

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

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)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Yes No

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

Documents incorporated by reference:

Portions of the definitive Proxy Statement of Chelsea Property Group, Inc. relating to its 2004 Annual Meeting of Shareholders are incorporated by reference into Part III as set forth herein.

PART I

Item 1. Business

The OP

CPG Partners, L.P., a Delaware limited partnership, (the "Operating Partnership" or "OP") is 85.6% 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, redeveloping, leasing, marketing and managing upscale and fashion-oriented manufacturers' outlet centers. As of December 31, 2003, the OP wholly or partially-owned 60 centers in 31 states and Japan containing approximately 16.1 million square feet of gross leasable area ("GLA") represented by more than 1,030 tenants in 3,953 stores. The OP's portfolio is comprised of 30 Premium Outlet centers containing 10.6 million square feet of GLA ("Premium Properties") and 30 other retail centers containing 5.5 million square feet of GLA ("Other Properties") (collectively the "Properties"). The Premium Properties, excluding properties converted to Premium during 2003, generated approximately 75% and 86% of the OP's real estate net operating income for the years ended December 31, 2003 and 2002, respectively. The Premium

Properties generally are located near metropolitan areas including New York City, Los Angeles, Chicago, Boston, Washington, D.C., San Francisco, Sacramento, Atlanta, Dallas, Tokyo and Osaka, Japan, which have a population of at least one million people within a 30-mile radius, with average annual household income of greater than \$50,000. Some Premium Properties centers are also located within 20 miles of major tourist destinations including Palm Springs, Napa Valley, Orlando, Las Vegas and Honolulu. During 2003, the OP's domestic Premium Properties generated weighted average tenant sales of \$399 per square-foot, defined as total sales reported by tenants divided by their gross leasable area, weighted by number of months in operation.

The OP's executive offices are located at 103 Eisenhower Parkway, Roseland, New Jersey 07068 (telephone 973-228-6111). The Company's website can be accessed at www.cpgi.com. A copy of the OP's Forms 10-K, 10-Q, 8-K and other filings can be obtained free of charge, on the website. These SEC filings are added to the website as soon as reasonably practicable. The Company's Code of Ethics and other committee charters are also listed on the website and the corporate governance principles will follow shortly.

Recent Developments

Acquisitions

In June 2003, the OP purchased The Crossings Factory Stores, a 390,000 square-foot outlet center located in Tannersville, Pennsylvania, for \$111.3 million including closing costs and the assumption of a \$60.7 million 5.85% mortgage loan due 2013. In conjunction with the acquisition, the Company completed an offering of 1.2 million shares of common stock at a price of \$42.10 per share. Net proceeds after expenses of \$49.4 million were used to fund substantially the entire cash portion of the acquisition.

In August 2003, the OP acquired Las Vegas Outlet Center, a 477,000 square-foot outlet center in Las Vegas, Nevada, for \$104.0 million including the assumption of a \$24.4 million 8.12% mortgage loan due 2012. As part of the transaction, the OP also acquired Lakeland Factory Outlet Mall, a 319,000 square-foot outlet center near Memphis, Tennessee for an additional \$3.5 million. The Lakeland property is being marketed for sale. The approximately \$84.0 million cash portion of the overall transaction was financed with a \$100.0 million one-year term loan at an annual interest rate of LIBOR plus 0.80% that is due on July 31, 2004 and extendible for six months until January 31, 2005, at the OP's option. The LIBOR rate spread ranges from 0.70% to 1.35% depending on the OP's Senior Debt rating. Surplus proceeds from the financing of approximately \$16.0 million were used for general corporate purposes.

Recent Developments (continued)

Chelsea Interactive

At December 31, 2002, the OP recognized an impairment loss equal to the net book value of its investment in Chelsea Interactive. The OP believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows. A \$2.5 million funding loss was reported for the year ended December 31, 2003. Future funding by the OP will be reported as a loss in the period funding is required. Through December 31, 2003, the OP had funded \$54.9 million and anticipates that Chelsea Interactive will not reach the OP's funding limit of \$60.0 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, 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 by the second quarter of 2004.

The following table sets forth a summary of the GLA changes from developments, expansions, acquisitions and dispositions from January 1 through December 31, 2003:

Property	Owned	Date (1)	GLA (Sq. Ft.)	Number of Stores	Tenants (2)
As of January 1, 2003.....			14,386,000	3,436	
New centers developed:					
Las Vegas Premium Outlets..... Las Vegas, NV	50%	08/03	435,000	123	A X Armani Exchange, Coach, Dolce & Gabana, Kenneth Cole, Polo Ralph Lauren
Sano Premium Outlets Sano, Japan	40%	03/03	180,000	97	Bally, Brooks Brothers, Coach, Escada, Nautica, Theory, Timberland
Total Development			615,000	220	
Expansions:					
Gotemba Premium Outlets..... Gotemba City, Japan	40%	07/03	170,000	73	Bally, Coach, Diesel, Gap, Gucci, L.L. Bean, Nike
Albertville Premium Outlets..... Albertville, MN	100%	12/03	125,000	37	Calvin Klein, Liz Claiborne, Timberland, Tommy Kids
Other (net)			(30,000)	(12)	
Total expansions			265,000	98	
Acquisitions:					
Las Vegas Outlet Center..... Las Vegas, NV	100%	08/03	477,000	130	Liz Claiborne, Nike, Reebok, Tommy Hilfiger, VF Factory Outlet
The Crossings Factory Stores..... Tannersville, PA	100%	06/03	390,000	108	Ann Taylor, Coach, Liz Claiborne, Reebok, Tommy Hilfiger,
Lakeland Factory Outlet Mall..... Lakeland, TN	100%	08/03	319,000	45	Bass, L'eggs Hanes Bali Playtex, Nike, VF Factory Outlet,

Total acquisitions:.....			1,186,000	283
Dispositions:				
Factory Stores of America.....	100%	09/03	(167,000)	(30)
Mesa, AZ				
American Tin Cannery Premium Outlets(3)	100%	01/04	(135,000)	(45)
Pacific Grove, CA				
St. Helena Premium Outlets.....	100%	06/03	(23,000)	(9)
St. Helena, CA (Napa Valley)				
Total dispositions.....			(325,000)	(84)
Net additions for 2003.....			1,741,000	517
Totals as of December 31, 2003.....			16,127,000	3,953

- 1) Development, expansion, acquisition, disposition or termination date.
- 2) Consists of tenants who lease at least 5,000 square feet of GLA or have estimated sales of more than \$300 per square-foot. Most tenants pay a fixed base rent based on square feet leased and pay percentage rent based on sales.
- 3) The OP terminated its long-term lease agreement, expiring December 2004, effective January 2, 2004.

Recent Developments (continued)

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

Las Vegas Premium Outlets, Las Vegas, Nevada – Las Vegas Premium Outlets, a 435,000 square-foot center containing 123 stores opened in August 2003. The center is located between Grand Central Parkway and I-15 near the intersection of U.S. Route 95, easily accessible from downtown Las Vegas and the “Strip”. This tourist destination attracts over 35 million people annually. The population within a 15-mile radius is 1.1 million. Average household income within a 30-mile radius is approximately \$60,000.

Sano Premium Outlets, Sano, Japan - Sano Premium Outlets, a 180,000 square-foot center containing 97 stores, opened in March 2003. The center is located 40 miles north of Tokyo on Route 50 off the Tohoku Expressway. Sano is near some of Japan’s most famous tourist spots, including Nikko and the Nasu-Kogen resort area. The population within a 20-mile and 30-mile radius is 2.5 million and 8.3 million, respectively.

Gotemba Premium Outlets, Gotemba City, Japan - Gotemba Premium Outlets is a 390,000 square-foot center containing 158 stores. Gotemba opened its initial phase in July 2000 and expanded by 170,000 square feet in July 2003. The center is located on the Tomei Expressway, approximately 60 miles west of Tokyo and midway between Mt. Fuji and the Hakone resort area. These two tourist destinations attract 37 million people annually. The population within a 20-mile, 30-mile and 60-mile radius is approximately 1.5 million, 5.0 million and 31.2 million, respectively.

Albertville Premium Outlets, Albertville, Minnesota - Albertville Premium Outlets, a 430,000 square-foot center containing 104 stores was acquired in November 2002 and expanded in December 2003. The center is located approximately 20 miles northwest of Minneapolis-St. Paul on Interstate 94. The population within a 15-mile, 30-mile and 60-mile radius is 0.3 million, 1.9 million and 3.3 million, respectively. Average household income within a 30-mile radius is approximately \$68,000.

Las Vegas Outlet Center, Las Vegas, Nevada - Las Vegas Outlet Center, a 477,000 square-foot center containing 130 stores was acquired in August 2003. The center is located at the intersection of Las Vegas Boulevard and Warm Springs Road, easily accessible from the Las Vegas airport and the “Strip”. This tourist destination attracts over 35 million people annually. The population within a 15-mile radius is 1.1 million. Average household income within a 30-mile radius is approximately \$60,000.

The Crossings Factory Stores, Tannersville, Pennsylvania - The Crossings Factory Stores, a 390,000 square-foot center containing 108 stores was acquired in June 2003. The center is located in Tannersville approximately 13 miles from the Delaware Water Gap, directly off Interstate 80. The population within a 15-mile, 30-mile and 60-mile radius is 0.2 million, 1.0 million and 2.7 million, respectively. Average household income within a 30-mile radius is approximately \$60,000.

Strategic Alliances and Joint Ventures

In June 1999, the OP entered into an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate Premium Outlet centers in Japan. The joint venture, known as Chelsea Japan Co., Ltd. ("Chelsea Japan"), has three operating centers: Sano Premium Outlets, Gotemba Premium Outlets, and Rinku Premium Outlets. Chelsea Japan is scheduled to open its fourth center, Tosu Premium Outlets, located near Fukuoka, Japan, in March 2004.

During 2002, the OP and Simon Property Group, Inc. (“Simon”) agreed to develop two Premium Outlet centers under separate 50/50 joint ventures, the 435,000 square-foot Las Vegas Premium Outlets which opened in August 2003 and the 438,000 square-foot Chicago Premium Outlets scheduled to open in mid-2004 (“Simon-Ventures”). Simon is the largest publicly traded retail real estate company in the United States as measured by market capitalization. At February 2004, Simon was engaged in ownership and management of income-producing properties, primarily regional malls and community centers, and had an interest in and/or managed approximately 190 million square feet of retail and mixed-use properties in 37 states, Canada and Europe.

Strategic Alliances and Joint Ventures (continued)

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, a 230,000 square-foot first phase of Punta Norte Premium Outlets located near Mexico City and 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 December 31, 2003, the OP had contributed \$2.5 million.

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

Organization of the OP

Virtually all of the OP's assets are held by, and all of its business activities conducted through, the Operating Partnership. The Company (which owned 85.6% of the Operating Partnership as of December 31, 2003) is the sole general partner of the Operating Partnership and has full and complete control over the management of the Operating Partnership and each of the Properties, excluding joint ventures.

The Manufacturers' Outlet Business

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

Business Strategy

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

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

High Quality Property Portfolio. The OP's domestic Premium Properties generated weighted average reported tenant sales during 2003 of \$399 per square-foot, the highest among the three publicly traded outlet companies. As a result, the OP has been successful in attracting some of the world's most sought-after brand-name designers, manufacturers and retailers and each year has added new names to the outlet business and its centers. The OP believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

Business Strategy (continued)

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

Growth Strategy

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

Increasing Rents at Existing Centers. The OP's leasing strategy includes aggressively marketing available space and maintaining a high level of occupancy; providing for inflation-based contractual rent increases or periodic fixed contractual rent increases in

substantially all leases; renewing leases at higher base rents per square-foot; re-tenanting space occupied by under performing tenants and continuing to sign leases that provide for percentage rents.

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

International Development. The OP continues to develop, own and operate Premium Outlet centers in Japan through its joint venture company, Chelsea Japan. In 2003, Chelsea Japan opened the 180,000 square-foot first phase of Sano Premium Outlets, located 40 miles north of Tokyo, Japan and expanded Gotemba Premium Outlets, by 170,000 square-feet. Gotemba Premium Outlets at 390,000 square feet is the OP's largest and most productive outlet center in Japan. The 185,000 square-foot first phase of Tosu Premium Outlets, located near Fukuoka, Japan is scheduled to open in March 2004. During 2003, the OP commenced construction on the 230,000 square-foot first phase of Punta Norte Premium Outlets, located north of Mexico City. The center is scheduled to open in late 2004 and can support an additional phase containing approximately 165,000 square feet. The OP believes that there are significant opportunities to develop additional manufacturers' outlet centers in Japan, Mexico and other countries. The OP intends to pursue these opportunities as viable sites and local partners are identified.

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

Operating Strategy

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

Operating Strategy (continued)

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

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

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

Property Design and Management. The OP believes that effective property design and management are significant factors in the success of its properties and works continually to maintain or enhance each center's physical plant, original architectural theme and high level of on-site services. Each property is designed to be compatible with its environment and is maintained to high standards of aesthetics, ambiance and cleanliness in order to promote longer visits and repeat visits by shoppers. The OP has 645 full-time and 208 part-time employees. Of these employees, 502 full-time and 208 part-time are involved in on-site maintenance, security, administration and marketing. An on-site property manager generally manages centers with oversight from a regional operations director.

Financing

The OP seeks to maintain a strong, flexible financial position by: (i) maintaining a moderate level of leverage, (ii) extending and sequencing debt maturity dates, (iii) managing floating interest rate exposure and (iv) maintaining liquidity. Management believes

these strategies will continue to enable the OP to access a broad array of capital sources, including bank or institutional borrowings, secured and unsecured debt and equity financings. See “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Competition

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

Environmental Matters

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

Personnel

As of December 31, 2003, the OP had 645 full-time and 208 part-time employees. None of the employees are subject to any collective bargaining agreements, and the OP believes it has good relations with its employees.

Item 2. Properties

As of December 31, 2003, the OP had 60 centers in 31 states and Japan containing approximately 16.1 million square feet of gross leasable area. Of the 60 centers, 56 are owned 100% (50 in fee and 6 under long-term leases). The OP operated all 57 of its domestic centers and Chelsea Japan managed the three centers in Japan.

The OP's Premium Properties consist of 30 upscale, fashion-oriented manufacturers' outlet centers located in or near New York City, Los Angeles, Chicago, Boston, Washington, D.C., San Francisco, Sacramento, Atlanta, Dallas, Tokyo and Osaka, Japan, or within 20 miles of major tourist destinations including Palm Springs, Napa Valley, Orlando, Las Vegas and Honolulu. The domestic Premium Properties were 99% leased as of December 31, 2003, and contained approximately 2,468 stores with more than 550 different tenants. The OP's Premium Properties in Japan were 100% leased as of December 31, 2003 and contained 375 stores with approximately 190 different tenants. The OP's Other Properties were 93% leased as of December 31, 2003, and contained approximately 1,110 stores with more than 290 different tenants.

The OP believes the Properties are adequately covered by insurance.

The OP does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the OP's gross revenues; and only one tenant occupies more than 5% of the OP's total domestic GLA at 8%. As a result, and considering the OP's past success in re-leasing available space, the OP believes the loss of any individual tenant would not have a significant effect on future operations.

For the years ended December 31, 2003, 2002 and 2001, respectively, 13%, 16% and 21% of the OP's total revenues were derived from Woodbury Common Premium Outlets. The loss of this center or a material decrease in revenues from the center for any reason might have a material adverse effect on the OP. In addition, for the years ended December 31, 2003, 2002 and 2001, respectively, 23%, 25% and 28% of the OP's total revenues were derived from the OP's centers in California.

VF Corporation (Vanity Fair) leases approximately 8% of the OP's total domestic GLA as of December 31, 2003, which constitutes approximately 3% of the OP's base rents.

Woodbury Common Premium Outlets contributed more than 10% of the OP's aggregate gross revenues during 2003 and had a book value of more than 5% of the total assets at year-end 2003. No tenant leases more than 5% of the center's GLA. The following chart shows certain information for Woodbury Common.

Fiscal Year	Occupancy Rate	Avg. Annual Rent Per Sq Ft
1999	99.5%	\$35.61
2000	100.0%	38.55
2001	98.8%	38.63
2002	100.0%	41.23
2003	100.0%	44.62

Woodbury Common Premium Outlets opened in four phases in 1985, 1993, 1995 and 1998 and contains 844,000 square feet of GLA. As of December 31, 2003, the center's 212 units were fully leased. Woodbury Common is located approximately 50 miles north of New York City at the Harriman exit off the New York State Thruway. The population within a 30-mile, 60-mile and 100-mile radius is approximately 2.5 million, 17.3 million and 25.2 million, respectively. Average household income within the 30-mile radius is approximately \$83,000.

Item 2. Properties (continued)

The following table shows lease expiration data as of December 31, 2003 for Woodbury Common Premium Outlets for the next ten years (assuming that none of the tenants exercise renewal options).

Expiration Year	GLA	Contractual Base Rents ("CBR") per sq ft	Total	No. of Leases Expiring	Annual "CBR" Represented by Expiring Leases
2004	42,086	\$30.12	\$1,268,000	11	3.8%
2005	109,652	36.13	3,962,000	26	11.9%
2006	33,768	43.76	1,478,000	14	4.4%
2007	55,722	37.94	2,114,000	14	6.3%
2008	229,842	36.41	8,369,000	52	25.1%
2009	52,739	47.84	2,523,000	19	7.6%
2010	44,661	40.62	1,814,000	12	5.4%
2011	79,142	41.58	3,291,000	15	9.9%
2012	70,068	51.46	3,606,000	22	10.8%
2013	109,636	38.67	4,240,000	23	12.7%

Depreciation on Woodbury Common Premium Outlets is calculated using the straight-line method over the estimated useful life of the real property and land improvements, which ranges from 10 to 40 years. At December 31, 2003, the Federal income tax basis in this center was \$116.0 million.

The real estate tax on Woodbury Common Premium Outlets was \$4.2 million in 2003 and it is estimated to be \$4.7 million in 2004.

Set forth in the table below is certain property information as of December 31, 2003.

Name/Location	Opened or Acquired	GLA (Sq. Ft.)	No. of Stores	Selected Tenants
Premium Properties:				
Woodbury Common Premium Outlets..... Central Valley, NY (New York City area)	1985	844,000	212	Banana Republic, Brooks Brothers, Coach, Giorgio Armani, Gucci, Neiman Marcus Last Call, Polo Ralph Lauren, Salvatore Ferragamo
Wrentham Village Premium Outlets..... Wrentham, MA (Boston/Providence area)	1997	601,000	158	Barneys New York, Burberry, Hugo Boss, Kenneth Cole, Nike, Polo Ralph Lauren, Sony, Versace
Gilroy Premium Outlets..... Gilroy, CA (San Jose area)	1990	577,000	142	Brooks Brothers, Calvin Klein, Coach, J. Crew, Hugo Boss, Nike, Polo Ralph Lauren, Timberland, Tommy Hilfiger, Versace
North Georgia Premium Outlets..... Dawsonville, GA (Atlanta metro area)	1996	537,000	132	Coach, Crate & Barrel, Escada, Liz Claiborne, Polo Ralph Lauren, Tommy Hilfiger, Williams-Sonoma
Desert Hills Premium Outlets..... Cabazon, CA (Palm Springs-Los Angeles)	1990	499,000	133	Burberry, Coach, Giorgio Armani, Gucci, Max Mara, Polo Ralph Lauren, Salvatore Ferragamo, Versace, Yves Saint Laurent Rive Gauche, Zegna
Lighthouse Place Premium Outlets..... Michigan City, IN (Chicago area)	1987	478,000	115	Burberry, Coach, Crate & Barrel, Gap, Liz Claiborne, Polo Ralph Lauren, Tommy Hilfiger
Leesburg Corner Premium Outlets..... Leesburg, VA (Washington DC area)	1998	463,000	103	Barneys New York, Kenneth Cole, Liz Claiborne, Nike, Polo Ralph Lauren, Williams-Sonoma
Camarillo Premium Outlets..... Camarillo, CA (Los Angeles metro area)	1995	454,000	122	Banana Republic, Barneys New York, Coach, Donna Karan, Polo Ralph Lauren, St. John, Versace
Carolina Premium Outlets (2)..... Smithfield, NC (Raleigh area)	2001	440,000	82	Brooks Brothers, Gap, Liz Claiborne, Nike, Polo Ralph Lauren, Timberland, Tommy Hilfiger
Las Vegas Premium Outlets..... Las Vegas, NV	2003	435,000	123	A X Armani Exchange, Calvin Klein, Coach, Dolce & Gabbana, Elie Tahari, Polo Ralph Lauren
Albertville Premium Outlets..... Albertville, MN (Minneapolis area)	2002	430,000	104	Banana Republic, Calvin Klein, Gap, Old Navy, Polo Ralph Lauren, Tommy Hilfiger
Orlando Premium Outlets..... Orlando, FL (between Sea World & Epcot)	2000	428,000	115	Barneys New York, Coach, Escada, Giorgio Armani, Hugo Boss, Max Mara, Nike, Polo Ralph Lauren
Waterloo Premium Outlets..... Waterloo, NY (Finger Lakes Region)	1995	392,000	99	Brooks Brothers, Coach, Eddie Bauer, Gap, J. Crew, Jones New York, Liz Claiborne, Polo Ralph Lauren
Osage Beach Premium Outlets..... Osage Beach, MO	2002	391,000	104	Brooks Brothers, Coach, Gap, Liz Claiborne, Polo Ralph Lauren, Tommy Hilfiger
Gotemba Premium Outlets..... Gotemba City, Japan (Tokyo metro area)(2)	2000 (1)	390,000	158	Bally, Coach, Diesel, Gap, Gucci, Jill Stuart, L.L. Bean, Nike, Tod's
Allen Premium Outlets..... Allen, TX (Dallas metro area)	2000	349,000	84	Brooks Brothers, Cole-Haan, Crate & Barrel, Kenneth Cole, Liz Claiborne, Polo Ralph Lauren, Tommy Hilfiger.
St. Augustine Premium Outlets..... St. Augustine, FL	2002	329,000	93	Brooks Brothers, Casual Corner, Coach, Gap, Movado, Reebok, Tommy Bahama
Folsom Premium Outlets..... Folsom, CA (Sacramento metro area)	1990	299,000	80	Bass, Eddie Bauer, Gap, Kenneth Cole, Liz Claiborne, Nike, Off 5th-Saks Fifth Avenue

Aurora Premium Outlets..... Aurora, OH (Cleveland metro area)	1987	287,000	65	Ann Taylor, Brooks Brothers, Gap, Liz Claiborne, Nautica, Off 5th-Saks Fifth Avenue, Polo Ralph Lauren, Tommy Hilfiger
Clinton Crossing Premium Outlets..... Clinton, CT (I-95/NY-New England Corridor)	1996	272,000	66	Barneys New York, Calvin Klein, Coach, Dooney & Bourke, Gap, Kenneth Cole, Liz Claiborne, Nike, Polo Ralph Lauren
Rinku Premium Outlets..... Izumisano, Japan (Osaka metro area)(2)	2000(1)	250,000	120	Bally, Brooks Brothers, Coach, Eddie Bauer, Gap, Nautica, Nike, Timberland, Versace
Waikale Premium Outlets..... Waipahu, HI (Honolulu area)	1997	210,000	51	Banana Republic, Barneys New York, Coach, Guess, Kenneth Cole, Max Mara, Polo Ralph Lauren
Petaluma Village Premium Outlets..... Petaluma, CA (San Francisco metro area)	1994	196,000	51	Brooks Brothers, Coach, Gap, Jones New York, Liz Claiborne, Off 5th-Saks Fifth Avenue, Puma
Sano Premium Outlets..... Sano, Japan (Tokyo metro area)(2)	2003(1)	180,000	97	Bally, Brooks Brothers, Coach, Nautica, New Yorker, Nine West, Timberland
Napa Premium Outlets..... Napa, CA (Napa Valley)	1994	179,000	51	Barneys New York, J. Crew, Jones New York, Kenneth Cole, Nautica, Tommy Hilfiger, TSE
Liberty Village Premium Outlets..... Flemington, NJ (New York-Phila. metro area)	1981	177,000	57	Calvin Klein, Ellen Tracy, Jones New York, L.L. Bean, Polo Ralph Lauren, Tommy Hilfiger, Timberland, Waterford Wedgwood
Columbia Gorge Premium Outlets..... Troutdale, OR (Portland metro area)	1991	164,000	45	Adidas, Carter's, Gap, Samsonite, Van Heusen
Kittery Premium Outlets Kittery, ME (Boston area) (2)	1984	150,000	32	Banana Republic, Coach, Crate & Barrel, J. Crew, Polo Ralph Lauren, Reebok, Tumi
Santa Fe Premium Outlets..... Santa Fe, NM	1993	125,000	38	Brooks Brothers, Coach, Johnston & Murphy, Jones New York, Liz Claiborne, Nautica, Van Heusen
Patriot Plaza Premium Outlets..... Williamsburg, VA (Norfolk-Richmond area)	1986	77,000	11	Lenox, Polo Ralph Lauren, WestPoint Stevens
Total Premium Properties (3).....		10,603,000	2,843	
Other Properties:				
Las Vegas Outlet Center..... Las Vegas, NV	2003	477,000	130	Liz Claiborne, Nike, Reebok, Tommy Hilfiger, VF Factory Outlet, Waterford Wedgwood
Factory Stores at Vacaville..... Vacaville, CA	2001	447,000	104	Adidas, Burberry, Coach, Eddie Bauer, Gap, Liz Claiborne, Nike, Polo Ralph Lauren, Reebok
The Crossings Factory Stores..... Tannersville, PA	2003	390,000	108	Ann Taylor, Coach, Liz Claiborne, Polo Ralph Lauren, Reebok, Tommy Hilfiger
Lakeland Factory Outlet Mall..... Lakeland, TN	2003	319,000	45	Bass, L'eggs Hanes Bali Playtex, Nike, VF Factory Outlet, Van Heusen
Edinburgh Outlet Center..... Edinburgh, IN	2002	305,000	72	Coach, Gap, Nautica, Nike, OshKosh B'Gosh, Polo Ralph Lauren, Tommy Hilfiger
Factory Merchants Branson..... Branson, MO	2002	300,000	86	Carter's, Coach, Izod, Nautica, Pfaltzgraff, Reebok, Van Heusen
Jackson Outlet Village..... Jackson, NJ	2002	292,000	71	Brooks Brothers, Calvin Klein, Gap, Nike, Reebok, Timberland, Tommy Hilfiger
The Factory Shoppes at Branson Meadows(2)..... Branson, MO	2001	287,000	43	Dress Barn, Easy Spirit, VF Factory Outlet
Johnson Creek Outlet Center..... Johnson Creek, WI	2002	278,000	62	Gap, Lands' End, Nike, Old Navy, Tommy Hilfiger
Factory Stores at North Bend North Bend, WA	2001	223,000	50	Adidas, Bass, Carter's, Eddie Bauer, Nike, OshKosh B'Gosh, Samsonite
Factory Stores of America..... Draper, UT	2001	184,000	31	Adidas, Dress Barn, Samsonite, VF Factory Outlet
Factory Stores of America..... Georgetown, KY	2001	177,000	27	Bass, Carolina Pottery, Dress Barn, Levi's, Van Heusen
North Ridge Shopping Center..... Raleigh, NC	2001	166,000	33	Ace Hardware, Kerr Drugs, Winn Dixie
Factory Stores of America Crossville, TN	2001	151,000	30	Bass, Liz Claiborne, OshKosh B'Gosh, Reebok, Van Heusen, VF Factory Outlet
MacGregor Village..... Cary, NC	2001	145,000	45	Spa Health Club, Tuesday Morning
Factory Stores of America -Tri-Cities... Blountville, TN	2001	133,000	16	Carolina Pottery, L'eggs Hanes Bali Playtex, Tri-Cities Cinemas
Factory Stores of America..... Tupelo, MS	2001	129,000	12	Banister Shoes, VF Factory Outlet, Van Heusen
Dare Centre (2)..... Kill Devil Hills, NC	2001	115,000	15	Fashion Bug, Food Lion
Factory Stores of America..... Story City, IA	2001	112,000	17	Dress Barn, Factory Brand Shoes, VF Factory Outlet, Van Heusen
Factory Stores of America (2)..... Boaz, AL	2001	112,000	18	Banister Shoes, Paper Factory, VF Factory Outlet
Factory Stores of America (2)..... Iowa, LA	2001	109,000	15	Easy Spirit, VF Factory Outlet, Van Heusen
Factory Stores of America..... West Frankfort, IL	2001	91,000	10	VF Factory Outlet

Factory Stores of America..... Arcadia, LA	2001	90,000	11	Bass, Dress Barn, VF Factory Outlet, Van Heusen
Factory Stores of America..... Nebraska City, NE	2001	90,000	10	Bass, Dress Barn, VF Factory Outlet
Factory Stores of America..... Lebanon, MO	2001	86,000	13	Dress Barn, VF Factory Outlet
Factory Stores of America..... Graceville, FL	2001	84,000	13	Factory Brand Shoes, VF Factory Outlet, Van Heusen
Factory Stores of America..... Hanson, KY	2001	64,000	4	Banister Shoes, VF Factory Outlet
Factory Stores of America..... Hempstead, TX	2001	64,000	4	VF Factory Outlet
Factory Stores of America..... Union City, TN	2001	60,000	4	VF Factory Outlet
Factory Stores of America..... Lake George, NY	2001	44,000	11	Levi's, Sportshoe Center, Carter's
Total Other Properties.....		5,524,000	1,110	
Grand Total.....		16,127,000	3,953	

Notes to Property Data:

- 1) Chelsea Japan properties are 40%-owned through a joint venture with Mitsubishi Estate Co., Ltd. (30% ownership) and Nissho Iwai Corporation (30% ownership).
- 2) Property held under long-term land lease expiring as follows: Factory Stores of America at Boaz, January 2007; Kittery Premium Outlets (129,000 sq ft), October 2009; Gotemba Premium Outlets, October 2019; Rinku Premium Outlets, March 2020; Sano Premium Outlets, June 2022; The Shoppes at Branson Meadows, November 2021; Carolina Premium Outlets (87,000 sq ft), January 2029; Dare Centre, September 2058; Factory Stores of America at Iowa, September 2087.
- 3) The OP terminated its American Tin Cannery Premium Outlets long-term lease agreement.

Item 3. Legal Proceedings

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

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

None

Part II

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

None

Item 6: Selected Financial Data

CPG Partners, L.P. (In thousands except per unit and number of centers)

Operating Data:	Year Ended December 31,				
	2003	2002	2001	2000	1999
Rental revenue.....	\$ 277,028	\$202,021	\$142,498	\$123,525	\$ 111,828
Total revenues.....	372,265	278,489	202,882	176,488	158,636
Total expenses.....	260,940	194,958	147,450	121,878	111,371
Income from unconsolidated investments.....	11,006	9,802	15,025	6,723	308
Loss from and impairment of Chelsea Interactive...	(2,518)	(47,756)	(5,337)	(2,364)	-
Gain (loss) on sale or write-down of assets.....	-	10,911	617	-	(694)
Income from continuing operations.....	119,813	56,488	65,737	58,969	46,879
(Loss) income from discontinued operations.....	(980)	1,366	783	1,417	677
Gain on sale of discontinued operations.....	5,625	-	-	-	-
Net income.....	124,458	57,854	66,520	60,386	47,556
Preferred distribution.....	(9,184)	(9,270)	(10,036)	(10,036)	(6,137)
Net income available to common unitholders	\$ 115,274	\$ 48,584	\$ 56,484	\$50,350	\$41,419
Net income per common unit (1)(2):					
General Partner.....	\$2.30	\$1.09	\$1.41	\$1.30	\$1.09
Limited Partners.....	\$2.30	\$1.07	\$1.39	\$1.30	\$1.08
Ownership Interest: (2)					
General Partner.....	42,613	38,245	33,678	31,880	31,484
Limited Partners.....	7,442	6,426	6,358	6,712	6,778

Weighted average units outstanding.....	50,055	44,671	40,036	38,592	38,262
Balance Sheet Data:					
Rental properties before accumulated depreciation	\$2,072,783	\$ 1,837,174	1,127,906	\$ 908,344	\$ 848,813
Total assets.....	1,970,414	1,703,030	1,099,308	901,314	806,055
Unsecured and mortgage debt.....	1,211,472	1,030,820	548,538	450,353	355,684
Total liabilities	1,304,880	1,107,756	624,246	528,752	426,198
Partners capital.....	665,534	595,274	475,062	372,562	379,857
Distributions declared per common unit (2)	\$2.14	\$ 1.86	\$1.56	\$1.50	\$1.44
Other Data:					
Funds from operations (1)	\$ 185,095	\$ 131,771	\$ 108,862	\$ 93,556	\$ 79,980
Cash flows from:					
Operating activities.....	\$ 181,634	\$ 128,222	\$ 121,723	\$ 106,658	\$ 87,502
Investing activities.....	(213,603)	(404,178)	(112,551)	(121,479)	(77,490)
Financing activities.....	27,894	273,903	(2,604)	23,995	(10,781)
GLA at end of period (3).....	16,127	14,386	12,574	8,159	5,216
Weighted average GLA (4).....	15,249	12,758	9,349	5,703	4,995
Centers in operation at end of the period.....	60	58	57	27	19
New centers developed.....	2	-	-	4	-
Centers expanded	2	4	1	3	4
Centers sold and lease terminated.....	3	5	1	1	1
Centers held for sale.....	1	-	-	-	1
Centers acquired	2	7	31	4	-

Notes to Selected Financial Data:

- 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. FFO for the year ended December 31, 2002, excludes the Chelsea Interactive impairment loss of \$34.4 million. 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.
- Assumes that the 2-for-1 unit split on May 28, 2002 had occurred on January 1, 1999.
- At December 31, 2003, includes four joint venture centers, ownership share ranging between 40% and 50%, containing a total of 1,255,000 square feet of GLA. At year-end 2002, includes two 40% owned centers containing 470,000 square feet of GLA; at year-end 2001 and 2000 includes seven centers containing 2.4 million square feet of GLA in which the OP had joint venture interests ranging from 40% to 50%.
- GLA weighted by months in operation.

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

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

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

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 that the critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

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 \$1.6 million and \$2.6 million at December 31, 2003 and 2002, respectively.

Valuation of Investments

On a periodic basis, the OP's management team 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. The OP will then record an impairment loss equal to the difference between the carrying amount and the fair value of the asset. The OP does not believe that the value of any of its rental properties were impaired at December 31, 2003, 2002 and 2001. The OP recorded \$34.4 million impairment loss in 2002 on its investment in Chelsea Interactive and a \$1.2 million loss in 2001 for an impairment write-down of its investment in an outlet center in Guam.

Purchase Price Allocation

The OP allocates the purchase price of real estate to land, building, 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 rate 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.

General Overview

During the three-year period ended December 31, 2003, rental revenues grew from \$123.5 million to \$277.0 million, representing an increase of \$153.5 million, or 124%. The incremental growth was driven by expanding seven centers, acquiring 41 centers, buying out partners' interests in five centers and increasing rents. Growth was further enhanced through joint venture development of two new Premium Outlet centers and the expansion of two other Premium Outlet centers. From January 1, 2001 to December 31, 2003, the number of centers more than doubled from 27 to 60 centers, while GLA increased by 8.0 million square feet or 97.8%.

Base rent on average increased 35.2%, or \$48.0 million per year, during the same three-year period, primarily from the acquisitions of domestic properties that contributed aggregate incremental revenue of \$77.8 million and the buyout of partners' interests that added \$42.9 million. Expansions contributed \$11.3 million during the three-year period.

Income from unconsolidated investments during the three-year period ended December 31, 2003, contributed \$46.7 million, including a \$10.9 million gain on sale of minority interests in 2002. As previously mentioned, since January 1, 2001, the OP with its joint venture partners, developed two new premium centers and expanded two premium centers. During 2002, the OP purchased the remaining interest from two joint venture partners and became the sole owner of five centers whose operating results were fully consolidated since their buyout.

At December 31, 2003, the OP's portfolio consisted of 60 wholly or partially owned properties containing 16.1 million square feet of GLA. Premium Properties include 30 centers containing 10.6 million square feet of GLA and 30 Other Properties containing 5.5 million square feet of GLA.

Details of the 8.0 million square feet of net GLA added are as follows:

	Since Jan 1, 2001	2003	2002	2001
	-----	----	----	----
Changes in GLA (sf in 000's):				
New centers developed:				
Las Vegas Premium Outlets (50% owned)	435	435	-	-
Sano Premium Outlets (40% owned).....	180	180	-	-
	-----	-----	-----	-----
Total new centers.	615	615	-	-
Centers expanded:				
Gotemba Premium Outlets (40% owned)	170	170	-	-
Albertville Premium Outlets.....	125	125	-	-
Rinku Premium Outlets (40% owned)	70	-	70	-
Desert Hills Premium Outlet.....	23	-	23	-
Liberty Village Premium Outlets.....	23	-	23	-
Napa Premium Outlets.....	9	-	9	-
Allen Premium Outlets.....	146	-	-	146
Other (net)	(43)	(30)	(17)	4
	-----	-----	-----	-----
Total centers expanded.	523	265	108	150
Centers acquired:				
Las Vegas Outlet Center.....	477	477	-	-
The Crossings Factory Stores.....	390	390	-	-
Lakeland Factory Outlet Mall (1)	319	319	-	-
Osage Beach Premium Outlets.....	391	-	391	-

St. Augustine Premium Outlets.....	329	-	329	-
Edinburgh Outlet Center.....	305	-	305	-
Albertville Premium Outlets.....	305	-	305	-
Factory Merchants Branson.....	300	-	300	-
Jackson Outlet Village.....	292	-	292	-
Johnson Creek Outlet Center.....	278	-	278	-
Kittery Premium Outlets II (2).....	21	-	-	21
30 Other Properties (3).....	4,279	-	-	4,279
	-----	-----	-----	-----
Total centers acquired	7,686	1,186	2,200	4,300
Centers disposed:				
American Tin Cannery Premium Outlets (4).....	(135)	(135)	-	-
St. Helena Premium Outlets.....	(23)	(23)	-	-
Mammoth Premium Outlets.....	(35)	-	-	(35)
Other Properties (5)	(663)	(167)	(496)	-
	-----	-----	-----	-----
Total centers disposed:	(856)	(325)	(496)	(35)
Net GLA added during the period	7,968	1,741	1,812	4,415
Other Data:				
GLA at end of period		16,127	14,386	12,574
Weighted average GLA		15,249	12,758	9,349
Centers in operation at end of period.....		60	58	57
New centers opened		2	-	-
Centers expanded		2	4	1
Centers acquired		3	7	31
Centers disposed.....		3	5	1

- 1) Acquired Lakeland Factory Outlet Mall in August 2003 in conjunction with the Las Vegas Outlet Center. The Lakeland property is being marketed for sale.
- 2) Acquired in the September 25, 2001 Konover Property Trust acquisition transaction and formerly Factory Stores of America at Kittery.
- 3) Acquired in the September 25, 2001 Konover transaction and excludes Vegas Pointe Plaza which was repurchased by Konover on December 3, 2001.
- 4) In January 2004, the OP terminated its long-term lease agreement, expiring December 2004.
- 5) Consists of properties acquired in the September 25, 2001 Konover transaction.

The OP's domestic Premium Properties produced weighted average reported tenant sales of approximately \$399 per square-foot in 2003, \$383 per square-foot in 2002 and \$379 per square-foot in 2001. Weighted average sales are a measure of tenant performance that has a direct effect on base and percentage rents that can be charged to tenants over time.

Woodbury Common Premium Outlets, the OP's largest premium center located in Central Valley, New York, generated approximately 13%, 16%, and 21% of the OP's total revenue for the years ended 2003, 2002 and 2001, respectively. In addition, approximately 23%, 25% and 28% of the OP's revenues for fiscal years 2003, 2002 and 2001, resulted from the OP's centers located in California.

The OP does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the OP's gross revenues. VF Corporation occupied 8% of the OP's total domestic GLA at December 31, 2003, and was the only tenant that occupied more than 5% of GLA at year-end. In view of these results and the OP's past success in re-leasing available space, the OP believes that the loss of any individual tenant would not have a significant effect on future operations.

Comparison of year ended December 31, 2003 to year ended December 31, 2002.

Income from continuing operations was \$119.8 million, an increase of \$63.3 million, or 112.1%, from \$56.5 million in 2002. The increase resulted primarily from the acquisitions of seven centers in 2002 and three centers in 2003, the buyout of ownership interests in five centers in 2002 previously reported as unconsolidated investments, higher rents from releasing and renewals, and a decrease in the loss from Chelsea Interactive. These increases to income were largely offset by the 2002 gain of \$10.9 million, which reflects the sale of a portion of the OP's interest in Value Retail in 2002 and higher operating and maintenance, general and administrative, interest and other expenses due to the expansion of the portfolio.

Base rentals increased \$69.6 million, or 39.0%, to \$247.9 million in 2003 from \$178.3 million in 2002 due to the acquisitions of ten centers, the buyout of partnership interests in five centers, higher average rents on releasing and renewals, and the expansion of two wholly-owned centers in late 2002. Base rental revenue per weighted average square-foot in the Premium Properties increased to \$22.57 from \$21.30 a year earlier.

Percentage rents rose \$5.4 million, or 22.8%, to \$29.1 million in 2003 from \$23.7 million in 2002, primarily due to improved tenant sales, the acquisition of ten centers and the buyout of ownership interests in five centers in 2002.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax and promotional and management expenses, increased \$21.6 million, or 33.3% to \$86.5 million in 2003 from \$64.9 million in 2002, due to the recovery of operating and maintenance costs from increased GLA. In 2003, the average recovery of reimbursable expenses for the Premium Properties was 88.4% compared with 90.6% in 2002. The average recovery of

reimbursable expenses for the Other Retail centers improved to 72.0% in 2003, compared with 52.6% in the previous year. The increase from Other Retail centers was a result of better recovery of expenses at centers acquired in 2002.

Other income decreased \$2.9 million or 24.6% to \$8.7 million in 2003, from \$11.6 million in 2002. The decrease was primarily due to the expiration of the non-compete agreement which included income recognition of \$5.1 million in 2002, and decreased interest income from lower interest rates, partially offset by increased ancillary operating income and the sale of two outparcels in 2003.

Operating and maintenance expenses increased \$25.1 million, or 32.2%, to \$103.0 million in 2003 from \$77.9 million in 2002 primarily due to costs related to increased GLA and the buyouts of ownership interests in five centers during 2002. On a weighted average square-foot basis, Premium Properties operating and maintenance expenses increased to \$9.26 in 2003 from \$9.21 in 2002 primarily due to increased snow removal costs.

Depreciation and amortization expense was up \$13.9 million, or 24.5%, to \$70.8 million in 2003 from \$56.9 million in 2002 due to increased depreciation from the acquisition of the ten centers and the buyouts of ownership interests during 2002.

General and administrative expense grew \$5.3 million, or 75.2%, to \$12.4 million in 2003 from \$7.1 million in 2002. Approximately \$1.5 million of the increase is a one-time charge due to timing of recognition of deferred compensation expense required under FIN 28. The balance was due to increased cost for corporate governance, compensation, including deferred compensation accrual, benefits and professional fees.

Other expenses increased \$1.0 million, or 25.8%, to \$5.0 million in 2003 from \$4.0 million in 2002 due to ground leases assumed with the acquisition of new centers, legal expenses and increased bad debt expense.

Income from unconsolidated investments was up \$1.2 million, or 12.3%, to \$11.0 million in 2003 from \$9.8 million in 2002 due to higher earnings from Chelsea Japan and Las Vegas Premium Outlets, which opened in August 2003 partially offset by the buyouts of ownership interests in five centers in 2002 that required full consolidation of the operating results from the buyout date.

The operating loss from Chelsea Interactive decreased \$45.3 million, or 94.7%, to \$2.5 million in 2003 from \$47.8 million in 2002 due to the write-off of the OP's investment at December 31, 2002. The OP recorded an impairment loss of \$34.4 million at fiscal year-end 2002.

Interest expense increased \$20.6 million, or 41.9%, to \$69.8 million in 2003, from \$49.2 million in 2002 due to higher debt that financed acquisitions and buyouts of partners' interests.

Gain on sale of unconsolidated investments of \$10.9 million in 2002 resulted from the sale of approximately 40% of the OP's partial interest in Value Retail PLC.

Gain on sale of discontinued operations of \$5.6 million, primarily reflects the sale of two centers in 2003.

Comparison of year ended December 31, 2002 to year ended December 31, 2001.

Income from continuing operations was \$56.5 million in 2002, representing a decrease of \$9.2 million, or 14.1%, from \$65.7 million in 2001. This decrease was primarily the result of an operating loss and impairment loss from Chelsea Interactive of \$47.8 million in 2002 compared with an operating loss of \$5.3 million in 2001. These losses were substantially offset by the acquisition of 31 centers in September 2001, the buyout and consolidation of five centers previously held as unconsolidated investments, the acquisition of seven centers and higher rents on releasing and renewals. Income before interest expense increased \$2.7 million to \$105.7 million in 2002 from \$103.0 million in 2001 due to additional GLA, a gain resulting from the partial sale of an unconsolidated investment, substantially offset by the impairment loss from Chelsea Interactive.

Base rents increased \$53.7 million, or 43.0%, to \$178.3 million in 2002 from \$124.6 million in 2001 due to the acquisition of 38 centers; the buyouts of ownership interests in five centers in 2002; and higher average rents as a result of higher rental rates on new leases and renewals. Base rental revenue per weighted average square-foot in the Premium Properties increased to \$21.30 in 2002 from \$20.39 in 2001.

Percentage rents increased \$5.8 million, or 32.9%, to \$23.7 million in 2002 from \$17.9 million in 2001 primarily due to higher tenant sales, the acquisition of the 38 centers and the buyouts of ownership interests in five centers during 2002.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased \$15.4 million, or 31.1%, to \$64.9 million in 2002 from \$49.5 million in 2001 due to the recovery of operating and maintenance costs from increased GLA. The average recovery of reimbursable expenses for the Premium Properties was 90.6% for 2002 and 2001. The average recovery of reimbursable expenses for the Other Properties improved to 52.6% in 2002 compared with 51.1% in 2001.

Other income increased \$0.7 million, or 6.5%, to \$11.6 million in 2002 from \$10.9 million in 2001 primarily due to increased ancillary operating income from the acquisition of the 38 centers; the buyouts of ownership interests in five centers in 2002; and gains from sale of five Other Properties and an outparcel during 2002, partially offset by decreased interest income from lower interest rates.

Operating and maintenance expenses increased \$21.6 million, or 38.4%, to \$77.9 million in 2002 from \$56.3 million in 2001 primarily due to costs related to increased GLA and the buyouts of ownership interests in five centers during 2002. On a weighted

average square-foot basis, Premium Properties operating and maintenance expenses increased to \$9.21 in 2002 from \$9.16 in 2001.

Depreciation and amortization expense increased \$10.1 million, or 21.6%, to \$56.9 million in 2002 from \$46.8 million in 2001 due to additional depreciation from the acquisition of the 38 retail centers, the buyouts of ownership interests in five centers in 2002 and expansions.

General and administrative expense increased \$2.5 million, or 53.1%, to \$7.1 million in 2002 from \$4.6 million in 2001 primarily due to increased professional fees, head count and deferred compensation accrual.

Other expenses increased \$1.5 million, or 56.3%, to \$4.0 million in 2002 from \$2.5 million in 2001 due to ground leases assumed with the acquisition of new centers, legal expenses and increased bad debts.

Income from unconsolidated investments decreased \$5.2 million, or 34.8%, to \$9.8 million in 2002 from \$15.0 million in 2001 due to buyouts of ownership interests in five centers that required that operations of these centers be fully consolidated from the buyout date, partially offset by higher earnings from Chelsea Japan.

The loss from Chelsea Interactive operations increased \$8.1 million, or 150.8%, to \$13.4 million in 2002 from \$5.3 million in 2001. The increase was due to increased operating payroll, general and administrative, depreciation and amortization expense and lack of third party participation in the losses. The OP also recorded an impairment loss of \$34.4 million as of December 31, 2002.

Gain on sale of unconsolidated investments of \$10.9 million in 2002 resulted from the sale of approximately 40% of the OP's partial interest in Value Retail. The 2001 gain on sale of \$0.6 million was also from the sale of a partial interest in Value Retail offset by the write-off of the OP's investment in Guam.

Interest in excess of amounts capitalized increased \$11.9 million, or 32.0%, to \$49.2 million in 2002 from \$37.3 million in 2001, primarily due to higher debt from acquisitions and joint venture buyouts, partially offset by lower interest rates.

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 from 1.7 million square feet of GLA added during 2003, including a full year of operations from the two joint venture openings and the acquisition of three centers as well as scheduled openings and expansions of approximately 0.9 million square feet of new GLA in 2004. As of December 31, 2003, the OP has a commitment of \$30.0 million for active domestic development projects. The OP has adequate funding sources to complete these projects from available cash, credit facilities and secured construction financing. The OP also has access to the public markets through its \$800 million debt and the Company's \$750 million equity shelf registrations for funding or refinancing requirements.

Operating cash flow is expected to provide sufficient funds for dividends and distributions in accordance with the Company's 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, meet funding requirements of Chelsea Interactive and partially fund development projects.

Common distributions declared and recorded in 2003 were \$107.8 million, or \$2.14 per share or unit. The OP's dividend payout ratio as a percentage of net income before gain or loss on sale or writedown of assets and depreciation and amortization (reduced by amortization of deferred financing costs, depreciation of non-real estate assets and preferred dividends ("FFO")) was 58.2%. The OP's senior unsecured bank line of credit ("Senior Credit Facility") limits aggregate dividends and distributions to the lesser of (i) 90% of FFO on an annual basis or (ii) 100% of FFO for any two consecutive quarters.

The OP's ratio of earnings-to-fixed charges for each of the three years ended December 31, 2003, 2002, and 2001 was 2.5, 2.4 and 2.6, respectively. For purposes of computing the ratio, earnings consist of income from continuing operations after depreciation and fixed charges, exclusive of interest capitalized and amortization of loan costs capitalized and impairment losses. Fixed charges consist of interest expense, including interest costs capitalized, the portion of rent expense representative of interest and total amortization of debt issuance costs expensed and capitalized.

The OP's \$200.0 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% (2.09% at December 31, 2003) 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. 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%. At December 31, 2003, \$99.0 million was outstanding under the Senior Credit Facility.

During 2003, the OP completed two acquisition transactions valued at approximately \$219.0 million. On June 12, 2003, the OP purchased The Crossings Factory Stores, a 390,000 square-foot outlet center located in Tannersville, Pennsylvania, for \$111.3 million, including closing costs and the assumption of a \$60.7 million 5.85% mortgage loan due 2013. In conjunction with The Crossings Factory Stores acquisition, the OP completed an offering of 1.2 million shares of common stock at a price of \$42.10 per share. Net proceeds after expenses of \$49.4 million were used to fund substantially the entire cash portion of the acquisition.

On August 1, 2003, the OP acquired Las Vegas Outlet Center, a 477,000 square-foot outlet center in Las Vegas, Nevada, for \$104.0 million including the assumption of a \$24.4 million 8.12% mortgage loan due 2012. As part of the transaction, the OP also acquired Lakeland Factory Outlet Mall, a 319,000 square-foot outlet center near Memphis, Tennessee for an additional \$3.5 million. The Lakeland property is being marketed for sale. The approximately \$84.0 million cash portion of the overall transaction was financed with a \$100.0 million one-year term loan facility at an annual interest rate of LIBOR plus 0.80% (1.96% at December 31, 2003) that is due on July 31, 2004 and extendible for six months until January 31, 2005 at the OP's option. The LIBOR rate spread ranges from 0.70% to 1.35% depending on the OP's Senior Debt rating. Surplus proceeds from the financing of approximately \$16.0 million were used for general corporate purposes.

A summary of the OP's contractual obligations (at par) as of December 31, 2003, is as follows (in thousands):

	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Unsecured bank debt	\$ 204,035	\$100,000	\$104,035	\$ -	\$ -
Unsecured notes	625,000	-	50,000	125,000	450,000
Mortgage debt	375,433	7,873	18,889	167,587	181,084
Total debt	1,204,468	107,873	172,924	292,587	631,084
Ground and operating leases	24,634	2,299	2,609	2,358	17,368
Real estate commitments	49,670	49,670	-	-	-
Deferred compensation	17,600	-	-	17,600	-
Total Obligations	\$1,296,372	\$159,842	\$175,533	\$312,545	\$648,452

At December 31, 2003, construction for international and domestic development includes projects totaling 0.9 million square-feet of GLA. Internationally, projects in the pipeline include the 187,000 square-foot first phase of Tosu Premium Outlets near Fukuoka, Japan, scheduled to open in March 2004; and the 230,000 square-foot first phase of Punta Norte Premium Outlets in Mexico City scheduled to open in late 2004. Domestically, projects underway include the single-phase 438,000 square-foot Chicago Premium Outlets, scheduled to open in mid 2004. The Tosu project is a development of Chelsea Japan Co., Ltd., the OP's 40%-owned Japanese joint venture. The Punta Norte project is a development of the OP's 50% owned Mexican joint venture. The Chicago project is a 50/50 joint venture with Simon. Other projects in various stages of development are expected to open in 2004 and beyond including the 350,000 square-foot Seattle Premium Outlets, located near Seattle, Washington, scheduled to commence construction in spring 2004 and 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 \$46.0 million for Chicago Premium Outlets. As of December 31, 2003, the OP had contributed \$26.7 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 December 31, 2003, are as follows:

Total Facility		Outstanding				Due Date	Interest Rate
Yen	US \$ Equivalent	Yen	US \$ Equivalent	US \$ Guarantee			
4.0 billion (1)	\$37.3 million	0.9 billion	\$ 8.4 million	\$ 8.4 million	2004	1.31%	
3.8 billion (2)	35.4 million	3.2 billion	30.0 million	12.0 million	2015	2.20%	
0.6 billion (2)	5.6 million	0.5 billion	4.7 million	1.9 million	2012	1.50%	

- (1) Facility entered into by an equity investee of the OP that has a one-year extension option until April 1, 2005.
- (2) Facilities entered into by Chelsea Japan, secured by Gotemba and Rinku and 40% severally guaranteed by the OP.

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 and is scheduled to open in late 2004. The OP is responsible for financing its 50% share of project costs up to approximately \$15.0 million. As of December 31, 2003, the OP had contributed \$2.5 million.

In January 2004, a subsidiary of the OP entered into a 180.0 million peso revolving facility (USD \$16.5 million as of February 17, 2004) to provide funding for Mexican development projects. 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 and has 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.

At December 31, 2002, the OP recognized an impairment loss equal to the net book value of its investment in Chelsea Interactive. The OP believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows. For 2003, a \$2.5 million funding loss was reported. Future funding by the OP will be reported, as a loss in the period funding

is required. As of December 31, 2003, the OP had funded \$54.9 million and anticipates that Chelsea Interactive will not reach the OP's funding limit of \$60.0 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, 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 by 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 December 31, 2003, was \$3.6 million. The OP has also provided \$17.1 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 \$181.6 million and \$128.2 million for the years ended December 31, 2003, and 2002, respectively. The increase was primarily due to increased operating cash flow generated on the growth of the OP's GLA offset by the decreased losses from Chelsea Interactive and the payout of the deferred incentive compensation in March 2002. Net cash used in investing activities decreased to \$213.6 million in 2003 from \$404.2 million in 2002 due to reduced acquisition activity. Net cash provided by financing activities decreased to \$27.9 million from \$273.9 million for the years ended December 31, 2003, and 2002, respectively. The decrease was primarily the result of reduced borrowings, debt repayments and higher distributions in 2003.

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)

FFO for the year ended December 31, 2002, excludes the Chelsea Interactive impairment loss of \$34.4 million. 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.

	Year Ended December 31, 2003	2002	2001
Net income available to common unitholders	\$115,274	\$48,584	\$ 56,484
Depreciation and amortization-wholly-owned.....	73,651	58,275	48,554
Depreciation and amortization-joint ventures.....	4,069	4,166	5,964
Amortization of deferred financing costs and depreciation of non-rental real estate assets.....	(2,274)	(2,401)	(1,807)
Net gain on sale or write-down of assets.....	(5,625)	(11,223)	(333)
Chelsea Interactive impairment loss.....	-	34,370	-
FFO.....	\$185,095	\$131,771	\$108,862
Average units outstanding (1).....	50,055	44,671	40,036
FFO per unit.....	\$3.56	\$2.85	\$2.65
Distributions declared per unit.....	\$2.14	\$1.86	\$1.56

(1) Assumes 2-for-1 unit split in May 2002 had occurred on January 1, 2001.

Recent Accounting Pronouncements

In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which was effective and adopted by the OP on January 1, 2002. SFAS 144 provides accounting guidance for financial accounting and reporting for impairment or disposal of long-lived assets. SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS 144 retains fundamental provisions of SFAS 121 related to the recognition and measurement of the impairment of long-lived assets to be held and used. In addition, SFAS 144 superseded APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS

144 extended the reporting of a discontinued operation to a "component of an entity." Thus, the operations of assets sold or held for sale are presented as discontinued operations in the OP's statement of income.

In June 2002, FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") which was effective for exit or disposal activities initiated after December 31, 2002. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value, only when the liability is incurred. See note 6 to financial statements for discussion related to the estimated future costs to be incurred in connection with the future operations of Chelsea Interactive.

Recent Accounting Pronouncements (continued)

In November 2002, the FASB issued No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value, instead of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, Accounting for Contingencies. FIN 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The OP adopted the disclosure provisions of FIN 45 effective December 31, 2002. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the OP's financial position or the results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 will be immediately effective for all variable interests in variable interest entities created after January 31, 2003. The OP has not created any variable interest entities subsequent to January 31, 2003. In December 2003, FASB issued a revision to Interpretation 46 ("FIN 46-R") to clarify the provisions of FIN 46. The application of FIN 46-R is effective for public companies, other than small business issuers, after March 15, 2004. The OP does not believe that FIN 46-R will have a significant impact on the OP's financial statements.

On April 30, 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in the entirety or that contain embedded derivatives that warrant separate accounting. SFAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designed after June 30, 2003. The guidance is to be applied prospectively. The adoption of SFAS 149 did not have a material impact on the OP's financial condition, results of operations or cash flows.

In May 2003, FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. The implementation of SFAS 150 did not have a material impact on the OP's financial condition, results of operations or cash flows.

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 7-A. 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 mortgage loans. The hedge effectively produces a fixed rate of 7.2625% on the notional amount until January 1, 2006.

At December 31, 2003 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 \$2.0 million annually.

Following is a summary of the OP's debt obligations at December 31, 2003 (in thousands):

	Expected Maturity Date						Total	Fair Value
	2004	2005	2006	2007	2008	Thereafter		
Fixed Rate Debt:	\$ -	\$ 49,952	-	\$124,874	\$164,727	\$606,408	\$945,961	\$1,043,232
Average Interest Rate:	-	8.38%	-	7.25%	6.99%	7.18%	7.22%	
Variable Rate Debt:	100,000	104,035	-	-	-	61,475 (1)	265,510	265,510
Average Interest Rate:	1.96%	2.09%	-	-	-	2.62%	2.16%	

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

Item 8. Financial Statements and Supplementary Data

The financial statements and financial information of the OP for the years ended December 31, 2003, 2002 and 2001 and the Report of the Independent Auditors thereon are included elsewhere herein. Reference is made to the financial statements and schedules in Item 15.

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

None.

Item 9A. Controls and Procedures

Our 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 December 31, 2003 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 year ended December 31, 2003, 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 III

Items 10, 11, 12, 13 and 14.

The Operating Partnership does not have any Directors, executive officers or stock authorized, issued or outstanding. If the information were required it would be identical to the information contained in Items 10, 11, 12, 13 and 14 of the Company's Form 10-K that will appear in the Company's Proxy Statement furnished to shareholders in connection with the Company's 2004 Annual Meeting. Such information is incorporated by reference in the Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1 and 2. The response to this portion of Item 15 is submitted as a separate section of this report.

3. Exhibits

- 3.1 Articles of Incorporation of the Company, as amended, including Articles Supplementary relating to 8 3/8% Series A Cumulative Redeemable Preferred Stock and Articles Supplementary relating to 9% Series B Cumulative Redeemable Preferred Stock. Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 2002.
- 3.2 By-laws of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement filed by the Company on Form S-11 under the Securities Act of 1933 (file No. 33-67870) ("S-11").
- 3.3 Agreement of Limited Partnership for the Operating Partnership. Incorporated by reference to Exhibit 3.3 to S-11.
- 3.4 Amendments No. 1 and No. 2 to Partnership Agreement dated March 31, 1997 and October 7, 1997. Incorporated by reference to Exhibit 3.4 to Form 10-K for the year ended December 31, 1997. ("1997 10-K")
- 3.5 Amendment No. 3 to Partnership Agreement dated September 3, 1999. Incorporated by reference to Exhibit 3.5 to 1999 10-K.
- 4.1 Form of Indenture among the Company, Chelsea GCA Realty Partnership, L.P., and State Street Bank and Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 to Registration Statement filed by the Company on Form S-3 under the Securities Act of 1933 (File No. 33-98136).

- 10.1 Registration Rights Agreement among the Company and recipients of Units. Incorporated by reference to Exhibit 4.1 to S-11.
- 10.2 Amended and Restated Credit Agreement dated July 31, 2002 among CPG Partners, L.P. and Fleet National Bank, individually and as an agent, and other Lending Institutions listed therein. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ending September 30, 2002.
- 10.3 Joint Venture Agreement between Chelsea GCA Realty Partnership, L.P., Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation dated June 16, 1999. Incorporated by reference to Exhibit 10.9 to 1999 10-K.
- 10.4 Agreement for Purchase and Sale of Assets dated July 12, 2001. Incorporated by reference to Exhibit 2 to current report on Form 8-K reporting on an event, which occurred on September 25, 2001.
- 10.5 Purchase Agreement dated November 11, 2002. Incorporated by reference to Exhibit 2 to current report on Form 8-K reporting on an event which occurred December 19, 2002.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

- 10.8 2002-2006 Long-Term Executive Incentive Plan. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 2002.
- 10.9 Agreement for Purchase and Sale dated May 8, 2003, as amended. Incorporated by reference to Exhibit 2 to current report on Form 8-K reporting on an event which occurred August 1, 2003 ("2003 8-K").
- 10.10 Term Loan Agreement dated July 31, 2003 between CPG Partners, L.P. and Wachovia Bank, National Association. Incorporated by reference to Exhibit 10 to 2003 8-K.
- 21 List of Subsidiaries
- 23.1 Consent of Ernst & Young LLP.
- 31.1 Section 302 Chief Executive Officer Certificate
- 31.2 Section 302 Chief Financial Officer Certificate
- 32.1 Section 906 Chief Executive Officer Certificate
- 32.2 Section 906 Chief Financial Officer Certificate
- (b) Reports on Form 8-K.
None
- (c) Exhibits
See (a) 3
- (d) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate schedule of this report.

Item 8, Item 15(a)(1) and (2) and Item 15(d)

(a)1. Financial Statements

**Form 10-K
Report Page**

Consolidated Financial Statements—CPG Partners, L.P.

Report of Independent Auditors	F-1
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-2
Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001	F-3
Consolidated Statements of Partners' Capital for the years ended December 31, 2003, 2002 and 2001	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001	F-5
Notes to Consolidated Financial Statements	F-6

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

Report of Independent Auditors

To the Owners
CPG Partners, L.P.

We have audited the accompanying consolidated balance sheets of CPG Partners, L.P. as of December 31, 2003 and 2002, and the related consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index as Item 15 (a)(2). These financial statements and schedule are the responsibility of the management of CPG Partners, L.P. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CPG Partners, L.P. as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

New York, New York
February 24, 2004

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

	December 31, 2003	2002
Assets:		
Rental properties:		
Land.....	\$ 299,176	\$ 266,461
Depreciable property.....	1,773,607	1,570,713
	-----	-----
Total rental property.....	2,072,783	1,837,174
Accumulated depreciation.....	(332,406)	(284,239)
	-----	-----
Rental properties, net.....	1,740,377	1,552,935
Cash and cash equivalents.....	18,476	22,551
Restricted cash - escrows.....	6,456	3,455
Tenant accounts receivable (net of allowance for doubtful accounts of \$1,615 in 2003 and \$2,593 in 2002).....	11,631	7,762
Deferred rent receivable.....	25,018	18,778
Investments in unconsolidated affiliates.....	3,500	-
Property held for sale.....	107,068	47,997
Notes receivable-related parties.....	2,151	2,746
Deferred costs, net.....	22,989	16,706
Other assets.....	32,748	30,100
	-----	-----
Total assets.....	\$1,970,414	\$1,703,030
	=====	=====
Liabilities and partners' capital:		
Liabilities:		
Unsecured bank debt.....	\$ 204,035	\$ 103,035

Unsecured notes.....	621,803	621,330
Mortgage debt.....	385,634	306,455
Construction payables.....	7,668	8,046
Accounts payable and accrued expenses.....	59,738	45,077
Accrued distribution payable.....	5,131	4,927
Other liabilities.....	20,871	18,886
	-----	-----
Total liabilities.....	1,304,880	1,107,756
Commitments and contingencies		
Partners' capital:		
General partner units outstanding, 43,592 in 2003 and 41,485 in 2002.....	524,295	462,127
Limited partners units outstanding 7,356 in 2003 and 7,563 in 2002.....	81,934	77,094
Preferred partners units outstanding, 1,300 in 2003 and 2002.....	63,315	63,315
Officer loan.....	-	(488)
Accumulated other comprehensive loss	(4,010)	(6,774)
	-----	-----
Total partners' capital.....	665,534	595,274
	-----	-----
Total liabilities and partners' capital.....	\$1,970,414	\$1,703,030
	=====	=====

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

CPG Partners, L.P.
Consolidated Statements of Income
(In thousands, except per unit data)

	Year ended December 31,		
	2003	2002	2001
	-----	-----	-----
Revenues:			
Base rent.....	\$247,894	\$178,298	\$124,645
Percentage rent.....	29,134	23,723	17,853
Expense reimbursements.....	86,499	64,875	49,496
Other income.....	8,738	11,593	10,888
	-----	-----	-----
Total revenues.....	372,265	278,489	202,882
	-----	-----	-----
Expenses:			
Operating and maintenance.....	102,951	77,863	56,256
Depreciation and amortization.....	70,830	56,870	46,768
General and administrative.....	12,396	7,074	4,620
Other.....	4,984	3,962	2,535
	-----	-----	-----
Total expenses.....	191,161	145,769	110,179
	-----	-----	-----
Income before unconsolidated investments and interest expense	181,104	132,720	92,703
Income from unconsolidated investments.....	11,006	9,802	15,025
Loss from and impairment of Chelsea Interactive.....	(2,518)	(47,756)	(5,337)
Interest expense.....	(69,779)	(49,189)	(37,271)
Gain on sale, net of write-down of assets.....	-	10,911	617
	-----	-----	-----
Income from continuing operations.....	119,813	56,488	65,737
(Loss) income from discontinued operations.....	(980)	1,366	783
Gain on sale of discontinued operations.....	5,625	-	-
	-----	-----	-----
Net income.....	124,458	57,854	66,520
Preferred unit requirement.....	(9,184)	(9,270)	(10,036)
	-----	-----	-----
Net income available to common unitholders.....	\$115,274	\$48,584	\$56,484
	=====	=====	=====
Net income to common unitholders:			
General partner.....	\$98,192	\$41,714	\$47,626
Limited partners.....	17,082	6,870	8,858
	-----	-----	-----
Total.....	\$115,274	\$48,584	\$56,484
	=====	=====	=====
Net income per common unit:			
General partner (including \$0.09, \$0.03 and \$0.02 income from discontinued operations in 2003, 2002 and 2001, respectively)	\$2.30	\$1.09	\$1.41
Limited partners (including \$0.09, \$0.03 and \$0.02 income from discontinued operations in 2003, 2002 and 2001, respectively)	\$2.30	\$1.07	\$1.39
	-----	-----	-----
Weighted average units outstanding:			
General partner.....	42,613	38,245	33,678
Limited partners.....	7,442	6,426	6,358
	-----	-----	-----
Total.....	50,055	44,671	40,036
	=====	=====	=====

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

CPG Partners, L.P.
Consolidated Statements of Partners' Capital

(In thousands)

	General Partner's Capital	Limited Partners' Capital	Preferred Partner's Capital	Officer Loan	Accum. Other Comp. Loss	Total Partners' Capital
Balance December 31, 2000	\$271,482	\$37,888	\$63,315	\$ -	\$ (123)	\$372,562
Net income.....	51,814	14,706	-	-	-	66,520
Other comprehensive income	-	-	-	-	-	-
Foreign currency translation.....	-	-	-	-	(252)	(252)
Interest rate swap.....	-	-	-	-	(3,105)	(3,105)
Total comprehensive income.....						63,163
Common distributions.....	(52,939)	(9,839)	-	-	-	(62,778)
Preferred distribution.....	(4,188)	(5,848)	-	-	-	(10,036)
Contributions (net of costs).....	112,151	-	-	-	-	112,151
Revaluation of limited partners' interests...	(18,209)	18,209	-	-	-	-
Transfer of a limited partners' interest.....	2,291	(2,291)	-	-	-	-
Balance December 31, 2001	362,402	52,825	63,315	-	(3,480)	475,062
Net income.....	45,136	12,718	-	-	-	57,854
Other comprehensive income	-	-	-	-	320	320
Foreign currency translation.....	-	-	-	-	-	-
Interest rate swap.....	-	-	-	-	(3,614)	(3,614)
Total comprehensive income.....						54,560
Issuance of limited partnership units.....	-	44,593	-	-	-	44,593
Common distributions.....	(72,220)	(12,304)	-	-	-	(84,524)
Preferred distribution.....	(3,422)	(5,848)	-	-	-	(9,270)
Contributions (net of costs).....	124,995	-	-	-	-	124,995
Redemption of preferred units (net of costs).....	(9,654)	-	-	-	-	(9,654)
Officer loan.....	-	-	-	(488)	-	(488)
Revaluation of limited partners' interests...	14,651	(14,651)	-	-	-	-
Transfer of a limited partners' interest.....	239	(239)	-	-	-	-
Balance December 31, 2002	462,127	77,094	63,315	(488)	(6,774)	595,274
Net income.....	101,528	22,930	-	-	-	124,458
Other comprehensive income	-	-	-	-	503	503
Foreign currency translation.....	-	-	-	-	-	-
Interest rate swap.....	-	-	-	-	2,261	2,261
Total comprehensive income.....						127,222
Common distributions.....	(91,947)	(15,897)	-	-	-	(107,844)
Preferred distribution.....	(3,336)	(5,848)	-	-	-	(9,184)
Contributions (net of costs).....	59,578	-	-	-	-	59,578
Repayment of officer loan	-	-	-	488	-	488
Revaluation of limited partners interests....	(5,736)	5,736	-	-	-	-
Transfer of a limited partners' interest.....	2,081	(2,081)	-	-	-	-
Balance December 31, 2003	\$524,295	\$81,934	\$63,315	\$ -	\$ (4,010)	\$665,534

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

CPG Partners, L.P.
Consolidated Statements of Partners' Capital
(In thousands)

	Year ended December 31,		
	2003	2002	2001
Cash flows from operating activities			
Net income.....	\$124,458	\$57,854	\$66,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	73,651	58,275	48,554
Equity in earnings of unconsolidated investments in excess of distributions received.....	(5,491)	(2,407)	(2,215)
Loss from and impairment of Chelsea Interactive.....	-	47,756	5,337
Loss from interest rate swap.....	514	-	-
Gain on sale of assets.....	-	(11,514)	(333)
Gain on sale of discontinued operations.....	(5,625)	-	-
Proceeds from non-compete receivable.....	-	4,300	4,600
Amortization of non-compete revenue.....	-	(5,136)	(5,136)
Additions to deferred lease costs.....	(2,642)	(1,153)	(1,869)
Other operating activities.....	(1,487)	(845)	(570)
Changes in assets and liabilities:			
Straight-line rent receivable.....	(7,285)	(3,872)	(1,761)
Other assets.....	(467)	(3,211)	965
Deferred compensation pay out.....	-	(14,401)	-
Due from affiliates.....	(5,742)	(284)	(1,924)
Accounts payable and other liabilities.....	11,750	2,860	9,555
Net cash provided by operating activities	181,634	128,222	121,723
Cash flows from investing activities			
Additions to rental properties.....	(171,685)	(385,519)	(103,521)
Proceeds from sale of centers.....	13,853	7,929	7,100
Additions to investments in unconsolidated affiliates.....	(46,688)	(37,855)	(14,763)
Distributions from investments in unconsolidated affiliates in excess of earnings.....	-	337	5,079
Proceeds from sale of investment in unconsolidated affiliates.....	-	11,293	2,839
Additions to deferred lease costs from acquisitions.....	(8,536)	-	-
Loans to related parties.....	-	(550)	(2,750)
Payments from related parties.....	1,083	1,085	1,685
Additions to deferred development costs.....	(1,630)	(898)	(8,220)
Net cash used in investing activities	(213,603)	(404,178)	(112,551)

Cash flows from financing activities			
Debt proceeds.....	124,000	503,958	177,538
Repayments of debt.....	(38,078)	(249,540)	(217,318)
Net proceeds from sale of common stock.....	59,577	124,990	112,151
Distributions.....	(116,828)	(92,717)	(72,873)
Redemption of preferred units.....	-	(9,654)	-
Additions to deferred financing costs.....	(777)	(3,134)	(2,102)
Net cash provided by (used in) financing activities.....	27,894	273,903	(2,604)
Net (decrease) increase in cash and cash equivalents.....	(4,075)	(2,053)	6,568
Cash and cash equivalents, beginning of period.....	22,551	24,604	18,036
Cash and cash equivalents, end of period.....	\$18,476	\$22,551	\$24,604

The accompanying notes are an integral part of the financial statements

CPG Partners, L.P.
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization

CPG Partners, L.P., (the “Operating Partnership” or “OP”), which commenced operations on November 2, 1993 specializes in owning, developing, leasing, marketing and managing upscale and fashion-oriented manufacturers’ outlet centers. As of December 31, 2003, the OP wholly or partially owned 60 centers in 31 states and Japan containing approximately 16.1 million square feet of gross leasable area (“GLA”). The OP’s portfolio is comprised of 30 Premium Outlet centers containing 10.6 million square feet of GLA (the “Premium Properties”) and 30 other retail centers containing approximately 5.5 million square feet of GLA (“Other Properties”) (collectively the “Properties”). The OP’s Premium Properties generated approximately 75% and 86% of the OP’s real estate net operating income for the years ended December 31, 2003, and 2002, respectively. The Premium Properties generally are located near metropolitan areas including New York City, Los Angeles, Chicago, Boston, Washington, D.C., San Francisco, Sacramento, Atlanta, Dallas, Tokyo and Osaka, Japan. Some Premium Properties are also located within 20 miles of major tourist destinations including Palm Springs, Napa Valley, Orlando, Las Vegas and Honolulu.

The sole general partner of the OP, Chelsea Property Group, Inc. (the “Company”) is a self-administered and self-managed Real Estate Investment Trust (REIT).

Basis of Presentation

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.

On May 1, 2002, the Company declared a 2-for-1 stock split of the Company’s common shares. The stock dividend was paid May 28, 2002, to stockholders of record on May 14, 2002. The Operating Partnership simultaneously declared a 2-for-1 split of its limited units. All applicable unit and per unit information in the accompanying financial statements have been adjusted to reflect the split.

2. Summary of Significant Accounting Principles

Rental Properties

Rental properties are presented at cost net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The OP uses 25-40 year estimated lives for buildings, and 15 and 5-7 year estimated lives for improvements and equipment, respectively. Expenditures for ordinary maintenance and repairs are charged to operations as incurred, while significant renovations and enhancements that improve and or extend the useful life of an asset are capitalized and depreciated over the estimated useful life. The OP reviews real estate assets for impairment wherever events or changes in circumstances indicate that the carrying value of assets to be held and used may not be recoverable. Impaired assets are reported at the lower of cost or fair value. Assets to be disposed of are reported at the lower of cost or fair value less cost to sell. No impairment write-downs of rental properties were required for the three years ended December 31, 2003. At December 31, 2003, the Lakeland Factory Outlet Mall was held for sale. The Lakeland property was purchased in August 2003 in conjunction with the Las Vegas Outlet Center. The OP anticipates selling the Lakeland property during 2004. At December 31, 2002, no assets were held for sale.

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

CPG Partners, L.P.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

Rental Properties (continued)

In accordance with Statement of Financial Accounting Standards No.141, or SFAS 141, "Business Combinations," the OP allocates the purchase price of real estate to land, building, 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 value 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 rate 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.

Cash and Equivalents

All demand and money market accounts and certificates of deposit with original terms of three months or less from the date of purchase are considered cash equivalents. The OP places its cash investments in excess of insured amounts with high quality financial institutions. At December 31, 2003 and 2002, cash equivalents consisted of repurchase agreements, commercial paper, U.S. Government agency securities, domestic bank obligations and other corporate and municipal obligations that mature between January and March of the following year. The carrying amount of such investments approximated fair value.

Investment in Unconsolidated Joint Ventures

The OP accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the OP exercises significant influence, but does not control these entities. In all the joint ventures, the rights of the minority investor are both protective as well as participating. These rights preclude the OP from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in earnings (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet of the OP and the underlying equity in net assets is amortized as an adjustment to equity in earnings (loss) of unconsolidated joint ventures over the associated rental property's useful life.

Development Costs

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

Capitalized Interest

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

CPG Partners, L.P. Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

Foreign Currency Translation

The OP conforms to the requirements of the Statement of Financial Accounting Standards No. 52 entitled "Foreign Currency Translation." Accordingly, assets and liabilities of foreign equity investees are translated at prevailing year-end rates of exchange. Translation gain or loss is recognized as a component of other comprehensive income.

Rental Expense

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

Deferred Lease Costs

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

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. Deferred financing costs are amortized as interest costs over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is retired before maturity. Costs incurred in seeking financial transactions which do not close are expensed in the period it is determined the financing will not be closing.

Revenue Recognition

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

Bad Debt Expense

Bad debt expense included in other expense totaled \$2.2 million, \$2.0 million and \$1.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. The OP maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rent payments.

CPG Partners, L.P. Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

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.

The following summarizes the tax components of the OP's common distributions declared for the years ended December 31, 2003, 2002 and 2001:

	2003	2002	2001
Distributions per unit.....	\$2.14	\$1.86	\$1.56
Capital gain (a).....	(0.13)	(0.21)	-
Unrecaptured Section 1250 gain	-	(0.01)	-
Ordinary income.....	\$2.01	\$1.64	\$1.56

(a) Capital rates were 15% and 20% in 2003 and 2002, respectively.

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.

CPG Partners, L.P. Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

Concentration of OP's Revenue and Credit Risk

For the years ended December 31, 2003, 2002 and 2001, respectively, 13%, 16% and 21% of the OP's revenues were derived from Woodbury Common Premium Outlets. The loss of this center or a material decrease in revenues from the center for any reason may have a material adverse effect on the OP. In addition, for the years ended December 31, 2003, 2002 and 2001, respectively, 23%, 25% and 28% of the OP's revenues were derived from the OP's centers in California.

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

Use of Estimates

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

Accumulated Other Comprehensive Loss

At December 31, 2003 and 2002, other comprehensive loss was comprised of the following (in thousands):

2003	2002
----	----

Interest rate swap	\$4,458	\$6,719
Foreign currency translation	(448)	55
	----	----
Total	\$4,010	\$6,774
	=====	=====

Derivative and Financial Instruments

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

CPG Partners, L.P. Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

Derivative and Financial Instruments (continued)

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

Recently Issued Accounting Pronouncements

In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which was effective and adopted by the OP on January 1, 2002. SFAS 144 provides accounting guidance for financial accounting and reporting for impairment or disposal of long-lived assets. SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 144 retains fundamental provisions of SFAS 121 related to the recognition and measurement of the impairment of long-lived assets to be held and used. In addition, SFAS 144 superseded APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS 144 extended the reporting of a discontinued operation to a "component of an entity". Thus, the operations of assets sold or held for sale are presented as discontinued operations in the OP's statement of income.

In June 2002, FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") which was effective for exit or disposal activities initiated after December 31, 2002. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value, only when the liability is incurred. See note 6 to financial statements for discussion related to the estimated future costs to be incurred in connection with the future operations of Chelsea Interactive.

In November 2002, the FASB issued No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value, instead of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, Accounting for Contingencies. FIN 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The OP adopted the disclosure provisions of FIN 45 effective December 31, 2002. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the OP's financial position or the results of operations.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 will be immediately effective for all variable interests in variable interest entities created after January 31, 2003. The OP has not created any variable interest entities subsequent to January 31, 2003. In December 2003, FASB issued a revision to Interpretation 46 ("FIN 46-R") to clarify the provisions of FIN 46. The application of FIN 46-R is effective for public companies, other than small business issuers, after March 15, 2004. The OP does not believe that FIN 46-R will have a significant impact on the OP's financial statements.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Principles (continued)

Recently Issued Accounting Pronouncements (continued)

April 30, 2003, FASB issued SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in the entirety or that contain embedded derivatives that warrant separate accounting. SFAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designed after June 30, 2003. The guidance is to be applied prospectively. The adoption of SFAS 149 did not have a material impact on the OP's financial condition, results of operations or cash flows.

In May 2003, FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. The implementation of SFAS 150 did not have a material impact on the OP's financial condition, results of operations or cash flows.

Reclassifications

Certain amounts in the 2002 and 2001 financial statements have been reclassified to conform to the 2003 presentation.

3. Acquisitions and Dispositions

Acquisitions

In June 2003, the OP purchased The Crossings Factory Stores ("The Crossings"), a 390,000 square-foot outlet center located in Tannersville, Pennsylvania, for \$111.3 million, including closing costs, and assumed a \$60.7 million 5.85% mortgage loan due 2013. The stated interest rate was greater than that available to the OP for comparable debt. Consequently, the OP recognized a \$3.4 million debt premium that will be amortized over the period of the loan, which reduces the effective rate to 5.1%. An additional \$5.0 million will be due to the sellers upon the completion of a 21,000 square-foot expansion scheduled to open in late 2004, subject to permits. In accordance with the provisions of SFAS 141, the OP allocated the purchase price between land, building and in-place leases. Tenant origination costs of \$4.0 million are included in deferred costs on the balance sheet and a net intangible lease liability of \$3.1 million is included in other liabilities. The tenant origination costs and intangible lease liability are being amortized over the respective lease terms. For the period ended December 31, 2003, the OP recognized rental income of \$0.5 million related to the amortization of in-place leases.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

3. Acquisitions and Dispositions (continued)

Acquisitions (continued)

In August 2003, the OP acquired Las Vegas Outlet Center ("Las Vegas"), a 477,000 square-foot outlet center in Las Vegas, Nevada, for \$104.0 million including the assumption of a \$24.4 million 8.12% mortgage loan due 2012. The stated interest rate was greater than that available to the OP for comparable debt. Consequently, the OP recognized a \$1.9 million debt premium that will be amortized over the period of the loan, which reduces the effective rate to 6.29%. As part of the transaction, the OP also acquired Lakeland Factory Outlet Mall ("Lakeland"), a 319,000 square-foot outlet center near Memphis, Tennessee, for an additional \$3.5 million. The Lakeland property is being marketed for sale. In accordance with the provisions of SFAS 141, the OP allocated the purchase price between land, building and in-place leases. Tenant origination costs of \$4.5 million are included in deferred costs on the balance sheet and a net intangible lease liability of \$0.4 million is included in other liabilities. The tenant origination costs and intangible lease liability are being amortized over the respective lease terms. For the period ending December 31, 2003, the OP recognized a charge against rental income of \$0.3 million related to the amortization of in-place leases.

On April 1, 2002, the OP became the sole owner of the Orlando Premium Outlets ("Simon-Orlando") by acquiring Simon Property Group, Inc.'s ("Simon") 50% undivided ownership interest for \$46.6 million in cash and the assumption of \$29.7 million of existing mortgage debt and the guarantee related thereto. On June 16, 2002, the OP repaid the outstanding balance of \$59.4 million and extinguished the mortgage. After closing the transaction the operating results and balance sheet of Simon-Orlando were consolidated in the accompanying financial statements.

On April 1, 2002, the OP purchased a 305,000 square foot outlet center located in Edinburgh, Indiana for \$27.0 million in cash.

On August 20, 2002, the OP became the sole owner of four Premium Outlet centers by acquiring Fortress Registered Investment Trust's ("Fortress") 51% undivided ownership interest in the F/C Acquisition Holdings, LLC joint venture ("F/C Acquisition"). The OP paid \$58.9 million in cash and assumed \$86.5 million of existing mortgage debt on the properties. After closing the transaction the operating results and balance sheet of the four Premium Outlet centers including \$169.6 million of existing nonrecourse mortgage debt, were consolidated in the accompanying financial statements.

On November 22, 2002, the OP purchased two outlet centers from JMJ Properties, Inc. ("JMJ"); a 305,000 square-foot center located in Albertville, Minnesota and a 278,000 square foot center located in Johnson Creek, Wisconsin for a total purchase price of \$89.5 million. The OP paid \$44.9 million in cash and issued 1.3 million limited partnership units with an assigned value of \$44.6 million.

On December 19, 2002 the OP acquired four outlet centers for an all cash price of \$193.0 million from New Plan Excel Realty Trust, Inc. ("NPXL"). The four properties consist of a 292,000 square foot outlet center located in Jackson, New Jersey; a 391,000 square foot outlet center located in Osage Beach, Missouri; a 329,000 square foot outlet center located in St. Augustine, Florida; and a 300,000 square foot outlet center located in Branson, Missouri.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

3. Acquisitions and Dispositions (continued)

Acquisitions (continued)

The aggregate condensed balance sheet (unaudited) on the date of acquisition of the acquired properties is as follows (in thousands):

	2003	2002
	-----	-----
Land	\$ 33,660	\$100,540
Depreciable property	190,716	591,018
Accumulated depreciation	-	(15,977)
Other assets	945	19,487
	-----	-----
Total assets	\$225,321	\$695,068
	=====	=====
Mortgage debt	\$ 90,491	\$228,025
Other liabilities	383	9,884
	-----	-----
Total liabilities	90,874	237,909
	-----	-----
Net equity	\$134,447	\$457,159
	=====	=====

The following condensed pro forma (unaudited) information assumes that the acquisitions of The Crossings Factory Stores, Las Vegas Outlet Center and Lakeland Factory Outlet Mall had occurred on January 1, 2002. Additionally, it assumes that the effect of the sale of 1.2 million shares of the Company's common stock in conjunction with The Crossings acquisition and the \$100.0 million term loan in conjunction with the Las Vegas acquisition occurred on January 1, 2002 (in thousands)

:

	Year Ended December 31,	
	2003	2002
	-----	-----
Total revenue	\$386,407	\$307,284
Net income to common unitholders	119,004	54,772
Earnings per unit:		
Net income to common unitholders	\$2.33	\$1.19
Weighted average common units outstanding	51,169	45,871

CPG Partners, L.P.
Notes to Consolidated Financial Statements

3. Acquisitions and Dispositions (continued)

Dispositions

In June 2003, the OP sold a 23,000 square-foot Premium Outlet center located in St. Helena, California for \$7.4 million, resulting in a gain of approximately \$4.7 million. The center partially secured a mortgage note due April 2010 and \$5.0 million of the sales proceeds were used to pay down the mortgage loan. Revenues and expenses related to the St. Helena property have been reclassified to discontinued operations in the period of sale and comparable periods in the accompanying financial statements.

In September 2003, the OP realized a gain of approximately \$0.9 million from the sale of one of its non-core properties, the former Factory Stores of America at Mesa, Arizona ("Mesa property"). Revenues and expenses connected with the Mesa property have been reclassified to discontinued operations in the period of sale and comparable periods in the accompanying financial statements.

The OP terminated its long-term lease on American Tin Cannery Premium Outlets. Revenues and expenses connected with the ATC property have been reclassified to discontinued operations in the period of termination and comparable periods in the accompanying financial statements.

During June and July 2002, the OP sold four Other Properties centers and two outparcels generating net proceeds of approximately \$6.8 million, which approximated the net book value of these properties. Accordingly, no gain or loss on the sales was recognized. The aggregate revenues and net income of the sold properties were \$1.2 million and \$0.3 million for the year ended December 31, 2002, respectively, and \$0.6 million and \$0.2 million for the year ended December 31, 2001, respectively.

In November 2002, the OP sold an additional Other Properties center and an outparcel that generated net proceeds of approximately \$1.1 million, which resulted in a gain of approximately \$0.6 million which is included in other income in the accompanying financial statements. The aggregate revenues and net income of the sold property were \$0.6 million and \$0.4 million for the year ended December 31, 2002, respectively and \$0.1 million and \$40,000 for the year ended December 31, 2001, respectively.

In October 2001, the OP sold a Premium Properties center and recognized a loss of approximately \$0.3 million that is included as a charge in other income in the accompanying financial statements. The aggregate revenues and net income of the sold property were immaterial to the operations of the OP for the years ended December 31, 2001 and 2000.

4. Rental Properties

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

	2003	2002
Land and improvements.....	\$ 495,819	\$ 460,227
Buildings and improvements.....	1,536,998	1,351,183
Construction-in-progress.....	16,838	6,708
Equipment and furniture.....	23,128	19,056
	-----	-----
Total rental property.....	2,072,783	1,837,174
	-----	-----
Accumulated depreciation and amortization.....	(332,406)	(284,239)
	-----	-----
Total rental property, net.....	\$1,740,377	\$1,552,935
	=====	=====

CPG Partners, L.P. Notes to Consolidated Financial Statements

4. Rental Properties (continued)

Interest costs capitalized as part of buildings and improvements were \$4.3 million, \$2.9 million and \$2.0 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Commitments for land, new construction, development and acquisitions including the OP's 50% share of joint venture activity, totaled approximately \$49.7 million and \$19.1 million at December 31, 2003 and 2002, respectively.

Depreciation expense (including amortization of the capital lease) amounted to \$67.3 million, \$53.1 million and \$42.9 million for the years ended December 31, 2003, 2002 and 2001, respectively.

5. Restricted Cash-Escrows

Restricted cash escrows include \$6.5 million and \$3.5 million at December 31, 2003 and 2002, respectively, of escrows and reserve funds for real estate taxes, property insurance, capital and tenant improvements and leasing costs established pursuant to certain mortgage loan agreements.

6. Investments in Affiliates

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

As of December 31, 2003 and 2002, 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 (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. As of December 31, 2001, the OP's investment in joint ventures also included a 50% interest in Simon-Orlando and a 49% interest in F/C Acquisition.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

6. Investments in Affiliates (continued)

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. The OP is responsible for financing its 50% share of development costs, or approximately \$48.0 million. As of December 31, 2003, the OP had contributed \$44.7 million and capitalized interest and other costs of \$2.3 million.

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 mid-2004. On September 23, 2002, Simon-Chicago purchased a 140-acre site, including 80 acres of conservation area, and commenced construction. The OP is responsible for financing its 50% share of the development costs, which are expected to be approximately \$46.0 million. As of December 31, 2003, the OP had contributed \$26.7 million and capitalized interest and other costs of \$1.5 million.

In June 1999, the OP entered into an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate Premium Outlet centers in Japan. The OP has a 40% interest in Chelsea Japan. In conjunction with the agreement, the OP contributed \$1.7 million in equity and provides its share of construction financing and/or loan guarantees. Chelsea Japan opened its initial project, the 220,000 square-foot first phase of Gotemba Premium Outlets, on July 13, 2000. Gotemba has grown to 390,000 square feet with the completion of its 170,000 square-foot second phase that opened in July 2003. Gotemba is located on the Tomei Expressway, approximately 60 miles west of Tokyo and midway between Mt. Fuji and the Hakone resort area. Chelsea Japan opened its second project, located outside Osaka, the second-largest city in Japan, the 180,000 square-foot first phase of Rinku Premium Outlets on November 23, 2000. Rinku increased to 250,000 square feet in March 2002, upon opening its 70,000 square-foot second phase. Rinku's 70,000 square-foot third phase is scheduled to open in late 2004. Chelsea Japan's third project, the 180,000 square foot first phase of Sano Premium Outlets opened in March 2003 and in Fall 2004, Sano is scheduled to open its 55,000 square foot second phase. Sano is located 40 miles north of Tokyo off Tohoku Expressway.

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 and 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 December 31, 2003, the OP contributed \$2.5 million. In January 2004, an affiliate of the OP entered into a 180.0 million Peso denominated credit facility which is guaranteed by the OP to fund its share of construction costs.

At December 31, 2003 and 2002, the OP had minority interests ranging from 3% to 8% and 5% to 15% at December 31, 2001, in several outlet centers and outlet development projects in Europe. Five outlet centers, containing approximately 900,000 square feet of GLA, including Bicester Village, outside London, England, La Roca OP Stores outside of Barcelona, Spain, Las Rozas Village outside Madrid, Spain, La Vallee near Disneyland Paris and Maasmechelen Village in Belgium are currently open and operated by Value Retail PLC and its affiliates. 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 which was recorded as a gain on sale of unconsolidated investments in the accompanying financial statements. In 2001, the OP sold a portion of its Bicester Village holding resulting in a gain of \$1.8 million, which was included in gain on sale of unconsolidated investments, net of write-down in the accompanying financial statements.

CPG Partners, L.P.
Notes to Condensed Consolidated Financial Statements

6. Investments in Affiliates (continued)

The OP and Simon entered into a 50/50 joint venture agreement to develop and operate Simon-Orlando a 428,000 square foot center that was completed in May 2000 and is located on Interstate 4, midway between Walt Disney World/EPCOT and Sea World in Orlando. In April 2002, the OP purchased Simon's 50% undivided ownership interest in the center for \$46.6 million in cash and assumed Simon's \$29.7 million pro-rata share of existing mortgage debt. The operations and balance sheet of the center are consolidated in the accompanying financial statements from the buyout date.

In December 2000, the OP and Fortress acquired four outlet centers from a competitor, through F/C Acquisition in which the OP had a 49% interest. The total purchase price was \$240.0 million, including the assumption of approximately \$174.0 million of 6.99% fixed-rate non-recourse mortgage debt due in 2008. In July 2002, Fortress exercised its option under the F/C Limited Liability Company Agreement to invoke the "Buy/Sell Right" which gave the OP the option to sell its 49% ownership interest in

F/C Acquisition or buy the partner's 51% ownership interest. On August 20, 2002, the OP exercised its right to buy the 51% interest for cash of \$58.9 million and assumed \$86.5 million of existing mortgage debt on the properties. The operations and balance sheet of the four F/C Acquisition Premium Outlet centers have been consolidated in the accompanying financial statements from the buyout date.

In December 2001, the OP had a 15% minority interest in a partnership that owns an outlet center located in Guam. The center had been generating operating losses and the OP did not anticipate recovering its investment. Therefore, in December 2001, the OP wrote off its investment in Guam and recognized a loss of \$1.2 million which is included in gain on sale of unconsolidated investments, net of write-down in 2001 in the accompanying financial statements. During the year ended December 31, 2002, the OP withdrew as a partner in the Guam outlet center.

Chelsea Interactive

At December 31, 2002, the OP recognized an impairment loss equal to the net book value of its investment in Chelsea Interactive. The OP believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows. A \$2.5 million funding loss was reported for the year ended December 31, 2003. Future funding by the OP will be reported as a loss in the period funding is required. Through December 31, 2003, the OP had funded \$54.9 million and anticipates that funding to Chelsea Interactive will not reach the OP's funding limit of \$60.0 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, 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 by the second quarter of 2004.

CPG Partners, L.P. Notes to Consolidated Financial Statements

The following is a summary of investments in and amounts due from affiliates at December 31, 2003 and 2002 (in thousands):

	F/C	Chelsea Japan	Simon- Orlando	Simon- Ventures	Chelsea Interactive	Other	Total
Balance December 31, 2001.....	\$36,118	\$9,296	\$9,723	\$ -	\$34,856	\$3,696	\$93,689
Additional investment.....	-	655	-	31,281	13,508	303	45,747
Income (loss) from unconsolidated investments.....	4,331	4,136	1,310	-	(13,386)	25	(3,584)
Distributions and fees.....	(2,841)	(2,528)	(250)	-	-	-	(5,619)
Buyout reclassifications.....	(36,531)	-	(9,199)	-	-	-	(45,730)
Impairment loss.....	-	-	-	-	(34,370)	-	(34,370)
Disposition.....	-	-	-	-	-	(382)	(382)
Advances (net).....	(1,077)	912	(1,584)	638	(608)	(35)	(1,754)
Balance December 31, 2002.....	\$ -	\$12,471	\$ -	\$31,919	\$ -	\$3,607	\$47,997

	F/C	Chelsea Japan	Simon- Orlando	Simon- Ventures	Chelsea Interactive	Chelsea Mexico	Other	Total
Balance December 31, 2002.....	\$ -	\$12,471	\$ -	\$31,919	\$ -	\$ -	\$3,607	\$47,997
Additional Investment.....	-	1,591	-	43,965	-	6,212	26	51,794
Income (loss) from unconsolidated investments.....	-	8,574	-	2,432	-	-	-	11,006
Distributions and fees.....	-	(5,102)	-	(2,754)	-	-	-	(7,856)
Foreign exchange.....	-	503	-	-	-	-	-	503
Advances (net).....	-	1,424	-	2,177	-	-	23	3,624
Balance December 31, 2003.....	\$ -	\$19,461	\$ -	\$77,739	\$ -	\$6,212	\$3,656	\$107,068

CPG Partners, L.P. Notes to Condensed Consolidated Financial Statements

The OP's share of income before depreciation, depreciation expense and income from unconsolidated investments for the years ended December 31, 2003, 2002 and 2001 is as follows (in thousands):

For the Year Ended:	F/C	Chelsea Japan	Simon- Orlando	Simon Ventures
December 31, 2003				
Income (loss) before depreciation.....	\$ -	\$11,923	\$ -	\$ 3,152
Depreciation.....	-	3,349	-	720
Income(loss) from unconsol. investment....	\$ -	\$ 8,574	\$ -	\$ 2,432
December 31, 2002				
Income (loss) before depreciation.....	\$6,178	\$ 5,932	\$1,833	\$ -
Depreciation.....	1,847	1,796	523	-
Impairment loss.....	-	-	-	-
Income (loss) from unconsol. investment...	\$4,331	\$4,136	\$1,310	\$ -

December 31, 2001				
Income (loss) before depreciation.....	\$9,214	\$4,676	\$7,374	\$ -
Depreciation.....	2,692	1,390	1,882	-
	-----	-----	-----	-----
Income (loss) from unconsol. investment..	\$6,522	\$3,286	\$5,492	\$ -
	=====	=====	=====	=====

For the Year Ended:	Other	Total	Chelsea Interactive
December 31, 2003			
Income (loss) before depreciation.....	\$ -	\$15,075	\$ (1)
Depreciation.....	-	4,069	-
	-----	-----	-----
Income(loss) from unconsol. investment....	\$ -	\$11,006	\$ -
	=====	=====	=====
December 31, 2002			
Income (loss) before depreciation.....	\$ 25	\$13,968	\$(5,115)
Depreciation.....	-	4,166	8,271
Impairment loss.....	-	-	(34,370)
	-----	-----	-----
Income (loss) from unconsol. investment...	\$ 25	\$ 9,802	\$(47,756)
	=====	=====	=====
December 31, 2001			
Income (loss) before depreciation.....	\$ (275)	\$20,989	\$ (2,449)
Depreciation.....	-	5,964	2,888
	-----	-----	-----
Income (loss) from unconsol. investment..	\$ (275)	\$15,025	\$ (5,337)
	=====	=====	=====

(1) A \$2.5 million funding loss was reported for the year ended December 31, 2003.

CPG Partners, L.P. Notes to Consolidated Financial Statements

Condensed financial information as of December 31, 2003 and 2002, and for the years then ended for Chelsea Japan and Simon-Ventures (which are included in "Real Estate") and Chelsea Interactive is as follows (in thousands):

	Real Estate	Chelsea Interactive
Property, plant and equipment (net)		
December 31, 2003.....	\$288,780	\$ -
December 31, 2002.....	140,057	-
Total assets		
December 31, 2003.....	380,426	-
December 31, 2002.....	190,157	1,887
Long term debt (1)		
December 31, 2003.....	129,731	-
December 31, 2002.....	75,139	-
Total liabilities		
December 31, 2003.....	220,238	1,352
December 31, 2002.....	119,886	1,548
Net income (loss)		
December 31, 2003.....	12,717	(2,518)
December 31, 2002.....	12,594	(14,247)
OP's share of net income (loss)		
December 31, 2003.....	5,488	(2,518)
December 31, 2002.....	5,795	(13,386)
Fee income		
December 31, 2003.....	5,518	-
December 31, 2002.....	3,982	-

(1) Long-term debt in 2003 and 2002 consists of borrowings related to Chelsea Japan.

7. Deferred Costs

The following summarizes the carrying amounts for deferred costs at December 31, 2003 and 2002 (in thousands):

	2003	2002
Lease costs.....	\$29,609	\$28,074
FAS 141 lease adjustment.....	8,536	-
Financing costs.....	10,506	9,200
Development costs.....	2,311	1,572
Other.....	371	871
	-----	-----
Total deferred costs.....	51,333	39,717
Accumulated amortization.....	(28,344)	(23,011)
	-----	-----
Total deferred costs, net.....	\$22,989	\$16,706
	=====	=====

CPG Partners, L.P. Notes to Consolidated Financial Statements

8. Non-Compete Agreement

In October 1998 the OP sold its interest in and terminated the development of Houston Premium Outlets, a joint venture project with Simon. Under the terms of the agreement, the OP received non-compete payments totaling \$21.4 million from The Mills

Corporation; \$3.0 million at closing and four annual installments of \$4.6 million, terminating in January 2002. The January 2002 payment had a \$0.3 million legal escrow reserve withheld. The revenue is being recognized on a straight-line basis over the term of the non-compete agreement and the OP recognized income of \$5.1 million during the years ended December 31, 2002 and 2001. Such amounts are included in other income in the accompanying financial statements.

9. Other Assets

The following summarizes the components of other assets at December 31 (in thousands):

	2003	2002
	-----	-----
Sales tax receivable.....	\$10,728	\$11,708
Prepaid expenses.....	10,680	9,902
Deferred compensation.....	8,800	6,400
Non-compete receivable.....	300	300
Due from equity investees.....	-	136
Other.....	2,240	1,654
	-----	-----
Total other assets.....	\$32,748	\$30,100
	=====	=====

CPG Partners, L.P. Notes to Consolidated Financial Statements

10. Debt

Unsecured Bank Debt

The OP has a \$200.0 million senior unsecured bank line of credit (the "Senior Credit Facility") with an expiration date of March 31, 2005, which the OP has the right to extend 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% (2.09% at December 31, 2003) 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%. At December 31, 2003, \$99.0 million was outstanding under the Senior Credit Facility.

The OP also has a \$5.0 million term loan that carries the same interest rate and maturity as the Senior Credit Facility.

The OP has a one-year \$100.0 million unsecured bridge loan (the "Bridge Loan Facility") due July 31, 2004 and has the right to extend the loan until January 31, 2005. The Bridge Loan Facility bears interest on the outstanding balance, payable monthly, at a rate equal to LIBOR plus 0.80% (1.96% at December 31, 2003). The LIBOR rate spread ranges from 0.70% to 1.35% depending on the OP's Senior Debt rating.

Unsecured Notes

A summary of the terms of the unsecured notes outstanding at December 31, 2003 and December 31, 2002, is as follows (in thousands):

	December 31, 2003	December 31, 2002	Effective Yield (1)
	-----	-----	
8.375% Unsecured Notes due August 2005.....	\$ 49,952	\$ 49,922	8.44%
7.250% Unsecured Notes due October 2007.....	124,874	124,841	7.39%
8.625% Unsecured Notes due August 2009.....	49,943	49,933	8.76%
8.250% Unsecured Notes due February 2011.....	148,963	148,817	8.40%
6.875% Unsecured Notes due June 2012.....	99,878	99,825	6.90%
6.000% Unsecured Notes due January 2013.....	148,193	147,992	6.18%
	-----	-----	
Total unsecured notes	\$ 621,803	\$ 621,330	
	=====	=====	

(1) Including discount on the notes

CPG Partners, L.P. Notes to Consolidated Financial Statements

10. Debt (continued)

Mortgage Debt

A summary of the terms of the mortgage debt outstanding at December 31, 2003 and 2002, and the related interest rate and Net Book Value ("NBV") of the associated collateral as of December 31, 2003, is as follows (in thousands):

	December 31, 2003	December 31, 2002	Effective Interest Rate	NBV
Due July 2008 (1)	\$164,727	\$167,723	7.26%	\$252,972
Due April 2010 (2)	61,475	67,250	7.26%	67,978
Due December 2012 (3)	25,477	-	6.29%	101,341
Due December 2012 (4)	70,460	71,482	7.67%	74,416
Due March 2013 (5)	63,495	-	5.10%	112,650
	\$385,634	\$306,455		\$609,357

- (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% 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 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. The F/C Mortgage Loan had a face value of \$169.6 million and a carrying amount fair value of \$168.7 million on the buyout date. During the year ended December 31, 2003, the OP recognized \$135,000 in debt discount amortization that is included in interest expense in the accompanying financial statements.
- (2) In April 2000, Chelsea Financing entered into a \$70.0 million mortgage loan due April 2010 originally secured by its four properties. On June 2, 2003 the OP sold one of the encumbered properties for \$7.4 million with an NBV of \$2.5 million. Proceeds of \$5.0 million were used to pay down the mortgage loan. In February 2004, the OP amended the mortgage loan to unsecure the properties and reduced the interest rate to LIBOR plus 1.25% from LIBOR plus 1.50% (2.62% at December 31, 2003). The loan calls for quarterly principal amortization of \$0.25 million through April 2005 and thereafter \$0.45 million per quarter until maturity. In December 2000, the OP entered into an interest rate swap agreement to hedge against unfavorable fluctuations in LIBOR rates by fixing the interest rate at 7.26% until January 2006. During the years ended December 31, 2003 and 2002, the OP recognized interest expense of \$3.1 million and \$2.7 million, respectively on the hedge that is included in interest expense in the accompanying financial statements.
- (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 will be 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 year ended December 31, 2003, the OP recognized approximately \$120,000 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 years ended December 31, 2003 and 2002, the OP recognized \$0.5 million and \$0.4 million, respectively, 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 year ended December 31, 2003, the OP recognized approximately \$144,000 in debt premium amortization that is included in interest expense in the accompanying financial statements.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

10. Debt (continued)

Mortgage Debt (continued)

Following is a schedule of the estimated fair value of the OP's debt using current broker quotations at December 31, 2003, (in thousands):

Description	Carrying Value	Principal Balance	Estimated Fair Value
Fixed Rate Debt.....	\$945,962	\$938,959	\$1,043,232
Variable Rate Debt.....	265,510	265,510	265,510

Interest paid, excluding amounts capitalized, was \$70.2 million, \$47.5 million and \$34.5 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Following is a schedule of the OP's debt maturities, including debt premium amortization, at December 31, 2003, (in thousands):

2004.....	\$ 107,873
2005.....	163,095
2006.....	9,829
2007.....	135,442
2008.....	157,145
Thereafter.....	638,088

	\$1,211,472
	=====

11. Financial Instruments: Derivatives and Hedging

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

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

To manage interest rate and foreign currency risk, the OP may employ options, forwards, interest rate swaps, caps and floors or a combination thereof depending on the underlying exposure. The OP undertakes a variety of borrowings: from lines of credit, to medium- and long-term financings. To reduce overall interest cost, the OP uses interest rate instruments, typically interest rate swaps, to convert a portion of variable rate debt to fixed rate debt, or a portion of its fixed-rate debt to variable rate. Interest rate differentials that arise under these swap contracts are recognized in interest expense over the life of the contracts.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

11. Financial Instruments: Derivatives and Hedging (continued)

Interest rate swaps that are designated as cash flow hedges hedge the future cash outflows on debt. Interest rate swaps that convert variable payments to fixed payments, interest rate caps, floors, collars, and forwards are cash flow hedges. Unrealized gains and losses in the fair value of cash flow hedges are reported on the balance sheet with a corresponding adjustment to Accumulated Other Comprehensive Income to the extent they are offsetting and otherwise qualify in the period for cash flow hedge accounting. Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income will be reclassified to earnings through interest expense. This reclassification occurs over the same time period in which the hedged items affect earnings. The OP hedges its exposure to variability in future cash flows for forecasted transactions other than those associated with existing floating-rate debt over a maximum period of 12 months. During the forecast period, unrealized gains and losses in the hedging instrument will be reported in Accumulated Other Comprehensive Income. Once the hedged transaction takes place, the hedge gains and losses will be reported in earnings during the same period in which the hedged item is recognized in earnings. During 2003, the OP paid down approximately \$5.0 million of hedged debt and reclassified approximately \$0.5 million out of accumulated other comprehensive loss to other expenses. The ineffective portion of the hedge will be marked to market through earnings.

The notional value and fair value of the swap provide an indication of the extent of the OP's involvement in financial derivative instruments at December 31, 2003. It does not represent exposure to credit, interest rate or market risks. At December 31, 2003, and 2002, the swap was reported at its fair value and classified as other liabilities in the accompanying financial statements of \$4.8 million and \$6.7 million, respectively. Within the next twelve months, the OP expects to reclassify to earnings approximately \$2.7 million of the current balance held in accumulated other comprehensive loss related to the interest rate swap.

Hedge Type	As of December 31, 2003		Maturity	Fair Value
	Notional Value	Rate		
Swap, Cash Flow	\$66.5 mil	5.7625%	1/1/06	(\$4.8 mil)

During 2002, the OP had Japanese yen forward contracts with a notional value of 255 million yen and a fair value of \$10,000 as a hedge against its yen-denominated receivable due from Chelsea Japan. During the year ended December 31, 2002, the receivable and yen forward contracts were settled and the OP received \$1.9 million and recognized a \$0.1 million foreign exchange loss, which is included in income from unconsolidated investments in the accompanying financial statements.

During 2001, the OP entered into a yen forward contract with a notional value of \$1.4 million and a fair value of \$40,000 as a hedge against its yen-denominated receivable. During the year ended December 31, 2001 the receivable and yen forward contract

were settled and the OP received \$1.4 million.

12. 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. Activity related to the Preferred Units is included in partner’s capital account.

CPG Partners, L.P. Notes to Consolidated Financial Statements

13. Preferred Stock

In October 1997, the Company issued 1.0 million shares of non-voting 8.375% Series A Cumulative Redeemable Preferred Stock (the “Preferred Stock”), par value \$0.01 per share, having a liquidation preference of \$50 per share. The Preferred Stock has no stated maturity and is not convertible into any other securities of the Company. The Preferred Stock is redeemable on or after October 15, 2027, at the OP’s option.

During the year ended December 31, 2002, the Company redeemed and retired 136,500 shares of Preferred Stock at a net price of \$47 per share and 66,552 shares at a net share of \$47.25 per share.

14. Common Stock

In June 2003, the Company sold 1.2 million shares of common stock at a price of \$42.10 per share, yielding net proceeds after expenses of \$49.4 million, which were used to fund the Crossings acquisition.

In November 2002, the Company sold 3.5 million shares of common stock at a price of \$34.65 per share, yielding net proceeds after expenses of \$118.8 million, which were used to fund the NPXL acquisition.

On May 1, 2002, the Company declared a 2-for-1 stock split on the Company’s common shares. The stock dividend was paid May 28, 2002, to stockholders of record on May 14, 2002.

15. Lease Agreements

The OP is the lessor and sub-lessor of retail stores under operating leases with term expiration dates ranging from 2004 to 2020. Most leases are renewable for five years after expiration of the initial term at the lessee’s option. Future minimum lease receipts under non-cancelable operating leases at December 31, 2003, exclusive of renewal option periods, were as follows (in thousands):

2004.....	\$ 252,259
2005.....	230,216
2006.....	196,693
2007.....	162,283
2008.....	129,848
Thereafter.....	309,278

	\$1,280,577
	=====

In 1987, a predecessor partnership entered into a lease agreement for property in California. Land was estimated to be approximately 37% of the fair market value of the property, and accordingly the portion of the lease attributed to land was classified as an operating lease. The portion attributed to building was classified as a capital lease as the present value of payments related to the building exceeded 90% of its fair value at inception of the lease. The initial lease term was 25 years with two options of 5 and 4.5 years, respectively. The lease provided for additional rent based on specific levels of income generated by the property. No additional rental payments were incurred during 2003, 2002 or 2001. The OP terminated the lease agreement and recognized a \$0.1 million gain on the termination.

CPG Partners, L.P. Notes to Consolidated Financial Statements

15. Lease Agreements (continued)

Operating Leases

Future minimum rental payments under operating leases for administrative offices at December 31, 2003, are as follows (in thousands):

2004.....	\$1,480
2005.....	916
2006.....	52

\$2,448
=====

Rental expense amounted to \$1.4 million for the years ended December 31, 2003 and 2002, and \$0.8 million for the year ended December 31, 2001.

Capital Lease

A leased property included in rental properties at December 31, 2002 consisted of the following (in thousands):

Building.....	\$6,796
Less accumulated amortization.....	(5,865)

Leased property, net.....	\$ 931
	=====

Amortization expense on capital lease of \$0.9 million for the year ended December 31, 2003 and \$0.3 million for the years ended December 31, 2002 and 2001, is included in depreciation and amortization expense in the financial statements.

Ground Lease

In connection with the 2003 and 2002 property acquisitions, the OP acquired six properties subject to ground leases that were assumed by the OP. These ground leases have termination dates ranging from 2007 to 2087 and allow for renewal terms of 4 to 30 years.

Future minimum lease payments under ground leases at December 31, 2003, exclusive of renewal option periods were as follows (in thousands):

2004.....	\$ 819
2005.....	819
2006.....	822
2007.....	811
2008.....	1,547
Thereafter.....	17,368

	\$22,186
	=====

CPG Partners, L.P. Notes to Consolidated Financial Statements

16. Commitments and Contingencies

In connection with the Simon-Ventures, the OP has committed to provide 50% of the development costs or approximately \$48.0 million to Simon-Las Vegas and \$46.0 million to Simon-Chicago. As of December 31, 2003, the OP had contributed \$44.7 million to Simon-Las Vegas and \$26.7 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 December 31, 2003, are as follows (in thousands):

	Total Facility		Outstanding		Due Date	Interest Rate
	Yen	US \$ Equivalent	Yen	US \$ Equivalent		
4.0 billion (1)	\$37.3 million	0.9 billion	\$8.4 million	\$ 8.4 million	2004	1.31%
3.8 billion (2)	35.4 million	3.2 billion	30.0 million	12.0 million	2015	2.20%
0.6 billion (2)	5.6 million	0.5 billion	4.7 million	1.9 million	2012	1.50%

(1) Facility entered into by an equity investee of the OP and has a one-year extension option; until April 1, 2005.

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

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 and 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 December 31, 2003, the OP had contributed \$2.5 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.

As of December 31, 2003, the OP had provided limited debt service guarantees of approximately \$17.1 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.

At December 31, 2003, other assets include \$8.8 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.

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.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

17. Related Party Information

In 1999, the OP established a \$6.0 million secured loan facility that expires in June 2004 for the benefit of certain unitholders. Each borrower issued a note that is secured by OP units, bears interest at a rate of LIBOR plus 200 basis points per annum payable quarterly and is due by the facility expiration date. At December 31, 2003, the \$2.2 million note receivable from related parties represents a loan made to a unitholder, who is also an officer and director of the OP. During the year ended December 31, 2003, the OP received \$1.1 million from a unitholder in full repayment of his loan. Effective June 2002, the OP changed its policy to eliminate new loans to directors and officers.

The OP leased space to related parties of approximately 56,000 square feet during the year ended December 31, 2001. Rental income from those tenants, including reimbursement for taxes, common area maintenance and advertising, totaled \$2.1 million during the year ended December 31, 2001.

In August 1997, the OP and one of its 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 will be 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 \$0.3 million for the year ended December 31, 2003. 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, is expected to be paid in 2004.

18. Employee Stock Purchase Plan

The Company's Board of Directors and unitholders approved an Employee Stock Purchase Plan (the "Purchase Plan"), effective July 1, 1998. The Purchase Plan covers an aggregate of 1.0 million shares of common stock. Eligible employees have been in the employ of the OP or a participating subsidiary for five months or more and customarily work more than 20 hours per week. The Purchase Plan excludes employees who are "highly compensated employees", as defined, or own 5% or more of the voting interest of the Company's stock. Eligible employees will purchase shares through automatic payroll deductions up to a maximum of 10% of weekly base pay. The Purchase Plan will be implemented by consecutive three-month offerings (each an "Option Period"). The price at which shares may be purchased shall be the lower of (a) 85% of the fair market value of the stock on the first day of the Option Period or (b) 85% of the fair market value of the stock on the last day of the Option Period. As of December 31, 2003, 118 employees were enrolled in the Purchase Plan and \$10,000 in expenses has been incurred and is included in the OP's general and administrative expense. The Purchase Plan will terminate in July 2008 unless terminated earlier by the Board of Directors.

CPG Partners, L.P. Notes to Consolidated Financial Statements

19. 401(k) Plan

The OP maintains a defined contribution 401(k) savings plan (the "Plan"), which was established to allow eligible employees to make tax-deferred contributions through voluntary payroll withholdings. All employees of the OP are eligible to participate in the Plan after completing six months of service and attaining age 21. Employees who elect to enroll in the Plan may elect to have from 1% to 15% of their pre-tax gross pay contributed to their account each pay period. As of January 1, 1998 the Plan was amended to include an employer discretionary matching contribution which currently excludes certain officers, in an amount not to exceed 100% of each participant's first 6% of yearly compensation to the Plan. Matching contributions of approximately \$156,000 in 2003, \$96,000 in 2002 and \$128,000 in 2001 are included in the OP's general and administrative expense in the accompanying financial statements.

20. Quarterly Financial Information (Unaudited)

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during 2003 and 2002:

	March 31	June 30	September 30	December 31
2003				
Base rental revenue.....	\$59,159	\$59,461	\$63,645	\$ 65,629
Total revenues.....	83,282	86,609	92,203	110,171

Net income available to common unitholders.....	21,762	29,079	29,272	35,161
Net income per weighted average common unit.....	\$0.44	\$0.59	\$0.58	\$0.69
2002				
Base rental revenue.....	\$37,629	\$42,458	\$46,100	\$ 52,111
Total revenues.....	55,395	63,844	70,387	88,863
Net income (loss) available to common unitholders	13,880	15,631	28,228	(9,155)
Net income(loss) per weighted average common unit.....	\$0.32	\$0.35	\$0.64	\$(0.20)

CPG Partners, L.P.
Notes to Consolidated Financial Statements

21. 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: premium domestic, other domestic and international in 2003 and 2002. 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 years ended: (in thousands)	Premium Domestic	Other Domestic	International	Other	Total
		(2)	(3)	(4)	
Total revenues (1)					
December 31, 2003.....	\$ 266,944	\$104,797	\$ -	\$ 524	\$ 372,265
December 31, 2002.....	224,701	48,306	-	5,482	278,489
Interest income(1)					
December 31, 2003.....	1,015	35	-	156	1,206
December 31, 2002.....	1,169	124	-	358	1,651
Income (loss) from unconsolidated investments					
December 31, 2003.....	2,432	-	8,574	(2,518)	8,488
December 31, 2002.....	5,641	-	15,072	(47,756)	(27,043)
NOI					
December 31, 2003.....	196,444	70,386	15,449	(12,985)	269,294
December 31, 2002.....	176,001	30,664	7,891	(12,216)	202,340
Fixed asset additions					
December 31, 2003.....	17,404	239,519	-	1,006	257,929
December 31, 2002.....	398,933	309,540	-	795	709,268
Total assets					
December 31, 2003.....	1,341,535	501,093	29,306	98,480	1,970,414
December 31, 2002.....	1,262,190	394,984	16,077	29,779	1,703,030

- (1) Excludes revenue for St. Helena, Mesa and American Tin Cannery properties which are classified as discontinued operations.
- (2) Approximately 16% and 23% of the GLA is occupied by and approximately 9% and 12% of annual base rent is derived from one tenant during the 2003 and 2002 periods, respectively.
- (3) Principally comprised of the OP's interest in Chelsea Japan.
- (4) Includes corporate overhead assets and results from Chelsea Interactive.

CPG Partners, L.P.
Notes to Consolidated Financial Statements

21. Segment Information (continued)

Following is a reconciliation of net operating income to net income for the years ended December 31, 2003 and 2002 (in thousands):

	2003	2002
Segment NOI.....	\$269,294	\$202,340
Interest expense - consolidated.....	(69,215)	(48,693)
Interest expense - unconsolidated investments.....	(886)	(556)
Depreciation expense - consolidated.....	(73,651)	(58,275)
Depreciation expense - unconsolidated investments	(4,069)	(4,166)
Depreciation expense - Chelsea Interactive.....	-	(8,271)
Impairment loss- Chelsea Interactive.....	-	(34,370)
Income tax - unconsolidated investments.....	(2,640)	(1,378)
Gain/(loss) on sale of centers.....	5,625	312
Gain on sale, net of writedown - International.....	-	10,911
Net income.....	\$124,458	\$ 57,854

22. Non-Cash Investing and Financing Activities

In December 2003, 2002 and 2001, the OP declared quarterly distributions per unit of \$0.535, \$0.485, and \$0.390, respectively (assumes May 2002, 2-for-1 unit split occurred on January 1, 2001). The limited partners' distributions were paid in January of each subsequent year.

In connection with the Crossings and Las Vegas acquisitions, the OP assumed approximately \$64.1 million and \$26.3 million, respectively, in mortgage loans payable.

In connection with the buyout of Simon's 50% interest in Simon-Orlando in April 2002, the OP assumed additions of approximately \$68.9 million in rental properties, \$6.5 million in accumulated depreciation, \$8.8 million in other assets, \$3.2 million in other liabilities and \$59.4 million in mortgage debt.

In connection with the buyout of Fortress' 51% interest in F/C Acquisition in August 2002, the OP assumed additions of approximately \$207.0 million in rental properties, \$9.4 million in accumulated depreciation, \$11.7 million in other assets and \$5.3 million in other liabilities and \$168.7 million in mortgage debt.

In connection with the purchase of the JMJ properties in November 2002, the OP issued 1.3 million units with an assigned value of \$44.6 million.

In connection with the Konover acquisition in 2001, the OP assumed approximately \$131.0 million in REMIC and mortgage loans payable.

CPG Partners, L.P. Schedule III-Consolidated Real Estate and Accumulated Depreciation for the year ended December 31, 2003 (in thousands)

Description Outlet Center Name	Encum- brances	Initial Cost to Company		Cost Capitalized (Disposed of) Subsequent to Acquisition (Improvements)		Step-Up Related to Acquisition of Partnership Interest (1)		
		Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	
Woodbury Common, NY	-	\$4,448	\$16,073	\$4,967	\$127,871	\$ -	\$ -	
Orlando, FL (6)	-	9,946	65,711	300	1,151	7,957	31,829	
Gilroy, CA (6)	(4)	17,053	84,641	2	840	1,812	8,840	
Wrentham, MA	-	157	2,817	3,842	84,595	-	-	
Waialele, HI	-	22,800	54,357	-	3,374	-	-	
Leesburg, VA	-	6,296	-	(811)	71,995	-	-	
Desert Hills, CA	-	975	-	2,376	67,366	830	4,936	
Michigan City, IN (6)	(4)	7,264	60,107	-	885	772	6,243	
Camarillo, CA	-	4,000	-	10,696	58,254	-	-	
Osage Beach, MO (6)	-	10,395	58,701	-	1,869	-	-	
Jackson, NJ (6)	-	10,302	58,178	-	339	-	-	
Albertville, MN (6)	-	15,794	45,977	2,851	12,029	-	-	
North Georgia, GA	-	2,960	34,726	(223)	22,252	-	-	
Waterloo, NY (6)	(4)	5,258	42,942	-	670	559	4,519	
Clinton, CT	-	4,124	43,656	202	1,674	-	-	
Allen, TX	-	8,938	2,068	(834)	37,203	-	-	
Vacaville, CA	-	9,683	38,850	18	1,921	-	-	
Folsom, CA	(2)	4,169	10,465	2,692	27,140	-	-	
Carolina Outlet (I), NC	-	6,220	24,860	(181)	794	-	-	
Carolina Outlet (II), NC	(5)	-	7,862	-	305	-	-	
Petaluma Village, CA	-	3,735	-	2,959	32,370	-	-	
St. Augustine, FL (6)	-	5,783	32,658	-	585	-	-	
Liberty Village, NJ	-	345	405	1,499	23,159	11,015	2,195	
Napa, CA	(2)	3,456	2,113	7,908	19,756	-	-	
Kittery (I), ME (6)	(4) (5)	2,143	23,985	6	289	228	2,354	
Kittery (II), ME	-	567	2,265	-	92	-	-	
Johnson Creek, WI (6)	-	4,648	26,341	3	113	-	-	
Aurora, OH	-	637	6,884	1,055	23,023	-	-	
Edinburgh, IN (6)	-	5,415	21,659	-	2,118	-	-	
North Bend, WA	-	4,735	18,925	(83)	(283)	-	-	
The Crossings, PA	(7)	17,187	97,443	35	(597)	-	-	
Las Vegas Outlet, NV	(8)	15,930	90,270	19	(3,915)	-	-	
Branson II (6)	-	2,892	16,332	-	270	-	-	
Columbia Gorge, OR	(2)	934	-	428	13,845	497	2,647	
Santa Fe, NM	-	74	-	1,300	12,188	491	1,772	
American Tin Cannery, CA	-	-	8,621	-	(8,621)	-	-	
Patriot Plaza, VA	-	789	1,854	976	4,081	-	-	
Corporate Offices, NJ, CA	-	-	60	-	7,542	-	-	
St. Helena, CA	-	1,029	1,522	(1,067)	(1,600)	38	78	
Poconos, PA	-	330	-	-	-	-	-	
Tinton Falls, NJ	-	110	-	-	-	-	-	
Chicago, IL	-	465	-	(465)	-	-	-	
Las Vegas, NV	-	405	-	(405)	-	-	-	
Other retail	(3) (5)	15,406	64,911	(2,885)	(6,986)	-	-	
(2)(3)(4)		385,634	\$237,797	\$1,068,239	\$37,180	\$639,955	\$24,199	\$65,413

Description Outlet Center Name	Gross Amount Carried at Close of Period December 31, 2003			Accumulated Depreciation	Date of Construction	Life Used to Compute Depreciation in Latest Income Statement
	Land	Buildings, Fixtures and Equipment	Total			
Woodbury Common, NY	\$9,415	\$143,944	\$153,359	\$57,875	'85, '93, '95, '98	40
Orlando, FL (6)	18,203	98,691	116,894	14,161	'00	40
Gilroy, CA (6)	18,867	94,321	113,188	7,270	'90, '91, '92, '94, '95	40
Wrentham, MA	3,999	87,412	91,411	23,735	'95, '00	40
Waialele, HI	22,800	57,731	80,531	13,190	'98	40
Leesburg, VA	5,485	71,995	77,480	19,090	'96-'00	40
Desert Hills, CA	4,181	72,302	76,483	31,164	'90, '94-'95, '97-'98	40
Michigan City, IN (6)	8,036	67,235	75,271	5,220	'87, '88, '89, '91, '94, '95, '97	40

Camarillo, CA	14,696	58,254	72,950	18,584	'94-'99	40
Osage Beach, MO (6)	10,395	60,570	70,965	1,543	'87-'90	40
Jackson, NJ (6)	10,302	58,517	68,819	1,463	'97-'98	40
Albertville, MN (6)	18,645	58,006	76,651	1,529	'00-'01	40
North Georgia, GA	2,737	56,978	59,715	19,816	'95-'99	40
Waterloo, NY (6)	5,817	48,131	53,948	3,716	'95,'96,'97	40
Clinton, CT	4,326	45,330	49,656	18,533	'95-'96	40
Allen, TX	8,104	39,271	47,375	6,520	'99-'01	40
Vacaville, CA	9,701	40,771	50,472	2,333	'88,'91,'92	40
Folsom, CA	6,861	37,605	44,466	13,425	'90,'92,'93,'96-'97,'00	40
Carolina Outlet (I), NC	6,039	25,654	31,693	1,528	'87,'95,'96,'99	40
Carolina Outlet (II), NC	-	8,167	8,167	502	'87,'95,'96,'99	40
Petaluma Village, CA	6,694	32,370	39,064	11,742	'93,'95-'96	40
St. Augustine, FL (6)	5,783	33,243	39,026	846	'90-'92	40
Liberty Village, NJ	12,859	25,759	38,618	9,492	'81,'97-'98	30
Napa, CA	11,364	21,869	33,233	8,275	'62,'93,'95	40
Kittery (I), ME (6)	2,377	26,628	29,005	2,234	'86	40
Kittery (II), ME	567	2,357	2,924	139	'10,'84,'89,'95	40
Johnson Creek, WI (6)	4,651	26,454	31,105	873	'98,'99,'01	40
Aurora, OH	1,692	29,907	31,599	10,777	'90,'93,'94,'95	40
Edinburgh, IN (6)	5,415	23,777	29,192	1,020	'89,'95	40
North Bend, WA	4,652	18,642	23,294	1,088	'90,'95	40
The Crossings, PA	17,222	96,846	114,068	1,418	'03	40
Las Vegas Outlet, NV	15,949	86,355	102,304	964	'03	40
Branson II (6)	2,892	16,602	19,494	421	'88,'94	40
Columbia Gorge, OR	1,859	16,492	18,351	6,371	'91,'94	40
Santa Fe, NM	1,865	13,960	15,825	4,874	'93,'98	40
American Tin Cannery, CA	-	-	-	-	'87,'98	0
Patriot Plaza, VA	1,765	5,935	7,700	2,638	'86,'93,'95	40
Corporate Offices, NJ, CA	-	7,602	7,602	4,824	-	5
St. Helena, CA	-	-	-	-	'83	40
Poconos, PA	330	-	330	-	-	0
Tinton Falls, NJ	110	-	110	-	-	0
Chicago, IL	-	-	-	-	-	40
Las Vegas, NV	-	-	-	-	-	40
Other retail	12,521	57,925	70,446	3,213	various	40
(2)(3)(4)	\$299,176	\$1,773,607	\$2,072,783	\$332,406		

The aggregate cost of the land, buildings, fixtures and equipment for federal tax purposes was approximately \$1,754 million at December 31, 2003.

- (1) As part of the formation transaction assets acquired for cash have been accounted for as a purchase. The step-up represents the amount of the purchase price that exceeds the net book value of the assets acquired.
- (2) Projects encumbered by mortgage totaling \$61.5 million at December 31, 2003.
- (3) Projects encumbered by mortgage totaling \$70.5 million at December 31, 2003.
- (4) Projects encumbered by mortgage totaling \$164.7 million at December 31, 2003.
- (5) Project held under long term land lease.
- (6) Purchase price has been tentatively allocated.
- (7) Projects encumbered by mortgage totaling \$63.5 million at December 31, 2003.
- (8) Projects encumbered by mortgage totaling \$25.5 million at December 31, 2003.

CPG Partners, L.P.
Schedule III—Consolidated Real Estate
and Accumulated Depreciation (continued)
(in thousands)

The changes in total real estate:

	Year ended December 31, 2003	2002
Balance, beginning of period.....	\$1,837,174	\$1,127,906
Additions.....	268,318	719,857
Dispositions and other.....	(32,709)	(10,589)
Balance, end of period.....	\$2,072,783	\$1,837,174

The changes in accumulated depreciation:

	Year ended December 31, 2003	2002
Balance, beginning of period.....	\$284,239	\$217,462
Additions.....	67,023	53,065
Consolidation of properties previously held as investments in unconsolidated affiliates.....	-	15,977
Dispositions and other.....	(18,856)	(2,265)
Balance, end of period.....	\$332,406	\$284,239

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th of March, 2004.

CPG Partners, L.P.

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

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

Signature -----	Title -----	Date -----
<u>/s/ David C. Bloom</u> David C. Bloom	Chairman of the Board and Chief Executive Officer	March 12, 2004
<u>/s/ William D. Bloom</u> William D. Bloom	Vice Chairman	March 12, 2004
<u>/s/ Leslie T. Chao</u> Leslie T. Chao	President	March 12, 2004
<u>/s/ Michael J. Clarke</u> Michael J. Clarke	Chief Financial Officer and Chief Accounting Officer	March 12, 2004
<u>/s/ Brendan T. Byrne</u> Brendan T. Byrne	Director	March 12, 2004
<u>/s/ Robert Frommer</u> Robert Frommer	Director	March 12, 2004
<u>/s/ Barry M. Ginsburg</u> Barry M. Ginsburg	Director	March 12, 2004
<u>/s/ Philip D. Kaltenbacher</u> Philip D. Kaltenbacher	Director	March 12, 2004
<u>/s/ Reuben S. Leibowitz</u> Reuben S. Leibowitz	Director	March 12, 2004

Schedule of Subsidiaries

Exhibit 21

Subsidiary Name	State of Organization	Doing Business as Name
Chelsea Allen Development, LP	Texas	Allen Premium Outlets
S/C Allen Development LLC	Delaware	none
Chelsea Texas LLC	Delaware	none
Cannery Row Associates	California	American Tin Cannery Premium Outlets
Chelsea GCA Realty, LLC	Delaware	none
Chelsea Financing Partnership, L.P.	Delaware	Folsom Premium Outlets, Napa Premium Outlets Columbia Gorge Premium Outlets
Chelsea Delaware LLC	Delaware	none
CPG Finance Holdings I LLC	Delaware	none
CPG Finance I LLC	Delaware	Factory Stores of America
CPG Finance Holdings II LLC	Delaware	none
CPG Finance II LLC	Delaware	Factory Stores of America
CPG Texas LLC	Delaware	none
CPG Texas Finance I LLC	Delaware	none
CPG Texas Finance II LLC	Delaware	none
CPG Texas LP	Texas	Factory Stores of America
CPG Texas I LP	Texas	Factory Stores of America
CPG Delaware LLC	Delaware	Carolina Premium Outlets
Chelsea Pacific LLC	Delaware	none
CPG Operating Corp	Delaware	none
Chelsea International Operating Corp.	Delaware	none
Chelsea Interactive, Inc.	Delaware	none
CI Better Brands LLC	Delaware	none
Chelsea Orlando Development, LP	Florida	Orlando Premium Outlets
S/C Orlando Development LLC	Delaware	none
F/C Acquisition Holdings LLC	Delaware	none
F/C Kittery Development LLC	Delaware	Kittery Premium Outlets
F/C Waterloo Development LLC	Delaware	Waterloo Premium Outlets
F/C Michigan City Development LLC	Delaware	Lighthouse Place Premium Outlets
F/C Gilroy Development LLC	California	Gilroy Premium Outlets
F/C PRT Holdings, LLC	Delaware	none
F/C Gilroy Holdings, LLC	Delaware	none
Chelsea Pocono Finance LLC	Delaware	The Crossings Factory Stores
Chelsea Las Vegas Holdings LLC	Nevada	Las Vegas Outlet Center
Chelsea Memphis Holdings LLC	Delaware	Lakeland Factory Outlet Mall
Simon/Chelsea Las Vegas Development LLC	Delaware	Las Vegas Premium Outlets
Simon/Chelsea Chicago Development LLC	Delaware	Chicago Premium Outlets
Chelsea Mexico, Inc.	Delaware	none
CPGOM Partners de Mexico	Foreign - Mexico	none

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement Forms S-3 (Nos. 333-36487, 333-39324 and 333-100142) of Chelsea Property Group, Inc. and CPG Partners, L.P. (formerly Chelsea GCA Realty Partnership, L.P.) and in the related Prospectus of our report dated February 24, 2004, with respect to the consolidated financial statements and schedule of CPG Partners, L.P. included in the Annual Report (Form 10-K) for the year ended December 31, 2003.

Ernst & Young LLP

New York, New York

March 12, 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 Annual Report on Form 10-K 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 material 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: March 12, 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 Annual Report on Form 10-K 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 material 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: March 12, 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 annual report on Form 10-K of the OP for the year ended December 31, 2003 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-K 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 12th day of March, 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 Chelsea Property Group, Inc. and will be retained by Chelsea Property Group, Inc. 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 annual report on Form 10-K of the OP for the year ended December 31, 2003 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-K 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 12th day of March, 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 Chelsea Property Group, Inc. and will be retained by Chelsea Property Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.