

FEDERAL REALTY  
**2016**  
ANNUAL REPORT

# DEAR SHAREHOLDERS,



2016 was an uncertain and volatile time to be invested in a great many businesses in the United States and around the world and retail real estate was certainly among them. The many impacts of the changing consumer that we've spoken about over the past several years seemed to accelerate in 2016 and were joined by new uncertainties whose impacts continue to be evaluated. These uncertainties included a newly promulgated and separate investing classification for equity real estate investment trusts that took effect last September, the post-election specter of rising interest rates and federal tax reform that have taken on a sense of inevitability, and the clear evidence that at least some portion of the commercial real estate available for lease in this country is obsolete. All of these factors conspired to create confusion and uncertainty among debt and equity REIT investors. Accordingly, REIT shares largely underperformed the broader market in 2016 and Federal Realty was no exception.

That is the environment that we continue to operate in during the first few months of 2017 as we navigate that uncertainty. It was with that macro environment and economic backdrop that Federal Realty chalked up the following milestones in 2016:

- **We grew our total revenue 7.7% to a record \$802 million through higher rents and newly developed and acquired real estate placed in service.**
- **We grew net income available for common shareholders by \$40 million to a record \$249 million.**
- **We produced funds from operations (FFO) of \$406 million, resulting in FFO per share growth of 6.2% to a record \$5.65 per share.<sup>(1) (2)</sup>**
- **We raised \$566 million of low-cost and flexible long-term capital, including the issuance of 30-year unsecured notes at an effective interest rate of 3.75%, a REIT record.**
- **We invested a record \$456 million in the new development and improvement of our long-held properties to position that real estate for years and decades to come.**
- **We increased our dividend to shareholders to an annual rate of \$3.92 per share; a REIT-record 49th consecutive year of dividend increases.**

## A PORTFOLIO BUILT FOR UNCERTAIN TIMES ■

Today, increased investment in retail destinations is not a nice thing to do, it's a necessary thing to do to best position real estate for relevance among consumers in the years and decades to come. Investment in a great mix of the merchants of tomorrow, not those whose business plans are antiquated and ineffective. Investment in greater-valued amenities and gathering spots for consumers to meet their needs and enjoy their lives. Investment in enhanced services and connectivity so important to today's consumers.

You might think that increased investment is obvious and that everyone in our business must be doing it, but here's the catch: Increasing investment in retail centers that are not in great retail locations is often uneconomical. In terms of value creation, it's like throwing money away because there is not enough

incremental demand to pay for the incremental investment. Demand needs to exceed supply in order for the increased investment to be economically justified and, in a country as "over-retailed" as the United States (no major country has more retail space per capita), that's no easy feat. In light of Federal Realty's 55-year history, we are convinced that there is simply no better yardstick of a successful shopping center, office building, apartment building, or hotel than a great location, one in which there are at least two potential tenants competing for one space. And, while great locations are often determined and impacted by very specific local nuances and judgment, quantifiable demographic measures such as population density, income levels, education levels, and most importantly, barriers to entry remain proven mitigants to errors in that judgment. Federal Realty's portfolio of retail real estate properties leads all major public company competitors in each of these measures. With our real estate locations and our commitment to and vision of investing for the future, Federal Realty is a company and a portfolio built for these uncertain times.

## THE BEST WAY TO PREDICT THE FUTURE IS TO INVENT IT ■

Years back, at the onset of planning, entitlement and then construction for our multi-phased Assembly Row and Pike & Rose developments, we thought about the ways to express our confidence in the direction we believed was the future of retail real estate. "The best way to predict the future is to invent it" became our mantra as the company aimed to improve all of our shopping centers and mixed-use development communities to better serve the changing consumer habits and service levels—in shopping, living, and playing—that were becoming increasingly obvious. Our most visible investments in this regard were the newly developed Assembly Row and Pike & Rose neighborhoods on the East Coast along with our continued expansion of Santana Row and Plaza El Segundo on the West Coast.

But this mantra goes much deeper than just those high-profile projects; it encapsulates all of our properties and all of our thinking. At properties as diverse as

Willow Lawn in Richmond, Virginia; Tower Shops in Davie, Florida; Mercer Mall in Lawrenceville, New Jersey; and dozens of others, the transformation of very well-located shopping centers into retail destinations with the right merchants, amenities, and services for the next decade (not next month) is obvious and rewarding. We will continue that laser-like focus in 2017 and beyond. The real estate value being created with this long-term vision is clear and measurable only because it is being deployed at great real estate locations. We have invested in excess of \$1 billion in the past several years toward the development and redevelopment of destinations that are sure to become, and remain, relevant and dominant in their respective markets for years and decades to come.

In Somerville, Massachusetts, the first investments at Assembly Row are thriving, and the property is now home to over 3,400 Partners Healthcare employees (the largest employer in Massachusetts) and over 60 retailers, restaurants, and entertainment uses. The strong economic expansion in the greater Boston area provides a gentle tailwind toward the achievement of our goals at Assembly. 2017 will be an important year here as we prepare to deliver 38 additional retailers, 447 luxury apartments, 122 condominiums, and a 159-room boutique hotel later this year and into next. Assembly Row has been named Greater Boston's Neighborhood of the Year two years running and we're just getting started. Even after this latest phase is fully leased and occupied, we have the right (and the space) to add an additional 2 million square feet of commercial space and 826 additional residential units. Upon its ultimate completion, Assembly Row will rival some of the most innovative and forward-thinking neighborhoods in the United States.

In San Jose, California, Santana Row simply gets stronger and stronger as we continue a decade-long expansion program that capitalizes on the unique retail environment that we've created with additional living and working options. In December 2016, data-mining leader Splunk, Inc., took occupancy of our \$113 million office building investment at the property, further validating Santana Row as a premier office destination in Silicon Valley. The daytime office traffic helps the retailers and

hotel alike, and gives us the confidence to begin our next office development on the site. That building, a 313,000-square-foot, \$210 million jewel anchoring one end of Santana Row, is scheduled to be delivered in 2019. We've learned a ton about consumer preferences and priorities through the development and operation of Santana Row over the past 15 years and are implementing facets of that knowledge throughout our entire portfolio.



At Pike & Rose in North Bethesda, Maryland, the headwinds of excessive residential product in the marketplace at the time of our lease-up has created pressure on our initial returns, but, similar to Assembly and Santana, Pike & Rose is fast becoming the next new and exciting neighborhood in Montgomery County. The green rooftops, the free Wi-Fi service, the comfortable meeting places, and the progressive design all combine to create an environment that's right for the community. Our first phase—which includes 23 retail, restaurant, and entertainment offerings; nearly 500 luxury apartments; and 80,000 square feet of office space—is all over 95% leased. The \$260 million next phase of Pike & Rose will begin delivering more than 20 additional retailers and restaurants, 272 luxury apartments, 99 condominiums, and a 177-room boutique hotel by Hilton later this year and the next. 2017 and 2018 will indeed be important years at Pike & Rose.

Investing in both new and existing assets in our portfolio is fundamental to who we are and central to our belief that retail real estate-based landlords need to step up their game in an increasingly changing and increasingly competitive landscape. After all, the best way to predict the future is to invent it.

## A BALANCE SHEET AND A TEAM THAT CAN EXECUTE ON THE VISIONS ■

It's one thing to have a clear vision as to the future of our industry and the strong basic real estate locations on which to deploy that vision. But it's quite another to have both the financial and human resources to be able to execute on that vision. Over the last five years, we have invested more than \$325 million annually in development, redevelopment, and investment in our properties and another \$475 million in real estate acquisitions. We have financed that requirement with approximately \$1 billion in equity, \$700 million in 30-year unsecured notes at a blended rate of 4.2%, \$150 million in asset sales, and free cash flow. Consider that over that period, we have:

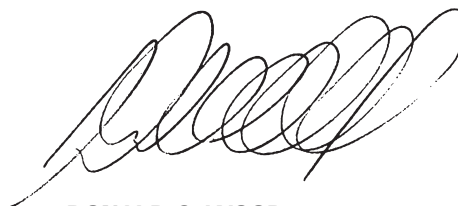
- **Achieved an "A-" rating from both Moody's and Standard & Poor's—one of only four REITS able to say that**
- **Lengthened the average maturity date of our overall debt portfolio to 2027 (10 years)**
- **Maintained or improved our key debt ratios—net debt to EBITDA in the 5.3x–5.5x range and fixed charge coverage to 4.5x**
- **Increased our line of credit capacity to \$800 million (though no balance was outstanding at year-end 2016)**
- **Produced funds from operations (FFO) per share at a compounded annual growth rate in excess of 7%<sup>(1)</sup>**
- **Increased dividends per share each and every year at a compound annual growth rate of over 7% (not to mention that we have increased dividends per share each and every year since 1967—the only REIT able to say that)**

That stability and consistency bodes well for our future. And when considered in conjunction with the experienced, committed, and deep team that is the essence of Federal Realty—a senior team with an average of 25 years of experience in the real estate industry and an average 14 years at Federal Realty—we know that we are well positioned and well suited to be the leading name in retail-based real estate destinations for years and decades to come. It is to this team that I owe a huge debt of gratitude.

Finally, those shareholders who have supported the Company for some time will recognize the name of Kristin Gamble, our longest-serving Trustee and the President of Flood Gamble Associates. Kristin will be retiring as a Trustee this May, and along with the rest of the Board, I am going to miss her terribly. Kristin's wisdom and insight in executing her role over the past 20-plus years has been matched only by her unwavering commitment to safeguard the shareholders of Federal Realty, as well as by the graciousness, class, and style in which she went about it. Thank you, Kristin, for a job well done. Separately, we welcome Liz Holland, Chief Executive Officer of Chicago-based developer Abbell Associates and current Chair of the International Council of Shopping Centers, to our Board of Trustees and look forward to her knowledge of our industry, her professionalism, and her counsel in the months and years ahead.

On behalf of our Board of Trustees and our entire team, I thank you for your support of Federal Realty to date and look forward to being an important part of your investment portfolio for years to come.

Respectfully,



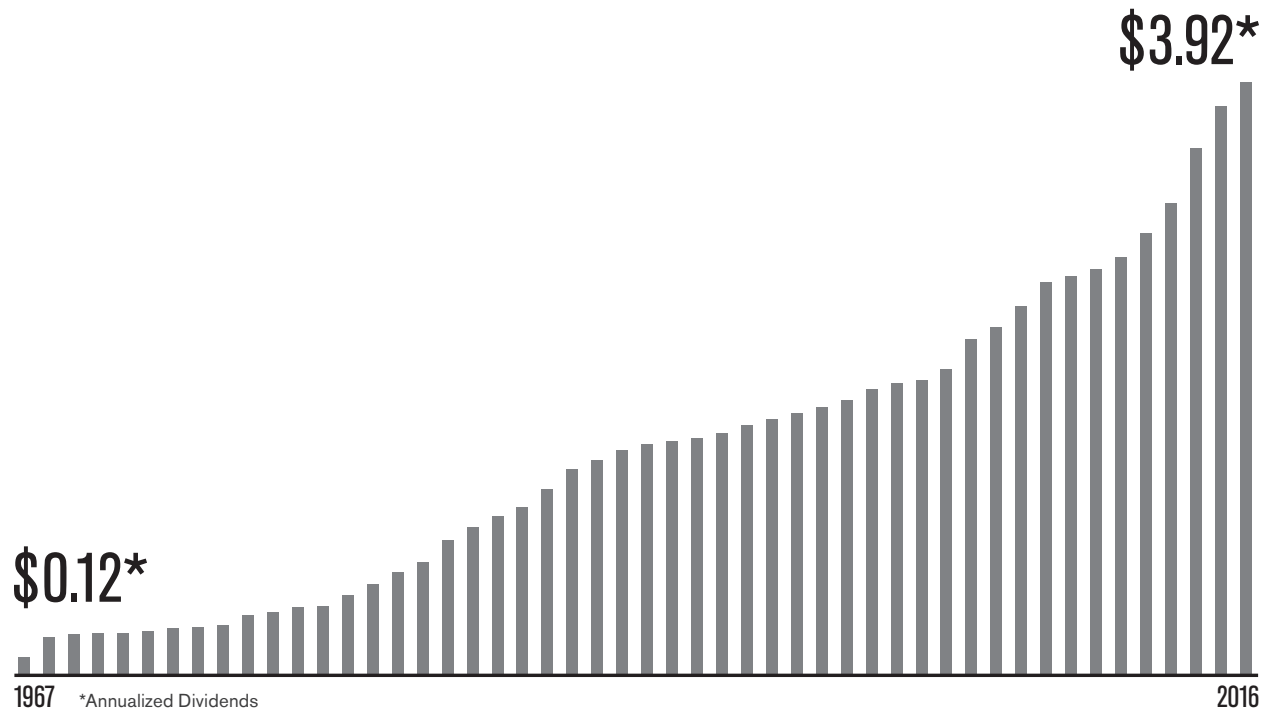
**DONALD C. WOOD**

President & Chief Executive Officer

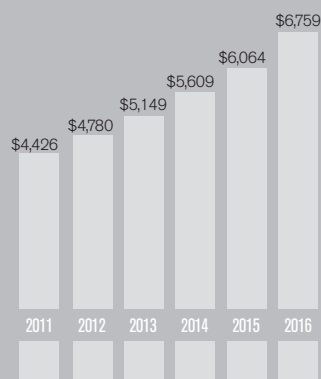
(1) FFO is a supplemental non-GAAP financial measure of real estate companies' operating performance—see discussion of calculation and reconciliation in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operation" in our Form 10-K.

(2) Calculation excludes a \$19.1 million early extinguishment of debt charge in 2015.

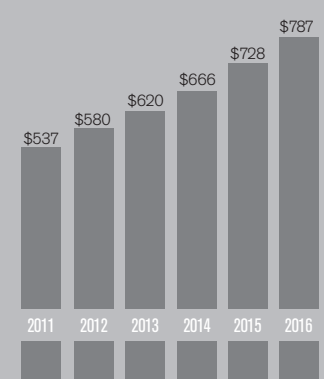
# INDUSTRY-LEADING CONSISTENCY



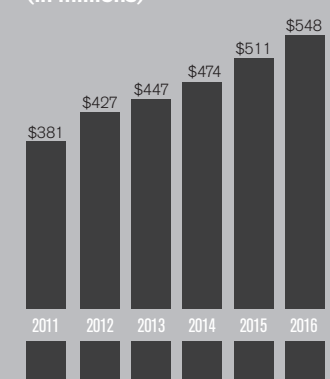
## REAL ESTATE ASSETS (at cost, in millions) (as of December 31)



## RENTAL INCOME (in millions)



## PROPERTY OPERATING INCOME<sup>(1)</sup> (in millions)



Note: (1) See discussion of calculation in Item 6 "Selected Financial Data" in our Form 10-K

10-K

## **FORM 10-K ■**

The Form 10-K includes the Section 302 certifications filed with the SEC. Certain exhibits to the Form 10-K are not reproduced here, but the Trust will provide them to you upon request, addressed to: Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, MD 20852, Attention: Leah Andress, and payment of a fee covering the Trust's reasonable expenses for copying and mailing.



# CORPORATE INFORMATION

## **CORPORATE OFFICE**

1626 East Jefferson Street  
Rockville, MD 20852-4041  
301.998.8100

## **GENERAL COUNSEL**

Pillsbury Winthrop Shaw Pittman LLP  
Washington, DC

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Grant Thornton LLP  
Arlington, VA

## **TRANSFER AGENT AND REGISTRAR**

American Stock Transfer & Trust Company  
6201 15th Avenue  
Brooklyn, NY 11219  
718.921.8200  
800.937.5449  
www.amstock.com

## **COMMON STOCK LISTING**

New York Stock Exchange  
Symbol: FRT

## **MEMBERSHIPS**

International Council of Shopping Centers  
National Association of Real Estate Investment Trusts  
Urban Land Institute

## **ANNUAL MEETING**

Federal Realty Investment Trust will hold its Annual Shareholder Meeting at 10 a.m. on May 3, 2017, at AMP by Strathmore, 11810 Grand Park Avenue, North Bethesda, MD.

## **CORPORATE GOVERNANCE**

The Trust's Corporate Governance Guidelines and the charters for the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are available in the Investors section of our website at [www.federalrealty.com](http://www.federalrealty.com).

## **AUTOMATIC CASH INVESTMENT AND DIRECT DEPOSIT**

Federal Realty offers automatic cash investment, the option to automatically withdraw funds from a checking/savings or other bank account to purchase additional shares of FRT on the 1st and 15th of each month. Federal Realty also offers shareholders the option to directly deposit their dividends. To sign up for automatic cash investment or direct deposit, please call 800.937.5449 or visit [www.amstock.com](http://www.amstock.com).

## **INTERNET**

[www.federalrealty.com](http://www.federalrealty.com)

Visitors to the site can search for and download Securities and Exchange Commission filings, review Federal Realty's Dividend Reinvestment Plan, obtain current stock quotes, read recent press releases, and see a listing of our properties and the properties' respective websites. Printed materials and email news alerts can also be requested.

## **INVESTOR RELATIONS CONTACT**

You may communicate directly with Federal Realty's Investor Relations department via telephone at 800.658.8980 or by email at [IR@federalrealty.com](mailto:IR@federalrealty.com).

Federal Realty  
INVESTMENT TRUST



## LOCATIONS

### Corporate Headquarters

1626 East Jefferson Street  
Rockville, MD 20852  
301.998.8100

### Regional Offices

#### BOSTON

450 Artisan Way  
Suite 320  
Somerville, MA 02145  
617.684.1500

#### LOS ANGELES

710-B South Allied Way  
El Segundo, CA 90245  
310.414.5280

#### PHILADELPHIA

50 East Wynnwood Road  
Suite 200  
Wynnwood, PA 19096  
610.896.5870

#### SAN JOSE

356 Santana Row  
Suite 1005  
San Jose, CA 95128  
408.551.4600

[federalrealty.com](http://federalrealty.com)