

# NEWS RELEASE

Federal Realty  
INVESTMENT TRUST



1626 East Jefferson Street  
Rockville, MD 20852-4041  
[www.federalrealty.com](http://www.federalrealty.com)

## FOR IMMEDIATE RELEASE

### Investor Inquires

Brittany Schmelz  
Investor Relations Coordinator  
301/998-8265  
[bschmelz@federalrealty.com](mailto:bschmelz@federalrealty.com)

### Media Inquiries

Andrea Simpson  
Director, Marketing  
617/684-1511  
[asimpson@federalrealty.com](mailto:asimpson@federalrealty.com)

## FEDERAL REALTY INVESTMENT TRUST ANNOUNCES THIRD QUARTER 2014 OPERATING RESULTS

ROCKVILLE, Md. (October 30, 2014) – [Federal Realty Investment Trust](http://www.federalrealty.com) (NYSE:FRT) today reported operating results for its third quarter ended September 30, 2014.

### Financial Results

In the third quarter 2014, Federal Realty generated funds from operations available for common shareholders (FFO) of \$84.5 million, or \$1.23 per diluted share. This compares to FFO of \$76.4 million, or \$1.16 per diluted share, in third quarter 2013. For the nine months ended September 30, 2014, Federal Realty reported FFO of \$249.9 million, or \$3.66 per diluted share, compared to \$221.6 million, or \$3.38 per diluted share for the same nine-month period in 2013. Excluding early extinguishment of debt, for the nine months ended September 30, 2013, Federal Realty reported FFO of \$224.9 million, or \$3.43 per diluted share.

Net income available for common shareholders was \$46.9 million and earnings per diluted share was \$0.69 for the quarter ended September 30, 2014 versus \$62.0 million and \$0.94, respectively, for third quarter 2013. Year-to-date, Federal Realty reported net income available for common shareholders of \$129.0 million and earnings per diluted share of \$1.91. This compares to net income available for common shareholders of \$133.8 million and earnings per diluted share of \$2.04 for the nine months ended September 30, 2013.

FFO is a non-GAAP supplemental earnings measure which the Trust considers meaningful in measuring its operating performance. A reconciliation of FFO to net income is attached to this press release.

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### **Portfolio Results**

In third quarter 2014, same-center property operating income increased 3.3% over the prior year, excluding properties that are being redeveloped and 4.4% when including those properties.

The overall portfolio was 95.6% leased as of September 30, 2014, compared to 95.3% on June 30, 2014 and 95.3% on September 30, 2013. Federal Realty's same-center portfolio was 95.9% leased on September 30, 2014, compared to 95.5% on June 30, 2014 and 95.4% on September 30, 2013.

During the third quarter of 2014, Federal Realty signed 108 leases for 434,165 square feet of retail space. On a comparable space basis (i.e., spaces for which there was a former tenant), the Trust leased 372,693 square feet at an average cash basis contractual rent increase per square foot (i.e., excluding the impact of straight-line rents) of 13%. The average contractual rent on this comparable space for the first year of the new leases is \$35.69 per square foot, compared to the average contractual rent of \$31.55 per square foot for the last year of the prior leases. The previous average contractual rent was calculated by including both the minimum rent and any percentage rent actually paid during the last year of the lease term for the re-leased space. On a GAAP basis (i.e., including the impact of straight-line rents), rent increases per square foot for comparable retail space averaged 23% for third quarter 2014. As of September 30, 2014, Federal Realty's average contractual, cash basis minimum rent for retail and commercial space in its portfolio was \$25.36 per square foot.

"We are very pleased with another quarter of strong performance," commented Don Wood, President and Chief Executive Officer, "as the core continues to power forward and the successful Phase I openings of Pike & Rose and Assembly Row drive increased visibility on additional opportunities for growth for many years to come."

### **Regular Quarterly Dividends**

Federal Realty also announced today that its Board of Trustees declared a regular quarterly cash dividend of \$0.87 per share, resulting in an indicated annual rate of \$3.48 per share. The regular common dividend will be payable on January 15, 2015 to common shareholders of record as of January 2, 2015.

### **Guidance**

Federal Realty increased its guidance for 2014 FFO per diluted share to a range of \$4.92 to \$4.94, from \$4.90 to \$4.94. 2014 earnings per diluted share guidance is \$2.57 to \$2.61. In addition, Federal Realty provided initial 2015 FFO per diluted share guidance of \$5.26 to \$5.34 and 2015 earnings per diluted share guidance of \$2.86-\$2.94.

### **Summary of Other Quarterly Activities and Recent Developments**

- October 30, 2014 – Federal Realty announced that it is proceeding with Phase II of Pike & Rose, which will add 185,000 square feet of new retail space, 264 high-end apartments, 104 luxury condominium residences, over 800 new parking spaces, and a 177-room, Canopy by Hilton hotel. The hotel, one of the first of Hilton’s new lifestyle brand, will be developed by a partnership between Federal Realty and the Buccini/Pollin Group.
- September 10, 2014– Federal Realty’s Assembly Row announced several key grand opening milestones: Assembly Station opened for business on the MBTA’s Orange Line, connecting the Assembly Row neighborhood to the Line’s 200,000 daily riders; 43 of 59 tenants in the initial phase, including the Marketplace, are now open and operating; and Partners Healthcare commenced construction to bring more than 700,000 square feet of office to relocate over 4,500 employees to Assembly Row starting in late 2016.
- August 28, 2014 – Federal Realty amended its term loan agreement, lowering the spread over LIBOR by 40 basis points to 90 basis points based on the Trust’s current credit rating and providing the Trust an option to extend the November 2018 maturity date by one year.
- July 24, 2014 – Federal Realty’s partnership with a discretionary fund created and advised by ING Clarion Partners closed on the sale of Pleasant Shops in South Weymouth, Massachusetts for a sales price of \$34.3 million. As a result of this sale, the Trust recorded a gain of approximately \$4.4 million.

### **Conference Call Information**

Federal Realty’s management team will present an in-depth discussion of the Trust’s operating performance on its third quarter 2014 earnings conference call, which is scheduled for October 31, 2014, at 11 a.m. Eastern Daylight Time. To participate, please call (877) 445-3230 five to ten minutes prior to the call start time and use the passcode 94267792 (required). Federal Realty will also provide an online webcast on the Company’s website, [www.federalrealty.com](http://www.federalrealty.com), which will remain available for 30 days following the call. A telephone recording of the call will also be available through November 7, 2014, by dialing (855) 859-2056 and using the passcode 94267792.

### **About Federal Realty**

Federal Realty Investment Trust is an equity real estate investment trust specializing in the ownership, management, development, and redevelopment of high quality retail assets. Federal Realty's portfolio (excluding joint venture properties) contains approximately 20 million square feet located primarily in strategically selected metropolitan markets in the Northeast, Mid-Atlantic, and California. In addition, the Trust has an ownership interest in approximately 0.8 million square feet of retail space through a joint venture in which the Trust has a 30% interest. Our operating portfolio (excluding joint venture properties) was 95.6% leased to national, regional, and local retailers as of September 30, 2014, with no single tenant accounting for more than approximately 3.2% of annualized base rent. Federal Realty has paid quarterly dividends to its shareholders continuously since its founding in 1962, and has increased its dividend rate for 47 consecutive years, the longest record in the REIT industry. Federal Realty is an S&P MidCap 400 company and its shares are traded on the NYSE under the symbol FRT.

### **Safe Harbor Language**

*Certain matters discussed within this press release may be deemed to be forward-looking statements within the meaning of the federal securities laws. Although Federal Realty believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. These factors include, but are not limited to, the risk factors described in our Annual Report on Form 10-K filed on February 11, 2014, and include 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 redevelopments or renovation projects that we do pursue may cost more, take more time to complete, or fail to perform as expected;*
- *risks that we are investing a significant amount in ground-up development projects that 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, that new acquisitions may fail to perform as expected, that competition for acquisitions could result in increased prices for acquisitions, that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase, that environmental issues may develop at our properties and result in unanticipated costs, and, because real estate is illiquid, that we may not be able to sell properties when appropriate;*
- *risks that our growth will be limited if we cannot obtain additional capital;*
- *risks 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.*

*Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this press release. 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 risk factors included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2014.*

**Federal Realty Investment Trust**  
**Summarized Balance Sheets**  
**September 30, 2014**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	(in thousands)	
	(unaudited)	
<b>ASSETS</b>		
Real estate, at cost		
Operating (including \$281,960 and \$265,138 of consolidated variable interest entities, respectively)	\$ 5,052,378	\$ 4,618,258
Construction-in-progress	484,414	531,205
	<u>5,536,792</u>	<u>5,149,463</u>
Less accumulated depreciation and amortization (including \$24,714 and \$19,086 of consolidated variable interest entities, respectively)	(1,431,466)	(1,350,471)
Net real estate	4,105,326	3,798,992
Cash and cash equivalents	23,917	88,927
Accounts and notes receivable, net	104,746	84,838
Mortgage notes receivable, net	51,191	55,155
Investment in real estate partnership	32,717	32,264
Prepaid expenses and other assets	161,501	159,118
<b>TOTAL ASSETS</b>	<u>\$ 4,479,398</u>	<u>\$ 4,219,294</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Mortgages and capital lease obligations (including \$188,189 and \$202,782 of consolidated variable interest entities, respectively)	701,914	660,127
Notes payable	301,556	300,822
Senior notes and debentures	1,361,466	1,360,913
Accounts payable and other liabilities	341,998	321,710
Total liabilities	<u>2,706,934</u>	<u>2,643,572</u>
Redeemable noncontrolling interests	110,865	104,425
<b>Shareholders' equity</b>		
Preferred shares	9,997	9,997
Common shares and other shareholders' equity	1,563,325	1,438,163
Total shareholders' equity of the Trust	<u>1,573,322</u>	<u>1,448,160</u>
Noncontrolling interests	88,277	23,137
Total shareholders' equity	<u>1,661,599</u>	<u>1,471,297</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 4,479,398</u>	<u>\$ 4,219,294</u>

**Federal Realty Investment Trust**  
**Summarized Income Statements**  
**September 30, 2014**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
(in thousands, except per share data)				
(unaudited)				
<b>Revenue</b>				
Rental income	\$ 166,112	\$ 154,308	\$ 494,688	\$ 460,136
Other property income	3,622	3,480	11,347	9,661
Mortgage interest income	1,204	1,242	3,678	3,770
Total revenue	<u>170,938</u>	<u>159,030</u>	<u>509,713</u>	<u>473,567</u>
<b>Expenses</b>				
Rental expenses	31,908	29,045	100,443	86,755
Real estate taxes	20,374	18,400	58,238	53,604
General and administrative	8,374	7,543	24,202	22,902
Depreciation and amortization	42,660	39,341	127,403	119,615
Total operating expenses	<u>103,316</u>	<u>94,329</u>	<u>310,286</u>	<u>282,876</u>
Operating income	67,622	64,701	199,427	190,691
Other interest income	2	70	45	165
Interest expense	(23,422)	(25,762)	(69,772)	(80,314)
Early extinguishment of debt	—	—	—	(3,399)
Income from real estate partnership	446	381	909	1,065
Income from continuing operations	<u>44,648</u>	<u>39,390</u>	<u>130,609</u>	<u>108,208</u>
<b>Discontinued operations</b>				
Discontinued operations - income	—	115	—	942
Discontinued operations - gain on sale of real estate	—	23,861	—	23,861
Results from discontinued operations	<u>—</u>	<u>23,976</u>	<u>—</u>	<u>24,803</u>
Income before gain on sale of real estate	44,648	63,366	130,609	133,011
Gain on sale of real estate	—	—	—	4,994
Gain on sale of real estate in real estate partnership	4,401	—	4,401	—
Net income	<u>49,049</u>	<u>63,366</u>	<u>135,010</u>	<u>138,005</u>
Net income attributable to noncontrolling interests	(1,974)	(1,268)	(5,637)	(3,780)
Net income attributable to the Trust	<u>47,075</u>	<u>62,098</u>	<u>129,373</u>	<u>134,225</u>
Dividends on preferred shares	(136)	(136)	(406)	(406)
Net income available for common shareholders	<u>\$ 46,939</u>	<u>\$ 61,962</u>	<u>\$ 128,967</u>	<u>\$ 133,819</u>
<b>EARNINGS PER COMMON SHARE, BASIC</b>				
Continuing operations	\$ 0.62	\$ 0.57	\$ 1.84	\$ 1.58
Discontinued operations	—	0.37	—	0.38
Gain on sale of real estate	0.07	—	0.07	0.08
	<u>\$ 0.69</u>	<u>\$ 0.94</u>	<u>\$ 1.91</u>	<u>\$ 2.04</u>
Weighted average number of common shares, basic	<u>67,559</u>	<u>65,504</u>	<u>67,095</u>	<u>65,118</u>
<b>EARNINGS PER COMMON SHARE, DILUTED</b>				
Continuing operations	\$ 0.62	\$ 0.57	\$ 1.84	\$ 1.58
Discontinued operations	—	0.37	—	0.38
Gain on sale of real estate	0.07	—	0.07	0.08
	<u>\$ 0.69</u>	<u>\$ 0.94</u>	<u>\$ 1.91</u>	<u>\$ 2.04</u>
Weighted average number of common shares, diluted	<u>67,732</u>	<u>65,647</u>	<u>67,261</u>	<u>65,271</u>

**Federal Realty Investment Trust**  
**Funds From Operations**  
**September 30, 2014**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(in thousands, except per share data)				
<b>Funds from Operations available for common shareholders (FFO)</b>				
Net income	\$ 49,049	\$ 63,366	\$ 135,010	\$ 138,005
Net income attributable to noncontrolling interests	(1,974)	(1,268)	(5,637)	(3,780)
Gain on sale of real estate	(4,401)	(23,861)	(4,401)	(28,855)
Depreciation and amortization of real estate assets	37,964	35,334	114,012	107,730
Amortization of initial direct costs of leases	3,193	2,680	8,971	8,087
Depreciation of joint venture real estate assets	352	374	1,202	1,121
Funds from operations	84,183	76,625	249,157	222,308
Dividends on preferred shares	(136)	(136)	(406)	(406)
Income attributable to operating partnership units	798	223	2,229	665
Income attributable to unvested shares	(378)	(344)	(1,128)	(1,001)
FFO	\$ 84,467	\$ 76,368	\$ 249,852	\$ 221,566
Early extinguishment of debt, net of allocation to unvested shares	—	—	—	3,383
FFO excluding early extinguishment of debt	\$ 84,467	\$ 76,368	\$ 249,852	\$ 224,949
Weighted average number of common shares, diluted	68,649	65,933	68,179	65,568
FFO per diluted share	\$ 1.23	\$ 1.16	\$ 3.66	\$ 3.38
FFO excluding early extinguishment of debt, per diluted share	\$ 1.23	\$ 1.16	\$ 3.66	\$ 3.43

**Federal Realty Investment Trust**  
**Reconciliation of Net Income to FFO Guidance**  
**September 30, 2014**

**2014 Guidance**

(Dollars in millions except  
per share amounts) (1)

<u>Funds from Operations available for common shareholders (FFO)</u>		
Net income	\$ 183	\$ 186
Net income attributable to noncontrolling interests	(8)	(8)
Gain on sale of real estate in real estate partnership	(4)	(4)
Depreciation and amortization of real estate & joint venture real estate assets	153	153
Amortization of initial direct costs of leases	11	11
Funds from operations	336	337
Dividends on preferred shares	(1)	(1)
Income attributable to operating partnership units	3	3
Income attributable to unvested shares	(1)	(1)
FFO	\$ 337	\$ 338
Weighted average number of common shares, diluted	68.4	68.4
FFO per diluted share	\$ 4.92	\$ 4.94

**2015 Guidance**

(Dollars in millions except  
per share amounts) (1)

<u>Funds from Operations available for common shareholders (FFO)</u>		
Net income	\$ 209	\$ 214
Net income attributable to noncontrolling interests	(9)	(9)
Gain on sale of real estate	—	—
Depreciation and amortization of real estate & joint venture real estate assets	155	155
Amortization of initial direct costs of leases	13	13
Funds from operations	367	373
Dividends on preferred shares	(1)	(1)
Income attributable to operating partnership units	4	4
Income attributable to unvested shares	(1)	(1)
FFO	\$ 369	\$ 375
Weighted average number of common shares, diluted	70.2	70.2
FFO per diluted share	\$ 5.26	\$ 5.34

Note:

(1) - Individual items may not add up to total due to rounding.