities to the GSI-Chelsea platform in the second quarter of 2004.

The OP has minority interests ranging from 3% to 8% in several outlet centers and outlet development projects in Europe operated by Value Retail. The OP's total investment in Europe as of March 31, 2004, was \$3.6 million. The OP has also provided \$16.4 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail to construct outlet centers in Europe. The standby facility for new guarantees, which has a maximum of \$22.0 million, expired in November 2001 and outstanding guarantees shall not survive more than five years after project completion.

To achieve planned growth and favorable returns in both the short and long-term, the OP'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 that these strategies will continue to enable the OP 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 \$44.1 million and \$38.4 million for the three months ended March 31, 2004, and 2003, respectively. The increase was primarily due to increased operating cash flow generated from the growth of the OP's GLA. Net cash used in investing activities increased to \$22.7 million in 2004 from \$20.0 million in 2003 due to increased investments in unconsolidated affiliates. Net cash used in financing activities increased to \$23.6 million from \$19.9 million for the three months ended March 31, 2004, and 2003, respectively. The increase was primarily the result of increased borrowings and debt repayments in 2004.

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 OP. The White Paper on Funds from Operations 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 OP 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 OP to incur and service debt, to make capital expenditures and to fund other cash needs.

Funds from Operations (continued)

Since all companies do not calculate FFO in a similar fashion, the OP's calculation of FFO presented herein may not be comparable to similarly titled measure as reported by other companies. 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 OP's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the OP's liquidity, or is it indicative of funds available to fund the OP's cash needs, including its ability to make cash distributions.

	Three Months Ended March 31,	
	2004	2003
	-----	-----
Income available to common unitholders	\$28,255	\$21,762
Depreciation and amortization-wholly-owned.....	17,816	17,632
Depreciation and amortization-joint ventures.....	1,664	599
Amortization of deferred financing costs and depreciation of non-rental real estate assets.....	(680)	(600)
	-----	-----

FFO.....	\$47,055	\$39,393
	=====	=====
Average units outstanding	51,060	49,131
Distribution declared per unit.....	\$0.60	\$ 0.535

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No 51 (FIN 46)*. In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a OP should include the assets, liabilities, non controlling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all the VIE's assets, liabilities and non controlling interests at a fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest. As of March 31, 2004, the OP has determined that it does not have any variable interest in any VIEs.

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 reimbursed by tenants. Virtually all tenants have met their lease obligations and the OP continues to attract and retain quality tenants. The OP 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 3. Quantitative and Qualitative Disclosures about Market Risk

The OP is exposed to changes in interest rates primarily from its floating rate debt arrangements. In December 2000, the OP implemented a policy to protect against interest rate and foreign exchange risk. The OP's primary strategy is to protect against these risks 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 OP 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 one of its term loans. The hedge effectively produces a fixed rate of 7.2625% on the notional amount until January 1, 2006.

At March 31, 2004, a hypothetical 100 basis point adverse move (increase) in US Treasury and LIBOR rates applied to unhedged debt would adversely affect the OP's annual interest cost by approximately \$0.8 million annually.

Following is a summary of the OP's debt obligations at March 31, 2004 (in thousands):

	Expected Maturity Date						Total	Fair Value
	2005	2006	2007	2008	2009	Thereafter		
Fixed Rate Debt:	\$49,960	\$ -	\$124,882	\$163,938	\$149,484	\$555,414	\$1,043,678	\$1,129,371
Average Interest Rate:	8.38%	-	7.25%	6.99%	5.21%	7.05%	6.86%	
Variable Rate Debt:	-	96,876	4,769	-	-	61,225 (1)	162,870	162,870
Average Interest Rate:	-	1.79%	8.08%	-	-	2.35%	2.28%	

(1) Subject to an interest rate swap, which effectively produces a fixed rate of 7.2625% until January 1, 2006.

Item 4. Controls and Procedures

The Company's chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in rule 13a-14c under the Securities Exchange Act of 1934, as amended) as of March 31, 2004 and, based on that evaluation, concluded that, as of the end of the period covered by this report, we had sufficient controls and procedures for recording, processing, summarizing and reporting information that is required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms.

During the three months ended March 31, 2004, there have not been any significant changes to our internal controls including any corrective actions with regard to significant deficiencies and material weaknesses or other factors that could significantly affect these controls.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

<u>Exhibit No.</u>	<u>Description</u>
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(a)	31.1	Section 302 Certifications
	31.2	Section 302 Certifications
	32.1	Section 906 Certifications
	32.2	Section 906 Certifications

CPG PARTNERS, L.P.

Signatures

Pursuant to the requirements 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.

CPG PARTNERS, L.P.

By: /s/ Michael J. Clarke
Michael J. Clarke
Chief Financial Officer

Date: May 13, 2004

CERTIFICATION

I, David C. Bloom, Chief Executive Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the OP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally Omitted
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2004

/s/ David C. Bloom
David C. Bloom
Chief Executive Officer

CERTIFICATION

I, Michael J. Clarke, Chief Financial Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the OP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally Omitted
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2004

/s/ Michael J. Clarke
Michael J. Clarke
Chief Financial Officer

CERTIFICATION

I, David C. Bloom, Chief Executive Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P. (the "OP"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report on Form 10-Q of the OP for the period ended March 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the OP.

IN WITNESS WHEREOF, I have executed this Certification this 13th day of May, 2004.

/s/ David C. Bloom
David C. Bloom
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to CPG Partners, L.P. and will be retained by CPG Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

I, Michael J. Clarke, Chief Financial Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report on Form 10-Q of the OP for the period ended March 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the OP.

IN WITNESS WHEREOF, I have executed this Certification this 13th day of May, 2004.

/s/ Michael J. CLarke
Michael J. Clarke
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to CPG Partners, L.P. and will be retained by CPG Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.