

**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 June 30, 2019

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**

(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland

(State of Organization)

52-0782497

(IRS Employer Identification No.)

1626 East Jefferson Street, Rockville, Maryland 20852

(Address of Principal Executive Offices) (Zip Code)

(301) 998-8100

(Registrant's Telephone Number, Including Area Code)

<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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted and posted 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).  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. (Check one):

Large Accelerated Filer  Accelerated filer   
Non-Accelerated Filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not 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.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of Registrant's common shares outstanding on July 29, 2019 was 74,954,462.

**FEDERAL REALTY INVESTMENT TRUST**  
**QUARTERLY REPORT ON FORM 10-Q**  
**QUARTER ENDED JUNE 30, 2019**

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**Federal Realty Investment Trust**  
**Consolidated Balance Sheets**

	June 30, 2019	December 31, 2018
	(In thousands, except share and per share data)	
	(Unaudited)	
<b>ASSETS</b>		
Real estate, at cost		
Operating (including \$1,703,069 and \$1,701,804 of consolidated variable interest entities, respectively)	\$ 7,293,212	\$ 7,307,622
Construction-in-progress (including \$78,633 and \$51,313 of consolidated variable interest entities, respectively)	575,229	495,274
Assets held for sale	5,938	16,576
	<u>7,874,379</u>	<u>7,819,472</u>
Less accumulated depreciation and amortization (including \$312,416 and \$292,374 of consolidated variable interest entities, respectively)	(2,148,010)	(2,059,143)
Net real estate	5,726,369	5,760,329
Cash and cash equivalents	105,903	64,087
Accounts and notes receivable, net	138,870	142,237
Mortgage notes receivable, net	30,429	30,429
Investment in partnerships	30,800	26,859
Operating lease right of use assets	94,828	—
Finance lease right of use assets	53,044	—
Prepaid expenses and other assets	203,498	265,703
<b>TOTAL ASSETS</b>	<u>\$ 6,383,741</u>	<u>\$ 6,289,644</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Mortgages payable, net (including \$441,469 and \$444,388 of consolidated variable interest entities, respectively)	\$ 450,883	\$ 474,379
Capital lease obligations	—	71,519
Notes payable, net	4,163	279,027
Senior notes and debentures, net	2,702,737	2,404,279
Accounts payable and accrued expenses	177,078	177,922
Dividends payable	78,808	78,207
Security deposits payable	20,588	17,875
Operating lease liabilities	74,536	—
Finance lease liabilities	72,068	—
Other liabilities and deferred credits	157,524	182,898
Total liabilities	3,738,385	3,686,106
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	134,710	136,208
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), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 74,950,197 and 74,249,633 shares issued and outstanding, respectively	752	745
Additional paid-in capital	3,088,946	3,004,442
Accumulated dividends in excess of net income	(841,505)	(818,877)
Accumulated other comprehensive loss	(1,024)	(416)
Total shareholders' equity of the Trust	2,407,166	2,345,891
Noncontrolling interests	103,480	121,439
Total shareholders' equity	2,510,646	2,467,330
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 6,383,741</u>	<u>\$ 6,289,644</u>

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



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(In thousands, except per share data)				
<b>REVENUE</b>				
Rental income	\$ 229,731	\$ 224,168	\$ 461,223	\$ 448,816
Mortgage interest income	734	734	1,469	1,491
Total revenue	<u>230,465</u>	<u>224,902</u>	<u>462,692</u>	<u>450,307</u>
<b>EXPENSES</b>				
Rental expenses	41,438	39,905	85,698	84,678
Real estate taxes	25,166	28,307	52,853	56,755
General and administrative	11,422	8,413	20,987	16,342
Depreciation and amortization	59,057	58,381	118,679	116,491
Total operating expenses	<u>137,083</u>	<u>135,006</u>	<u>278,217</u>	<u>274,266</u>
Gain on sale of real estate, net of tax	16,197	3,972	16,197	7,288
<b>OPERATING INCOME</b>	<u>109,579</u>	<u>93,868</u>	<u>200,672</u>	<u>183,329</u>
<b>OTHER INCOME/(EXPENSE)</b>				
Other interest income	189	159	366	338
Interest expense	(27,482)	(27,766)	(55,515)	(53,950)
Income (loss) from partnerships	381	(728)	(1,053)	(1,253)
<b>NET INCOME</b>	<u>82,667</u>	<u>65,533</u>	<u>144,470</u>	<u>128,464</u>
Net income attributable to noncontrolling interests	(1,765)	(1,938)	(3,424)	(3,622)
<b>NET INCOME ATTRIBUTABLE TO THE TRUST</b>	<u>80,902</u>	<u>63,595</u>	<u>141,046</u>	<u>124,842</u>
Dividends on preferred shares	(2,011)	(2,011)	(4,021)	(4,021)
<b>NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS</b>	<u>\$ 78,891</u>	<u>\$ 61,584</u>	<u>\$ 137,025</u>	<u>\$ 120,821</u>
<b>EARNINGS PER COMMON SHARE, BASIC:</b>				
Net income available for common shareholders	1.05	0.84	1.83	1.65
Weighted average number of common shares	<u>74,713</u>	<u>72,990</u>	<u>74,458</u>	<u>72,948</u>
<b>EARNINGS PER COMMON SHARE, DILUTED:</b>				
Net income available for common shareholders	\$ 1.05	\$ 0.84	\$ 1.83	\$ 1.65
Weighted average number of common shares	<u>74,713</u>	<u>73,025</u>	<u>74,458</u>	<u>72,997</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 82,268</u>	<u>\$ 65,456</u>	<u>\$ 143,862</u>	<u>\$ 128,854</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST</b>	<u>\$ 80,503</u>	<u>\$ 63,518</u>	<u>\$ 140,438</u>	<u>\$ 125,232</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 Six Months Ended June 30, 2019**  
**(Unaudited)**

	Shareholders' Equity of the Trust								
	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
	(In thousands, except share data)								
BALANCE AT DECEMBER 31, 2018	405,896	\$ 159,997	74,249,633	\$ 745	\$ 3,004,442	\$ (818,877)	\$ (416)	\$ 121,439	\$ 2,467,330
January 1, 2019 adoption of new accounting standard - See Note 2	—	—	—	—	—	(7,098)	—	—	(7,098)
Net income, excluding \$1,783 attributable to redeemable noncontrolling interests	—	—	—	—	—	141,046	—	1,641	142,687
Other comprehensive loss - change in fair value of interest rate swaps	—	—	—	—	—	—	(608)	—	(608)
Dividends declared to common shareholders (\$2.04 per share)	—	—	—	—	—	(152,555)	—	—	(152,555)
Dividends declared to preferred shareholders	—	—	—	—	—	(4,021)	—	—	(4,021)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(7,664)	(7,664)
Common shares issued, net	—	—	511,954	5	68,299	—	—	—	68,304
Shares issued under dividend reinvestment plan	—	—	8,121	—	1,054	—	—	—	1,054
Share-based compensation expense, net of forfeitures	—	—	102,137	1	6,991	—	—	—	6,992
Shares withheld for employee taxes	—	—	(32,900)	—	(4,442)	—	—	—	(4,442)
Conversion and redemption of OP units	—	—	111,252	1	11,935	—	—	(11,936)	—
Adjustment to redeemable noncontrolling interests	—	—	—	—	667	—	—	—	667
BALANCE AT JUNE 30, 2019	<u>405,896</u>	<u>\$ 159,997</u>	<u>74,950,197</u>	<u>\$ 752</u>	<u>\$ 3,088,946</u>	<u>\$ (841,505)</u>	<u>\$ (1,024)</u>	<u>\$ 103,480</u>	<u>\$ 2,510,646</u>
BALANCE AT MARCH 31, 2019	405,896	\$ 159,997	74,836,984	\$ 752	\$ 3,071,981	\$ (843,947)	\$ (625)	\$ 113,405	2,501,563
Net income, excluding \$907 attributable to redeemable noncontrolling interests	—	—	—	—	—	80,902	—	858	81,760
Other comprehensive loss - change in fair value of interest rate swaps	—	—	—	—	—	—	(399)	—	(399)
Dividends declared to common shareholders (\$1.02 per share)	—	—	—	—	—	(76,449)	—	—	(76,449)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,011)	—	—	(2,011)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(6,398)	(6,398)
Common shares issued, net	—	—	65,822	—	8,951	—	—	—	8,951
Shares issued under dividend reinvestment plan	—	—	3,848	—	526	—	—	—	526
Share-based compensation expense, net of forfeitures	—	—	1,551	—	3,131	—	—	—	3,131
Shares withheld for employee taxes	—	—	(214)	—	(28)	—	—	—	(28)
Conversion and redemption of OP units	—	—	42,206	—	4,385	—	—	(4,385)	—
BALANCE AT JUNE 30, 2019	<u>405,896</u>	<u>\$ 159,997</u>	<u>74,950,197</u>	<u>\$ 752</u>	<u>\$ 3,088,946</u>	<u>\$ (841,505)</u>	<u>\$ (1,024)</u>	<u>\$ 103,480</u>	<u>\$ 2,510,646</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 Six Months Ended June 30, 2018**  
(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 DECEMBER 31, 2017	405,896	\$159,997	73,090,877	\$ 733	\$2,855,321	\$ (749,367)	\$ 22	\$ 124,808	\$ 2,391,514
January 1, 2018 adoption of new accounting standard	—	—	—	—	—	(6,028)	—	—	(6,028)
Net income, excluding \$1,998 attributable to redeemable noncontrolling interests	—	—	—	—	—	124,842	—	1,624	126,466
Other comprehensive income - change in fair value of interest rate swaps	—	—	—	—	—	—	390	—	390
Dividends declared to common shareholders (\$2.00 per share)	—	—	—	—	—	(146,399)	—	—	(146,399)
Dividends declared to preferred shareholders	—	—	—	—	—	(4,021)	—	—	(4,021)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(2,767)	(2,767)
Common shares issued, net	—	—	148,614	2	18,318	—	—	—	18,320
Exercise of stock options	—	—	93,593	1	4,040	—	—	—	4,041
Shares issued under dividend reinvestment plan	—	—	9,292	—	1,086	—	—	—	1,086
Share-based compensation expense, net of forfeitures	—	—	99,574	1	7,143	—	—	—	7,144
Shares withheld for employee taxes	—	—	(7,007)	—	(777)	—	—	—	(777)
Redemption of OP units	—	—	—	—	(360)	—	—	(4,026)	(4,386)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	3,009	3,009
<b>BALANCE AT JUNE 30, 2018</b>	<b>405,896</b>	<b>\$159,997</b>	<b>73,434,943</b>	<b>\$ 737</b>	<b>\$2,884,771</b>	<b>\$ (780,973)</b>	<b>\$ 412</b>	<b>\$ 122,648</b>	<b>\$ 2,387,592</b>
<b>BALANCE AT MARCH 31, 2018</b>	<b>405,896</b>	<b>\$159,997</b>	<b>73,216,520</b>	<b>\$ 735</b>	<b>\$2,859,717</b>	<b>\$ (769,311)</b>	<b>\$ 489</b>	<b>\$ 121,483</b>	<b>2,373,110</b>
Net income, excluding \$983 attributable to redeemable noncontrolling interests	—	—	—	—	—	63,595	—	955	64,550
Other comprehensive loss - change in fair value of interest rate swaps	—	—	—	—	—	—	(77)	—	(77)
Dividends declared to common shareholders (\$1.00 per share)	—	—	—	—	—	(73,246)	—	—	(73,246)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,011)	—	—	(2,011)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(1,419)	(1,419)
Common shares issued, net	—	—	148,584	2	18,314	—	—	—	18,316
Exercise of stock options	—	—	63,593	—	2,779	—	—	—	2,779
Shares issued under dividend reinvestment plan	—	—	4,852	—	539	—	—	—	539
Share-based compensation expense, net of forfeitures	—	—	1,606	—	3,274	—	—	—	3,274
Shares withheld for employee taxes	—	—	(212)	—	(24)	—	—	—	(24)
Redemption of OP units	—	—	—	—	172	—	—	(1,380)	(1,208)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	3,009	3,009
<b>BALANCE AT JUNE 30, 2018</b>	<b>405,896</b>	<b>\$159,997</b>	<b>73,434,943</b>	<b>\$ 737</b>	<b>\$2,884,771</b>	<b>\$ (780,973)</b>	<b>\$ 412</b>	<b>\$ 122,648</b>	<b>\$ 2,387,592</b>

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

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

	Six Months Ended June 30,	
	2019	2018
(In thousands)		
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 144,470	\$ 128,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118,679	116,491
Gain on sale of real estate, net	(16,197)	(7,288)
Loss from partnerships	1,053	1,253
Other, net	2,138	2,825
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Proceeds from new market tax credit transaction, net of deferred costs	—	12,353
Increase in accounts receivable, net	(5,325)	(3,805)
Decrease in prepaid expenses and other assets	7,800	10,077
Decrease in accounts payable and accrued expenses	(1,493)	(1,286)
(Decrease) increase in security deposits and other liabilities	(8,838)	4,027
Net cash provided by operating activities	242,287	263,111
<b>INVESTING ACTIVITIES</b>		
Acquisition of real estate	(25,176)	(1,736)
Capital expenditures - development and redevelopment	(133,570)	(150,119)
Capital expenditures - other	(36,669)	(35,654)
Proceeds from sale of real estate	93,025	121,391
Investment in partnerships	(907)	(120)
Distribution from partnerships in excess of earnings	1,301	205
Leasing costs	(11,473)	(12,339)
Repayment (issuance) of mortgage and other notes receivable, net	101	(323)
Net cash used in investing activities	(113,368)	(78,695)
<b>FINANCING ACTIVITIES</b>		
Net borrowings under revolving credit facility, net of costs	—	48,000
Issuance of senior notes, net of costs	297,076	—
Repayment of mortgages, finance leases and notes payable	(298,100)	(13,408)
Issuance of common shares, net of costs	68,461	22,492
Dividends paid to common and preferred shareholders	(154,965)	(149,603)
Shares withheld for employee taxes	(4,442)	(777)
Contributions from noncontrolling interests	161	1,728
Distributions to and redemptions of noncontrolling interests	(5,173)	(9,086)
Net cash used in financing activities	(96,982)	(100,654)
Increase in cash, cash equivalents and restricted cash	31,937	83,762
Cash, cash equivalents, and restricted cash at beginning of year	108,332	25,200
Cash, cash equivalents, and restricted cash at end of period	\$ 140,269	\$ 108,962

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



**Federal Realty Investment Trust**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019**  
**(Unaudited)**

**NOTE 1—BUSINESS AND ORGANIZATION**

Federal Realty Investment Trust (the “Trust”) is an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, California, and South Florida. As of June 30, 2019, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects.

We operate in a manner intended to enable us 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 consolidated balance sheet as of December 31, 2018, which has been derived from audited financial statements, and unaudited interim consolidated financial statements 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 accounting principles generally accepted in the United States (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 the Trust’s 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 six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year. Certain 2018 amounts have been reclassified to conform to current period presentation, which includes the presentation of rental income on our Consolidated Statements of Comprehensive Income.

**Principles of Consolidation**

Our consolidated financial statements include the accounts of the Trust, its corporate subsidiaries, and all entities in which the Trust has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity (“VIE”). 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 Adopted Accounting Pronouncements**

<b>Standard</b>	<b>Description</b>	<b>Effect on the financial statements or significant matters</b>
<b><i>Adopted on January 1, 2019:</i></b>		
Leases (Topic 842) and related updates:  ASU 2016-02, February 2016, Leases (Topic 842)  ASU 2018-10, July 2018, Codification improvements to Topic 842, Leases  ASU 2018-11, July 2018, Leases (Topic 842)  ASU 2019-01, March 2019, Leases (Topic 842), Codification Improvements	<p>ASC 842 significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The larger changes to the lessor model include: a change in the definition of initial direct costs of leases (resulting in the upfront expensing of more leasing related costs), the requirement to make an upfront and ongoing assessment of whether collection of substantially all of the lease payments required for the term of each lease is probable (if not probable, lease revenue is effectively recognized when cash is collected), certain presentation changes, and the elimination of real estate specific guidance.</p> <p>ASU 2018-10 and ASU 2019-01 provide narrow amendments that clarify how to apply certain aspects of the guidance in ASU 2016-02. ASU 2018-11 provides the option of an additional transition method, by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. It also provides lessors an option to not separate lease and non-lease components when certain criteria are met.</p>	<p>We have elected to apply the transition provisions of ASC Topic 842 at the beginning of the period of adoption (i.e., January 1, 2019), and therefore, did not retrospectively adjust prior periods presented. We have also elected to apply certain adoption related practical expedients for all leases that commenced prior to the effective date. These practical expedients include not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for any expired or existing leases; and not reassessing initial direct costs for any existing leases. We have also elected the practical expedient allowing lessors to combine non-lease and lease components (primarily impacts common area maintenance recoveries).</p> <p>From a lessee perspective, the primary impact of adoption on January 1, 2019 was to record a lease obligation liability and right of use asset for operating leases where we are the lessee. The most significant of these operating leases are ground leases at 14 properties. The operating lease right of use assets and related liabilities are shown separately on the face of our consolidated balance sheet. Additionally, amounts previously recorded as capital lease assets and included in real estate have been reclassified in the June 30, 2019 balance sheet as finance lease right of use assets and the related capital lease obligations have been reclassified in the June 30, 2019 balance sheet as finance lease liabilities. Income statement presentation is not impacted for our existing operating and finance leases.</p> <p>From a lessor perspective, adoption of ASC 842 results in a charge to opening accumulated dividends in excess of net income of \$7.1 million. This charge is attributable to the write off of certain direct leasing costs recorded as of December 31, 2018 under the previous lease accounting rules for leases which had not commenced and the write off of December 31, 2018 unreserved receivables (including straight-line receivables) for leases where we have determined that the collection of substantially all of the lease payments required for the term of the lease is not probable. Income statement presentation changes incorporated into our June 30, 2019 financial statements include: no longer recording a gross up of revenue and expense for costs (such as real estate taxes) paid directly by lessees on our behalf and recording collectability adjustments against revenue rather than as bad debt within rental expenses.</p> <p>As a result of the change in the definition of initial direct costs of leases, capitalized leasing costs excluding external commissions decreased to \$0.6 million and \$1.0 million for the three and six months ended June 30, 2019, respectively, from \$2.0 million and \$3.6 million for the three and six months ended June 30, 2018, respectively.</p>

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The following table provides additional information on our operating and finance leases where we are the lessee:

	Three Months Ended	Six Months Ended
	June 30, 2019	
	(In thousands)	
<b>LEASE COST:</b>		
Finance lease cost:		
Amortization of right-of-use assets	\$ 321	\$ 642
Interest on lease liabilities	1,455	2,911
Operating lease cost	1,493	2,997
Variable lease cost	129	220
Total lease cost	<u>\$ 3,398</u>	<u>\$ 6,770</u>
<b>OTHER INFORMATION:</b>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for finance leases	\$ 1,433	\$ 2,893
Operating cash flows for operating leases	\$ 1,268	\$ 2,779
Financing cash flows for finance leases	\$ 16	\$ 41
		<u>June 30, 2019</u>
Weighted-average remaining lease term - finance leases		18.6 years
Weighted-average remaining lease term - operating leases		53.7 years
Weighted-average discount rate - finance leases		8.0%
Weighted-average discount rate - operating leases		4.5%

**Consolidated Statements of Cash Flows—Supplemental Disclosures**

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

	Six Months Ended	
	June 30,	
	2019	2018
	(In thousands)	
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Total interest costs incurred	\$ 64,755	\$ 64,685
Interest capitalized	(9,240)	(10,735)
Interest expense	<u>\$ 55,515</u>	<u>\$ 53,950</u>
Cash paid for interest, net of amounts capitalized	<u>\$ 53,588</u>	<u>\$ 52,997</u>
Cash paid for income taxes	<u>\$ 419</u>	<u>\$ 692</u>
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b>		
DownREIT operating partnership units redeemed for common shares	\$ 11,935	\$ —
Shares issued under dividend reinvestment plan	\$ 897	\$ 955

See additional disclosures in the "Recently Adopted Accounting Pronouncements" section of this footnote relating to operating lease right of use assets and lease liabilities recorded in connection with our adoption of ASC Topic 842.

	June 30, 2019	December 31, 2018
	(In thousands)	
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>		
Cash and cash equivalents	\$ 105,903	\$ 64,087
Restricted cash (1)	34,366	44,245
Total cash, cash equivalents, and restricted cash	<u>\$ 140,269</u>	<u>\$ 108,332</u>

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

[Table of Contents](#)**NOTE 3—REAL ESTATE**

On February 8, 2019, we acquired the fee interest in Fairfax Junction, a 75,000 square foot shopping center in Fairfax, Virginia for \$22.5 million. Approximately \$0.6 million and \$0.4 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

On May 28, 2019, we sold Free State Shopping Center in Bowie, Maryland for a sales price of \$72.0 million, and on May 29, 2019, we sold a land parcel at Northeast Shopping Center in Philadelphia, Pennsylvania for \$7.7 million. These sales resulted in a gain of \$15.2 million.

During the six months ended June 30, 2019, we closed on the sale of 27 condominium units at our Assembly Row and Pike & Rose properties (combined), received proceeds net of closing costs of \$13.1 million, and recognized a gain of \$0.7 million, net of \$0.2 million of income taxes. The cost basis for the remaining condominium units as of June 30, 2019 is \$5.9 million, and is included in "assets held for sale" on our consolidated balance sheets.

**NOTE 4—DEBT**

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. The notes were offered at 99.838% of the principal amount with a yield to maturity of 3.219%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were \$297.0 million, which were primarily used to repay our \$275.0 million unsecured term loan, at par, on June 7, 2019.

During the three and six months ended June 30, 2019, the maximum amount of borrowings outstanding under our \$800.0 million revolving credit facility was \$81.0 million and \$116.5 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 3.2% for both periods. During the three and six months ended June 30, 2019, the weighted average borrowings outstanding were \$27.1 million and \$45.1 million, respectively. At June 30, 2019, our revolving credit facility had no balance outstanding. Our revolving credit facility 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 June 30, 2019, 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:

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	\$ 455,046	\$ 460,416	\$ 753,406	\$ 751,361
Senior notes and debentures	\$ 2,702,737	\$ 2,830,445	\$ 2,404,279	\$ 2,371,392

One of our equity method investees has two interest rate swaps which qualify for cash flow hedge accounting. For the three and six months ended June 30, 2019, our share of the change in fair value of the related swaps included in "accumulated other comprehensive loss" was \$0.4 million, and \$0.6 million, respectively.

[Table of Contents](#)**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 627,171 downREIT operating partnership units are outstanding which have a total fair value of approximately \$80.8 million, which is calculated by multiplying the outstanding number of downREIT partnership units by our closing stock price on June 30, 2019.

**NOTE 7—SHAREHOLDERS' EQUITY**

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

	Six Months Ended June 30,			
	2019		2018	
	Declared	Paid	Declared	Paid
Common shares	\$ 2.040	\$ 2.040	\$ 2.000	\$ 2.000
5.417% Series 1 Cumulative Convertible Preferred shares	\$ 0.677	\$ 0.677	\$ 0.677	\$ 0.677
5.0% Series C Cumulative Redeemable Preferred shares (1)	\$ 0.625	\$ 0.625	\$ 0.625	\$ 0.681

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

We have an at-the-market ("ATM") equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$400.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the six months ended June 30, 2019, we sold 511,938 common shares at a weighted average price per share of \$134.96 for net cash proceeds of \$68.3 million and paid \$0.7 million in commissions and \$0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2019, we had the capacity to issue up to \$203.4 million in common shares under our ATM equity program.

**NOTE 8—SHARE-BASED COMPENSATION PLANS**

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	(In thousands)			
Grants of common shares and options	\$ 3,131	\$ 3,274	\$ 6,992	\$ 7,144
Capitalized share-based compensation	(201)	(488)	(472)	(926)
Share-based compensation expense	\$ 2,930	\$ 2,786	\$ 6,520	\$ 6,218

[Table of Contents](#)**NOTE 9—EARNINGS PER SHARE**

We have calculated earnings per share (“EPS”) under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating securities is calculated according to dividends declared and participation rights in undistributed earnings. For the three and six months ended June 30, 2019, we had 0.2 million weighted average unvested shares outstanding and for the three and six months ended June 30, 2018 we had 0.3 million weighted average unvested shares outstanding, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares; the portion of earnings allocated to the unvested shares is reflected as “earnings allocated to unvested shares” in the reconciliation below.

In the dilutive EPS calculation, dilutive stock options were calculated using the treasury stock method consistent with prior periods. There were 682 anti-dilutive stock options for the three and six months ended June 30, 2019 and 2018. The conversions of downREIT operating partnership units and 5.417% Series 1 Cumulative Convertible Preferred Shares are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
(In thousands, except per share data)				
<b>NUMERATOR</b>				
Net income	\$ 82,667	\$ 65,533	\$ 144,470	\$ 128,464
Less: Preferred share dividends	(2,011)	(2,011)	(4,021)	(4,021)
Less: Income from operations attributable to noncontrolling interests	(1,765)	(1,938)	(3,424)	(3,622)
Less: Earnings allocated to unvested shares	(226)	(255)	(439)	(508)
Net income available for common shareholders, basic and diluted	<u>\$ 78,665</u>	<u>\$ 61,329</u>	<u>\$ 136,586</u>	<u>\$ 120,313</u>
<b>DENOMINATOR</b>				
Weighted average common shares outstanding—basic	74,713	72,990	74,458	72,948
Stock options	—	35	—	49
Weighted average common shares outstanding—diluted	<u>74,713</u>	<u>73,025</u>	<u>74,458</u>	<u>72,997</u>
<b>EARNINGS PER COMMON SHARE, BASIC:</b>				
Net income available for common shareholders	<u>\$ 1.05</u>	<u>\$ 0.84</u>	<u>\$ 1.83</u>	<u>\$ 1.65</u>
<b>EARNINGS PER COMMON SHARE, DILUTED:</b>				
Net income available for common shareholders	<u>\$ 1.05</u>	<u>\$ 0.84</u>	<u>\$ 1.83</u>	<u>\$ 1.65</u>

**NOTE 10—SUBSEQUENT EVENT**

On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion and extend the maturity date to January 19, 2024, subject to two six-month extensions at our option. Under the amended facility, the spread over LIBOR is 77.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

**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, 2018 filed with the Securities and Exchange Commission (the “SEC”) on February 13, 2019.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to

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forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “believes,” “estimates,” “anticipates” and “continues.” Forward-looking statements are not historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

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. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. 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, 2018 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

### **Overview**

We are an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. As of June 30, 2019, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 23.9 million square feet. In total, the real estate projects were 94.1% leased and 93.3% occupied at June 30, 2019.

### **2019 Property Acquisition and Dispositions**

On February 8, 2019, we acquired the fee interest in Fairfax Junction, a 75,000 square foot shopping center in Fairfax, Virginia for \$22.5 million. Approximately \$0.6 million and \$0.4 million of net assets acquired were allocated to other assets for “above market leases,” and other liabilities for “below market leases,” respectively.

On May 28, 2019, we sold Free State Shopping Center in Bowie, Maryland for a sales price of \$72.0 million, and on May 29, 2019, we sold a land parcel at Northeast Shopping Center in Philadelphia, Pennsylvania for \$7.7 million. These sales resulted in a gain of \$15.2 million.

During the six months ended June 30, 2019, we closed on the sale of 27 condominium units at our Assembly Row and Pike & Rose properties (combined), received proceeds net of closing costs of \$13.1 million, and recognized a gain of \$0.7 million, net of \$0.2 million of income taxes. The cost basis for the remaining condominium units as of June 30, 2019 is \$5.9 million, and is included in “assets held for sale” on our consolidated balance sheets.

### **2019 Debt and Equity Transactions**

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. The notes were offered at 99.838% of the principal amount with a yield to maturity of 3.219%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were \$297.0 million, which were primarily used to repay our \$275.0 million unsecured term loan on June 7, 2019.

On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion and extend the maturity date to January 19, 2024, subject to two six-month extensions at our option. Under the amended facility, the spread over LIBOR is 77.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

We have an at-the-market (“ATM”) equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$400.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the six months ended June 30, 2019, we sold 511,938 common shares at a weighted average price per share of \$134.96 for net cash proceeds of \$68.3 million and paid \$0.7 million in commissions and \$0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2019, we had the capacity to issue up to \$203.4 million in common shares under our ATM equity program.

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### **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 \$142 million and \$4 million, respectively, for the six months ended June 30, 2019, and \$137 million and \$5 million, respectively, for the six months ended June 30, 2018. We capitalized external and internal costs related to other property improvements of \$29 million and \$2 million, respectively, for the six months ended June 30, 2019, and \$28 million and \$2 million for the six months ended June 30, 2018. We capitalized external and internal costs related to leasing activities of \$10 million and \$1 million, respectively, for the six months ended June 30, 2019, and \$9 million and \$3 million, respectively, for the six months ended June 30, 2018. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$4 million, \$1 million, and \$1 million, respectively, for the six months ended June 30, 2019 and \$4 million, \$1 million, and \$3 million, respectively for the six months ended June 30, 2018. Total capitalized costs were \$188 million and \$184 million for the six months ended June 30, 2019 and 2018, respectively.

### **Recently Adopted Accounting Pronouncements**

See Note 2 to the consolidated financial statements.

### **Outlook**

We seek 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 development and redevelopments, and
- expansion of our portfolio through property acquisitions.

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 see relatively strong levels of interest from prospective tenants for our retail spaces; however, the time it takes to complete new lease deals is longer, as tenants have become more selective and more deliberate in their decision-making process. We have also experienced extended periods of time for some government agencies to process permits and inspections further delaying rent commencement on newly leased spaces. Additionally, we have seen an overall decrease in the number of tenants available to fill anchor spaces, and have seen an uptick in the number of retail tenants vacating prior to the end of their lease term and/or filing for bankruptcy. We believe the locations and nature of our centers and diverse tenant base partially mitigates any potential negative changes in the economic environment. However, any significant reduction in our tenants' abilities to pay base rent, percentage rent or other charges will adversely affect our financial condition and results of operations. We seek to maintain a mix of strong national, regional, and local retailers. At June 30, 2019, no single tenant accounted for more than 2.6% of annualized base rent.

Our properties are located primarily in densely populated and/or affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. We currently have redevelopment projects underway with a projected total cost of approximately \$325 million that we expect to stabilize in the next several years.

We continue our ongoing redevelopment efforts at Santana Row and are under construction on an eight story 301,000 square foot office building which will include an additional 18,000 square feet of retail space and 1,300 parking spaces. The project is expected to cost between \$210 million and \$220 million, to be delivered in 2020, and the office portion is 100% leased. After current phases, we have approximately 4 acres remaining for further redevelopment and entitlements in place for an additional 395 residential units and 321,000 square feet of commercial space.

Additionally, we control 12 acres of land across from Santana Row, which has approximately 1 million square feet of commercial space entitlements. We are proceeding with the first phase of construction on this land, which includes an eight story 360,000 square foot office building, with over 1,700 parking spaces. The building is expected to cost between \$250 and \$270 million, with deliveries beginning in 2021.

Phase II of Assembly Row includes approximately 161,000 square feet of retail space, 447 residential units, and a 158 room boutique hotel (owned and operated by a joint venture in which we are a partner). Total expected costs range from \$290 million



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to \$305 million and delivery is expected to continue through 2019. As of June 30, 2019, approximately 130,000 square feet of retail space and the 158 room hotel have opened, and all of the residential units have been completed. Phase II also includes 122 for-sale condominium units of which 115 units have closed as of June 30, 2019. The remaining 7 units are expected to close in 2019. The condominium units have an expected total cost of \$81 million.

Additionally, we commenced construction on Phase III of Assembly Row, which will include 277,000 square feet of office space (of which, 150,000 square feet is pre-leased), 56,000 square feet of retail space, 500 residential units, and over 800 additional parking spaces. The expected costs for Phase III are between \$465 million and \$485 million and is projected to open beginning in 2022.

Phase II of Pike & Rose includes approximately 216,000 square feet of retail space, 272 residential units, and a 177 room boutique hotel (owned and operated by a joint venture in which we are a partner). As of June 30, 2019, approximately 196,000 square feet of retail space and the 177 room hotel have opened, and all of the residential units have been completed. Total expected costs range from \$200 million to \$207 million and remaining delivery is expected to continue through 2019. As of June 30, 2019, we closed on the sale of 88 of the 99 for-sale condominium units in Phase II. The condominium units have an expected total cost of \$62 million.

Additionally, at Pike & Rose, we have commenced construction on a 212,000 square foot office building (which includes 4,000 square feet of ground floor retail space), and will include over 600 additional parking spaces. The building is expected to cost between \$128 million and \$135 million and is projected to open beginning in 2021.

Including costs incurred in the first six months of 2019, we expect to invest between \$175 million and \$200 million at Assembly Row and Pike & Rose in 2019.

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 in our primary markets 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 downREIT units as well as through new or assumed mortgages and property sales.

At June 30, 2019, the leasable square feet in our properties was 94.1% leased and 93.3% 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 second quarter of 2019, we signed leases for a total of 383,000 square feet of retail space including 379,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 7% on a cash basis. New leases for comparable spaces were signed for 136,000 square feet at an average rental increase of 17% on a cash basis. Renewals for comparable spaces were signed for 243,000 square feet at an average rental increase of 3% on a cash basis. Tenant improvements and incentives for comparable spaces were \$33.12 per square foot, of which, \$88.78 per square foot was for new leases and \$2.00 per square foot was for renewals for the three months ended June 30, 2019.

For the six months ended June 30, 2019, we signed leases for a total of 688,000 square feet of retail space including 626,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 8% on a cash basis. New leases for comparable spaces were signed for 264,000 square feet at an average rental increase of 17% on a cash basis. Renewals for comparable spaces were signed for 362,000 square feet at an average rental increase of 2% on a cash basis. Tenant improvements and incentives for comparable spaces were \$41.75 per square foot, of which, \$96.56 per square foot was for new leases and \$1.77 per square foot was for renewals for the six months ended June 30, 2019.

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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. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and in some instances, projections of first lease year 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 and, except for redevelopments, may also include base building costs (i.e. expansion, escalators or new entrances) which are required to make the space leasable. Incentives include amounts paid to tenants as inducement to sign a lease that do not represent building improvements.

The leases signed in 2019 generally become effective over the following two years though some may not become effective until 2022 and beyond. Further, there is 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, these increases do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

Historically, we have executed comparable space leases for 1.2 to 1.7 million square feet of retail space each year, and expect that volume for 2019 will be in line with our historical averages with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

### **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 six months ended June 30, 2019, all or a portion of 97 properties were considered comparable properties and eight properties were considered non-comparable properties. For the three and six months ended June 30, 2019, eight properties were moved from acquisitions to comparable properties, one property was moved from acquisitions to non-comparable properties, one portion of a property was moved from non-comparable to comparable properties, and one property was removed from comparable properties, as it was sold, compared to the designations for the year ended December 31, 2018, which were 90 properties or portions of properties considered comparable and eight considered non-comparable. 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 to 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 JUNE 30, 2019 AND 2018**

	2019	2018	Change	
			Dollars	%
(Dollar amounts in thousands)				
Rental income	\$ 229,731	\$ 224,168	\$ 5,563	2.5 %
Mortgage interest income	734	734	—	— %
Total property revenue	230,465	224,902	5,563	2.5 %
Rental expenses	41,438	39,905	1,533	3.8 %
Real estate taxes	25,166	28,307	(3,141)	(11.1)%
Total property expenses	66,604	68,212	(1,608)	(2.4)%
Property operating income (1)	163,861	156,690	7,171	4.6 %
General and administrative expense	(11,422)	(8,413)	(3,009)	35.8 %
Depreciation and amortization	(59,057)	(58,381)	(676)	1.2 %
Gain on sale of real estate, net	16,197	3,972	12,225	307.8 %
Operating income	109,579	93,868	15,711	16.7 %
Other interest income	189	159	30	18.9 %
Interest expense	(27,482)	(27,766)	284	(1.0)%
Income (loss) from partnerships	381	(728)	1,109	152.3 %
Total other, net	(26,912)	(28,335)	1,423	(5.0)%
Net income	82,667	65,533	17,134	26.1 %
Net income attributable to noncontrolling interests	(1,765)	(1,938)	173	(8.9)%
Net income attributable to the Trust	\$ 80,902	\$ 63,595	\$ 17,307	27.2 %

(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.

**Property Revenues**

Total property revenue increased \$5.6 million, or 2.5%, to \$230.5 million in the three months ended June 30, 2019 compared to \$224.9 million in the three months ended June 30, 2018. The percentage occupied at our shopping centers was 93.3% at June 30, 2019 compared to 93.7% at June 30, 2018. 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. Rental income increased \$5.6 million, or 2.5%, to \$229.7 million in the three months ended June 30, 2019 compared to \$224.2 million in the three months ended June 30, 2018 due primarily to the following:

- an increase of \$3.1 million from comparable properties due primarily to higher rental rates of approximately \$3.4 million, higher legal and lease termination fees of \$1.7 million, and higher average occupancy of approximately \$0.8 million, partially offset by a \$2.9 million decrease in real estate tax recoveries primarily due to lower multi-year tax reassessments for three of our properties and the requirements of the new lease accounting standard (see Note 2 for additional disclosure),
- an increase of \$2.8 million from non-comparable properties due primarily to the openings at Phase II at Assembly Row and Pike & Rose, partially offset by redevelopment related occupancy decreases at one of our Florida properties and one Virginia property, and
- an increase of \$0.5 million from the acquisition of Fairfax Junction in February 2019,

partially offset by,

- a decrease of \$1.4 million from our 2018 and 2019 property sales.

**Property Expenses**

Total property expenses decreased \$1.6 million, or 2.4%, to \$66.6 million in the three months ended June 30, 2019 compared to \$68.2 million in the three months ended June 30, 2018. Changes in the components of property expenses are discussed below.

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### *Rental Expenses*

Rental expenses increased \$1.5 million, or 3.8%, to \$41.4 million in the three months ended June 30, 2019 compared to \$39.9 million in the three months ended June 30, 2018. This increase is due primarily to an increase of \$1.4 million from comparable properties due primarily to higher repairs and maintenance costs partially offset by a \$0.9 million decrease due to the new lease accounting standard requirement to record collectibility adjustments as a reduction to revenue rather than rental expense effective at adoption on January 1, 2019.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income increased to 18.0% in the three months ended June 30, 2019 from 17.8% in the three months ended June 30, 2018.

### *Real Estate Taxes*

Real estate tax expense decreased \$3.1 million, or 11.1%, to \$25.2 million in the three months ended June 30, 2019 compared to \$28.3 million in the three months ended June 30, 2018. This decrease is primarily due to the following:

- a decrease of \$3.4 million from comparable properties due primarily to a tax refund from a multi-year appeal and reassessment of three of our properties and \$1.3 million due to the new lease accounting standard requirement, which no longer permits the gross up of real estate tax revenue and expense for real estate taxes that our tenants pay directly to the taxing authority (see Note 2 for additional disclosure),

partially offset by

- an increase of \$0.3 million from non-comparable properties due primarily to increases in assessments as a result of our redevelopment activities.

### **Property Operating Income**

Property operating income increased \$7.2 million, or 4.6%, to \$163.9 million in the three months ended June 30, 2019 compared to \$156.7 million in the three months ended June 30, 2018. This increase is due primarily to growth in earnings at comparable properties and Assembly Row and Pike & Rose, partially offset by property sales.

### **Other Operating**

#### *General and Administrative*

General and administrative expense increased \$3.0 million, or 35.8%, to \$11.4 million in the three months ended June 30, 2019 from \$8.4 million in the three months ended June 30, 2018. This increase is due primarily to higher leasing related costs as certain costs can no longer be capitalized as a result of the new lease accounting standard (see Note 2 for additional disclosure) and higher personnel costs.

#### *Gain on Sale of Real Estate, Net*

The \$16.2 million gain on sale of real estate, net for the three months ended June 30, 2019 is due primarily to the sale of Free State Shopping Center and a land parcel at Northeast Shopping Center.

The \$4.0 million net gain for the three months ended June 30, 2018 is related to condominium unit sales that closed at our Assembly Row and Pike and Rose properties.

### **Operating Income**

Operating income increased \$15.7 million, or 16.7%, to \$109.6 million in the three months ended June 30, 2019 compared to \$93.9 million in the three months ended June 30, 2018. This increase is due primarily to the net gains on the sales of Free State Shopping Center and a land parcel at Northeast Shopping Center, growth in earnings at our comparable properties, and the opening of Phase II of Assembly Row and Pike & Rose, partially offset by higher leasing and personnel related costs.

### **Other**

#### *Interest Expense*

Interest expense decreased \$0.3 million, or 1.0%, to \$27.5 million in the three months ended June 30, 2019 compared to \$27.8 million in the three months ended June 30, 2018. This decrease is due primarily to a decrease of \$0.9 million due to lower weighted average borrowings, partially offset by an increase of \$0.7 million due to a higher overall weighted average borrowing rate.

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Gross interest costs were \$32.2 million and \$32.4 million in the three months ended June 30, 2019 and 2018, respectively. Capitalized interest was \$4.7 million and \$4.6 million for the three months ended June 30, 2019 and 2018, respectively.

*Income (loss) from Partnerships*

Income (loss) from partnerships increased \$1.1 million, or 152.3%, to \$0.4 million in the three months ended June 30, 2019 compared to a loss of \$0.7 million in the three months ended June 30, 2018. This increase is due primarily to our share of earnings related to the hotel joint ventures at Assembly Row and Pike & Rose, which opened in August 2018 and March 2018, respectively.

**RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

	2019	2018	Change	
			Dollars	%
	(Dollar amounts in thousands)			
Rental income	\$ 461,223	\$ 448,816	\$ 12,407	2.8 %
Mortgage interest income	1,469	1,491	(22)	(1.5)%
Total property revenue	462,692	450,307	12,385	2.8 %
Rental expenses	85,698	84,678	1,020	1.2 %
Real estate taxes	52,853	56,755	(3,902)	(6.9)%
Total property expenses	138,551	141,433	(2,882)	(2.0)%
Property operating income (1)	324,141	308,874	15,267	4.9 %
General and administrative expense	(20,987)	(16,342)	(4,645)	28.4 %
Depreciation and amortization	(118,679)	(116,491)	(2,188)	1.9 %
Gain on sale of real estate, net	16,197	7,288	8,909	122.2 %
Operating income	200,672	183,329	17,343	9.5 %
Other interest income	366	338	28	8.3 %
Interest expense	(55,515)	(53,950)	(1,565)	2.9 %
Loss from partnerships	(1,053)	(1,253)	200	(16.0)%
Total other, net	(56,202)	(54,865)	(1,337)	2.4 %
Net income	144,470	128,464	16,006	12.5 %
Net income attributable to noncontrolling interests	(3,424)	(3,622)	198	(5.5)%
Net income attributable to the Trust	\$ 141,046	\$ 124,842	\$ 16,204	13.0 %

(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.

**Property Revenues**

Total property revenue increased \$12.4 million, or 2.8%, to \$462.7 million in the six months ended June 30, 2019 compared to \$450.3 million in the six months ended June 30, 2018. The percentage occupied at our shopping centers was 93.3% at June 30, 2019 compared to 93.7% at June 30, 2018. 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. Rental income increased \$12.4 million, or 2.8%, to \$461.2 million in the six months ended June 30, 2019 compared to \$448.8 million in the six months ended June 30, 2018 due primarily to the following:

- an increase of \$7.1 million from non-comparable properties due primarily to the opening of Phase II at Assembly Row and Pike & Rose and the lease-up of one of our other redevelopments, partially offset by redevelopment related occupancy decreases at two of our Florida properties and one Virginia property,
- an increase of \$6.0 million from comparable properties due primarily to higher rental rates of approximately \$5.6 million, higher legal and lease termination fees of \$5.1 million, and higher average occupancy of

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approximately \$1.2 million, partially offset by a \$4.1 million decrease in real estate tax recoveries primarily due to lower multi-year tax reassessments for three of our properties and the requirements of the new lease accounting standard (see Note 2 for additional disclosure), and

- an increase of \$0.8 million from the acquisition of Fairfax Junction in February 2019,

partially offset by

- a decrease of \$2.3 million from property sales.

### **Property Expenses**

Total property expenses decreased \$2.9 million, or 2.0%, to \$138.6 million in the six months ended June 30, 2019 compared to \$141.4 million in the six months ended June 30, 2018. Changes in the components of property expenses are discussed below.

#### *Rental Expenses*

Rental expenses increased \$1.0 million, or 1.2%, to \$85.7 million in the six months ended June 30, 2019 compared to \$84.7 million in the six months ended June 30, 2018. This increase is due primarily to the following:

- an increase of \$0.6 million from non-comparable properties due primarily to the opening of Phase II at Assembly Row and Pike & Rose, partially offset by lower expenses at two of our Florida properties,
- an increase of \$0.5 million from comparable properties due primarily to higher repairs and maintenance costs partially offset by a \$1.8 million decrease due to the new lease accounting standard requirement to record collectibility adjustments as a reduction to revenue rather than rental expense effective at adoption on January 1, 2019, and
- an increase of \$0.3 million from acquisitions,

partially offset by

- a decrease of \$0.6 million from property sales.

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 18.6% in the six months ended June 30, 2019 from 18.9% the six months ended June 30, 2018.

#### *Real Estate Taxes*

Real estate tax expense decreased \$3.9 million, or 6.9%, to \$52.9 million in the six months ended June 30, 2019 compared to \$56.8 million in the six months ended June 30, 2018 due primarily to:

- a decrease of \$4.3 million from comparable properties due primarily to a tax refund from a multi-year appeal and reassessment for three of our properties and \$2.7 million due to the new lease accounting standard requirement, which no longer permits the gross up of real estate tax revenue and expense for real estate taxes that our tenants pay directly to the taxing authority (see Note 2 for additional disclosure),

partially offset by

- an increase of \$0.6 million from non-comparable properties due primarily to increases in assessments as a result of our redevelopment activities.

### **Property Operating Income**

Property operating income increased \$15.3 million, or 4.9%, to \$324.1 million in the six months ended June 30, 2019 compared to \$308.9 million in the six months ended June 30, 2018. This increase is due primarily to growth in earnings at comparable properties, the opening of Phase II at Assembly Row and Pike & Rose, and our acquisition of Fairfax Junction in February 2019, partially offset by property sales.

### **Other Operating**

#### *General and Administrative*

General and administrative expense increased \$4.6 million, or 28.4%, to \$21.0 million in the six months ended June 30, 2019 from \$16.3 million in the six months ended June 30, 2018. This increase is due primarily to higher leasing related costs as certain costs can no longer be capitalized as a result of the new lease accounting standard (see Note 2 for additional disclosure) and higher personnel costs.

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### *Gain on Sale of Real Estate, Net*

The \$16.2 million gain on sale of real estate, net for the six months ended June 30, 2019 is due primarily to the sale of Free State Shopping Center and a land parcel at Northeast Shopping Center.

The \$7.3 million net gain for the six months ended June 30, 2018 is related to condominium unit sales that closed at our Assembly Row and Pike and Rose properties.

### **Operating Income**

Operating income increased \$17.3 million, or 9.5%, to \$200.7 million in the six months ended June 30, 2019 compared to \$183.3 million in the six months ended June 30, 2018. This increase is due primarily to growth in earnings at our comparable properties, the net gains on the sales of Free State Shopping Center and a land parcel at Northeast Shopping Center, and the opening of Phase II of Assembly Row and Pike & Rose, partially offset by higher leasing and personnel related costs.

### **Other**

#### *Interest Expense*

Interest expense increased \$1.6 million, or 2.9%, to \$55.5 million in the six months ended June 30, 2019 compared to \$54.0 million in the six months ended June 30, 2018. This increase is due primarily to the following:

- an increase of \$1.9 million due to a higher overall weighted average borrowing rate and
- a decrease of \$1.5 million in capitalized interest, primarily attributable to portions of Phase II of Assembly Row and Pike & Rose being placed in service partially offset by our Santana Row development,

partially offset by

- a decrease of \$1.8 million due to lower weighted average borrowings.

Gross interest costs were \$64.8 million and \$64.7 million in the six months ended June 30, 2019 and 2018, respectively. Capitalized interest was \$9.2 million and \$10.7 million in the six months ended June 30, 2019 and 2018, respectively.

### **Liquidity and Capital Resources**

Due to the nature of our business and strategy, we typically generate significant amounts of cash from operations. The cash generated from operations is largely paid to our common and preferred shareholders in the form of dividends. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income.

Our short-term liquidity requirements consist primarily of normal recurring operating expenses, obligations under our capital and operating leases, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Our long-term capital requirements consist primarily of maturities under our long-term debt agreements, development and redevelopment costs and potential acquisitions.

We intend to operate with and maintain 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. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, joint venture relationships relating to existing properties or new acquisitions, and property dispositions that are consistent with this conservative structure.

At June 30, 2019, we had cash and cash equivalents of \$105.9 million and no outstanding balance on our \$800.0 million unsecured revolving credit facility. For the six months ended June 30, 2019, the maximum amount of borrowings outstanding under our revolving credit facility was \$116.5 million, the weighted average amount of borrowings outstanding was \$45.1 million and the weighted average interest rate, before amortization of debt fees, was 3.2%. On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion, lower our spread over LIBOR from 82.5 basis points to 77.5 basis points, and extend the maturity date to January 19, 2024, subject to two six-month extensions at our option. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. The net proceeds of \$297.0 million were primarily used to repay our \$275.0 million unsecured term loan, which was to mature in November 2019, resulting in no remaining debt maturing in 2019. During the six months ended June 30, 2019, we raised \$68.3 million, after fees and other costs, under our ATM equity program, which as of June 30, 2019, had the capacity to issue up to \$203.4 million in common shares. We currently believe that cash flows from operations, cash on han

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d, our ATM program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements and capital expenditures.

Our overall capital requirements for the remainder of 2019 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Assembly Row, Pike & Rose and future phases of Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to see higher levels of capital investments in our properties under development and redevelopment compared to 2018, as we invest in the next phase of these projects. With respect to other capital investments related to our existing properties, we expect to incur levels consistent with prior years. Our capital investments will be funded on a short-term basis with cash flow from operations, cash on hand and/or our revolving credit facility, and on a long-term basis, with long-term debt or equity including shares issued under our ATM equity program. If necessary, we may access the debt or equity capital markets to finance significant acquisitions. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may 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.

In addition to conditions in the capital markets which could affect our ability to access those markets, the following factors could affect our ability to meet our liquidity requirements:

- restrictions in our debt instruments or preferred shares may limit us from incurring debt or issuing equity at all, or on acceptable terms under then-prevailing market conditions; and
- we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance.

### *Summary of Cash Flows*

	Six Months Ended June 30,	
	2019	2018
	(In thousands)	
Cash provided by operating activities	\$ 242,287	\$ 263,111
Cash used in investing activities	(113,368)	(78,695)
Cash used in financing activities	(96,982)	(100,654)
Increase in cash, cash equivalents and restricted cash	31,937	83,762
Cash, cash equivalents and restricted cash, beginning of year	108,332	25,200
Cash, cash equivalents and restricted cash, end of period	\$ 140,269	\$ 108,962

Net cash provided by operating activities decreased \$20.8 million to \$242.3 million during the six months ended June 30, 2019 from \$263.1 million during the six months ended June 30, 2018. The decrease was primarily attributable to \$12.4 million in net proceeds from the Jordan Downs Plaza new market tax credit transaction in June 2018 and the timing of cash receipts, partially offset by higher net income before certain non-cash items.

Net cash used in investing activities increased \$34.7 million to \$113.4 million during the six months ended June 30, 2019 from \$78.7 million during the six months ended June 30, 2018. The increase was primarily attributable to:

- a \$28.4 million decrease in proceeds from sales of real estate, resulting from a decrease in the sale of condominiums at our Assembly Row and Pike & Rose properties, partially offset by the sale of Free State Shopping Center and a land parcel at Northeast Shopping Center in May 2019, and
- a \$23.4 million increase in acquisition of real estate, primarily due to the acquisition of Fairfax Junction in February 2019,

partially offset by

- a \$15.5 million decrease in capital expenditures as we complete portions of Phase II of both our Assembly Row and Pike & Rose projects.

Net cash used in financing activities decreased \$3.7 million to \$97.0 million during the six months ended June 30, 2019 from \$100.7 million during the six months ended June 30, 2018. The decrease was primarily attributable to:

- \$297.1 million in net proceeds from the issuance of \$300.0 million of 3.20% senior unsecured notes in June 2019, and



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- a \$46.0 million increase in net proceeds from the issuance of 0.5 million common shares under our ATM program at a weighted average price of \$134.96 during the six months ended June 30, 2019, as compared to 0.2 million common shares at a weighted average price of \$125.46 in 2018,

partially offset by

- a \$284.7 million increase in repayment of mortgages, finance leases, and notes payable primarily due to the payoff of our \$275.0 million unsecured term loan in June 2019 and the \$20.3 million payoff of the mortgage loan on Rollingwood Apartments in January 2019, as compared to the \$10.5 million payoff of the mortgage loan on the Grove at Shrewsbury (West) in March 2018,
- a \$48.0 million decrease in net borrowings on our revolving credit facility, and
- a \$5.4 million increase in dividends paid to shareholders due to an increase in the common share dividend rate and an increase in the number of common shares outstanding.

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*Debt Financing Arrangements*

The following is a summary of our total debt outstanding as of June 30, 2019:

Description of Debt	Original Debt Issued	Principal Balance as of June 30, 2019	Stated Interest Rate as of June 30, 2019	Maturity Date
(Dollar amounts in thousands)				
<b>Mortgages payable</b>				
<i>Secured fixed rate</i>				
The Shops at Sunset Place	Acquired	\$ 63,326	5.62%	September 1, 2020
29th Place	Acquired	3,999	5.91%	January 31, 2021
Sylmar Towne Center	Acquired	16,819	5.39%	June 6, 2021
Plaza Del Sol	Acquired	8,321	5.23%	December 1, 2021
The AVENUE at White Marsh	52,705	52,705	3.35%	January 1, 2022
Montrose Crossing	80,000	68,411	4.20%	January 10, 2022
Azalea	Acquired	40,000	3.73%	November 1, 2025
Bell Gardens	Acquired	12,808	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
Chelsea	Acquired	5,770	5.36%	January 15, 2031
Subtotal		452,259		
Net unamortized premium and debt issuance costs		(1,376)		
Total mortgages payable, net		450,883		
<b>Notes payable</b>				
Revolving credit facility (1)	800,000	—	LIBOR + 0.825%	April 20, 2020
Various	7,239	4,229	11.31%	Various through 2028
Subtotal		4,229		
Net unamortized debt issuance costs		(66)		
Total notes payable, net		4,163		
<b>Senior notes and debentures</b>				
<i>Unsecured fixed rate</i>				
2.55% notes	250,000	250,000	2.55%	January 15, 2021
3.00% notes	250,000	250,000	3.00%	August 1, 2022
2.75% notes	275,000	275,000	2.75%	June 1, 2023
3.95% notes	300,000	300,000	3.95%	January 15, 2024
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
3.20% notes	300,000	300,000	3.20%	June 15, 2029
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		2,719,200		
Net unamortized discount and debt issuance costs		(16,463)		
Total senior notes and debentures, net		2,702,737		
<b>Total debt, net</b>		<b>\$ 3,157,783</b>		

- 1) The maximum amount drawn under our revolving credit facility during the six months ended June 30, 2019 was \$116.5 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 3.2%. On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion and extend the maturity date to January 19, 2024. We also lowered the spread over LIBOR to 77.5 basis points.

Our revolving credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of June 30, 2019, we were in compliance with all financial and other covenants related to our revolving credit facility and senior notes. Additionally, as of June 30, 2019, we were in compliance with all of the financial and other covenants that could trigger 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



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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 June 30, 2019:

	Unsecured	Secured	Total
	(In thousands)		
2019	\$ 388	\$ 2,746	\$ 3,134
2020	613	65,539	66,152
2021	250,682	30,541	281,223
2022	250,758	117,018	367,776
2023	275,787	730	276,517
Thereafter	1,945,201	235,685	2,180,886
	<u>\$ 2,723,429</u>	<u>\$ 452,259</u>	<u>\$ 3,175,688</u> (1)

1)The total debt maturities differ from the total reported on the consolidated balance sheet due to the unamortized net premium/discount and debt issuance costs on mortgage loans, notes payable, and senior notes as of June 30, 2019.

### *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.

The interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income/loss which is included in accumulated other comprehensive loss on our consolidated balance sheet and our consolidated statement of shareholders' equity. Our 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 LIBOR 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. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

As of June 30, 2019, our Assembly Row hotel joint venture is party to two interest rate swap agreements that effectively fix their debt at 5.206%. Both swaps were designated and qualify for cash flow hedge accounting. Hedge ineffectiveness has not impacted earnings as of June 30, 2019.

### *REIT Qualification*

We intend to maintain our 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Net income	\$ 82,667	\$ 65,533	\$ 144,470	\$ 128,464
Net income attributable to noncontrolling interests	(1,765)	(1,938)	(3,424)	(3,622)
Gain on sale of real estate, net	(16,197)	(3,972)	(16,197)	(7,288)
Depreciation and amortization of real estate assets	53,323	52,011	106,812	103,362
Amortization of initial direct costs of leases	4,537	4,702	9,287	9,302
Funds from operations	122,565	116,336	240,948	230,218
Dividends on preferred shares	(1,875)	(1,875)	(3,750)	(3,750)
Income attributable to operating partnership units	661	759	1,390	1,534
Income attributable to unvested shares	(346)	(398)	(690)	(786)
Funds from operations available for common shareholders	\$ 121,005	\$ 114,822	\$ 237,898	\$ 227,216
Weighted average number of common shares, diluted (1)	75,456	73,880	75,235	73,859
Funds from operations available for common shareholders, per diluted share	\$ 1.60	\$ 1.55	\$ 3.16	\$ 3.08

(1) The weighted average common shares used to compute FFO per diluted common share includes operating partnership units and our Series 1 preferred shares that were excluded from the computation of diluted EPS. Conversion of these operating partnership units and preferred shares is dilutive in the computation of FFO per diluted common share but is anti-dilutive for the computation of diluted EPS for the periods presented.

### **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 2046) 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 June 30, 2019, we had \$3.2 billion of fixed-rate debt outstanding. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2019 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$237.5 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2019 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$272.1 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 June 30, 2019, our only variable rate debt was our revolving credit facility, which had no outstanding balance.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **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 our disclosure controls and procedures as of June 30, 2019. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2019 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 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 our internal control over financial reporting during the quarterly period covered by this report that materially affected, or is reasonably likely to materially affect, our 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, 2018.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2018 filed with the SEC on February 13, 2019. These factors include, but are not limited to, the following:

- 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;
- risk that we are investing a significant amount in ground-up development projects that may not perform as planned, may be dependent on third parties to deliver critical aspects of certain projects, requires spending a substantial amount upfront in infrastructure, and assumes receipt of public funding which has been committed but not entirely funded;
- 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,
  - new acquisitions may fail to perform as expected,
  - 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,
  - environmental issues may develop at our properties and result in unanticipated costs, and
  - because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks associated with general economic conditions, including local economic conditions in our geographic markets;
- risks of financing, such as our ability to consummate additional financings or obtain replacement 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; and
- risks related to our 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 our 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.

### 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 June 30, 2019, we issued 42,206 common shares in connection with redemptions of downREIT operating partnership units.

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.

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**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**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">31.1</a>	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
<a href="#">31.2</a>	Rule 13a-14(a) Certification of Principal Financial Officer (filed herewith)
<a href="#">32.1</a>	Section 1350 Certification of Chief Executive Officer (filed herewith)
<a href="#">32.2</a>	Section 1350 Certification of Principal Financial Officer (filed herewith)
101	The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, 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.

**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.

August 1, 2019

**FEDERAL REALTY INVESTMENT TRUST**

/s/ Donald C. Wood

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

August 1, 2019

**FEDERAL REALTY INVESTMENT TRUST**

/s/ Daniel Guglielmono

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**Daniel Guglielmono,**  
**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.

August 1, 2019

/s/ Donald C. Wood

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

August 1, 2019

/s/ Daniel Guglielmo

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**Daniel Guglielmo**  
**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 June 30, 2019 (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.

August 1, 2019

/s/ Donald C. Wood

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**Donald C. Wood,**  
**President, 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 Guglielmon, 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 June 30, 2019 (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.

August 1, 2019

/s/ Daniel Guglielmon

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