

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2023

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 number: 1-07533 (Federal Realty Investment Trust)

Commission file number: 333-262016-01 (Federal Realty OP LP)

**FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP**

(Exact Name of Registrant as Specified in its Charter)

Maryland (Federal Realty Investment Trust)

Delaware (Federal Realty OP LP)

(State of Organization)

87-3916363

52-0782497

(IRS Employer Identification No.)

909 Rose Avenue, Suite 200, North Bethesda, Maryland 20852

(Address of Principal Executive Offices) (Zip Code)

(301) 998-8100

(Registrant's Telephone Number, Including Area Code)

Federal Realty Investment Trust

| <u>Title of Each Class</u> | <u>Trading Symbol</u> | <u>Name of Each Exchange On Which Registered</u> |
|---|------------------------------|---|
| Common Shares of Beneficial Interest \$.01 par value per share, with associated Common Share Purchase Rights | FRT | New York Stock Exchange |
| Depository Shares, each representing 1/1000 of a share of 5.00% Series C Cumulative Redeemable Preferred Stock, \$.01 par value per share | FRT-C | New York Stock Exchange |

Federal Realty OP LP

| <u>Title of Each Class</u> | <u>Trading Symbol</u> | <u>Name of Each Exchange On Which Registered</u> |
|-----------------------------------|------------------------------|---|
| None | N/A | N/A |

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.

Federal Realty Investment Trust Yes No Federal Realty OP LP Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Federal Realty Investment Trust Yes No Federal Realty OP LP Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

| | Federal Realty Investment Trust | | Federal Realty OP LP | | |
|-------------------------|--|--|-----------------------------|-------------------------------------|--|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> |
| Non-Accelerated Filer | <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> | Non-Accelerated Filer | <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
| | | Emerging growth company <input type="checkbox"/> | | | Emerging growth company <input type="checkbox"/> |

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Federal Realty Investment Trust Federal Realty OP LP

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Federal Realty Investment Trust Yes No Federal Realty OP LP Yes No

The number of Federal Realty Investment Trust's common shares outstanding on October 30, 2023 was 81,623,163.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2023, of Federal Realty Investment Trust and Federal Realty OP, LP. Unless stated otherwise or the context otherwise requires, references to "Federal Realty Investment Trust," the "Parent Company" or the "Trust" mean Federal Realty Investment Trust; and references to "Federal Realty OP LP" or the "Operating Partnership" mean Federal Realty OP LP. The term "the Company," "we," "us," and "our" refer to the Parent Company and its business and operations conducted through its directly and indirectly owned subsidiaries, including the Operating Partnership. References to "shares" and "shareholders" refer to the shares and shareholders of the Parent Company and not the limited partnership interests for limited partners of the Operating Partnership.

The Parent Company is a real estate investment trust ("REIT") that owns 100% of the limited liability company interests of, is the sole member of, and exercises exclusive control over Federal Realty GP LLC (the "General Partner"), which is the sole general partner of the Operating Partnership. As of September 30, 2023, the Parent Company owned 100% of the outstanding partnership units (the "OP Units") in the Operating Partnership.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report provides the following benefits:

- Enhances investors' understanding of the Parent Company and the Operating Partnership by enabling investors to view the businesses as a whole in the same manner as management views and operates the business;
- Eliminates duplicate disclosure and provides a more streamlined and readable presentation; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. Since the Operating Partnership is managed by the Parent Company, and the Parent Company conducts substantially all of its operations through the Operating Partnership, the management of the Parent Company consists of the same individuals as the management of the Operating Partnership.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its direct and indirect interest in the Operating Partnership. As a result, the Parent Company does not conduct business itself other than issuing public equity from time to time. The Parent Company is not expected to incur any material indebtedness. The Operating Partnership holds substantially all of our assets and retains the ownership interests in the Company's joint ventures. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates all capital required by the Company's business. Sources of this capital include the Operating Partnership's operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

Stockholders' equity, partner capital, and non-controlling interests are the primary areas of difference between the unaudited Condensed Consolidated Financial Statements of the Parent Company and those of the Operating Partnership. The Operating Partnership's capital currently includes OP Units owned by the Parent Company, and may in the future include OP Units owned by third parties. OP Units owned by third parties, if any, are accounted for in capital in the Operating Partnership's financial statements and in non-controlling interests in the Parent Company's financial statements.

The Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have assets other than its investment in the Operating Partnership. Therefore, while stockholders' equity and partners' capital differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements (but combined footnotes), separate controls and procedures sections, and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

| | | |
|---|---|--------------------|
| Item 1. | Financial Statements | 3 |
| Federal Realty Investment Trust | | |
| | Consolidated Balance Sheets as of September 30, 2023 (unaudited) and December 31, 2022 | 3 |
| | Consolidated Statements of Comprehensive Income (unaudited) for the three and nine months ended September 30, 2023 and 2022 | 4 |
| | Consolidated Statements of Shareholders' Equity (unaudited) for the three and nine months ended September 30, 2023 and 2022 | 5 |
| | Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2023 and 2022 | 7 |
| Federal Realty OP LP | | |
| | Consolidated Balance Sheets as of September 30, 2023 (unaudited) and December 31, 2022 | 8 |
| | Consolidated Statements of Comprehensive Income (unaudited) for the three and nine months ended September 30, 2023 and 2022 | 9 |
| | Consolidated Statements of Capital (unaudited) for the three and nine months ended September 30, 2023 and 2022 | 10 |
| | Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2023 and 2022 | 12 |
| Federal Realty Investment Trust and Federal Realty OP LP | | |
| | Notes to Consolidated Financial Statements (unaudited) | 13 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 19 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 35 |
| Item 4. | Controls and Procedures | 36 |
| PART II. OTHER INFORMATION | | |
| Item 1. | Legal Proceedings | 37 |
| Item 1A. | Risk Factors | 37 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 37 |
| Item 3. | Defaults Upon Senior Securities | 37 |
| Item 4. | Mine Safety Disclosures | 37 |
| Item 5. | Other Information | 37 |
| Item 6. | Exhibits | 37 |
| SIGNATURES | | 41 |

Federal Realty Investment Trust
Consolidated Balance Sheets

| | September 30, 2023 | December 31, 2022 |
|---|--|----------------------|
| | (In thousands, except share and per share data) | |
| | (Unaudited) | |
| ASSETS | | |
| Real estate, at cost | | |
| Operating (including \$2,013,166 and \$1,997,583 of consolidated variable interest entities, respectively) | \$ 9,848,565 | \$ 9,441,945 |
| Construction-in-progress (including \$11,030 and \$8,477 of consolidated variable interest entities, respectively) | 619,964 | 662,554 |
| | 10,468,529 | 10,104,499 |
| Less accumulated depreciation and amortization (including \$402,929 and \$362,921 of consolidated variable interest entities, respectively) | (2,901,879) | (2,715,817) |
| Net real estate | 7,566,650 | 7,388,682 |
| Cash and cash equivalents | 98,210 | 85,558 |
| Accounts and notes receivable, net | 192,066 | 197,648 |
| Mortgage notes receivable, net | 9,209 | 9,456 |
| Investment in partnerships | 35,463 | 145,205 |
| Operating lease right of use assets, net | 87,597 | 94,569 |
| Finance lease right of use assets, net | 44,762 | 45,467 |
| Prepaid expenses and other assets | 259,736 | 267,406 |
| TOTAL ASSETS | \$ 8,293,693 | \$ 8,233,991 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Mortgages payable, net (including \$189,928 and \$191,827 of consolidated variable interest entities, respectively) | \$ 318,501 | \$ 320,615 |
| Notes payable, net | 652,203 | 601,077 |
| Senior notes and debentures, net | 3,479,821 | 3,407,701 |
| Accounts payable and accrued expenses | 209,854 | 190,340 |
| Dividends payable | 91,372 | 90,263 |
| Security deposits payable | 30,180 | 28,508 |
| Operating lease liabilities | 76,413 | 77,743 |
| Finance lease liabilities | 67,813 | 67,660 |
| Other liabilities and deferred credits | 229,948 | 237,699 |
| Total liabilities | 5,156,105 | 5,021,606 |
| Commitments and contingencies (Note 6) | | |
| Redeemable noncontrolling interests | 176,539 | 178,370 |
| Shareholders' equity | | |
| Preferred shares, authorized 15,000,000 shares, \$.01 par: | | |
| 5.0% Series C Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25,000 per share), 6,000 shares issued and outstanding | 150,000 | 150,000 |
| 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 392,878 shares issued and outstanding | 9,822 | 9,822 |
| Common shares of beneficial interest, \$.01 par, 200,000,000 and 100,000,000 shares authorized, respectively, 81,618,162 and 81,342,959 shares issued and outstanding, respectively | 821 | 818 |
| Additional paid-in capital | 3,846,845 | 3,821,801 |
| Accumulated dividends in excess of net income | (1,132,350) | (1,034,186) |
| Accumulated other comprehensive income | 6,773 | 5,757 |
| Total shareholders' equity of the Trust | 2,881,911 | 2,954,012 |
| Noncontrolling interests | 79,138 | 80,003 |
| Total shareholders' equity | 2,961,049 | 3,034,015 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 8,293,693 | \$ 8,233,991 |

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

Federal Realty Investment Trust
Consolidated Statements of Comprehensive Income
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| (In thousands, except per share data) | | | | |
| REVENUE | | | | |
| Rental income | \$ 286,323 | \$ 273,179 | \$ 839,509 | \$ 793,516 |
| Mortgage interest income | 281 | 272 | 833 | 805 |
| Total revenue | <u>286,604</u> | <u>273,451</u> | <u>840,342</u> | <u>794,321</u> |
| EXPENSES | | | | |
| Rental expenses | 58,595 | 58,809 | 169,410 | 166,189 |
| Real estate taxes | 33,045 | 32,803 | 97,992 | 94,628 |
| General and administrative | 13,149 | 13,100 | 37,607 | 39,046 |
| Depreciation and amortization | 81,731 | 77,109 | 239,342 | 223,244 |
| Total operating expenses | <u>186,520</u> | <u>181,821</u> | <u>544,351</u> | <u>523,107</u> |
| Gain on deconsolidation of VIE | — | 70,374 | — | 70,374 |
| Gain on sale of real estate | — | 29,723 | 1,702 | 29,723 |
| OPERATING INCOME | <u>100,084</u> | <u>191,727</u> | <u>297,693</u> | <u>371,311</u> |
| OTHER INCOME/(EXPENSE) | | | | |
| Other interest income | 721 | 234 | 3,775 | 487 |
| Interest expense | (42,726) | (35,060) | (124,835) | (98,707) |
| Income from partnerships | 1,313 | 1,873 | 3,494 | 4,878 |
| NET INCOME | <u>59,392</u> | <u>158,774</u> | <u>180,127</u> | <u>277,969</u> |
| Net income attributable to noncontrolling interests | (2,344) | (2,636) | (7,245) | (8,171) |
| NET INCOME ATTRIBUTABLE TO THE TRUST | <u>57,048</u> | <u>156,138</u> | <u>172,882</u> | <u>269,798</u> |
| Dividends on preferred shares | (2,008) | (2,008) | (6,024) | (6,026) |
| NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS | <u>\$ 55,040</u> | <u>\$ 154,130</u> | <u>\$ 166,858</u> | <u>\$ 263,772</u> |
| EARNINGS PER COMMON SHARE, BASIC: | | | | |
| Net income available for common shareholders | \$ 0.67 | \$ 1.90 | \$ 2.04 | \$ 3.31 |
| Weighted average number of common shares | <u>81,274</u> | <u>80,765</u> | <u>81,210</u> | <u>79,480</u> |
| EARNINGS PER COMMON SHARE, DILUTED: | | | | |
| Net income available for common shareholders | \$ 0.67 | \$ 1.89 | \$ 2.04 | \$ 3.31 |
| Weighted average number of common shares | <u>81,274</u> | <u>81,511</u> | <u>81,210</u> | <u>80,137</u> |
| COMPREHENSIVE INCOME | <u>\$ 60,787</u> | <u>\$ 161,569</u> | <u>\$ 181,248</u> | <u>\$ 286,902</u> |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST | <u>\$ 58,325</u> | <u>\$ 158,672</u> | <u>\$ 173,898</u> | <u>\$ 277,929</u> |

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

Federal Realty Investment Trust
Consolidated Statements of Shareholders' Equity
For the Three and Nine Months Ended September 30, 2023
(Unaudited)
Shareholders' Equity of the Trust

| | Preferred Shares | | Common Shares | | Additional Paid-in Capital | Accumulated Dividends in Excess of Net Income | Accumulated Other Comprehensive Income | Noncontrolling Interests | Total Shareholders' Equity |
|---|------------------|-------------------|-------------------|---------------|----------------------------------|--|---|-----------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | | |
| (In thousands, except share data) | | | | | | | | | |
| BALANCE AT JUNE 30, 2023 | 398,878 | \$ 159,822 | 81,515,511 | \$ 820 | \$ 3,832,983 | \$ (1,098,432) | \$ 5,496 | \$ 79,742 | \$ 2,980,431 |
| Net income, excluding \$1,817 attributable to redeemable noncontrolling interests | — | — | — | — | — | 57,048 | — | 527 | 57,575 |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$118 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | 1,277 | — | 1,277 |
| Dividends declared to common shareholders (\$1.09 per share) | — | — | — | — | — | (88,958) | — | — | (88,958) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (2,008) | — | — | (2,008) |
| Distributions declared to noncontrolling interests, excluding \$3,545 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | — | (1,081) | (1,081) |
| Common shares issued, net | — | — | 95,045 | 1 | 9,702 | — | — | — | 9,703 |
| Shares issued under dividend reinvestment plan | — | — | 4,767 | — | 475 | — | — | — | 475 |
| Share-based compensation expense, net of forfeitures | — | — | 3,922 | — | 3,738 | — | — | — | 3,738 |
| Shares withheld for employee taxes | — | — | (2,683) | — | (268) | — | — | — | (268) |
| Conversion of downREIT OP units | — | — | 1,600 | — | 215 | — | — | (215) | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 165 | 165 |
| BALANCE AT SEPTEMBER 30, 2023 | 398,878 | \$ 159,822 | 81,618,162 | \$ 821 | \$ 3,846,845 | \$ (1,132,350) | \$ 6,773 | \$ 79,138 | \$ 2,961,049 |
| BALANCE AT DECEMBER 31, 2022 | 398,878 | \$ 159,822 | 81,342,959 | \$ 818 | \$ 3,821,801 | \$ (1,034,186) | \$ 5,757 | \$ 80,003 | \$ 3,034,015 |
| Net income, excluding \$5,036 attributable to redeemable noncontrolling interests | — | — | — | — | — | 172,882 | — | 2,209 | 175,091 |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$105 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | 1,016 | — | 1,016 |
| Dividends declared to common shareholders (\$3.25 per share) | — | — | — | — | — | (265,022) | — | — | (265,022) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (6,024) | — | — | (6,024) |
| Distributions declared to noncontrolling interests, excluding \$6,972 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | — | (3,283) | (3,283) |
| Common shares issued, net | — | — | 152,141 | 2 | 15,893 | — | — | — | 15,895 |
| Shares issued under dividend reinvestment plan | — | — | 14,398 | — | 1,380 | — | — | — | 1,380 |
| Share-based compensation expense, net of forfeitures | — | — | 145,156 | 1 | 11,867 | — | — | — | 11,868 |
| Shares withheld for employee taxes | — | — | (45,615) | — | (4,979) | — | — | — | (4,979) |
| Conversion of downREIT OP units | — | — | 9,123 | — | 883 | — | — | (883) | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 1,092 | 1,092 |
| BALANCE AT SEPTEMBER 30, 2023 | 398,878 | \$ 159,822 | 81,618,162 | \$ 821 | \$ 3,846,845 | \$ (1,132,350) | \$ 6,773 | \$ 79,138 | \$ 2,961,049 |

Federal Realty Investment Trust
Consolidated Statements of Shareholders' Equity
For the Three and Nine Months Ended September 30, 2022
(Unaudited)

| | Shareholders' Equity of the Trust | | | | | | | | | |
|---|-----------------------------------|-------------------|-------------------|---------------|----------------------------------|--|--|-----------------------------|----------------------------------|--|
| | Preferred Shares | | Common Shares | | Additional Paid-in Capital | Accumulated Dividends in Excess of Net Income | Accumulated Other Comprehensive Income (loss) | Noncontrolling Interests | Total Shareholders' Equity | |
| | Shares | Amount | Shares | Amount | | | | | | |
| | (In thousands, except share data) | | | | | | | | | |
| BALANCE AT JUNE 30, 2022 | 398,878 | \$ 159,822 | 80,896,804 | \$ 813 | \$ 3,758,161 | \$ (1,126,463) | \$ 3,550 | \$ 80,544 | \$ 2,876,427 | |
| Net income, excluding \$1,774 attributable to redeemable noncontrolling interests | — | — | — | — | — | 156,138 | — | 862 | 157,000 | |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$261 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | 2,534 | — | 2,534 | |
| Dividends declared to common shareholders (\$1.08 per share) | — | — | — | — | — | (87,694) | — | — | (87,694) | |
| Dividends declared to preferred shareholders | — | — | — | — | — | (2,008) | — | — | (2,008) | |
| Distributions declared to noncontrolling interests, excluding \$1,974 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | — | (1,441) | (1,441) | |
| Common shares issued, net | — | — | 296,872 | 3 | 32,889 | — | — | — | 32,892 | |
| Exercise of stock options | — | — | 366 | — | 35 | — | — | — | 35 | |
| Shares issued under dividend reinvestment plan | — | — | 5,832 | — | 573 | — | — | — | 573 | |
| Share-based compensation expense, net of forfeitures | — | — | 6,810 | 1 | 3,578 | — | — | — | 3,579 | |
| Shares withheld for employee taxes | — | — | (2,398) | — | (248) | — | — | — | (248) | |
| Deconsolidation of VIE | — | — | — | — | — | — | — | 972 | 972 | |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | (741) | — | — | — | (741) | |
| BALANCE AT SEPTEMBER 30, 2022 | <u>398,878</u> | <u>\$ 159,822</u> | <u>81,204,286</u> | <u>\$ 817</u> | <u>\$ 3,794,247</u> | <u>\$ (1,060,027)</u> | <u>\$ 6,084</u> | <u>\$ 80,937</u> | <u>\$ 2,981,880</u> | |
| BALANCE AT DECEMBER 31, 2021 | 405,896 | \$ 159,997 | 78,603,305 | \$ 790 | \$ 3,488,794 | \$ (1,066,932) | \$ (2,047) | \$ 82,546 | \$ 2,663,148 | |
| Net income, excluding \$5,301 attributable to redeemable noncontrolling interests | — | — | — | — | — | 269,798 | — | 2,870 | 272,668 | |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$802 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | 8,131 | — | 8,131 | |
| Dividends declared to common shareholders (\$3.22 per share) | — | — | — | — | — | (256,867) | — | — | (256,867) | |
| Dividends declared to preferred shareholders | — | — | — | — | — | (6,026) | — | — | (6,026) | |
| Distributions declared to noncontrolling interests, excluding \$6,112 attributable to redeemable noncontrolling interests | — | — | — | — | — | — | — | (4,066) | (4,066) | |
| Common shares issued, net | — | — | 2,500,569 | 25 | 292,319 | — | — | — | 292,344 | |
| Exercise of stock options | — | — | 366 | — | 35 | — | — | — | 35 | |
| Shares issued under dividend reinvestment plan | — | — | 13,832 | — | 1,584 | — | — | — | 1,584 | |
| Share-based compensation expense, net of forfeitures | — | — | 110,915 | 2 | 11,256 | — | — | — | 11,258 | |
| Shares withheld for employee taxes | — | — | (40,974) | — | (4,886) | — | — | — | (4,886) | |
| Conversion of preferred shares | (7,018) | (175) | 1,675 | — | 175 | — | — | — | — | |
| Conversion of downREIT OP units | — | — | 14,598 | — | 1,385 | — | — | (1,385) | — | |
| Deconsolidation of VIE | — | — | — | — | — | — | — | 972 | 972 | |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | 3,585 | — | — | — | 3,585 | |
| BALANCE AT SEPTEMBER 30, 2022 | <u>398,878</u> | <u>\$ 159,822</u> | <u>81,204,286</u> | <u>\$ 817</u> | <u>\$ 3,794,247</u> | <u>\$ (1,060,027)</u> | <u>\$ 6,084</u> | <u>\$ 80,937</u> | <u>\$ 2,981,880</u> | |

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

Federal Realty Investment Trust
Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---------------------------------|------------|
| | 2023 | 2022 |
| (In thousands) | | |
| OPERATING ACTIVITIES | | |
| Net income | \$ 180,127 | \$ 277,969 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 239,342 | 223,244 |
| Gain on deconsolidation of VIE | — | (70,374) |
| Gain on sale of real estate | (1,702) | (29,723) |
| Income from partnerships | (3,494) | (4,878) |
| Straight-line rent | (8,605) | (14,414) |
| Share-based compensation expense | 10,831 | 10,255 |
| Other, net | (3,891) | (3,509) |
| Changes in assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Decrease (increase) in accounts receivable, net | 10,486 | (5,519) |
| (Increase) decrease in prepaid expenses and other assets | (1,739) | 1,361 |
| Increase in accounts payable and accrued expenses | 21,282 | 13,948 |
| Increase in security deposits and other liabilities | 578 | 10,933 |
| Net cash provided by operating activities | 443,215 | 409,293 |
| INVESTING ACTIVITIES | | |
| Acquisition of real estate | (59,568) | (429,990) |
| Capital expenditures - development and redevelopment | (162,662) | (213,881) |
| Capital expenditures - other | (73,229) | (70,004) |
| Costs associated with property sold under threat of condemnation | (1,378) | (2,915) |
| Proceeds from sale of real estate | 12,626 | 66,682 |
| Change in cash from deconsolidation of VIE | — | (4,192) |
| Investment in partnerships | — | (417) |
| Distribution from partnerships in excess of earnings | 9,314 | 5,076 |
| Leasing costs | (13,741) | (17,039) |
| Issuance of mortgage and other notes receivable, net | — | (3,471) |
| Net cash used in investing activities | (288,638) | (670,151) |
| FINANCING ACTIVITIES | | |
| Net borrowings under revolving credit facility | 50,500 | 267,000 |
| Issuance of senior notes, net of costs | 345,698 | — |
| Repayment of senior notes | (275,000) | — |
| Repayment of mortgages, finance leases and notes payable | (2,528) | (18,644) |
| Issuance of common shares, net of costs | 16,000 | 292,671 |
| Dividends paid to common and preferred shareholders | (268,658) | (258,009) |
| Shares withheld for employee taxes | (4,979) | (4,886) |
| Contributions from noncontrolling interests | 1,092 | — |
| Distributions to and redemptions of redeemable noncontrolling interests | (10,259) | (33,801) |
| Net cash (used in) provided by financing activities | (148,134) | 244,331 |
| Increase (decrease) in cash, cash equivalents and restricted cash | 6,443 | (16,527) |
| Cash, cash equivalents, and restricted cash at beginning of year | 96,348 | 175,163 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 102,791 | \$ 158,636 |

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

Federal Realty OP LP
Consolidated Balance Sheets

| | September 30, 2023 | December 31, 2022 |
|---|----------------------------------|----------------------|
| | (In thousands, except unit data) | |
| | (Unaudited) | |
| ASSETS | | |
| Real estate, at cost | | |
| Operating (including \$2,013,166 and \$1,997,583 of consolidated variable interest entities, respectively) | \$ 9,848,565 | \$ 9,441,945 |
| Construction-in-progress (including \$11,030 and \$8,477 of consolidated variable interest entities, respectively) | 619,964 | 662,554 |
| | <u>10,468,529</u> | <u>10,104,499</u> |
| Less accumulated depreciation and amortization (including \$402,929 and \$362,921 of consolidated variable interest entities, respectively) | (2,901,879) | (2,715,817) |
| Net real estate | 7,566,650 | 7,388,682 |
| Cash and cash equivalents | 98,210 | 85,558 |
| Accounts and notes receivable, net | 192,066 | 197,648 |
| Mortgage notes receivable, net | 9,209 | 9,456 |
| Investment in partnerships | 35,463 | 145,205 |
| Operating lease right of use assets, net | 87,597 | 94,569 |
| Finance lease right of use assets, net | 44,762 | 45,467 |
| Prepaid expenses and other assets | 259,736 | 267,406 |
| TOTAL ASSETS | <u>\$ 8,293,693</u> | <u>\$ 8,233,991</u> |
| LIABILITIES AND CAPITAL | | |
| Liabilities | | |
| Mortgages payable, net (including \$189,928 and \$191,827 of consolidated variable interest entities, respectively) | \$ 318,501 | \$ 320,615 |
| Notes payable, net | 652,203 | 601,077 |
| Senior notes and debentures, net | 3,479,821 | 3,407,701 |
| Accounts payable and accrued expenses | 209,854 | 190,340 |
| Dividends payable | 91,372 | 90,263 |
| Security deposits payable | 30,180 | 28,508 |
| Operating lease liabilities | 76,413 | 77,743 |
| Finance lease liabilities | 67,813 | 67,660 |
| Other liabilities and deferred credits | 229,948 | 237,699 |
| Total liabilities | <u>5,156,105</u> | <u>5,021,606</u> |
| Commitments and contingencies (Note 6) | | |
| Redeemable noncontrolling interests | 176,539 | 178,370 |
| Partner capital | | |
| Preferred units, 398,878 units issued and outstanding | 154,788 | 154,788 |
| Common units, 81,618,162 and 81,342,959 units issued and outstanding, respectively | 2,720,350 | 2,793,467 |
| Accumulated other comprehensive income | 6,773 | 5,757 |
| Total partner capital | <u>2,881,911</u> | <u>2,954,012</u> |
| Noncontrolling interests in consolidated partnerships | 79,138 | 80,003 |
| Total capital | <u>2,961,049</u> | <u>3,034,015</u> |
| TOTAL LIABILITIES AND CAPITAL | <u>\$ 8,293,693</u> | <u>\$ 8,233,991</u> |

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

Federal Realty OP LP
Consolidated Statements of Comprehensive Income
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| (In thousands, except per unit data) | | | | |
| REVENUE | | | | |
| Rental income | \$ 286,323 | \$ 273,179 | \$ 839,509 | \$ 793,516 |
| Mortgage interest income | 281 | 272 | 833 | 805 |
| Total revenue | <u>286,604</u> | <u>273,451</u> | <u>840,342</u> | <u>794,321</u> |
| EXPENSES | | | | |
| Rental expenses | 58,595 | 58,809 | 169,410 | 166,189 |
| Real estate taxes | 33,045 | 32,803 | 97,992 | 94,628 |
| General and administrative | 13,149 | 13,100 | 37,607 | 39,046 |
| Depreciation and amortization | 81,731 | 77,109 | 239,342 | 223,244 |
| Total operating expenses | <u>186,520</u> | <u>181,821</u> | <u>544,351</u> | <u>523,107</u> |
| Gain on deconsolidation of VIE | — | 70,374 | — | 70,374 |
| Gain on sale of real estate | — | 29,723 | 1,702 | 29,723 |
| OPERATING INCOME | <u>100,084</u> | <u>191,727</u> | <u>297,693</u> | <u>371,311</u> |
| OTHER INCOME/(EXPENSE) | | | | |
| Other interest income | 721 | 234 | 3,775 | 487 |
| Interest expense | (42,726) | (35,060) | (124,835) | (98,707) |
| Income from partnerships | 1,313 | 1,873 | 3,494 | 4,878 |
| NET INCOME | <u>59,392</u> | <u>158,774</u> | <u>180,127</u> | <u>277,969</u> |
| Net income attributable to noncontrolling interests | (2,344) | (2,636) | (7,245) | (8,171) |
| NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP | <u>57,048</u> | <u>156,138</u> | <u>172,882</u> | <u>269,798</u> |
| Distributions on preferred units | (2,008) | (2,008) | (6,024) | (6,026) |
| NET INCOME AVAILABLE FOR COMMON UNIT HOLDERS | <u>\$ 55,040</u> | <u>\$ 154,130</u> | <u>\$ 166,858</u> | <u>\$ 263,772</u> |
| EARNINGS PER COMMON UNIT, BASIC: | | | | |
| Net income available for common unit holders | \$ 0.67 | \$ 1.90 | \$ 2.04 | \$ 3.31 |
| Weighted average number of common units | <u>81,274</u> | <u>80,765</u> | <u>81,210</u> | <u>79,480</u> |
| EARNINGS PER COMMON UNIT, DILUTED: | | | | |
| Net income available for common unit holders | \$ 0.67 | \$ 1.89 | \$ 2.04 | \$ 3.31 |
| Weighted average number of common units | <u>81,274</u> | <u>81,511</u> | <u>81,210</u> | <u>80,137</u> |
| COMPREHENSIVE INCOME | <u>\$ 60,787</u> | <u>\$ 161,569</u> | <u>\$ 181,248</u> | <u>\$ 286,902</u> |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARTNERSHIP | <u>\$ 58,325</u> | <u>\$ 158,672</u> | <u>\$ 173,898</u> | <u>\$ 277,929</u> |

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

Federal Realty OP LP
Consolidated Statements of Capital
For the Three and Nine Months Ended September 30, 2023
(Unaudited)

| | Preferred Units | Common Units | Accumulated Other Comprehensive Income | Total Partner Capital | Noncontrolling Interests in Consolidated Partnerships | Total Capital |
|--|-------------------|---------------------|---|--------------------------|--|---------------------|
| | (In thousands) | | | | | |
| BALANCE AT JUNE 30, 2023 | \$ 154,788 | \$ 2,740,405 | \$ 5,496 | \$ 2,900,689 | \$ 79,742 | \$ 2,980,431 |
| Net income, excluding \$1,817 attributable to redeemable noncontrolling interests | 2,008 | 55,040 | — | 57,048 | 527 | 57,575 |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$118 attributable to redeemable noncontrolling interests | — | — | 1,277 | 1,277 | — | 1,277 |
| Distributions declared to common unit holders | — | (88,958) | — | (88,958) | — | (88,958) |
| Distributions declared to preferred unit holders | (2,008) | — | — | (2,008) | — | (2,008) |
| Distributions declared to noncontrolling interests in consolidated partnerships, excluding \$3,545 attributable to redeemable noncontrolling interests | — | — | — | — | (1,081) | (1,081) |
| Common units issued as a result of common stock issued by Parent Company, net of issuance costs | — | 9,703 | — | 9,703 | — | 9,703 |
| Common units issued under dividend reinvestment plan | — | 475 | — | 475 | — | 475 |
| Share-based compensation expense, net of forfeitures | — | 3,738 | — | 3,738 | — | 3,738 |
| Common units withheld for employee taxes | — | (268) | — | (268) | — | (268) |
| Conversion and redemption of downREIT OP units | — | 215 | — | 215 | (215) | — |
| Contributions from noncontrolling interests | — | — | — | — | 165 | 165 |
| BALANCE AT SEPTEMBER 30, 2023 | \$ 154,788 | \$ 2,720,350 | \$ 6,773 | \$ 2,881,911 | \$ 79,138 | \$ 2,961,049 |
| BALANCE AT DECEMBER 31, 2022 | \$ 154,788 | \$ 2,793,467 | \$ 5,757 | \$ 2,954,012 | \$ 80,003 | \$ 3,034,015 |
| Net income, excluding \$5,036 attributable to redeemable noncontrolling interests | 6,024 | 166,858 | — | 172,882 | 2,209 | 175,091 |
| Other comprehensive income - change in fair value of interest rate interest, excluding \$105 attributable to redeemable noncontrolling interest | — | — | 1,016 | 1,016 | — | 1,016 |
| Distributions declared to common unit holders | — | (265,022) | — | (265,022) | — | (265,022) |
| Distributions declared to preferred unit holders | (6,024) | — | — | (6,024) | — | (6,024) |
| Distributions declared to noncontrolling interests in consolidated partnerships, excluding \$6,972 attributable to redeemable noncontrolling interests | — | — | — | — | (3,283) | (3,283) |
| Common units issued as a result of common stock issued by Parent Company, net of issuance costs | — | 15,895 | — | 15,895 | — | 15,895 |
| Common units issued under dividend reinvestment plan | — | 1,380 | — | 1,380 | — | 1,380 |
| Share-based compensation expense, net of forfeitures | — | 11,868 | — | 11,868 | — | 11,868 |
| Common units withheld for employee taxes | — | (4,979) | — | (4,979) | — | (4,979) |
| Conversion of downREIT OP units | — | 883 | — | 883 | (883) | — |
| Contributions from noncontrolling interests | — | — | — | — | 1,092 | 1,092 |
| BALANCE AT SEPTEMBER 30, 2023 | \$ 154,788 | \$ 2,720,350 | \$ 6,773 | \$ 2,881,911 | \$ 79,138 | \$ 2,961,049 |

Federal Realty OP LP
Consolidated Statements of Capital
For the Three and Nine Months Ended September 30, 2022
(Unaudited)

| | Preferred Units | Common Units | Accumulated Other Comprehensive Income (Loss) | Total Partner Capital | Noncontrolling Interests in Consolidated Partnerships | Total Capital |
|--|-------------------|---------------------|--|--------------------------|--|---------------------|
| | (In thousands) | | | | | |
| BALANCE AT JUNE 30, 2022 | \$ 154,788 | \$ 2,637,545 | \$ 3,550 | \$ 2,795,883 | \$ 80,544 | \$ 2,876,427 |
| Net income, excluding \$1,774 attributable to redeemable noncontrolling interests | 2,008 | 154,130 | — | 156,138 | 862 | 157,000 |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$261 attributable to redeemable noncontrolling interests | — | — | 2,534 | 2,534 | — | 2,534 |
| Distributions declared to common unit holders | — | (87,694) | — | (87,694) | — | (87,694) |
| Distributions declared to preferred unit holders | (2,008) | — | — | (2,008) | — | (2,008) |
| Distributions declared to noncontrolling interests in consolidated partnerships, excluding \$1,974 attributable to redeemable noncontrolling interests | — | — | — | — | (1,441) | (1,441) |
| Common units issued as a result of common stock issued by Parent Company, net of issuance costs | — | 32,892 | — | 32,892 | — | 32,892 |
| Exercise of stock options | — | 35 | — | 35 | — | 35 |
| Common units issued under dividend reinvestment plan | — | 573 | — | 573 | — | 573 |
| Share-based compensation expense, net of forfeitures | — | 3,579 | — | 3,579 | — | 3,579 |
| Common units withheld for employee taxes | — | (248) | — | (248) | — | (248) |
| Deconsolidation of VIE | — | — | — | — | 972 | 972 |
| Adjustment to redeemable noncontrolling interests | — | (741) | — | (741) | — | (741) |
| BALANCE AT SEPTEMBER 30, 2022 | <u>\$ 154,788</u> | <u>\$ 2,740,071</u> | <u>\$ 6,084</u> | <u>\$ 2,900,943</u> | <u>\$ 80,937</u> | <u>\$ 2,981,880</u> |
| BALANCE AT DECEMBER 31, 2021 | \$ 154,963 | \$ 2,427,686 | \$ (2,047) | \$ 2,580,602 | \$ 82,546 | \$ 2,663,148 |
| Net income, excluding \$5,301 attributable to redeemable noncontrolling interests | 6,026 | 263,772 | — | 269,798 | 2,870 | 272,668 |
| Other comprehensive income - change in fair value of interest rate swaps, excluding \$802 attributable to redeemable noncontrolling interests | — | — | 8,131 | 8,131 | — | 8,131 |
| Distributions declared to common unit holders | — | (256,867) | — | (256,867) | — | (256,867) |
| Distributions declared to preferred unit holders | (6,026) | — | — | (6,026) | — | (6,026) |
| Distributions declared to noncontrolling interests in consolidated partnerships, excluding \$6,112 attributable to redeemable noncontrolling interests | — | — | — | — | (4,066) | (4,066) |
| Common units issued as a result of common stock issued by Parent Company, net of issuance costs | — | 292,344 | — | 292,344 | — | 292,344 |
| Exercise of stock options | — | 35 | — | 35 | — | 35 |
| Common units issued under dividend reinvestment plan | — | 1,584 | — | 1,584 | — | 1,584 |
| Share-based compensation expense, net of forfeitures | — | 11,258 | — | 11,258 | — | 11,258 |
| Common units withheld for employee taxes | — | (4,886) | — | (4,886) | — | (4,886) |
| Conversion of preferred units | (175) | 175 | — | — | — | — |
| Conversion of downREIT OP units | — | 1,385 | — | 1,385 | (1,385) | — |
| Deconsolidation of VIE | — | — | — | — | 972 | 972 |
| Adjustment to redeemable noncontrolling interests | — | 3,585 | — | 3,585 | — | 3,585 |
| BALANCE AT SEPTEMBER 30, 2022 | <u>\$ 154,788</u> | <u>\$ 2,740,071</u> | <u>\$ 6,084</u> | <u>\$ 2,900,943</u> | <u>\$ 80,937</u> | <u>\$ 2,981,880</u> |

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

Federal Realty OP LP
Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---------------------------------|------------|
| | 2023 | 2022 |
| (In thousands) | | |
| OPERATING ACTIVITIES | | |
| Net income | \$ 180,127 | \$ 277,969 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 239,342 | 223,244 |
| Gain on deconsolidation of VIE | — | (70,374) |
| Gain on sale of real estate | (1,702) | (29,723) |
| Income from partnerships | (3,494) | (4,878) |
| Straight-line rent | (8,605) | (14,414) |
| Share-based compensation expense | 10,831 | 10,255 |
| Other, net | (3,891) | (3,509) |
| Changes in assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Decrease (increase) in accounts receivable, net | 10,486 | (5,519) |
| (Increase) decrease in prepaid expenses and other assets | (1,739) | 1,361 |
| Increase in accounts payable and accrued expenses | 21,282 | 13,948 |
| Increase in security deposits and other liabilities | 578 | 10,933 |
| Net cash provided by operating activities | 443,215 | 409,293 |
| INVESTING ACTIVITIES | | |
| Acquisition of real estate | (59,568) | (429,990) |
| Capital expenditures - development and redevelopment | (162,662) | (213,881) |
| Capital expenditures - other | (73,229) | (70,004) |
| Costs associated with property sold under threat of condemnation | (1,378) | (2,915) |
| Proceeds from sale of real estate | 12,626 | 66,682 |
| Change in cash from deconsolidation of VIE | — | (4,192) |
| Investment in partnerships | — | (417) |
| Distribution from partnerships in excess of earnings | 9,314 | 5,076 |
| Leasing costs | (13,741) | (17,039) |
| Issuance of mortgage and other notes receivable, net | — | (3,471) |
| Net cash used in investing activities | (288,638) | (670,151) |
| FINANCING ACTIVITIES | | |
| Net borrowings under revolving credit facility | 50,500 | 267,000 |
| Issuance of senior notes, net of costs | 345,698 | — |
| Repayment of senior notes | (275,000) | — |
| Repayment of mortgages, finance leases and notes payable | (2,528) | (18,644) |
| Issuance of common units, net of costs | 16,000 | 292,671 |
| Distributions to common and preferred unit holders | (268,658) | (258,009) |
| Shares withheld for employee taxes | (4,979) | (4,886) |
| Contributions from noncontrolling interests | 1,092 | — |
| Distributions to and redemptions of redeemable noncontrolling interests | (10,259) | (33,801) |
| Net cash (used in) provided by financing activities | (148,134) | 244,331 |
| Increase (decrease) in cash, cash equivalents and restricted cash | 6,443 | (16,527) |
| Cash, cash equivalents, and restricted cash at beginning of year | 96,348 | 175,163 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 102,791 | \$ 158,636 |

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

Federal Realty Investment Trust
Federal Realty OP LP
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

NOTE 1—BUSINESS AND ORGANIZATION

Federal Realty Investment Trust (the "Parent Company" and the "Trust") is an equity real estate investment trust ("REIT"). Federal Realty OP LP (the "Operating Partnership") is the entity through which the Parent Company conducts substantially all of its operations and owns all of its assets. The Parent Company owns 100% of the limited liability company interests of, is sole member of and exercises exclusive control over Federal Realty GP LLC ("the General Partner"), which in turn, is the sole general partner of the Operating Partnership. The Parent Company specializes in the ownership, management, and redevelopment of retail and mixed-use properties through the Operating Partnership, and has no other substantial assets or liabilities other than through its investment in the Operating Partnership. Our properties are located primarily in communities where we believe retail demand exceeds supply, in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, California, and South Florida. As of September 30, 2023, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 102 predominantly retail real estate projects.

We operate in a manner intended to enable the Trust to qualify as a REIT for federal income tax purposes. A REIT that distributes at least 90% of its taxable income to its shareholders each year and meets certain other conditions is not taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, federal income taxes on our taxable income have been and are generally expected to be immaterial. We are obligated to pay state taxes, generally consisting of franchise or gross receipts taxes in certain states. Such state taxes also have not been material.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements of the Parent Company and Operating Partnership have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in our latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full year.

Principles of Consolidation

As discussed in the [Explanatory Note](#), we have combined the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report. As a result, we present two sets of consolidated financial statements. Both sets of consolidated financial statements include the accounts of the entity, its corporate subsidiaries, and all entities in which it has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity. The Parent Company's consolidated financial statements include the accounts of the Operating Partnership and its subsidiaries as the Parent Company, through its ownership and control over the General Partner, exercises exclusive control over the Operating Partnership. The equity interests of other investors are reflected as noncontrolling interests or redeemable noncontrolling interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures which we do not control using the equity method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

| Standard | Description | Effect on the financial statements or significant matters |
|---|---|--|
| ASU 2023-06, October 2023, <i>Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i> | <p>This ASU amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standard Codification (the "Codification"). The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. These disclosure requirements are currently included in either SEC Regulation S-X or SEC Regulation S-K.</p> <p>The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. Early adoption is prohibited and the amendments should be applied prospectively. If the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K by June 30, 2027, the amendments will be removed from the Codification and will not be effective.</p> | We do not expect this ASU to have an impact on our consolidated financial statements. |
| ASU 2023-01, March 2023, <i>Leases (Topic 842) Common Control Arrangements</i> | <p>This ASU requires all lessees in a lease with a lessor under common control to (1) amortize leasehold improvements over their useful life to the common control group, as long as the lessee controls the use of the underlying asset through a lease and (2) account for the leasehold improvements as a transfer of assets between entities under common control through an adjustment to equity when the lessee no longer controls the use of the underlying asset.</p> <p>The guidance may be applied prospectively to new and existing leasehold improvements, with the remaining balance of existing leasehold improvements amortized over their remaining useful life to the common control group or retrospectively, through a cumulative-effect adjustment to opening retained earnings.</p> <p>The guidance is effective in fiscal years beginning after December 15, 2023, and interim periods withing those fiscal years. Early adoption is permitted.</p> | We do not expect this ASU to have an impact on our consolidated financial statements. |
| ASU 2020-04, March 2020, <i>Reference Rate Reform (Topic 848)</i> | <p>This ASU provides companies with optional practical expedients to ease the accounting burden for contract modifications associated with transitioning away from LIBOR and other interbank offered rates that are expected to be discontinued as part of reference rate reform. For hedges, the guidance generally allows changes to the reference rate and other critical terms without having to de-designate the hedging relationship, as well as allows the shortcut method to continue to be applied. For contract modifications, changes in the reference rate or other critical terms will be treated as a continuation of the prior contract.</p> <p>ASU 2022-06 extended the period for which this guidance can be immediately applied through December 24, 2024.</p> | During the second quarter of 2023, the LIBOR based mortgage loan related to our unconsolidated Assembly Row hotel investment was refinanced. The resulting new mortgage loan and related swaps are SOFR based. The mortgage loan at Hoboken and related interest rate swaps were transitioned from LIBOR to SOFR effective July 1, 2023. Consequently, we applied the related practical expedients to the hedging relationship for the Hoboken loan and continue to apply hedge accounting. The critical terms of the loan and interest rate swaps continue to match subsequent to the transition from LIBOR to SOFR and the transition did not have a significant impact to our financial results, financial position, or cash flows. |

Consolidated Statements of Cash Flows—Supplemental Disclosures

The following tables provide supplemental disclosures related to the Consolidated Statements of Cash Flows:

| | Nine Months Ended September 30, | |
|--|------------------------------------|----------------------|
| | 2023 | 2022 |
| (In thousands) | | |
| SUPPLEMENTAL DISCLOSURES: | | |
| Total interest costs incurred | \$ 141,994 | \$ 112,596 |
| Interest capitalized | (17,159) | (13,889) |
| Interest expense | <u>\$ 124,835</u> | <u>\$ 98,707</u> |
| Cash paid for interest, net of amounts capitalized | <u>\$ 113,414</u> | <u>\$ 94,712</u> |
| Cash paid for income taxes | <u>\$ 778</u> | <u>\$ 616</u> |
| NON-CASH INVESTING AND FINANCING TRANSACTIONS: | | |
| Shares issued under dividend reinvestment plan | \$ 1,275 | \$ 1,292 |
| DownREIT operating partnership units redeemed for common shares | \$ 883 | \$ 1,385 |
| 5.417% Series 1 Cumulative Convertible Preferred Shares redeemed for common shares | \$ — | \$ 175 |
| | September 30, 2023 | December 31, 2022 |
| | (In thousands) | |
| RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: | | |
| Cash and cash equivalents | \$ 98,210 | \$ 85,558 |
| Restricted cash (1) | 4,581 | 10,790 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 102,791</u> | <u>\$ 96,348</u> |

(1) Restricted cash balances are included in "prepaid expenses and other assets" on our consolidated balance sheets.

NOTE 3—REAL ESTATE

On January 31, 2023, we acquired the 168,000 square foot portion of Huntington Square shopping center that was not previously owned, as well as the fee interest in the land underneath the portion of the shopping center which we controlled under a long-term ground lease for \$35.5 million. As a result of this transaction, we now own the entire fee interest in this 243,000 square foot property and the "operating lease right of use assets, net" on our consolidated balance sheet decreased by \$5.3 million. Approximately \$4.1 million and \$1.3 million of net assets acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively.

On May 26, 2023, we exercised our option and acquired the 22.3% tenancy in common ("TIC") interest from our co-owner at Escondido Promenade for \$30.5 million, bringing our ownership interest to 100%. As a result of the transaction, we gained control of this property, and effective May 26, 2023, we have consolidated this property. Approximately \$1.8 million and \$0.2 million of net assets associated with the 22.3% interest acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively, and \$1.1 million of net assets associated with the 22.3% interest acquired were allocated to other liabilities for "below market leases."

During the nine months ended September 30, 2023, we sold one retail property for \$13.2 million, resulting in a gain on sale of \$1.6 million.

NOTE 4—DEBT

On April 12, 2023, we issued \$350.0 million of fixed rate senior unsecured notes that mature on May 1, 2028 and bear interest at 5.375%. The notes were offered at 99.590% of the principal amount with a yield to maturity of 5.468%. The net proceeds, after issuance discount, underwriting fees, and other costs were \$345.7 million.

On June 1, 2023, we repaid our \$275.0 million 2.75% senior unsecured notes at maturity.

During the three and nine months ended September 30, 2023, the maximum amount of borrowings outstanding under our \$1.25 billion revolving credit facility was \$63.5 million and \$80.5 million, respectively. The weighted average amount of borrowings outstanding was \$37.3 million and \$34.9 million, respectively, and the weighted average interest rate, before amortization of

debt fees, was 6.1% and 5.7%, respectively, for the three and nine months ended September 30, 2023. At September 30, 2023, our revolving credit facility had \$50.5 million outstanding.

Our revolving credit facility, term loan, and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholders' equity and debt coverage ratios and a maximum ratio of debt to net worth. As of September 30, 2023, we were in compliance with all default related debt covenants.

NOTE 5—FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our mortgages payable, notes payable and senior notes and debentures is sensitive to fluctuations in interest rates. Quoted market prices (Level 1) were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our mortgages payable, notes payable and senior notes and debentures is as follows:

| | September 30, 2023 | | December 31, 2022 | |
|----------------------------------|--------------------|--------------|-------------------|--------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | (In thousands) | | | |
| Mortgages and notes payable, net | \$ 970,704 | \$ 939,732 | \$ 921,692 | \$ 895,654 |
| Senior notes and debentures, net | \$ 3,479,821 | \$ 3,041,015 | \$ 3,407,701 | \$ 3,048,456 |

As of September 30, 2023, we have two interest rate swap agreements with notional amounts of \$54.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the interest rate on \$54.0 million of mortgage payables at 3.67% through December 15, 2029. The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at September 30, 2023 was an asset of \$7.2 million and is included in "prepaid expenses and other assets" on our consolidated balance sheets. For the three and nine months ended September 30, 2023, the value of our interest rate swaps increased \$1.2 million and \$1.0 million, respectively (including \$0.5 million and \$1.3 million, respectively, reclassified from other comprehensive income as a decrease to interest expense). A summary of our financial assets that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

| | September 30, 2023 | | | | December 31, 2022 | | | |
|---------------------|--------------------|----------|---------|----------|-------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (In thousands) | | | | | | | |
| Interest rate swaps | \$ — | \$ 7,190 | \$ — | \$ 7,190 | \$ — | \$ 6,144 | \$ — | \$ 6,144 |

One of our equity method investees has two interest rate swaps which qualify for cash flow hedge accounting. For the three and nine months ended September 30, 2023, our share of the change in fair value of the related swaps included in "accumulated other comprehensive income" was an increase of \$0.2 million and \$0.1 million, respectively.

NOTE 6—COMMITMENTS AND CONTINGENCIES

We are sometimes involved in lawsuits, warranty claims, and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the

tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or common shares, at our option. A total of 635,431 downREIT operating partnership units are outstanding which have a total fair value of approximately \$57.6 million, which is calculated by multiplying the outstanding number of downREIT partnership units by our closing stock price on September 30, 2023.

NOTE 7—SHAREHOLDERS' EQUITY

The following table provides a summary of dividends declared and paid per share:

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|----------|----------|----------|
| | 2023 | | 2022 | |
| | Declared | Paid | Declared | Paid |
| Common shares | \$ 3.250 | \$ 3.240 | \$ 3.220 | \$ 3.210 |
| 5.417% Series 1 Cumulative Convertible Preferred shares | \$ 1.016 | \$ 1.016 | \$ 1.016 | \$ 1.016 |
| 5.0% Series C Cumulative Redeemable Preferred shares (1) | \$ 0.938 | \$ 0.938 | \$ 0.938 | \$ 0.938 |

(1) Amount represents dividends per depository share, each representing 1/1000th of a share.

We have an at-the-market ("ATM") equity program under which we may from time to time offer and sell common shares having an aggregate offering price of up to \$500.0 million. The ATM equity program also allows shares to be sold through forward sales contracts. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay indebtedness and/or for general corporate purposes.

For the three months ended September 30, 2023, we issued 95,013 common shares at a weighted average price per share of \$103.69 for net cash proceeds of \$9.7 million including paying \$0.1 million in commissions and \$0.1 million in additional offering expenses related to the sales of these common shares. For the nine months ended September 30, 2023, we issued 152,047 common shares at a weighted average price per share of \$106.67 for net cash proceeds of \$15.9 million including paying \$0.2 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. We have the remaining capacity to issue up to \$435.8 million in common shares under our ATM equity program as of September 30, 2023.

Effective May 4, 2023, our Declaration of Trust was amended to increase the number of authorized common shares of beneficial interest to 200,000,000.

NOTE 8—SHARE-BASED COMPENSATION PLANS

A summary of share-based compensation expense included in net income is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Grants of common shares, restricted stock units, and options | \$ 3,738 | \$ 3,579 | \$ 11,868 | \$ 11,258 |
| Capitalized share-based compensation | (352) | (344) | (1,037) | (1,003) |
| Share-based compensation expense | \$ 3,386 | \$ 3,235 | \$ 10,831 | \$ 10,255 |

NOTE 9—EARNINGS PER SHARE AND UNIT

We have calculated earnings per share (“EPS”) and earnings per unit (“EPU”) under the two-class method. The two-class method is an earnings allocation methodology whereby EPS and EPU for each class of common stock and partnership units, respectively, and participating securities is calculated according to dividends or distributions declared and participation rights in undistributed earnings. For both the three and nine months ended September 30, 2023 and 2022, we had 0.3 million weighted average unvested shares and units outstanding, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS and EPU between common shares and units and unvested shares and units; the portion of earnings allocated to the unvested shares and units is reflected as “earnings allocated to unvested shares” or “earnings allocated to unvested units” in the reconciliations below.

The following potentially issuable shares were excluded from the diluted EPS and EPU calculations because their impact is anti-dilutive:

- exercise of 1,829 stock options for the three and nine months ended September 30, 2023,
- conversions of downREIT operating partnership units for the three and nine months ended September 30, 2023,
- conversions of 5.417% Series 1 Cumulative Convertible Preferred Shares and units for the three and nine months ended September 30, 2023, and the nine months ended September 30, 2022.
- the issuance of 1.8 million shares and units issuable under common share forward sales agreements for the nine months ended September 30, 2022.

Additionally, 10,441 unvested restricted stock units are excluded from the diluted EPS and EPU calculations as the market based performance criteria in the awards has not yet been achieved.

Federal Realty Investment Trust Earnings per Share

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| (In thousands, except per share data) | | | | |
| NUMERATOR | | | | |
| Net income | \$ 59,392 | \$ 158,774 | \$ 180,127 | \$ 277,969 |
| Less: Preferred share dividends | (2,008) | (2,008) | (6,024) | (6,026) |
| Less: Income from operations attributable to noncontrolling interests | (2,344) | (2,636) | (7,245) | (8,171) |
| Less: Earnings allocated to unvested shares | (323) | (535) | (974) | (935) |
| Net income available for common shareholders, basic | 54,717 | 153,595 | 165,884 | 262,837 |
| Add: Income attributable to downREIT operating partnership units | — | 704 | — | 2,111 |
| Add: Dividends on 5.417% Series 1 Cumulative Convertible Preferred Shares | — | 133 | — | — |
| Net income available for common shareholders, diluted | \$ 54,717 | \$ 154,432 | \$ 165,884 | \$ 264,948 |
| DENOMINATOR | | | | |
| Weighted average common shares outstanding, basic | 81,274 | 80,765 | 81,210 | 79,480 |
| Effect of dilutive securities: | | | | |
| Open forward contracts for share issuances | — | — | — | 1 |
| DownREIT operating partnership units | — | 652 | — | 656 |
| 5.417% Series 1 Cumulative Convertible Preferred Shares | — | 94 | — | — |
| Weighted average common shares outstanding, diluted | 81,274 | 81,511 | 81,210 | 80,137 |
| EARNINGS PER COMMON SHARE, BASIC: | | | | |
| Net income available for common shareholders | \$ 0.67 | \$ 1.90 | \$ 2.04 | \$ 3.31 |
| EARNINGS PER COMMON SHARE, DILUTED: | | | | |
| Net income available for common shareholders | \$ 0.67 | \$ 1.89 | \$ 2.04 | \$ 3.31 |

Federal Realty OP LP Earnings per Unit

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| (In thousands, except per unit data) | | | | |
| NUMERATOR | | | | |
| Net income | \$ 59,392 | \$ 158,774 | \$ 180,127 | \$ 277,969 |
| Less: Preferred unit distributions | (2,008) | (2,008) | (6,024) | (6,026) |
| Less: Income from operations attributable to noncontrolling interests | (2,344) | (2,636) | (7,245) | (8,171) |
| Less: Earnings allocated to unvested units | (323) | (535) | (974) | (935) |
| Net income available for common unit holders, basic | 54,717 | 153,595 | 165,884 | 262,837 |
| Add: Income attributable to downREIT operating partnership units | — | 704 | — | 2,111 |
| Add: Dividends on 5.417% Series 1 Cumulative Convertible Preferred Units | — | 133 | — | — |
| Net income available for common unit holders, diluted | <u>\$ 54,717</u> | <u>\$ 154,432</u> | <u>\$ 165,884</u> | <u>\$ 264,948</u> |
| DENOMINATOR | | | | |
| Weighted average common units outstanding, basic | 81,274 | 80,765 | 81,210 | 79,480 |
| Effect of dilutive securities: | | | | |
| Common unit issuances relating to open common share forward contracts | — | — | — | 1 |
| DownREIT operating partnership units | — | 652 | — | 656 |
| 5.417% Series 1 Cumulative Convertible Preferred Units | — | 94 | — | — |
| Weighted average common units outstanding, diluted | <u>81,274</u> | <u>81,511</u> | <u>81,210</u> | <u>80,137</u> |
| EARNINGS PER COMMON UNIT, BASIC: | | | | |
| Net income available for common unit holders | <u>\$ 0.67</u> | <u>\$ 1.90</u> | <u>\$ 2.04</u> | <u>\$ 3.31</u> |
| EARNINGS PER COMMON UNIT, DILUTED: | | | | |
| Net income available for common unit holders | <u>\$ 0.67</u> | <u>\$ 1.89</u> | <u>\$ 2.04</u> | <u>\$ 3.31</u> |

NOTE 10—SUBSEQUENT EVENTS

On October 12, 2023, we acquired the fee interest under a portion of our Mercer on One (formerly known as Mercer Mall) property for \$55.0 million pursuant to the purchase option included in the master lease.

On October 27, 2023, we sold a building in Santa Monica, California for \$17.2 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on February 8, 2023.

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of the Company and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- risks that our tenants will not pay rent, may vacate early or may file for bankruptcy or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that completion of anticipated or ongoing property redevelopment or renovation projects that we do pursue may cost more, take more time to complete or fail to perform as expected;
- risks normally associated with the real estate industry, including risks that occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected, that new acquisitions may fail to perform as expected, that competition for acquisitions could result in increased prices for acquisitions, that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase, that environmental issues may develop at our properties and result in unanticipated costs, and, because real estate is illiquid, that we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks of financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense;
- risks related to the Trust's status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to the Trust's status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT;
- risks related to natural disasters, climate change and public health crises (such as the outbreak and worldwide spread of COVID-19), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address them, may precipitate or materially exacerbate one or more of the above-mentioned risks, and may significantly disrupt or prevent us from operating our business in the ordinary course for an extended period.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2022 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

Federal Realty Investment Trust (the "Parent Company" or the "Trust") is an equity real estate investment trust ("REIT"). Federal Realty OP LP (the "Operating Partnership") is the entity through which the Trust conducts substantially all of its operations and owns substantially all of its assets. The Trust owns 100% of the limited liability company interests of, and is sole member and exercises exclusive control over Federal Realty GP LLC ("the General Partner"), which in turn, is the sole general partner of the Operating Partnership. Unless stated otherwise or the context otherwise requires, "we," "our," and "us" means the Trust and its business and operations conducted through its directly and indirectly owned subsidiaries, including the Operating Partnership. We specialize in the ownership, management, and redevelopment of high quality retail and mixed-use properties. As of September 30, 2023, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 102 predominantly retail real estate projects comprising approximately 26.1 million square feet. In total, the real estate projects were 94.0% leased and 92.3% occupied at September 30, 2023.

General Economic Conditions

Given the higher levels of inflation, rising interest rates, and potentially worsening economic conditions, we continue to monitor and address risks related to the general state of the economy. We believe that the actions we have taken to improve our financial position and maximize our liquidity, as described further in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on [Form 10-K](#), will continue to mitigate the impact to our cash flow caused by tenants not timely paying contractual rent.

See further discussion of the impact of current economic conditions on our business throughout Item 2.

Critical Accounting Policies

There have been no significant changes to the critical accounting policies disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on [Form 10-K](#).

Property Acquisition and Disposition

On January 31, 2023, we acquired the 168,000 square foot portion of Huntington Square shopping center that was not previously owned, as well as the fee interest in the land underneath the portion of the shopping center which we controlled under a long-term ground lease for \$35.5 million. As a result of this transaction, we now own the entire fee interest in this

243,000 square foot property and the "operating lease right of use assets" on our consolidated balance sheet decreased by \$5.3 million.

On May 26, 2023, we exercised our option and acquired the 22.3% tenancy in common ("TIC") interest from our co-owner at Escondido Promenade for \$30.5 million, bringing our ownership interest to 100%. As a result of the transaction, we gained control of this property, and effective May 26, 2023, we have consolidated this property.

During the nine months ended September 30, 2023, we sold one retail property for \$13.2 million, resulting in a gain on sale of \$1.6 million.

On October 12, 2023, we acquired the fee interest under a portion of our Mercer on One (formerly known as Mercer Mall) property for \$55.0 million pursuant to the purchase option included in the master lease.

On October 27, 2023, we sold a building in Santa Monica, California for \$17.2 million.

Debt and Equity Transactions

For the three months ended September 30, 2023, we issued 95,013 common shares at a weighted average price per share of \$103.69 for net cash proceeds of \$9.7 million including paying \$0.1 million in commissions and \$0.1 million in additional offering expenses related to the sales of these common shares. For the nine months ended September 30, 2023, we issued 152,047 common shares at a weighted average price per share of \$106.67 for net cash proceeds of \$15.9 million including paying \$0.2 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. We have the remaining capacity to issue up to \$435.8 million in common shares under our ATM equity program as of September 30, 2023.

On April 12, 2023, we issued \$350.0 million of fixed rate senior unsecured notes that mature on May 1, 2028 and bear interest at 5.375%. The notes were offered at 99.590% of the principal amount with a yield to maturity of 5.468%. The net proceeds, after issuance discount, underwriting fees, and other costs were \$345.7 million. The net proceeds of these notes, or "green bonds," will be allocated to the financing and refinancing of recently completed and future eligible green projects, which includes (i) investments in acquisitions of buildings; (ii) building developments or redevelopments; (iii) renovations in existing buildings; and (iv) tenant improvement projects, in each case that have received, or are expected to receive, in the three years prior to the issuance of the notes or during the term of the notes, a LEED Gold or Platinum certification (or environmentally equivalent successor standards). Net proceeds will be available for repayment of indebtedness, or may be invested in short-term income-producing investments or may be used to temporarily repay current and/or future amounts outstanding under our revolving credit facility.

Effective May 4, 2023, our Declaration of Trust was amended to increase the number of authorized common shares of beneficial interest to 200,000,000.

On June 1, 2023, we repaid our \$275.0 million 2.75% senior unsecured notes at maturity.

Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Capitalized Costs

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalized certain external and internal costs related to both development and redevelopment activities of \$155 million and \$7 million, respectively, for the nine months ended September 30, 2023, and \$208 million and \$8 million for the nine months ended September 30, 2022. We capitalized external and internal costs related to other property improvements of \$66 million and \$3 million, respectively, for the nine months ended September 30, 2023, and \$76 million and \$3 million, respectively, for the nine months ended September 30, 2022. We capitalized external and internal costs related to leasing activities of \$13 million and \$3 million, respectively, for the nine months ended September 30, 2023, and \$14 million and \$3 million, respectively, for the nine months ended September 30, 2022. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$7 million, \$3 million, and \$3 million, respectively, for the nine months ended September 30, 2023 and \$8 million, \$2 million, and \$3 million, respectively, for the nine months ended September 30, 2022. Total capitalized costs were \$247 million and \$312 million for the nine months ended September 30, 2023 and 2022, respectively.

Outlook

Our long-term growth strategy is focused on growth in earnings, funds from operations, and cash flows primarily through a combination of the following:

- growth in our comparable property portfolio,
- growth in our portfolio from property redevelopments and expansions, and
- expansion of our portfolio through property acquisitions.

Although the general economic impacts of the elevated levels of inflation and rising interest rates are impacting us in the short-term, our long-term focus has not changed. See our Annual Report on Form 10-K filed on February 8, 2023, for discussion of our long-term strategies.

Our comparable property growth is primarily driven by increases in rental rates on new leases and lease renewals, changes in portfolio occupancy, and the redevelopment of those assets. Over the long-term, the infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain relatively high occupancy and generally increase rental rates. We continue to experience strong demand for our commercial space as evidenced by the 2.0 million square feet of comparable space leasing we've completed in the last twelve months, and the 1.7% spread between our leased rate of 94.0% and our occupied rate of 92.3%. During 2023, we have seen an uptick in tenants filing for bankruptcy compared to the prior two years. As a result, approximately 250,000 square feet of anchor space became vacant during the third quarter. This will negatively impact our occupancy and net income in the short term, however, we expect to be able to re-lease the space at similar or better aggregate rents over the next several quarters, and we are actively in negotiations with replacement tenants. Additionally, the effects of high levels of inflation and rising interest rates continue to negatively impact our business with the largest current impacts being higher interest costs, increased material costs, and higher operating costs. We continue to see impacts of increased costs for certain construction and other materials that support our development and redevelopment activities. Worsening supply chain disruptions could also result in extended timeframes and/or increased costs for completion of our projects and tenant build-outs, which could delay the commencement of rent payments under new leases. Similarly, if our tenants experience significant disruptions in supply chains supporting their own products, staffing issues due to labor shortages, or are otherwise impacted by worsening economic conditions, their ability to pay rent may be adversely affected. We continue to monitor these macroeconomic developments and are working with our tenants and our vendors to limit the overall impact to our business.

The duration and severity of the current economic environment will depend on future developments, which are highly uncertain and cannot be fully predicted, however, we seek to position the Company to continue to participate in the resulting economic recovery.

We continue to have several development projects in process being delivered as follows:

- Phase IV at Pike & Rose is a 276,000 square foot office building (which includes 10,000 square feet of ground floor retail space). Approximately 160,000 square feet of the office space is leased to two tenants, and approximately 8,000 square feet of retail space is pre-leased. The building is expected to cost between \$185 million and \$200 million, and began delivering in late September 2023.
- The first phase of construction on Santana West includes an eight story 376,000 square foot office building, which is expected to cost between \$315 million and \$330 million.
- Throughout the portfolio, we currently have redevelopment projects underway with a projected total cost of approximately \$228 million that we expect to stabilize over the next several years.

The above includes our best estimates based on information currently known, however, the completion of construction, final costs, and the timing of leasing and openings may be further impacted by the current environment including the duration and severity of the economic impacts of broader, as well as local, economic conditions, inflation, higher interest rates, and higher operating costs.

The development of future phases of Assembly Row, Pike & Rose and Santana Row will be pursued opportunistically based on, among other things, market conditions, tenant demand, and our evaluation of whether those phases will generate an appropriate financial return.

We continue to review acquisition opportunities that complement our portfolio and provide long-term growth opportunities. Initially, some of our acquisitions do not contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must

be paid to acquire a property, as well as our ability to economically finance the property acquisition. Generally, our acquisitions are initially financed by available cash and/or borrowings under our revolving credit facility which may be repaid later with funds raised through the issuance of new equity or new long-term debt. We may also finance our acquisitions through the issuance of common shares, preferred shares, or units in the Operating Partnership, as well as through assumed mortgages and property sales.

At September 30, 2023, the leasable square feet in our properties was 94.0% leased and 92.3% occupied. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant closings and bankruptcies.

Lease Rollovers

For the third quarter of 2023, we signed leases for a total of 565,000 square feet of retail space including 553,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 11% on a cash basis. New leases for comparable spaces were signed for 411,000 square feet, with an average rental increase of 13% on a cash basis. Renewals for comparable spaces were signed for 142,000 square feet at a 7% average rental increase on a cash basis. Tenant improvements and incentives for comparable spaces were \$31.19 per square foot, of which \$41.23 per square foot was for new leases and \$2.21 per square foot was for renewals for the three months ended September 30, 2023.

For the nine months ended September 30, 2023, we signed leases for a total of 1,693,000 square feet of retail space including 1,634,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 9% on a cash basis. New leases for comparable spaces were signed for 781,000 square feet, with an average rental increase of 12% on a cash basis. Renewals for comparable spaces were signed for 852,000 square feet at a 8% average rental increase on a cash basis. Tenant improvements and incentives for comparable spaces were \$28.61 per square foot, of which \$57.43 per square foot was for new leases and \$2.18 per square foot was for renewals for the nine months ended September 30, 2023.

The rental increases associated with comparable spaces generally include all leases signed for retail space in arms-length transactions reflecting market leverage between landlords and tenants during the period, excluding leases at properties sold during the quarter or under contract to be sold. The comparison between the rent for expiring leases and new leases is determined by including contractual rent on the expiring lease, including percentage rent, and the comparable annual rent and in some instances, projections of percentage rent, to be paid on the new lease. In atypical circumstances, management may exercise judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure. Tenant improvements and incentives include the total dollars committed for the improvement (fit out) of a space as it relates to a specific lease. Incentives include amounts paid to tenants as an inducement to sign a lease that do not represent building improvements. Costs related to tenant improvements require judgement by management in determining what are costs specific to the tenant and not deferred maintenance on the space.

Historically, we have executed comparable space leases for 1.4 to 2.0 million square feet of retail space each year. We expect the volume in 2023 will be in line with these historical averages. Although we expect overall positive increases in annual rent for comparable spaces, changes in annual rent for any individual lease or combinations of individual leases reported in any particular period may be positive or negative and we can provide no assurance that the annual rents on comparable space leases will continue to increase at historical levels, if at all.

The leases signed in 2023 generally become effective over the following two years though some may not become effective until 2026 and beyond. Further, there is a risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, our historical increases in rental rates do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

Comparable Properties

Throughout this section, we have provided certain information on a “comparable property” basis. Information provided on a comparable property basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties that are currently under development or are being repositioned for significant redevelopment and investment. For the three and nine months ended September 30, 2023, all or a portion of 95 and 94 properties, respectively, were considered comparable properties and eight properties were considered non-comparable properties. For the three months ended September 30, 2023, one property was moved from comparable properties to non-comparable properties, four properties

and two portions of properties were moved from acquisitions to comparable properties, and one property was removed from comparable properties, as it was sold; all compared to the designations as of December 31, 2022. For the nine months ended September 30, 2023, one property was moved from comparable properties to non-comparable properties, four properties and one portion of a property were moved from acquisitions to comparable properties, and one property was removed from comparable properties, as it was sold; all compared to the designations as of December 31, 2022. While there is judgment surrounding changes in designations, we typically move non-comparable properties to comparable properties once they have stabilized, which is typically considered 90% physical occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from comparable properties when the repositioning of the asset has commenced and has or is expected to have a significant impact on property operating income within the calendar year. Acquisitions are moved to comparable properties once we have owned the property for the entirety of comparable periods and the property is not under development or being repositioned for significant redevelopment and investment.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 | Change | |
|---|------------|------------|-------------|----------|
| | | | Dollars | % |
| (Dollar amounts in thousands) | | | | |
| Rental income | \$ 286,323 | \$ 273,179 | \$ 13,144 | 4.8 % |
| Mortgage interest income | 281 | 272 | 9 | 3.3 % |
| Total property revenue | 286,604 | 273,451 | 13,153 | 4.8 % |
| Rental expenses | 58,595 | 58,809 | (214) | (0.4)% |
| Real estate taxes | 33,045 | 32,803 | 242 | 0.7 % |
| Total property expenses | 91,640 | 91,612 | 28 | — % |
| Property operating income (1) | 194,964 | 181,839 | 13,125 | 7.2 % |
| General and administrative expense | (13,149) | (13,100) | (49) | 0.4 % |
| Depreciation and amortization | (81,731) | (77,109) | (4,622) | 6.0 % |
| Gain on deconsolidation of VIE | — | 70,374 | (70,374) | (100.0)% |
| Gain on sale of real estate | — | 29,723 | (29,723) | (100.0)% |
| Operating income | 100,084 | 191,727 | (91,643) | (47.8)% |
| Other interest income | 721 | 234 | 487 | 208.1 % |
| Interest expense | (42,726) | (35,060) | (7,666) | 21.9 % |
| Income from partnerships | 1,313 | 1,873 | (560) | (29.9)% |
| Total other, net | (40,692) | (32,953) | (7,739) | 23.5 % |
| Net income | 59,392 | 158,774 | (99,382) | (62.6)% |
| Net income attributable to noncontrolling interests | (2,344) | (2,636) | 292 | (11.1)% |
| Net income attributable to the Trust | \$ 57,048 | \$ 156,138 | \$ (99,090) | (63.5)% |

(1) Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of operating income to property operating income for the three months ended September 30, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|--------------------------------|----------------|------------|
| | (in thousands) | |
| Operating income | \$ 100,084 | \$ 191,727 |
| General and administrative | 13,149 | 13,100 |
| Depreciation and amortization | 81,731 | 77,109 |
| Gain on deconsolidation of VIE | — | (70,374) |
| Gain on sale of real estate | — | (29,723) |
| Property operating income | \$ 194,964 | \$ 181,839 |

Property Revenues

Total property revenue increased \$13.2 million, or 4.8%, to \$286.6 million in the three months ended September 30, 2023 compared to \$273.5 million in the three months ended September 30, 2022. The percentage occupied at our shopping centers was 92.3% and 92.1% at September 30, 2023 and 2022, respectively. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent, and is net of collectibility related adjustments. Rental income increased \$13.1 million, or 4.8%, to \$286.3 million in the three months ended September 30, 2023 compared to \$273.2 million in the three months ended September 30, 2022 due primarily to the following:

- an increase of \$7.8 million from comparable properties primarily related to a \$2.8 million increase in recoveries from tenants, higher rental rates of \$2.2 million, higher average occupancy of approximately \$1.4 million, and a \$1.1 million increase in termination fee income.
- an increase of \$4.0 million from 2022 and 2023 acquisitions,
- an increase of \$3.2 million from non-comparable properties primarily driven by occupancy increases at Darien Commons, Assembly Row Phase III, CocoWalk, and Pike & Rose Phase III, and
- an increase of \$1.2 million from Escondido Promenade, which was reconsolidated in the second quarter of 2023 after we gained control of the property (see Note 3 to the consolidated financial statements for additional information,

partially offset by

- a decrease of \$3.5 million from property sales.

Property Expenses

Total property expenses were \$91.6 million for both the three months ended September 30, 2023 and 2022. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses decreased \$0.2 million, or 0.4%, to \$58.6 million in the three months ended September 30, 2023 compared to \$58.8 million in the three months ended September 30, 2022. This decrease is primarily due to the following:

- a decrease of \$1.5 million from property sales,

partially offset by

- an increase of \$0.8 million from 2022 and 2023 acquisitions, and
- an increase of \$0.6 million from comparable properties due primarily to an increase in insurance costs and an increase in management fees on higher revenues.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income decreased to 20.5% in the three months ended September 30, 2023 from 21.5% in the three months ended September 30, 2022.

Real Estate Taxes

Real estate tax expense increased \$0.2 million, or 0.7%, to \$33.0 million in the three months ended September 30, 2023 compared to \$32.8 million in the three months ended September 30, 2022. This increase is primarily due to the following:

- an increase of \$1.0 million from comparable properties primarily due to higher assessments and
- an increase of \$0.5 million from 2022 acquisitions,

partially offset by

- a decrease of \$1.0 million from non-comparable properties due primarily to a successful tax appeal recorded during 2023, and
- a decrease of \$0.3 million from property sales.

Property Operating Income

Property operating income increased \$13.1 million, or 7.2%, to \$195.0 million in the three months ended September 30, 2023 compared to \$181.8 million in the three months ended September 30, 2022. This increase is primarily driven by higher rental rates and occupancy, 2022 and 2023 acquisitions, the 2022 openings at Assembly Row Phase III, Pike & Rose Phase III, and CocoWalk, the 2023 openings at Darien Commons and Huntington Shopping Center, termination fee income at comparable

properties, and the reconsolidation of Escondido Promenade during the second quarter of 2023 when we gained control of the property, partially offset by 2022 property sales.

Other Operating

Depreciation and Amortization

Depreciation and amortization expense increased \$4.6 million, or 6.0%, to \$81.7 million in the three months ended September 30, 2023 from \$77.1 million in the three months ended September 30, 2022. This increase is due primarily to the reconsolidation of Escondido Promenade during the second quarter of 2023, our investment in comparable properties, property acquisitions, and placing redevelopment properties into service, partially offset by 2022 property sales.

Gain on deconsolidation of VIE

The \$70.4 million gain on deconsolidation of VIE for the three months ended September 30, 2022 is the result of the deconsolidation of Escondido Promenade during the third quarter of 2022.

Gain on sale of real estate

The \$29.7 million gain on sale of real estate for the three months ended September 30, 2022 is due primarily to a net gain of \$20.4 million related to the sales of one residential property (including an adjacent retail pad) and one retail property, and a \$9.3 million gain related to the reduction of our liability for estimated condemnation and transaction costs associated with the sale under threat of condemnation in December 2019 at San Antonio Center.

Operating Income

Operating income decreased \$91.6 million, or 47.8%, to \$100.1 million in the three months ended September 30, 2023 compared to \$191.7 million in the three months ended September 30, 2022. This decrease is primarily driven by the prior year gain on the deconsolidation of a VIE, the prior year gain on sale of real estate, and 2022 property sales, partially offset by higher rental rates and occupancy, 2022 and 2023 acquisitions, the 2022 openings at Assembly Row Phase III, Pike & Rose Phase III, and CocoWalk, the 2023 openings at Darien Commons and Huntington Shopping Center, higher termination fee income at comparable properties, and the reconsolidation of Escondido Promenade during the third second quarter of 2023 when we gained control of the property.

Other

Other Interest Income

Other interest income increased \$0.5 million to \$0.7 million in the three months ended September 30, 2023 compared to \$0.2 million in the three months ended September 30, 2022. This increase is primarily driven by higher interest earned due to higher interest rates on cash accounts.

Interest Expense

Interest expense increased \$7.7 million, or 21.9%, to \$42.7 million in the three months ended September 30, 2023 compared to \$35.1 million in the three months ended September 30, 2022. This increase is due primarily to the following:

- an increase of \$7.4 million due to a higher overall weighted average borrowing rate, and
- an increase of \$1.6 million due to higher weighted average borrowings,

partially offset by,

- an increase of \$1.3 million in capitalized interest.

Gross interest costs were \$48.7 million and \$39.8 million in the three months ended September 30, 2023 and 2022, respectively. Capitalized interest was \$6.0 million and \$4.7 million for the three months ended September 30, 2023 and 2022, respectively.

Income from Partnerships

Income from partnerships decreased \$0.6 million, or 29.9%, to \$1.3 million in the three months ended September 30, 2023 compared to \$1.9 million in the three months ended September 30, 2022. This decrease is primarily driven by lower income at our restaurant joint ventures largely attributable to forgiveness of certain loans in the prior year.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 | Change | |
|---|------------|------------|-------------|----------|
| | | | Dollars | % |
| (Dollar amounts in thousands) | | | | |
| Rental income | \$ 839,509 | \$ 793,516 | \$ 45,993 | 5.8 % |
| Mortgage interest income | 833 | 805 | 28 | 3.5 % |
| Total property revenue | 840,342 | 794,321 | 46,021 | 5.8 % |
| Rental expenses | 169,410 | 166,189 | 3,221 | 1.9 % |
| Real estate taxes | 97,992 | 94,628 | 3,364 | 3.6 % |
| Total property expenses | 267,402 | 260,817 | 6,585 | 2.5 % |
| Property operating income (1) | 572,940 | 533,504 | 39,436 | 7.4 % |
| General and administrative expense | (37,607) | (39,046) | 1,439 | (3.7)% |
| Depreciation and amortization | (239,342) | (223,244) | (16,098) | 7.2 % |
| Gain on deconsolidation of VIE | — | 70,374 | (70,374) | (100.0)% |
| Gain on sale of real estate | 1,702 | 29,723 | (28,021) | (94.3)% |
| Operating income | 297,693 | 371,311 | (73,618) | (19.8)% |
| Other interest income | 3,775 | 487 | 3,288 | 675.2 % |
| Interest expense | (124,835) | (98,707) | (26,128) | 26.5 % |
| Income from partnerships | 3,494 | 4,878 | (1,384) | (28.4)% |
| Total other, net | (117,566) | (93,342) | (24,224) | 26.0 % |
| Net income | 180,127 | 277,969 | (97,842) | (35.2)% |
| Net income attributable to noncontrolling interests | (7,245) | (8,171) | 926 | (11.3)% |
| Net income attributable to the Trust | \$ 172,882 | \$ 269,798 | \$ (96,916) | (35.9)% |

(1) Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of operating income to property operating income for the nine months ended September 30, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|--------------------------------|------------|------------|
| (in thousands) | | |
| Operating income | \$ 297,693 | \$ 371,311 |
| General and administrative | 37,607 | 39,046 |
| Depreciation and amortization | 239,342 | 223,244 |
| Gain on deconsolidation of VIE | — | (70,374) |
| Gain on sale of real estate | (1,702) | (29,723) |
| Property operating income | \$ 572,940 | \$ 533,504 |

Property Revenues

Total property revenue increased \$46.0 million, or 5.8%, to \$840.3 million in the nine months ended September 30, 2023 compared to \$794.3 million in the nine months ended September 30, 2022. The percentage occupied at our shopping centers was 92.3% and 92.1% at September 30, 2023 and 2022, respectively. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent, and is net of collectibility related adjustments. Rental income increased \$46.0 million, or 5.8%, to \$839.5 million in the nine months ended September 30, 2023 compared to \$793.5 million in the nine months ended September 30, 2022 due primarily to the following:

- an increase of \$23.3 million from 2022 and 2023 acquisitions,

- an increase of \$17.6 million from comparable properties primarily related to higher rental rates of \$12.2 million, higher average occupancy of approximately \$4.5 million, a \$4.3 million increase in recoveries from tenants, and a \$1.0 million increase in specialty leasing income and parking income, partially offset by a \$2.9 million decrease in termination fee income and a \$1.5 million increase in collectibility related adjustments,
- an increase of \$16.4 million from non-comparable properties primarily driven by occupancy increases at Assembly Row Phase III, Darien Commons, CocoWalk, and Pike & Rose Phase III, and
- an increase of \$2.0 million from higher demand at our Pike & Rose hotel,

partially offset by

- a decrease of \$10.8 million from property sales, and
- a decrease of \$2.9 million from Escondido Promenade, which was deconsolidated in the third quarter of 2022 and recorded as an equity method investment through May 2023. Effective May 26, 2023, we gained control and reconsolidated the property (see Note 3 to the consolidated financial statements for additional information).

Property Expenses

Total property expenses increased \$6.6 million, or 2.5%, to \$267.4 million in the nine months ended September 30, 2023 compared to \$260.8 million in the nine months ended September 30, 2022. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$3.2 million, or 1.9%, to \$169.4 million in the nine months ended September 30, 2023 compared to \$166.2 million in the nine months ended September 30, 2022 due primarily to the following:

- an increase of \$4.2 million from 2022 acquisitions,
- an increase of \$1.5 million from non-comparable properties driven by openings at Darien Commons, CocoWalk, and Assembly Row Phase III,
- an increase of \$1.4 million from comparable properties due primarily to higher repairs and maintenance costs and other operating costs driven by inflationary impacts, higher insurance costs and utilities, and an increase in management fees on higher revenues, partially offset by lower snow removal costs, and
- an increase of \$0.6 million increase in operating expenses at our Pike & Rose hotel as a result of higher occupancy,

partially offset by

- a decrease of \$4.2 million from property sales, and
- a decrease of \$0.5 million from the deconsolidation of Escondido Promenade during the third quarter of 2022 through May 26, 2023, when we gained control and reconsolidated the property.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income decreased to 20.2% in the nine months ended September 30, 2023 from 20.9% in the nine months ended September 30, 2022.

Real Estate Taxes

Real estate tax expense increased \$3.4 million, or 3.6%, to \$98.0 million in the nine months ended September 30, 2023 compared to \$94.6 million in the nine months ended September 30, 2022. This increase is primarily due to the following:

- an increase of \$3.4 million from 2022 acquisitions, and
- an increase of \$2.0 million from comparable properties primarily due to successful tax appeals recorded during 2022 and higher assessments,

partially offset by

- a decrease of \$1.3 million from property sales, and
- a decrease of \$0.4 million from non-comparable properties due primarily to a successful tax appeal recorded during 2023, partially offset by higher assessments and the opening of Assembly Row Phase III.

Property Operating Income

Property operating income increased \$39.4 million, or 7.4%, to \$572.9 million in the nine months ended September 30, 2023 compared to \$533.5 million in the nine months ended September 30, 2022. This increase is primarily driven by higher rental rates and occupancy, 2022 and 2023 acquisitions, the 2022 openings at Assembly Row Phase III, Pike & Rose Phase III, and CocoWalk, and the 2023 openings at Darien Commons and Huntington Shopping Center, partially offset by 2022 property

sales, lower termination fee income at comparable properties, and the deconsolidation of Escondido Promenade during the third quarter of 2022 through May 26, 2023, when we gained control and reconsolidated the property.

Other Operating

General and Administrative

General and administrative expense decreased \$1.4 million, or 3.7%, to \$37.6 million in the nine months ended September 30, 2023 compared to \$39.0 million in the nine months ended September 30, 2022. This decrease is due primarily to higher amounts allocated to operations as a result of higher revenues, partially offset by higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased \$16.1 million, or 7.2%, to \$239.3 million in the nine months ended September 30, 2023 from \$223.2 million in the nine months ended September 30, 2022. This increase is due primarily to property acquisitions, our investment in comparable properties, placing redevelopment properties into service, Phase III openings at Pike & Rose and Assembly Row, partially offset by 2022 property sales and accelerated depreciation in 2022 as a result of redevelopment activities at Huntington Shopping Center.

Gain on deconsolidation of VIE

The \$70.4 million gain on deconsolidation of VIE for the nine months ended September 30, 2022 is the result of the deconsolidation of Escondido Promenade during the third quarter of 2022.

Gain on Sale of Real Estate

The \$1.7 million gain on sale of real estate for the nine months ended September 30, 2023 is due primarily to the sale of one retail property.

The \$29.7 million gain on sale of real estate for the nine months ended September 30, 2022 is due primarily to a net gain of \$20.4 million related to the sales of one residential property (including an adjacent retail pad) and one retail property, and a \$9.3 million gain related to the reduction of our liability for estimated condemnation and transaction costs associated with the sale under threat of condemnation in December 2019 at San Antonio Center.

Operating Income

Operating income decreased \$73.6 million, or 19.8%, to \$297.7 million in the nine months ended September 30, 2023 compared to \$371.3 million in the nine months ended September 30, 2022. This decrease is primarily driven by the prior year gain on the deconsolidation of a VIE, lower gains on sale of real estate, 2022 property sales, lower termination fee income, and the deconsolidation of Escondido Promenade during the third quarter of 2022 through May 26, 2023, when we gained control and reconsolidated the property, partially offset by higher rental rates and occupancy, 2022 and 2023 acquisitions, the 2022 openings at Assembly Row Phase III, Pike & Rose Phase III, and CocoWalk, and 2023 openings at Darien Commons and Huntington Shopping Center.

Other

Other Interest Income

Other interest income increased \$3.3 million to \$3.8 million in the nine months ended September 30, 2023 compared to \$0.5 million in the nine months ended September 30, 2022. This increase is primarily driven by interest earned on the proceeds of our April 2023 senior unsecured note issuance until the June 1, 2023 payoff of our 2.75% senior unsecured notes and a higher interest rate earned on cash balances.

Interest Expense

Interest expense increased \$26.1 million, or 26.5%, to \$124.8 million in the nine months ended September 30, 2023 compared to \$98.7 million in the nine months ended September 30, 2022. This increase is due primarily to the following:

- an increase of \$21.0 million due to a higher overall weighted average borrowing rate, and
- an increase of \$8.4 million due to higher weighted average borrowings,

partially offset by

- an increase of \$3.3 million in capitalized interest.

Gross interest costs were \$142.0 million and \$112.6 million in the nine months ended September 30, 2023 and 2022, respectively. Capitalized interest was \$17.2 million and \$13.9 million for the nine months ended September 30, 2023 and 2022, respectively.

Income from Partnerships

Income from partnerships decreased \$1.4 million, or (28.4)%, to \$3.5 million in the nine months ended September 30, 2023 compared to \$4.9 million in the nine months ended September 30, 2022. This decrease is primarily driven by lower income at our restaurant joint ventures largely attributable to higher forgiveness of certain loans in the prior year.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests decreased \$0.9 million, or 11.3%, to \$7.2 million in the nine months ended September 30, 2023 compared to \$8.2 million in the nine months ended September 30, 2022. This decrease is due primarily to the deconsolidation of Escondido Promenade during the third quarter of 2022 through May 26, 2023, when we gained control and reconsolidated the property.

Liquidity and Capital Resources

Due to the nature of our business and strategy, we typically generate significant amounts of cash from operations which is largely paid to our common and preferred shareholders in the form of dividends because as a REIT, the Trust is generally required to make annual distributions to shareholders of at least 90% of our taxable income (cash dividends paid in the nine months ended September 30, 2023 were approximately \$269.9 million). Remaining cash flow from operations after dividend payments is used to fund recurring and non-recurring capital projects (such as tenant improvements and redevelopments), and regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities). We maintain an unsecured \$1.25 billion revolving credit facility to fund short term cash flow needs and also look to the public and private debt and equity markets, joint venture relationships, and property dispositions to fund capital expenditures on a long-term basis.

As of September 30, 2023, we had cash and cash equivalents of \$98.2 million and \$50.5 million outstanding on our \$1.25 billion revolving credit facility. For the nine months ended September 30, 2023, the weighted average amount of borrowings outstanding on our revolving credit facility was \$34.9 million, and the weighted average interest rate, before amortization of debt fees, was 5.7%. We also have the capacity to issue up to \$435.8 million in common shares under our ATM equity program.

On April 12, 2023, we issued \$350.0 million of fixed rate senior unsecured notes that mature on May 1, 2028 and bear interest at 5.375% for net proceeds, after issuance discount, underwriting fees, and other costs of \$345.7 million. On June 1, 2023 we repaid our \$275.0 million of 2.75% senior unsecured notes at maturity. We have no other debt maturing for the remainder of 2023. During 2024, we have \$600.0 million of 3.95% senior unsecured notes maturing. Our \$600.0 million unsecured term loan has an initial maturity in April 2024, however, there are two one-year extensions at our option that would extend the maturity to April 2026, if exercised.

Our overall capital requirements for the remainder of 2023 will be impacted by the overall economic environment including impacts of inflation, higher interest rates, and a potential recession, as well as acquisition opportunities and the level and general timing of our redevelopment and development activities. We currently have development and redevelopment projects in various stages of constructions with remaining costs of \$180 million. We expect to incur the majority of these costs in the next two years. We expect overall capital costs to be at levels slightly reduced from 2022 as we complete current redevelopment projects, prepare vacant space for new tenants, and complete the current phase and start on the next phase of our larger mixed use development projects.

We believe cash flow from operations, the cash on our balance sheet, and our \$1.25 billion revolving credit facility will allow us to continue to operate our business in the short-term. Given our ability to access the capital markets, we also expect debt or equity to be available to us, although newly issued debt would likely be at higher interest rates than we currently have outstanding. We also have the ability to delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy. We expect these sources of liquidity and opportunities for operating flexibility to allow us to meet our financial obligations over the long term. We intend to operate with and to maintain our long term commitment to a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings.

Summary of Cash Flows

| | Nine Months Ended September 30, | |
|---|---------------------------------|-------------------|
| | 2023 | 2022 |
| (In thousands) | | |
| Net cash provided by operating activities | \$ 443,215 | \$ 409,293 |
| Net cash used in investing activities | (288,638) | (670,151) |
| Net cash (used in) provided by financing activities | (148,134) | 244,331 |
| Increase (decrease) in cash, cash equivalents and restricted cash | 6,443 | (16,527) |
| Cash, cash equivalents, and restricted cash at beginning of year | 96,348 | 175,163 |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 102,791</u> | <u>\$ 158,636</u> |

Net cash provided by operating activities increased \$33.9 million to \$443.2 million during the nine months ended September 30, 2023 from \$409.3 million during the nine months ended September 30, 2022. The increase was primarily attributable to higher net income after adjusting for non-cash items and gains on sale of real estate, as well as higher collections related to year end recovery billings.

Net cash used in investing activities decreased \$381.5 million to \$288.6 million during the nine months ended September 30, 2023 from \$670.2 million during the nine months ended September 30, 2022. The decrease was primarily attributable to:

- a \$370.4 million decrease in acquisition of real estate due to the January 2023 Huntington Square acquisition and the acquisition of our partner's 22.3% TIC interest in Escondido Promenade (see Note 3 to the consolidated financial statements for additional information), as compared to 2022 acquisitions, and
- a \$51.3 million decrease in capital expenditures and leasing costs,

partially offset by

- a \$54.1 million decrease in net proceeds from the sale of real estate primarily due to \$12.6 million of net proceeds from the sale of one retail property during the nine months ended September 30, 2023, as compared to \$66.7 million of net proceeds from the sale of one residential property (including an adjacent retail pad) and one retail property during the nine months ended September 30, 2022

Net cash provided by financing activities decreased \$392.5 million to \$148.1 million used during the nine months ended September 30, 2023 from \$244.3 million provided during the nine months ended September 30, 2022. The decrease was primarily attributable to:

- a \$276.4 million decrease in net proceeds from the issuance of common shares under our ATM program to \$15.9 million of net proceeds during the nine months ended September 30, 2023, as compared to \$292.3 million of net proceeds during the nine months ended September 30, 2022,
- \$275.0 million from the June 2023 repayment of our \$275.0 million 2.75% senior unsecured notes,
- a \$216.5 million decrease in net borrowings on our revolving credit facility to \$50.5 million of net borrowings during the during the nine months ended September 30, 2023, as compared to \$267.0 million of net borrowings during the nine months ended September 30, 2022, and
- a \$10.6 million increase in dividends paid to common and preferred shareholders due to an increase in the number of outstanding shares, as well as an increase to the common share dividend rate,

partially offset by

- \$345.7 million in net proceeds from the issuance of \$350.0 million of 5.375% senior unsecured notes in April 2023,
- a \$23.5 million decrease in distributions to and redemptions of noncontrolling interests primarily related to the July 2022 acquisition of the redeemable noncontrolling interest in the partnership that owns the Plaza El Segundo shopping center for \$23.6 million, and
- the \$16.1 million mortgage loan repayment on one of the buildings at our Hoboken property in June 2022.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of September 30, 2023:

| Description of Debt | Original Debt Issued | Principal Balance as of September 30, 2023 | Stated Interest Rate as of September 30, 2023 | Maturity Date |
|---|----------------------|--|---|----------------------|
| (Dollars in thousands) | | | | |
| Mortgages payable | | | | |
| <i>Secured fixed rate</i> | | | | |
| Azalea | Acquired | \$ 40,000 | 3.73 % | November 1, 2025 |
| Bell Gardens | Acquired | 11,608 | 4.06 % | August 1, 2026 |
| Plaza El Segundo | 125,000 | 125,000 | 3.83 % | June 5, 2027 |
| The Grove at Shrewsbury (East) | 43,600 | 43,600 | 3.77 % | September 1, 2027 |
| Brook 35 | 11,500 | 11,500 | 4.65 % | July 1, 2029 |
| Hoboken (24 Buildings) (1) | 56,450 | 53,978 | SOFR + 1.95% | December 15, 2029 |
| Various Hoboken (14 Buildings) (2) | Acquired | 30,132 | Various | Various through 2029 |
| Chelsea | Acquired | 4,127 | 5.36 % | January 15, 2031 |
| Subtotal | | 319,945 | | |
| Net unamortized debt issuance costs and premium | | (1,444) | | |
| Total mortgages payable, net | | 318,501 | | |
| Notes payable | | | | |
| Term loan (3) (5) | 600,000 | 600,000 | SOFR + 0.85% | April 16, 2024 |
| Revolving credit facility (3) (5) | (4) | 50,500 | SOFR + 0.775% | April 5, 2027 |
| Various | 7,749 | 2,503 | Various | Various through 2059 |
| Subtotal | | 653,003 | | |
| Net unamortized debt issuance costs | | (800) | | |
| Total notes payable, net | | 652,203 | | |
| Senior notes and debentures (5) | | | | |
| <i>Unsecured fixed rate</i> | | | | |
| 3.95% notes | 600,000 | 600,000 | 3.95 % | January 15, 2024 |
| 1.25% notes | 400,000 | 400,000 | 1.25 % | February 15, 2026 |
| 7.48% debentures | 50,000 | 29,200 | 7.48 % | August 15, 2026 |
| 3.25% notes | 475,000 | 475,000 | 3.25 % | July 15, 2027 |
| 6.82% medium term notes | 40,000 | 40,000 | 6.82 % | August 1, 2027 |
| 5.375% notes | 350,000 | 350,000 | 5.375 % | May 1, 2028 |
| 3.20% notes | 400,000 | 400,000 | 3.20 % | June 15, 2029 |
| 3.50% notes | 400,000 | 400,000 | 3.50 % | June 1, 2030 |
| 4.50% notes | 550,000 | 550,000 | 4.50 % | December 1, 2044 |
| 3.625% notes | 250,000 | 250,000 | 3.625 % | August 1, 2046 |
| Subtotal | | 3,494,200 | | |
| Net unamortized debt issuance costs and premium | | (14,379) | | |
| Total senior notes and debentures, net | | 3,479,821 | | |
| Total debt, net | | \$ 4,450,525 | | |

- (1) On November 26, 2019, we entered into two interest rate swap agreements that fix the interest rate on this mortgage loan at 3.67%. The reference rate for the mortgage loan and related interest rate swaps was amended from LIBOR to SOFR in May 2023. The amendment was effective for interest payments subsequent to July 1, 2023.
- (2) The interest rates on these mortgages range from 3.91% to 5.00%.
- (3) Our revolving credit facility SOFR loans bear interest at Daily Simple SOFR or Term SOFR, and our term loan bears interest at Term SOFR as defined in the credit agreement, plus 0.10%, plus a spread, based on our current credit rating.
- (4) The maximum amount drawn under our \$1.25 billion revolving credit facility during the nine months ended September 30, 2023 was \$80.5 million and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 5.7%.
- (5) The Operating Partnership is the obligor under our revolving credit facility, term loan, and senior notes and debentures.

Our revolving credit facility, unsecured term loan, and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2023, we were in compliance with all financial and other covenants related to our revolving credit facility, term loan, and senior notes. Additionally, we were in compliance with all of the financial and other covenants that could trigger a loan default on our mortgage loans. If we were to breach any of these financial and other covenants and did not cure the breach within an applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our revolving credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a default under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares. Our organizational documents do not limit the level or amount of debt that we may incur.

The following is a summary of our scheduled principal repayments as of September 30, 2023:

| | Unsecured | Secured | Total |
|------------|---------------------|-------------------|-------------------------|
| | (In thousands) | | |
| 2023 | \$ 301 | \$ 766 | \$ 1,067 |
| 2024 | 1,200,671 (1) | 3,299 | 1,203,970 |
| 2025 | 418 | 47,630 | 48,048 |
| 2026 | 429,276 | 26,240 | 455,516 |
| 2027 | 565,537 (2) | 178,278 | 743,815 |
| Thereafter | 1,951,000 | 63,732 | 2,014,732 |
| | <u>\$ 4,147,203</u> | <u>\$ 319,945</u> | <u>\$ 4,467,148 (3)</u> |

(1) Our \$600.0 million term loan matures on April 16, 2024, plus two one-year extensions at our option to April 16, 2026.

(2) Our \$1.25 billion revolving credit facility matures on April 5, 2027, plus two six-month extensions at our option to April 5, 2028. As of September 30, 2023, there was \$50.5 million outstanding under this credit facility.

(3) The total debt maturities differ from the total reported on the consolidated balance sheets due to the unamortized net debt issuance costs and premium/discount on mortgage loans, notes payable, and senior notes as of September 30, 2023.

Interest Rate Hedging

We may use derivative instruments to manage exposure to variable interest rate risk. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We enter into derivative instruments that qualify as cash flow hedges and do not enter into derivative instruments for speculative purposes.

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive income which is included in "accumulated other comprehensive income (loss)" on the balance sheet and statement of shareholders' equity. Cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and SOFR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty which includes reviewing debt ratings and financial performance. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

As of September 30, 2023, we have two interest rate swap agreements that effectively fix the rate on a mortgage payable associated with our Hoboken portfolio at 3.67%. Our Assembly Row hotel joint venture is also a party to two interest rate swap agreements that effectively fix 100% of its outstanding \$39.0 million of debt through May 2025 at 6.39%, and 50% of its outstanding debt from June 2025 through May 2028 at 6.03%. All swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted earnings as of September 30, 2023.

REIT Qualification

We intend to maintain the Trust's qualification as a REIT under Section 856(c) of the Code. As a REIT, we generally will not be subject to corporate federal income taxes on income we distribute to our shareholders as long as we satisfy certain technical requirements of the Code, including the requirement to distribute at least 90% of our taxable income to our shareholders.

Funds From Operations

Funds from operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with U.S. GAAP, plus real estate related depreciation and amortization and excluding gains and losses on the sale of real estate or changes in control, net of tax, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

- does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income);
- should not be considered an alternative to net income as an indication of our performance; and
- is not necessarily indicative of cash flow as a measure of liquidity or ability to fund cash needs, including the payment of dividends.

We consider FFO available for common shareholders a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of the real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation. We use FFO primarily as one of several means of assessing our operating performance in comparison with other REITs. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis. However, we must distribute at least 90% of our annual taxable income to remain qualified as a REIT. Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders although not necessarily on a proportionate basis.

The reconciliation of net income to FFO available for common shareholders is as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands, except per share data) | | | |
| Net income | \$ 59,392 | \$ 158,774 | \$ 180,127 | \$ 277,969 |
| Net income attributable to noncontrolling interests | (2,344) | (2,636) | (7,245) | (8,171) |
| Gain on deconsolidation of VIE | — | (70,374) | — | (70,374) |
| Gain on sale of real estate | — | (29,723) | (1,702) | (29,723) |
| Depreciation and amortization of real estate assets | 71,802 | 67,455 | 212,792 | 196,159 |
| Amortization of initial direct costs of leases | 8,116 | 7,454 | 23,468 | 19,129 |
| Funds from operations | 136,966 | 130,950 | 407,440 | 384,989 |
| Dividends on preferred shares (1) | (1,875) | (1,875) | (5,625) | (5,625) |
| Income attributable to downREIT operating partnership units | 693 | 704 | 2,074 | 2,111 |
| Income attributable to unvested shares | (494) | (449) | (1,481) | (1,353) |
| Funds from operations available for common shareholders | <u>\$ 135,290</u> | <u>\$ 129,330</u> | <u>\$ 402,408</u> | <u>\$ 380,122</u> |
| Weighted average number of common shares, diluted (1)(2) | <u>82,004</u> | <u>81,511</u> | <u>81,942</u> | <u>80,232</u> |
| Funds from operations available for common shareholders, per diluted share (2) | <u>\$ 1.65</u> | <u>\$ 1.59</u> | <u>\$ 4.91</u> | <u>\$ 4.74</u> |

- (1) For the three and nine months ended September 30, 2023 and 2022, dividends on our Series 1 preferred stock were not deducted in the calculation of FFO available to common shareholders, as the related shares were dilutive and included in "weighted average number of common shares, diluted."
- (2) The weighted average common shares used to compute FFO per diluted common share includes downREIT operating partnership units that were excluded from the computation of diluted EPS. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted share for all periods presented but is anti-dilutive for the computation of dilutive EPS for the three and nine months ended September 30, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our use of financial instruments, such as debt instruments, subjects us to market risk which may affect our future earnings and cash flows, as well as the fair value of our assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to common and preferred shareholders, investments, capital expenditures and other cash requirements.

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Quoted market prices were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2059) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At September 30, 2023, we had \$3.8 billion of fixed-rate debt outstanding, including \$54.0 million of mortgage payables for which the rate is effectively fixed by two interest rate swap agreements. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2023 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$149.2 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2023 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$165.7 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our outstanding variable rate debt. At September 30, 2023, we had \$650.5 million of variable rate debt outstanding (the principal balance on our unsecured term loan and \$50.5 million outstanding on our revolving credit facility). Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase approximately \$6.5 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by approximately \$6.5 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (Federal Realty Investment Trust)

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of September 30, 2023. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Trust's disclosure controls and procedures were effective as of September 30, 2023 to provide reasonable assurance that information required to be disclosed in the Trust's reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to the Trust's management including its principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Trust's internal control over financial reporting during the quarterly period covered by this report that materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

Controls and Procedures (Federal Realty OP LP)

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures as of September 30, 2023. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Operating Partnership's disclosure controls and procedures were effective as of September 30, 2023 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to the Operating Partnership's management including its principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting during the quarterly period covered by this report that materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments in any of our legal proceedings since the disclosure contained in our Annual Report to Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on February 8, 2023.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report to our Form 10-K for the year ended December 31, 2022 filed with the SEC on February 8, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or common shares, at our option. During the three months ended September 30, 2023, we redeemed 1,600 downREIT operating partnership units for common shares.

From time to time, we could be deemed to have repurchased shares as a result of shares withheld for tax purposes upon a stock compensation related vesting event.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

A list of exhibits to this Quarterly Report on Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

EXHIBIT INDEX

| Exhibit No. | Description |
|----------------------|---|
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer - Federal Realty Investment Trust (filed herewith) |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer - Federal Realty Investment Trust (filed herewith) |
| 31.3 | Rule 13a-14(a) Certification of Chief Executive Officer - Federal Realty OP LP (filed herewith) |
| 31.4 | Rule 13a-14(a) Certification of Chief Financial Officer - Federal Realty OP LP (filed herewith) |
| 32.1 | Section 1350 Certification of Chief Executive Officer - Federal Realty Investment Trust (filed herewith) |
| 32.2 | Section 1350 Certification of Chief Financial Officer - Federal Realty Investment Trust (filed herewith) |
| 32.3 | Section 1350 Certification of Chief Executive Officer - Federal Realty OP LP (filed herewith) |
| 32.4 | Section 1350 Certification of Chief Financial Officer - Federal Realty OP LP (filed herewith) |
| 101 | The following materials from Federal Realty Investment Trust and Federal Realty OP LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Income, (3) the Consolidated Statement of Shareholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements that have been detail tagged. |
| 104 | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

November 2, 2023

**FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP**

/s/ Donald C. Wood

**Donald C. Wood,
Chief Executive Officer and Trustee
(Principal Executive Officer)**

November 2, 2023

**FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP**

/s/ Daniel Guglielmon

**Daniel Guglielmon,
Executive Vice President
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)**

CERTIFICATION

I, *Donald C. Wood*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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.

November 2, 2023

/s/ Donald C. Wood

Donald C. Wood,
Chief Executive Officer and Trustee
(Principal Executive Officer)

CERTIFICATION

I, *Daniel Guglielmo*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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.

November 2, 2023

/s/ Daniel Guglielmo

Daniel Guglielmo
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, *Donald C. Wood*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty OP LP;
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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.

November 2, 2023

/s/ Donald C. Wood

Donald C. Wood,
Chief Executive Officer and Trustee
(Principal Executive Officer)

CERTIFICATION

I, *Daniel Guglielmon*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty OP LP;
- 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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.

November 2, 2023

/s/ Daniel Guglielmon

Daniel Guglielmon,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION

**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

- (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2023

/s/ Donald C. Wood

Donald C. Wood,
Chief Executive Officer and Trustee
(Principal Financial and Executive Officer)

CERTIFICATION

**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Daniel Guglielmono, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

- (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2023

/s/ Daniel Guglielmono

Daniel Guglielmono
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION

**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty OP LP (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

- (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2023

/S/ Donald C. Wood

Donald C. Wood,
President, Chief Executive Officer and Trustee
(Principal Executive Officer)

CERTIFICATION

**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Daniel Guglielmon, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty OP LP (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

- (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2023

/s/ Daniel Guglielmon

Daniel Guglielmon,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)