

**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 March 31, 2020
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 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.:

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 May 1, 2020 was 75,633,042.

FEDERAL REALTY INVESTMENT TRUST
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED MARCH 31, 2020

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Federal Realty Investment Trust
Consolidated Balance Sheets

	March 31, 2020	December 31, 2019
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including \$1,751,718 and \$1,676,866 of consolidated variable interest entities, respectively)	\$ 7,774,485	\$ 7,535,983
Construction-in-progress (including \$84,034 and \$102,583 of consolidated variable interest entities, respectively)	671,486	760,420
Assets held for sale	5,796	1,729
	<u>8,451,767</u>	<u>8,298,132</u>
Less accumulated depreciation and amortization (including \$306,861 and \$296,165 of consolidated variable interest entities, respectively)	(2,258,994)	(2,215,413)
Net real estate	6,192,773	6,082,719
Cash and cash equivalents	994,688	127,432
Accounts and notes receivable, net	153,243	152,572
Mortgage notes receivable, net	30,332	30,429
Investment in partnerships	25,960	28,604
Operating lease right of use assets	94,147	93,774
Finance lease right of use assets	52,079	52,402
Prepaid expenses and other assets	216,692	227,060
TOTAL ASSETS	<u>\$ 7,759,914</u>	<u>\$ 6,794,992</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable, net (including \$476,944 and \$469,184 of consolidated variable interest entities, respectively)	\$ 552,813	\$ 545,679
Notes payable, net	993,752	3,781
Senior notes and debentures, net	2,807,848	2,807,134
Accounts payable and accrued expenses	245,968	255,503
Dividends payable	81,899	81,676
Security deposits payable	21,941	21,701
Operating lease liabilities	74,082	73,628
Finance lease liabilities	72,059	72,062
Other liabilities and deferred credits	150,410	157,938
Total liabilities	5,000,772	4,019,102
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	159,534	139,758
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, 75,622,504 and 75,540,804 shares issued and outstanding, respectively	760	759
Additional paid-in capital	3,166,899	3,166,522
Accumulated dividends in excess of net income	(818,284)	(791,124)
Accumulated other comprehensive loss	(7,265)	(813)
Total shareholders' equity of the Trust	2,502,107	2,535,341
Noncontrolling interests	97,501	100,791
Total shareholders' equity	2,599,608	2,636,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 7,759,914</u>	<u>\$ 6,794,992</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 March 31,	
	2020	2019
(In thousands, except per share data)		
REVENUE		
Rental income	\$ 230,798	\$ 231,492
Mortgage interest income	759	735
Total revenue	231,557	232,227
EXPENSES		
Rental expenses	44,312	44,260
Real estate taxes	29,064	27,687
General and administrative	10,251	9,565
Depreciation and amortization	62,188	59,622
Total operating expenses	145,815	141,134
OPERATING INCOME	85,742	91,093
OTHER INCOME/(EXPENSE)		
Other interest income	308	177
Interest expense	(28,445)	(28,033)
Loss from partnerships	(1,164)	(1,434)
NET INCOME	56,441	61,803
Net income attributable to noncontrolling interests	(1,678)	(1,659)
NET INCOME ATTRIBUTABLE TO THE TRUST	54,763	60,144
Dividends on preferred shares	(2,010)	(2,010)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$ 52,753	\$ 58,134
EARNINGS PER COMMON SHARE, BASIC:		
Net income available for common shareholders	0.70	0.78
Weighted average number of common shares	75,360	74,200
EARNINGS PER COMMON SHARE, DILUTED:		
Net income available for common shareholders	\$ 0.70	\$ 0.78
Weighted average number of common shares	75,360	74,200
COMPREHENSIVE INCOME	\$ 49,989	\$ 61,594
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	\$ 48,311	\$ 59,935

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

Federal Realty Investment Trust
Consolidated Statements of Shareholders' Equity
For the Three Months Ended March 31, 2020
(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, 2019	405,896	\$ 159,997	75,540,804	\$ 759	\$ 3,166,522	\$ (791,124)	\$ (813)	\$ 100,791	\$ 2,636,132
January 1, 2020 adoption of new accounting standard - See Note 2	—	—	—	—	—	(510)	—	—	(510)
Net income, excluding \$1,015 attributable to redeemable noncontrolling interests	—	—	—	—	—	54,763	—	663	55,426
Other comprehensive loss - change in fair value of interest rate swaps	—	—	—	—	—	—	(6,452)	—	(6,452)
Dividends declared to common shareholders (\$1.05 per share)	—	—	—	—	—	(79,403)	—	—	(79,403)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,010)	—	—	(2,010)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(783)	(783)
Common shares issued, net	—	—	13	—	2	—	—	—	2
Shares issued under dividend reinvestment plan	—	—	3,834	—	446	—	—	—	446
Share-based compensation expense, net of forfeitures	—	—	110,066	1	3,941	—	—	—	3,942
Shares withheld for employee taxes	—	—	(32,213)	—	(3,982)	—	—	—	(3,982)
Redemption of OP units	—	—	—	—	(30)	—	—	(3,290)	(3,320)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	120	120
BALANCE AT MARCH 31, 2020	405,896	\$ 159,997	75,622,504	\$ 760	\$ 3,166,899	\$ (818,284)	\$ (7,265)	\$ 97,501	\$ 2,599,608
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 \$876 attributable to redeemable noncontrolling interests	—	—	—	—	—	60,144	—	783	60,927
Other comprehensive loss - change in fair value of interest rate swaps	—	—	—	—	—	—	(209)	—	(209)
Dividends declared to common shareholders (\$1.02 per share)	—	—	—	—	—	(76,106)	—	—	(76,106)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,010)	—	—	(2,010)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(1,266)	(1,266)
Common shares issued, net	—	—	446,132	5	59,348	—	—	—	59,353
Shares issued under dividend reinvestment plan	—	—	4,273	—	528	—	—	—	528
Share-based compensation expense, net of forfeitures	—	—	100,586	1	3,860	—	—	—	3,861
Shares withheld for employee taxes	—	—	(32,686)	—	(4,414)	—	—	—	(4,414)
Conversion and redemption of OP units	—	—	69,046	1	7,550	—	—	(7,551)	—
Adjustment to redeemable noncontrolling interests	—	—	—	—	667	—	—	—	667
BALANCE AT MARCH 31, 2019	405,896	\$ 159,997	74,836,984	752	\$ 3,071,981	\$ (843,947)	\$ (625)	\$ 113,405	\$ 2,501,563

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

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

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
OPERATING ACTIVITIES		
Net income	\$ 56,441	\$ 61,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,188	59,622
Loss from partnerships	1,164	1,434
Other, net	(110)	2,230
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in accounts receivable, net	3,012	(1,245)
Decrease in prepaid expenses and other assets	8,618	1,168
Decrease in accounts payable and accrued expenses	(3,619)	(6,815)
Decrease in security deposits and other liabilities	(8,945)	(13,278)
Net cash provided by operating activities	118,749	104,919
INVESTING ACTIVITIES		
Acquisition of real estate	(7,109)	(25,176)
Capital expenditures - development and redevelopment	(106,572)	(63,380)
Capital expenditures - other	(15,792)	(14,061)
Costs associated with property sold under threat of condemnation	(17,412)	—
Proceeds from sale of real estate	—	6,106
Investment in partnerships	(136)	(300)
Distribution from partnerships in excess of earnings	849	983
Leasing costs	(5,001)	(8,259)
(Issuance) repayment of mortgage and other notes receivable, net	(659)	50
Net cash used in investing activities	(151,832)	(104,037)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility, including costs	990,000	20,000
Repayment of mortgages, finance leases and notes payable	(1,524)	(21,718)
Issuance of common shares, net of costs	19	59,427
Dividends paid to common and preferred shareholders	(80,898)	(77,296)
Shares withheld for employee taxes	(3,982)	(4,414)
Contributions from noncontrolling interests	—	106
Distributions to and redemptions of noncontrolling interests	(4,720)	(3,107)
Net cash provided by (used in) financing activities	898,895	(27,002)
Increase (decrease) in cash, cash equivalents and restricted cash	865,812	(26,120)
Cash, cash equivalents, and restricted cash at beginning of year	153,614	108,332
Cash, cash equivalents, and restricted cash at end of period	\$ 1,019,426	\$ 82,212

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

Federal Realty Investment Trust
Notes to Consolidated Financial Statements
March 31, 2020
(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 March 31, 2020, 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.

Impacts of COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (“COVID-19”) as a pandemic. While we currently expect the impact to our properties is temporary in nature, the extent of the future effects of COVID-19 on our business, results of operations, cash flows, and growth prospects is highly uncertain and will ultimately depend on future developments, none of which can be predicted with any certainty.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2019, 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 our latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the full year.

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 and Issued Accounting Pronouncements

Standard	Description	Effect on the financial statements or significant matters
<u>Adopted on January 1, 2020:</u>		
Financial Instruments - Credit Losses (Topic 326) and related updates:	This ASU changes the impairment model for most financial assets and certain other instruments, requiring the use of an "expected credit loss" model and adding more disclosure requirements.	Upon adoption of this standard, we recorded expected losses of \$0.5 million in opening accumulated dividends in excess of net income. During the three months ended March 31, 2020, we recorded additional expected losses of \$0.4 million, which are included in rental expenses.
ASU 2016-13, June 2016, <i>Financial Instruments - Credit Losses (Topic 326)</i>	ASU 2018-19 clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.	
ASU 2018-19, November 2018, <i>Codification improvements to Topic 326, Financial Instruments - Credit Losses</i>		
ASU 2018-15, August 2018, <i>Intangibles - Goodwill and Other Internal Use Software: Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i>	This ASU requires a customer in a cloud computing arrangement (i.e. hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement. Entities will expense costs during the preliminary project and post-implementation stages as they are incurred. The guidance can be applied prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with ASC 250-10-45-5 through ASC 250-10-45-10.	The adoption of this standard does not have a significant impact to our consolidated financial statements.
<u>Issued in 2020:</u>		
ASU 2020-04, March 2020, <i>Reference Rate Reform (Topic 848)</i>	This ASU provides companies with optional practical expedients to ease the accounting burden for contract modifications associated with transitioning away from LIBOR and other interbank offered rates that are expected to be discontinued as part of reference rate reform. For hedges, the guidance generally allows changes to the reference rate and other critical terms without having to de-designate the hedging relationship, as well as allows the shortcut method to continue to be applied. For contract modifications, changes in the reference rate or other critical terms will be treated as a continuation of the prior contract. This guidance can be applied immediately, however, is generally only available through December 31, 2022.	We are still evaluating the impact of reference rate reform and whether we will apply any of these practical expedients.

In April 2020, the FASB issued interpretive guidance relating to the accounting for lease concessions provided as a result of COVID-19. In this guidance, entities can elect not to apply lease modification accounting with respect to such lease concessions and instead, treat the concession as if it was a part of the existing contract. This guidance is only applicable to COVID-19 related lease concessions that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee. We are currently

evaluating the impact of this guidance and whether we will make this policy election for lease concessions such as rent deferrals for the quarter ended June 30, 2020.

Consolidated Statements of Cash Flows—Supplemental Disclosures

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

	Three Months Ended March 31,	
	2020	2019
(In thousands)		
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	\$ 34,159	\$ 32,580
Interest capitalized	(5,714)	(4,547)
Interest expense	\$ 28,445	\$ 28,033
Cash paid for interest, net of amounts capitalized	\$ 29,405	\$ 32,485
Cash paid for income taxes	\$ 4	\$ 7
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
DownREIT operating partnership units issued with acquisition	\$ 18,920	\$ —
Mortgage loans assumed with acquisition	\$ 8,903	\$ —
DownREIT operating partnership units redeemed for common shares	\$ —	\$ 7,551
Shares issued under dividend reinvestment plan	\$ 429	\$ 455
(In thousands)		
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 994,688	\$ 127,432
Restricted cash (1)	24,738	26,182
Total cash, cash equivalents, and restricted cash	\$ 1,019,426	\$ 153,614

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

NOTE 3—REAL ESTATE

On January 10, 2020, we acquired a 49,000 square foot shopping center in Fairfax, Virginia for \$22.3 million. This property is adjacent to, and will be operated as part of our Fairfax Junction property. This purchase price was paid with a combination of cash and the issuance of 163,322 downREIT operating partnership units. Approximately \$0.5 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 February 12, 2020, we acquired two buildings totaling 12,000 square feet in Hoboken, New Jersey for \$14.3 million, including the assumption of \$8.9 million of mortgage debt. This acquisition is in addition to the 37 buildings previously acquired, and was completed through the joint venture that was formed in 2019, for which we own a 90% interest. Less than \$0.1 million and approximately \$3.3 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

NOTE 4—DEBT

In connection with the two buildings we acquired in Hoboken, New Jersey on February 12, 2020, we assumed two mortgage loans with a net face amount of \$8.9 million and a fair value of \$9.0 million. The mortgage loans bear interest at 4.00% and mature on July 27, 2027.

In March 2020, in order to strengthen our financial position and balance sheet, to maximize our liquidity, and to provide maximum financial flexibility to continue our business initiatives as the effects of COVID-19 continue to evolve, we borrowed \$990.0 million under our revolving credit facility, representing a draw-down of almost the entirety of our \$1.0 billion revolving credit facility, which has a maturity date of January 19, 2024. Consequently, during the three months ended March 31, 2020, the maximum amount of borrowings outstanding under our revolving credit facility was \$990.0 million, and the weighted average

interest rate, before amortization of debt fees, was 1.7% . During the three months ended March 31, 2020, the weighted average borrowings outstanding was \$143.7 million. 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 March 31, 2020, 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:

	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	\$ 1,546,565	\$ 1,543,402	\$ 549,460	\$ 562,049
Senior notes and debentures	\$ 2,807,848	\$ 2,968,904	\$ 2,807,134	\$ 3,001,216

As of March 31, 2020, we have two interest rate swap agreements with notional amounts of \$56.5 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the interest rate on \$56.5 million of mortgage payables at 3.67% through December 15, 2029. The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at March 31, 2020 was a liability of \$5.6 million and is included in "other liabilities and deferred credits" on our consolidated balance sheet. For the three months ended March 31, 2020, the value of our interest rate swaps decreased \$5.7 million (including less than \$0.1 million reclassified from other comprehensive loss to interest expense). A summary of our financial (liabilities) assets that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	March 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	\$ —	\$ (5,555)	\$ —	\$ (5,555)	\$ —	\$ 130	\$ —	\$ 130

One of our equity method investees has two interest rate swaps which qualify for cash flow hedge accounting. For the three months ended March 31, 2020, our share of the change in fair value of the related swaps included in "accumulated other comprehensive loss" was \$0.8 million.

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 744,617 downREIT operating partnership units are outstanding which have a total fair value of approximately \$55.6 million, which is calculated by multiplying the outstanding number of downREIT partnership units by our closing stock price on March 31, 2020.

NOTE 7—SHAREHOLDERS' EQUITY

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

	Three Months Ended March 31,			
	2020		2019	
	Declared	Paid	Declared	Paid
Common shares	\$ 1.050	\$ 1.050	\$ 1.020	\$ 1.020
5.417% Series 1 Cumulative Convertible Preferred shares	\$ 0.339	\$ 0.339	\$ 0.339	\$ 0.339
5.0% Series C Cumulative Redeemable Preferred shares (1)	\$ 0.313	\$ 0.313	\$ 0.313	\$ 0.313

(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. As of March 31, 2020, we had the capacity to issue up to \$128.3 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 March 31,	
	2020	2019
	(In thousands)	
Grants of common shares and options	\$ 3,942	\$ 3,861
Capitalized share-based compensation	(332)	(226)
Share-based compensation expense	\$ 3,610	\$ 3,635

NOTE 9—OPERATING & FINANCE LEASES

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

	Three Months Ended	
	March 31,	
	2020	2019
	(In thousands)	
LEASE COST:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 321	\$ 321
Interest on lease liabilities	1,456	1,456
Operating lease cost	1,559	1,504
Variable lease cost	87	91
Total lease cost	\$ 3,423	\$ 3,372
OTHER INFORMATION:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for finance leases	\$ 1,433	\$ 1,460
Operating cash flows for operating leases	\$ 1,550	\$ 1,511
Financing cash flows for finance leases	\$ 11	\$ 10
	March 31,	
	2020	2019
Weighted-average remaining lease term - finance leases	18.0 years	18.9 years
Weighted-average remaining lease term - operating leases	53.2 years	53.7 years
Weighted-average discount rate - finance leases	8.0%	8.0%
Weighted-average discount rate - operating leases	4.4%	4.5%

NOTE 10—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 months ended March 31, 2020 and 2019, we had 0.2 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 months ended March 31, 2020 and 2019. 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	
	March 31,	
	2020	2019
(In thousands, except per share data)		
NUMERATOR		
Net income	\$ 56,441	\$ 61,803
Less: Preferred share dividends	(2,010)	(2,010)
Less: Income from operations attributable to noncontrolling interests	(1,678)	(1,659)
Less: Earnings allocated to unvested shares	(247)	(220)
Net income available for common shareholders, basic and diluted	<u>\$ 52,506</u>	<u>\$ 57,914</u>
DENOMINATOR		
Weighted average common shares outstanding, basic and diluted	75,360	74,200
EARNINGS PER COMMON SHARE, BASIC AND DILUTED:		
Net income available for common shareholders	<u>\$ 0.70</u>	<u>\$ 0.78</u>

NOTE 11—SUBSEQUENT EVENT

On April 21, 2020, we sold a building in Pasadena, California for \$16.1 million, which is included in "assets held for sale" on our consolidated balance sheet.

On May 6, 2020, we entered into a \$400.0 million unsecured term loan that matures on May 6, 2021, with one twelve month extension at our option. The loan bears interest at LIBOR plus 135 basis points based on our current credit rating. The net proceeds were used to reduce amounts outstanding on our \$1.0 billion revolving credit facility.

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, 2019 filed with the Securities and Exchange Commission (the "SEC") on February 10, 2020.

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 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, 2019 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 March 31, 2020, 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 24.1 million square feet. In total, the real estate projects were 93.6% leased and 91.5% occupied at March 31, 2020.

Impacts of COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. Our Board of Trustees, as part of its risk oversight function, is regularly coordinating with management to assess the effects of the pandemic on our business and to determine appropriate courses of action to maintain the health and safety of our personnel, to strengthen our financial position and to adapt our business as appropriate. In response to the pandemic, we have taken a number of specific actions so far:

- On March 16, 2020, we transitioned our work force to work remotely, canceled all non-essential business travel and have canceled company events, or are holding them remotely.
- In March 2020, to strengthen our financial position and maximize our liquidity, we borrowed \$990.0 million under our revolving credit facility representing a draw-down of almost the entirety of our \$1.0 billion revolving credit facility. As of March 31, 2020, the outstanding balance under our revolving credit facility was \$990.0 million, and our outstanding cash and cash equivalent balance was \$994.7 million.
- We have paused construction activity at many of our construction projects including, without limitation, ongoing construction at Assembly Row, Santana Row, and other redevelopments and smaller projects. Construction activities continue at Pike & Rose and other redevelopments and smaller projects although at a slower pace as we observe COVID-19 safety protocols at all sites.

The extent of the effects of COVID-19 on our business, results of operations, cash flows, and growth prospects is highly uncertain and will ultimately depend on future developments, none of which can be predicted with any certainty. See [Item 1A](#). Risk Factors. However, we believe the actions we are taking will help minimize interruptions to our operations and will put us in the best position to participate in the recovery when the time comes. Management and our Board of Trustees will continue to actively monitor the effects of the pandemic, including governmental directives in the jurisdictions in which we operate and the recommendations of public health authorities, and will, as needed, take further measures to adapt our business in the best interests of our shareholders and personnel.

Business Continuity

We were able to transition all but a limited number of essential employees to remote work and do not anticipate any adverse impact on our ability to continue to operate our business. Transitioning to a largely remote workforce has not had any material adverse impact on our financial reporting systems, our internal controls or disclosure controls and procedures. Currently, we have a limited number of employees coming into offices as needed and have property employees visiting properties only as necessary to ensure that the properties with essential businesses that are open and operating are able to conduct business and serve their communities. At this time, we have not laid off, furloughed, or terminated any employee in response to COVID-19, nor have we modified the compensation of any employee. The Compensation Committee of our Board of Trustees may reevaluate the performance goals and other aspects of the compensation arrangements of our executive officers later in 2020 as more information about the effects of COVID-19 become known.

2020 Property Acquisitions and Disposition

On January 10, 2020, we acquired a 49,000 square foot shopping center in Fairfax, Virginia for \$22.3 million. This property is adjacent to, and will be operated as part of our Fairfax Junction property. This purchase price was paid with a combination of cash and the issuance of 163,322 downREIT operating partnership units. Approximately \$0.5 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 February 12, 2020, we acquired two buildings totaling 12,000 square feet in Hoboken, New Jersey for \$14.3 million, including the assumption of \$8.9 million of mortgage debt. This acquisition is in addition to the 37 buildings previously acquired, and was completed through the joint venture that was formed in 2019, for which we own a 90% interest. Less than \$0.1 million and approximately \$3.3 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

On April 21, 2020, we sold a building in Pasadena, California for \$16.1 million, which is included in "assets held for sale" on our consolidated balance sheet.

2020 Debt and Equity Transactions

In connection with the two buildings we acquired in Hoboken, New Jersey on February 12, 2020, we assumed two mortgage loans with a net face amount of \$8.9 million and a fair value of \$9.0 million. The mortgage loans bears interest at 4.00% and mature on July 27, 2027.

In March 2020, in order to strengthen our financial position and balance sheet, to maximize our liquidity, and to provide maximum financial flexibility to continue our business initiatives as the effects of COVID-19 continue to evolve, we borrowed

\$990.0 million under our revolving credit facility, representing a draw-down of almost the entirety of our \$1.0 billion revolving credit facility.

On May 6, 2020, we entered into a \$400.0 million unsecured term loan that matures on May 6, 2021, with one twelve month extension at our option. The loan bears interest at LIBOR plus 135 basis points, based on our current credit rating. The net proceeds were used to reduce amounts outstanding on our \$1.0 billion revolving credit facility.

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. As of March 31, 2020, we had the capacity to issue up to \$128.3 million in common shares under our ATM equity program.

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 \$114 million and \$3 million, respectively, for the three months ended March 31, 2020, and \$58 million and \$2 million, respectively, for the three months ended March 31, 2019. We capitalized external and internal costs related to other property improvements of \$13 million and \$1 million, respectively, for the three months ended March 31, 2020, and \$6 million and \$1 million for the three months ended March 31, 2019. We capitalized external and internal costs related to leasing activities of \$3 million and \$1 million, respectively, for the three months ended March 31, 2020, and \$8 million and less than \$1 million, respectively, for the three months ended March 31, 2019. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$3 million, \$1 million, and \$1 million, respectively, for the three months ended March 31, 2020 and \$2 million, \$1 million, and less than \$1 million, respectively for the three months ended March 31, 2019. Total capitalized costs were \$134 million and \$76 million for the three months ended March 31, 2020 and 2019, respectively.

Recently Adopted Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Outlook

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

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

While the COVID-19 pandemic is impacting us in the short-term, our long-term focus has not changed. See our 10-K filed on February 13, 2020, for discussion of our our long-term strategies.

The actions taken by federal, state and local governments to mitigate the spread of COVID-19 by ordering closure of non-essential businesses and ordering residents to generally stay at home have resulted in many of our tenants temporarily or even permanently closing their businesses, and/or expressing concerns about their ability to pay rent. These economic hardships have adversely impacted our business, and we expect them to have a negative effect on our financial results. We expect such negative effects to be considerably higher during the quarter ending June 30, 2020 than they were during the quarter ended March 31, 2020. As of April 30, 2020, approximately 11.3 million square feet of our tenants were closed as a result of governmental orders. With very few exceptions, our leases require tenants to continue to pay rent even while closed as a result of the pandemic. Most rents for March 2020 were paid prior to the time the closures were announced; however, many tenants did not pay rents and other charges due in April. We are currently working with many of our smaller tenants to defer payment of rent for some or all of April, May, and June to later in 2020, and in many cases into 2021. We are expecting that our rent collections will continue to be significantly below our tenants’ contractual rent obligations for so long as governmental orders require non-essential businesses to remain closed and residents to stay at home, which will adversely impact our results of operations. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted. Depending upon the duration of tenant closures and the overall economic downturn resulting from COVID-19, we may find that even deferred rents are difficult to collect, and we may experience higher vacancies. While the duration and severity of the economic impact resulting from COVID-19 is unknown, we seek to position the Trust to participate in any resulting economic recovery.

While construction has slowed or stopped due to governmental mandates as a result of COVID-19, we continue to have several development projects in process, or being delivered as follows:

- In the 1st quarter of 2020, we delivered the fully leased eight story, 301,000 square foot office building at Santana Row.
- The first phase of construction on the 12 acres of land that we control across from Santana Row includes an eight story 376,000 square foot office building, with over 1,700 parking spaces. The building is expected to cost between \$250 million and \$270 million with openings beginning in 2022.
- Phase III of Assembly Row includes 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 2021.
- At Pike & Rose, we are continuing 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 2020.
- Throughout the portfolio, we currently have redevelopment projects underway with a projected total cost of approximately \$315 million that we expect to stabilize over the next several years.

The above includes our best estimates based on information currently known, however, the completion of construction, final costs, and the timing of openings will be dependent upon the duration of governmental restrictions and the duration and severity of the economic impacts of COVID-19.

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.

At March 31, 2020, the leasable square feet in our properties was 93.6% leased and 91.5% 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 first quarter of 2020, we signed leases for a total of 491,000 square feet of retail space including 466,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 5% on a cash basis. New leases for comparable spaces were signed for 151,000 square feet at an average rental increase of 8% on a cash basis. Renewals for comparable spaces were signed for 315,000 square feet at an average rental increase of 3% on a cash basis. Tenant improvements and incentives for comparable spaces were \$31.37 per square foot, of which, \$88.61 per square foot was for new leases and \$3.93 per square foot was for renewals for the three months ended March 31, 2020.

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. Costs related to redevelopments requires judgment by management in determining what reflects base building costs and thus, is not included in the "tenant improvements and incentives" amount.

The leases signed in 2020 generally become effective over the following two years though some may not become effective until 2023 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 1.3 to 1.9 million square feet of retail space each year, however, we expect that volume and potentially rental rate increases for 2020 to be negatively impacted by the COVID-19 pandemic.

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 months ended March 31, 2020, all or a portion of 97 properties were considered comparable properties and eight properties were considered non-comparable properties. For the three months ended March 31, 2020, two properties and two portions of properties were moved from non-comparable properties to comparable properties, one property was moved from comparable properties to non-comparable properties, and one property was moved from acquisitions to non-comparable properties, compared to the designations for the year ended December 31, 2019. 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 MARCH 31, 2020 AND 2019

	2020	2019	Change	
			Dollars	%
	(Dollar amounts in thousands)			
Rental income	\$ 230,798	\$ 231,492	\$ (694)	(0.3)%
Mortgage interest income	759	735	24	3.3 %
Total property revenue	231,557	232,227	(670)	(0.3)%
Rental expenses	44,312	44,260	52	0.1 %
Real estate taxes	29,064	27,687	1,377	5.0 %
Total property expenses	73,376	71,947	1,429	2.0 %
Property operating income (1)	158,181	160,280	(2,099)	(1.3)%
General and administrative expense	(10,251)	(9,565)	(686)	7.2 %
Depreciation and amortization	(62,188)	(59,622)	(2,566)	4.3 %
Operating income	85,742	91,093	(5,351)	(5.9)%
Other interest income	308	177	131	74.0 %
Interest expense	(28,445)	(28,033)	(412)	1.5 %
Loss from partnerships	(1,164)	(1,434)	270	(18.8)%
Total other, net	(29,301)	(29,290)	(11)	— %
Net income	56,441	61,803	(5,362)	(8.7)%
Net income attributable to noncontrolling interests	(1,678)	(1,659)	(19)	1.1 %
Net income attributable to the Trust	\$ 54,763	\$ 60,144	\$ (5,381)	(8.9)%

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

Property Revenues

Total property revenue decreased \$0.7 million, or 0.3%, to \$231.6 million in the three months ended March 31, 2020 compared to \$232.2 million in the three months ended March 31, 2019. The percentage occupied at our shopping centers was 91.5% at March 31, 2020 compared to 93.0% at March 31, 2019. 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 decreased \$0.7 million, or 0.3%, to \$230.8 million in the three months ended March 31, 2020 compared to \$231.5 million in the three months ended March 31, 2019 due primarily to the following:

- a decrease of \$4.6 million from comparable properties due primarily to higher to collectibility adjustments of \$2.7 million which is primarily the result of COVID-19 impacts, lower lease termination fees of \$2.7 million, lower recoveries of \$2.0 million primarily the result of lower snow removal expense, and lower average occupancy of approximately \$1.9 million, partially offset by higher rental rates of approximately \$4.6 million and,
- a decrease of \$3.6 million from our 2019 property sales,

partially offset by,

- an increase of \$5.0 million from acquisitions of Hoboken during the second half of 2019 and early 2020, Georgetowne Shopping Center in November 2019, and Fairfax Junction in February 2019 and January 2020 and,
- an increase of \$2.4 million from non-comparable properties due primarily to the openings of our new office building at Santana Row in early 2020 and Phase II at Assembly Row and Pike & Rose, and the opening of one of our retail redevelopments, partially offset by redevelopment related occupancy decreases at three properties.

Property Expenses

Total property expenses increased \$1.4 million, or 2.0%, to \$73.4 million in the three months ended March 31, 2020 compared to \$71.9 million in the three months ended March 31, 2019. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses were \$44.3 million for both the three months ended March 31, 2020 and 2019, with the minimal increase driven by the following:

- an increase of \$0.9 million from acquisitions of Hoboken during the second half of 2019 and early 2020, Georgetowne Shopping Center in November 2019, and Fairfax Junction in February 2019 and January 2020, and
- an increase of \$0.5 million from non-comparable properties due primarily to the opening of our new office building at Santana Row in early 2020,

which were offset by,

- a decrease of \$1.2 million from comparable properties due primarily to lower snow removal expense partially offset by higher repairs and maintenance costs and higher non-recoverable operating expenses, and
- a decrease of \$0.5 million from our 2019 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 increased to 19.2% in the three months ended March 31, 2020 from 19.1% in the three months ended March 31, 2019.

Real Estate Taxes

Real estate tax expense increased \$1.4 million, or 5.0%, to \$29.1 million in the three months ended March 31, 2020 compared to \$27.7 million in the three months ended March 31, 2019. This increase is primarily due to the following:

- an increase of \$0.8 million from acquisitions of Hoboken during the second half of 2019 and early 2020, Georgetowne Shopping Center in November 2019, and Fairfax Junction in February 2019 and January 2020,
- an increase of \$0.4 million from comparable properties due primarily to higher assessments, and
- an increase of \$0.4 million from non-comparable properties due primarily to the opening of our new office building at Santana Row in early 2020,

partially offset by,

- a decrease of \$0.3 million from our 2019 property sales.

Property Operating Income

Property operating income decreased \$2.1 million, or 1.3%, to \$158.2 million in the three months ended March 31, 2020 compared to \$160.3 million in the three months ended March 31, 2019. This decrease is due primarily to higher collectibility

adjustments largely the result of COVID-19 impacts, lower lease termination fee income, and property sales, partially offset by 2019 acquisitions and the opening of our new office building at Santana Row in early 2020.

Other Operating

General and Administrative

General and administrative expense increased \$0.7 million, or 7.2%, to \$10.3 million in the three months ended March 31, 2020 from \$9.6 million in the three months ended March 31, 2019. This increase is due primarily to higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased \$2.6 million, or 4.3%, to \$62.2 million in the three months ended March 31, 2020 from \$59.6 million in the three months ended March 31, 2019. This increase is due primarily to 2019 acquisitions and the opening of our new office building at Santana Row in early 2020, partially offset by 2019 property sales.

Operating Income

Operating income decreased \$5.4 million, or 5.9%, to \$85.7 million in the three months ended March 31, 2020 compared to \$91.1 million in the three months ended March 31, 2019. This decrease is due primarily to higher collectibility adjustments largely the result of COVID-19 impacts, lower lease termination fee income, and property sales, partially offset by 2019 acquisitions.

Other

Interest Expense

Interest expense increased \$0.4 million, or 1.5%, to \$28.4 million in the three months ended March 31, 2020 compared to \$28.0 million in the three months ended March 31, 2019. This increase is due primarily to the following:

- an increase of \$1.6 million due to higher weighted average borrowings primarily from the \$400 million issuance of our 3.20% notes in 2019 and \$106.9 million of mortgage loans associated with our Hoboken acquisitions, partially offset by the repayment of our \$275.0 million term loan in June 2019, and
- an increase of \$0.6 million from higher borrowings on our revolving credit facility in response to the COVID-19 pandemic (see further discussion in Note 4 to our consolidated financial statements),

partially offset by,

- an increase of \$1.2 million capitalized interest, primarily attributable to the development of Phase III of Assembly Row and Pike & Rose, and
- a decrease of \$0.6 million due to a lower overall weighted average borrowing rate.

Gross interest costs were \$34.2 million and \$32.6 million in the three months ended March 31, 2020 and 2019, respectively. Capitalized interest was \$5.7 million and \$4.5 million for the three months ended March 31, 2020 and 2019, respectively.

Liquidity and Capital Resources

Due to the nature of our business and strategy, we typically generate significant amounts of cash from operations which is largely paid to our common and preferred shareholders in the form of dividends because as a REIT, we are generally required to make annual distributions to shareholders of at least 90% of our taxable income. Remaining cash flow from operations after dividend payments is used to fund recurring and non-recurring capital projects (such as tenant improvements and redevelopments), and regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities). We maintain a \$1.0 billion revolving credit facility to fund short term cash flow needs and also look to the public and private debt and equity markets, joint venture relationships, and property dispositions to fund capital expenditures on a long-term basis.

While the COVID-19 impacts are unknown, we currently expect a short term decrease in cash from operations as our tenants are impacted by the pandemic and, while contractually obligated, some have not paid rent during April 2020 (see further discussion under the "Outlook" section of this Item 2). In order to strengthen our financial position and balance sheet, to maximize liquidity, and to provide maximum flexibility as the effects of the COVID-19 pandemic continue to evolve, in March 2020, we borrowed \$990.0 million under our revolving credit facility, representing a draw-down of almost the entirety of our \$1.0 billion credit facility.

At March 31, 2020, we had cash and cash equivalents of \$994.7 million and \$990.0 million outstanding on our revolving credit facility. During the three months ended March 31, 2020, our weighted average borrowing rate on the revolving credit facility, before amortization of debt fees, was 1.7%. As of March 31, 2020, we had the capacity to issue up to \$128.3 million in common shares under our ATM equity program.

Over the next 12 months, we have \$314.2 million of debt maturing. Additionally, our overall capital requirements for the remainder of 2020 will depend upon the duration of government mandated closures and the overall economic impact of COVID-19, as well as general timing of our redevelopment and development activities. Given those impacts, we currently expect to see lower levels of capital investments in our properties under development and redevelopment compared to the quarter ended March 31, 2020 and recent years.

We believe that the cash on our balance sheet together with rents we collect will allow us to continue to operate our business in the near-term. Given our past ability to access the capital markets, we also expect debt or equity to be available to us. We may also further delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy. We continue to monitor governmental financial assistance programs being made available to address impacts of COVID-19 and may access one or more of these programs to supplement our liquidity if we qualify for them.

While the COVID-19 pandemic will negatively impact our business in the short term, we maintain our long term commitment to a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings.

Summary of Cash Flows

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Cash provided by operating activities	\$ 118,749	\$ 104,919
Cash used in investing activities	(151,832)	(104,037)
Cash provided by (used in) financing activities	898,895	(27,002)
Increase (decrease) in cash, cash equivalents and restricted cash	865,812	(26,120)
Cash, cash equivalents and restricted cash, beginning of year	153,614	108,332
Cash, cash equivalents and restricted cash, end of period	<u>\$ 1,019,426</u>	<u>\$ 82,212</u>

Net cash provided by operating activities increased \$13.8 million to \$118.7 million during the three months ended March 31, 2020 from \$104.9 million during the three months ended March 31, 2019. The increase was primarily attributable to lower prepaid expenses and timing of cash receipts, partially offset by lower net income before non-cash items.

Net cash used in investing activities increased \$47.8 million to \$151.8 million during the three months ended March 31, 2020 from \$104.0 million during the three months ended March 31, 2019. The increase was primarily attributable to:

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- a \$44.9 million increase in capital expenditures as we continue to invest in Pike & Rose, Assembly Row, Santana Row and other redevelopments,
- \$17.4 million for costs paid in 2020 relating to the partial sale under threat of condemnation at San Antonio Center in 2019, and
- \$6.1 million in proceeds in 2019 from the sale of condominiums at our Assembly Row and Pike & Rose properties,

partially offset by

- an \$18.1 million decrease in acquisition of real estate, primarily due to the February 2019 acquisition of Fairfax Junction, partially offset by the acquisition of two buildings in Hoboken, New Jersey in February 2020.

Net cash provided by financing activities increased \$925.9 million to \$898.9 million during the three months ended March 31, 2020 from \$27.0 million used in the three months ended March 31, 2019. The increase was primarily attributable to:

- a \$970.0 million net increase in borrowings on our revolving credit facility to provide maximum flexibility and liquidity during the COVID-19 pandemic, and
- a \$20.2 million decrease in repayment of mortgages, finance leases, and notes payable primarily due to the payoff of the mortgage loan on Rollingwood Apartments in January 2019,

partially offset by

- a \$59.4 million decrease in net proceeds from the issuance of common shares under our ATM program during the three months ended March 31, 2019.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of March 31, 2020:

Description of Debt	Original Debt Issued	Principal Balance as of March 31, 2020	Stated Interest Rate as of March 31, 2020	Maturity Date
(Dollar amounts in thousands)				
Mortgages payable				
<i>Secured fixed rate</i>				
The Shops at Sunset Place	Acquired	\$ 61,585	5.62%	September 1, 2020
29th Place	Acquired	3,816	5.91%	January 31, 2021
Sylmar Towne Center	Acquired	16,532	5.39%	June 6, 2021
Plaza Del Sol	Acquired	8,183	5.23%	December 1, 2021
The AVENUE at White Marsh		52,705	52,705	3.35%
Montrose Crossing		80,000	67,025	4.20%
Azalea	Acquired	40,000	3.73%	November 1, 2025
Bell Gardens	Acquired	12,611	4.06%	August 1, 2026
Plaza El Segundo		125,000	125,000	3.83%
The Grove at Shrewsbury (East)		43,600	43,600	3.77%
Brook 35		11,500	11,500	4.65%
Hoboken (24 Buildings) (1)	Acquired	56,450	LIBOR + 1.95%	December 15, 2029
Various Hoboken (14 Buildings) (2)	Acquired	33,342	Various	Various through 2029
Chelsea	Acquired	5,508	5.36%	January 15, 2031
Hoboken (1 Building) (3)	Acquired	16,796	3.75%	July 1, 2042
Subtotal		554,653		
Net unamortized premium and debt issuance costs		(1,840)		
Total mortgages payable, net		552,813		
Notes payable				
Revolving credit facility (4)		1,000,000	990,000	LIBOR + 0.775%
Various		7,239	3,812	11.31%
Subtotal			993,812	
Net unamortized debt issuance costs			(60)	
Total notes payable, net			993,752	
Senior notes and debentures				
<i>Unsecured fixed rate</i>				
2.55% notes		250,000	250,000	2.55%
3.00% notes		250,000	250,000	3.00%
2.75% notes		275,000	275,000	2.75%
3.95% notes		300,000	300,000	3.95%
7.48% debentures		50,000	29,200	7.48%
3.25% notes		475,000	475,000	3.25%
6.82% medium term notes		40,000	40,000	6.82%
3.20% notes		400,000	400,000	3.20%
4.50% notes		550,000	550,000	4.50%
3.625% notes		250,000	250,000	3.625%
Subtotal			2,819,200	
Net unamortized discount and debt issuance costs			(11,352)	
Total senior notes and debentures, net			2,807,848	
Total debt, net			\$ 4,354,413	

- 1) On November 26, 2019, we entered into two interest rate swap agreements that fix the interest rate on this mortgage loan at 3.67%.
- 2) The interest rates on these mortgages range from 3.91% to 5.00%.
- 3) This mortgage loan has a fixed interest rate, however, the rate resets every five years until maturity. The current interest rate is fixed until July 1, 2022, and the loan is prepayable at par anytime after this date.
- 4) The maximum amount drawn under our revolving credit facility during the three months ended March 31, 2020 was \$990.0 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 1.7%.

Our revolving credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of March 31, 2020, we were in compliance with all financial and other covenants related to our revolving credit facility and senior notes. Additionally, as of March 31, 2020, 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 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 March 31, 2020:

	Unsecured	Secured	Total
	(In thousands)		
2020	\$ 582	\$ 64,963	\$ 65,545
2021	250,680	31,756	282,436
2022	250,756	119,706	370,462
2023	275,775	3,549	279,324
2024	1,290,665 (1)	3,688	1,294,353
Thereafter	1,744,554	330,991	2,075,545
	<u>\$ 3,813,012</u>	<u>\$ 554,653</u>	<u>\$ 4,367,665 (2)</u>

1) Our \$1.0 billion revolving credit facility matures on January 19, 2024 plus two six-month extensions at our option. As of March 31, 2020, there was \$990.0 million outstanding under this credit facility.

2) 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 March 31, 2020.

Interest Rate Hedging

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

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive loss which is included in accumulated other comprehensive loss on the balance sheet and statement of shareholders' equity. Cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and 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. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

As of March 31, 2020, we have two interest rate swap agreements that effectively fix the rate on a mortgage payable associated with our Hoboken portfolio at 3.67%. Our Assembly Row hotel joint venture is also a party to two interest rate swap agreements that effectively fix their debt at 5.206%. All swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted earnings as of March 31, 2020.

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 March 31,	
	2020	2019
	(In thousands, except per share data)	
Net income	\$ 56,441	\$ 61,803
Net income attributable to noncontrolling interests	(1,678)	(1,659)
Depreciation and amortization of real estate assets	56,046	53,489
Amortization of initial direct costs of leases	4,900	4,750
Funds from operations	115,709	118,383
Dividends on preferred shares	(1,875)	(1,875)
Income attributable to operating partnership units	790	729
Income attributable to unvested shares	(356)	(344)
Funds from operations available for common shareholders	\$ 114,268	\$ 116,893
Weighted average number of common shares, diluted (1)	76,208	75,010
Funds from operations available for common shareholders, per diluted share	\$ 1.50	\$ 1.56

- (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 March 31, 2020, we had \$3.4 billion of fixed-rate debt outstanding. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at March 31, 2020 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$243.1 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at March 31, 2020 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$279.0 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 March 31, 2020, we had \$990.0 million of variable rate debt outstanding on our revolving credit facility. Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase approximately \$9.9 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by approximately \$9.9 million with a corresponding increase in our net income and cash flows for the year.

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 March 31, 2020. 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 March 31, 2020 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, 2019.

ITEM 1A. RISK FACTORS

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 forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “believes,” “estimates,” “anticipates” and “continues.” While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. . “Item 1A. Risk Factors” of our Annual Report to our Form 10-K for the year ended December 31, 2019 filed with the SEC on February 10, 2020 describes some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. Except for the risk factor discussed below, we do not believe that there have been any material changes to the risk factors disclosed in our 2019 Annual Report.

Natural disasters, climate change and public health crises, including the COVID-19 pandemic, could have an adverse impact on our cash flow and operating results.

Climate change may add to the unpredictability and frequency of natural disasters and severe weather conditions and create additional uncertainty as to future trends and exposures. Certain of our operations are located in areas that are subject to natural disasters and severe weather conditions such as hurricanes, earthquakes, droughts, snow storms, floods and fires. The impact of climate change or the occurrence of natural disasters can delay new development projects, increase investment costs to repair or replace damaged properties, increase operating costs, create additional investment costs to make improvements to existing properties to comply with climate change regulations, increase future property insurance costs, and negatively impact the tenant demand for space. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from these events, our earnings, liquidity or capital resources could be adversely affected.

In addition, our business is subject to risks related to the effects of public health crises, epidemics and pandemics, including the COVID-19 pandemic. Such events could inhibit global, national and local economic activity; adversely affect trading activity in securities markets, which could negatively impact the trading prices of our common shares and debt securities and our ability to access the securities markets as a source of liquidity; adversely affect our tenants' financial condition by limiting foot traffic and staffing at their businesses, which could affect their ability to pay rent and willingness to make new leasing commitments; reduce our cash flow, which could impact our ability to pay dividends or to service our debt; temporarily or permanently reduce the demand for retail or office space; interfere with our business operations by requiring our personnel to work remotely; increase the frequency of cyber-attacks; disrupt supply chains that could be important in our development and redevelopment activities; interfere with potential purchases and sales of properties; and have other direct and indirect effects that are difficult to predict. Such risks depend upon the nature and severity of the public health concern, as well as the extent and duration of government-mandated orders and personal decisions to limit travel, economic activity and personal interaction, none of which can be predicted with confidence. In particular, we cannot predict the duration of stay-at-home and other government orders instituted in response to the COVID-19 pandemic, which vary by jurisdiction, or the pandemics' short and long term economic effects, each of which could have a material adverse effect on our business.

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 March 31, 2020, we redeemed 28,289 downREIT operating partnership units for cash.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit No.	Description
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004, February 17, 2006, May 6, 2009, November 2, 2016, February 5, 2019, and April 2, 2020
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Principal Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	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 March 31, 2020, formatted in XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Income, (3) the Consolidated Statement of Shareholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements that have been detail tagged.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

May 6, 2020

FEDERAL REALTY INVESTMENT TRUST

/s/ Donald C. Wood

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

May 6, 2020

FEDERAL REALTY INVESTMENT TRUST

/s/ Daniel Guglielmono

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

*Federal Realty Investment Trust
Amended and Restated Bylaws
(February 12, 2003)*

**ARTICLE I
OFFICES**

Section 1. **PRINCIPAL OFFICE.** The principal office of the Trust shall be located at such place or places as the Board of Trustees may designate.

Section 2. **ADDITIONAL OFFICES.** The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

**ARTICLE II
MEETINGS OF SHAREHOLDERS**

Section 1. **PLACE.** All meetings of shareholders shall be held at the principal executive office of the Trust or at such other place within the United States as shall be stated in the notice of the meeting. In determining the location of any meeting of shareholders, the Board of Trustees may determine that the meeting not be held at any place, but instead may be held solely by means of remote communication. If a meeting is held solely by means of remote communication, the Trust shall implement reasonable measures (a) to verify that each person considered present and authorized to vote at the meeting by means of remote communication is a shareholder or proxy holder and (b) to provide the shareholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings.

Section 2. **ANNUAL MEETING.** An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held during the month of May of each year, after the delivery of the annual report referred to in Section 12 of this Article II, at a convenient location and on proper notice, on a date and at the time set by the Trustees, beginning with the year 1999. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. **SPECIAL MEETINGS.** The Chairman of the Board, the Chief Executive Officer, the President or one-third of the Trustees may call special meetings of the shareholders. Special meetings of shareholders shall also be called by the Secretary upon the written request of the holders of shares entitled to cast not less than a twenty-five percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on at such meeting. The Secretary shall inform such shareholders of the reasonably estimated cost of preparing and mailing notice of the meeting and, upon payment by such shareholders to the Trust of such costs, the Secretary shall give notice to each shareholder entitled to notice of the meeting. Unless requested by shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any meeting of the shareholders held during the preceding twelve months.

Section 4. **NOTICE.** Not less than ten nor more than 90 days before each meeting of shareholders, the Secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such shareholder personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his post office address as it appears on the records of the Trust, with postage thereon prepaid.

Section 5. **SCOPE OF NOTICE.** Any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice.

Section 6. **ORGANIZATION.** The Chairman of the Board shall preside over every meeting of the shareholders. If there is no Chairman or the Chairman is not present at any meeting of the shareholders, the Chief Executive Officer shall preside. In the case of a vacancy in office or an absence of both the Chairman and the Chief Executive Officer, one of the following officers present shall conduct the meeting in the order stated: the President, the Vice Presidents (as defined in Article V, Section 8) in their order of rank and seniority, or a Chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as Chairman. The Secretary, or, in his absence, an Assistant Secretary, or in the absence of both the Secretary and Assistant Secretaries, a person appointed by the Chief Executive Officer, shall act as Secretary of the meeting.

Section 7. **QUORUM.** At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. The shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. **VOTING.** In any uncontested election, a majority of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be required to elect a Trustee. A majority of the votes cast means that the number of shares voted "for" a Trustee must exceed 50% of the votes cast with respect to that Trustee. In any contested election (in which the number of nominees exceeds the number of trustees to be elected), a plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required herein or by statute or by the Declaration of Trust. Unless otherwise provided in the Declaration of Trust, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

If any nominee for Trustee in an uncontested election does not receive a majority of votes cast "for" his/her election shall promptly tender his or her resignation to the Chair of the Nominating and Corporate Governance Committee following certification of the shareholder vote. The Nominating and Corporate Governance Committee shall promptly consider the resignation and recommend to the Board whether to accept the tendered resignation or reject it. In considering whether to accept or reject the tendered resignation, the Nominating and Corporate Governance Committee shall consider the stated reasons, if any, why shareholders did not cast votes "for" the election of such Trustee, the length of service and qualifications of the Trustee whose resignation has been tendered, the Trustee's contributions to the Trust, all requirements of the Trust's governing documents, all legal requirements and such other information and factors as members of the Nominating and Corporate Governance Committee shall determine are relevant.

The Board will act on the recommendation of the Nominating and Corporate Governance Committee no later than ninety (90) days following the date of the shareholders' meeting where the election occurred, or the date set forth in any applicable requirement of the Securities and Exchange Commission ("SEC") or the NYSE, whichever is earlier. In considering the Nominating and Corporate Governance Committee's recommendation, the Board will analyze the factors considered by the committee and such additional information and factors the Board believes to be relevant. Following the Board's decision on the committee's recommendation, the Trust will promptly disclose the Board's decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation) in a press release, a filing with the SEC or other broadly disseminated means of communication. If the Board accepts a Trustee's resignation, the Board may fill the resulting vacancy or decrease the size of the Board pursuant to the Bylaws.

Any Trustee who tenders his or her resignation pursuant to this provision shall not participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether or not to accept the tendered resignation. However, if each member of the Nominating and Corporate Governance Committee fails to receive a majority of "for" votes at the same election, then the non-management Trustees who did receive a majority of "for" votes shall appoint a committee amongst themselves to consider the tendered resignations and recommend to the Board whether to accept or reject them.

Section 9. PROXIES. A shareholder may cast the votes entitled to be cast by the shares owned of record by him either in person or by proxy executed by the shareholder or by his duly authorized agent in any manner allowed by law. Such proxy shall be filed with the Secretary of the Trust before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of the Trust registered in the name of a corporation, partnership, limited liability company, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner, a manager, a managing member or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing board of such corporation or other entity or agreement of the partners of the partnership or agreement of the members of the limited liability company presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy.

Shares of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Trustees consider necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares in place of the shareholder who makes the certification.

Notwithstanding any other provision contained herein or in the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition; provided, however, that this section may be repealed only with the approval of at least a majority of the shares then outstanding and entitled to vote on the matter.

Section 11. INSPECTORS. At any meeting of shareholders, the chairman of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. REPORTS TO SHAREHOLDERS. The Trustees shall submit to the shareholders at or before the annual meeting of shareholders a report of the business and operations of the Trust during such fiscal year, containing a balance sheet and a statement of income and surplus of the Trust, accompanied by the certification of an independent certified public accountant, and such further information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject. Within the earlier of 20 days after the annual meeting of shareholders or 120 days after the end of the fiscal year of the Trust, the Trustees shall place the annual report on file at the principal office of the Trust and with any governmental agencies as may be required by law and as the Trustees may deem appropriate.

Section 13. NOMINATIONS AND PROPOSALS BY SHAREHOLDERS.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders: (A) pursuant to the Trust's notice of meeting; (B) by or at the direction of the Trustees; or (C) by any shareholder of the Trust who was a shareholder of record both at the

time of giving of notice provided for in this Section 13(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a) (1) of this Section 13, the shareholder must have given timely notice thereof in writing to the Secretary of the Trust and such other business must otherwise be a proper matter for action by shareholders. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Trust not later than the close of business on the 120th calendar day before the first anniversary of the date of the Trust's proxy statement released to shareholders in connection with the preceding year's annual meeting; provided, however, that in the event that the date of the current year's annual meeting has been changed by more than 30 days from the date of the preceding year's meeting or if the Trust did not hold an annual meeting the preceding year, notice by the shareholder to be timely must be so delivered within a reasonable time before the Trust begins to print and mail its proxy materials. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee all information relating to such person that is required to be disclosed in solicitations of proxies for election of Trustees in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Trustee if elected); (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (i) the name and address of such shareholder, as they appear on the Trust's books, and of such beneficial owner; and (ii) the number of each class of shares of the Trust which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 13 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement by the Trust naming all of the nominees for Trustee or specifying the size of the increased Board of Trustees at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 13(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Trust not later than the close of business on the tenth day following the day on which such public announcement is first made by the Trust.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected: (i) pursuant to the Trust's notice of meeting; (ii) by or at the direction of the Board of Trustees; or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice provided for in this Section 13(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(b). In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election to such position as specified in the Trust's notice of meeting, if the shareholder's notice containing the information required by paragraph (a)(2) of this Section 13 shall be delivered to the Secretary at the principal executive offices of the Trust not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Trustees to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 13 and,

if any proposed nomination or business is not in compliance with this Section 13, to declare that such nomination or proposal shall be disregarded.

(2) For purposes of this Section 13, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 13, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any rights of shareholders to request inclusion of proposals in, nor the right of the Trust to omit a proposal from, the Trust’s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 14. INFORMAL ACTION BY SHAREHOLDERS.

(a) Any action by Shareholders may be taken without a meeting, if a majority of Shares entitled to vote on the matter (or such larger proportion of Shares as shall be required to take such action) consent to the action in writing and the written consents are filed with the records of the meetings of Shareholders.

(b) In order that the Trust may determine the shareholders entitled to consent to action in writing without a meeting, the Board of Trustees may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Trustees, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Trustees. Any shareholder of record seeking to have the shareholders authorize or take action by written consent shall, by written notice to the Secretary of the Trust, request the Board of Trustees to fix a record date. The Board of Trustees shall promptly, but in all events within ten (10) days of the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Trustees within ten (10) days of the date on which such a request is received and no prior action by the Board of Trustees is required by applicable law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Trust by delivery to its registered office in the State of Maryland, its principal place of business, or an officer or agent of the Trust having custody of the book in which proceedings of shareholders meetings are recorded, in each case to the attention of the Secretary of Trust. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Trustees within ten (10) days of the date on which such a request is received and prior action by the Board of Trustees is required by applicable law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be at the close of business on the date on which the Board of Trustees adopts the resolution taking such prior action.

Section 15. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

ARTICLE III TRUSTEES

Section 1. GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify. At no time shall there be less than a majority of Trustees on the Board of Trustees that fail to satisfy the definitions for independence as established from time to time in the Securities Exchange Act of 1934, the New York Stock Exchange’s Listed Company Manual and other laws, rules and regulations applicable to the Trust from time to time.

Section 2. NUMBER. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Trustees may establish, increase or decrease the number of Trustees; provided, however, that the total number of Trustees shall not be less than five (5) or more than ten (10).

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Trustees may be called by or at the request of the Chairman of the Board, the Chief Executive Officer or the President or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 5. NOTICE. Notice of any special meeting shall be given by written notice delivered personally, telegraphed, facsimile-transmitted or mailed to each Trustee at his business or residence address. Personally delivered or telegraphed notices shall be given at least two days prior to the meeting. Notice by mail shall be given at least five days prior to the meeting. Telephone or facsimile-transmission notice shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. If given by telegram, such notice shall be deemed to be given when the telegram is delivered to the telegraph company. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which the Trustee is a party. Facsimile-transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed transmission report confirming delivery. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group.

The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees to leave less than a quorum.

Section 7. VOTING. The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by applicable statute.

Section 8. TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 9. INFORMAL ACTION BY TRUSTEES. Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each Trustee and such written consent is filed with the minutes of proceedings of the Trustees.

Section 10. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than 3 Trustees remain). Subject to the rights of holders of one or more classes or series of preferred shares then outstanding, any vacancy on the Board of Trustees (including a vacancy created by an increase in the number of Trustees) may be filled by a majority of the remaining Trustees or, if the remaining Trustees fail to act or there is no remaining Trustee, by the vote of holders of at least a majority of the Shares entitled to vote thereon and present in person or by proxy at any meeting of the shareholders called for that purpose. Any individual so elected as Trustee shall serve for the unexpired term of the Trustee he is replacing.

Section 11. COMPENSATION; FINANCIAL ASSISTANCE.

(a) Compensation. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive compensation per year and/or per meeting and/or per visit to real property owned or to be acquired by the Trust and for any service or activity they performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

(b) Financial Assistance to Trustees. To the extent permitted by law, the Trust may lend money to, guarantee an obligation of or otherwise assist a Trustee or a trustee of its direct or indirect subsidiary. The loan, guarantee or other assistance may be with or without interest, unsecured, or secured in any manner that the Board of Trustees approves, including a pledge of Shares.

Section 12. **REMOVAL OF TRUSTEES.** The shareholders may, at any time, remove any Trustee in the manner provided in the Declaration of Trust.

Section 13. **LOSS OF DEPOSITS.** No Trustee shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or shares have been deposited.

Section 14. **SURETY BONDS.** Unless required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his duties.

Section 15. **RELIANCE.** Each Trustee, officer, employee and agent of the Trust shall, in the performance of his duties with respect to the Trust, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel or upon reports made to the Trust by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

Section 16. **INTERESTED TRUSTEE TRANSACTIONS.** Section 2-419 of the Maryland General Corporation Law (the "MGCL") shall be available for and apply to any contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

Section 17. **CERTAIN RIGHTS OF TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS.** The Trustees shall have no responsibility to devote their full time to the affairs of the Trust. Any Trustee or officer, employee or agent of the Trust (other than a full-time officer, employee or agent of the Trust), in his personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar or in addition to those of or relating to the Trust, subject to any limitations imposed by applicable law or any policies adopted by the Board of Trustees.

Section 18. **CHAIRMAN OF THE BOARD OF TRUSTEES.** The Board of Trustees may elect from among the Trustees a Chairman of the Board of Trustees by the affirmative vote of a majority of the full Board of Trustees taken at any regular or special meeting of the Trustees. The Chairman shall preside over the meetings of shareholders and the meetings of the Trustees at which he shall be present. The Chairman may be removed at any time by the affirmative vote of a majority of the full Board of Trustees taken at any regular or special meeting of the Trustees. The Chairman may resign from the position of Chairman at any time by written notice to the Board of Trustees effective upon execution and delivery to the Trust of such written notice or upon any future date specified in such notice, provided that such notice shall not constitute written notice to resign as a Trustee unless so designated.

ARTICLE IV COMMITTEES

Section 1. **NUMBER, TENURE AND QUALIFICATIONS.** The Trustees shall appoint from among its members an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Trustees may appoint from among its members an Executive Committee and such other committees as they may deem necessary or appropriate. All committees so appointed shall be composed of one or more Trustees to serve at the pleasure of the Trustees; provided, however, that the following committees, to the extent they are created by the Trustees, shall always consist of two or more Trustees: (a) Audit Committee; (b) Compensation Committee; (c) Executive Committee; and (d) Nominating and Corporate Governance Committee.

Section 2. **POWERS.** The Trustees may delegate to committees appointed under Section 1 of this Article any of the powers of the Trustees, except as prohibited by law.

Section 3. **MEETINGS.** In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees.

One-third, but not less than two, of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board of Trustees may designate a chairman of any committee, and such chairman or any two members of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any such committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Trustee to act at the meeting in the place of such absent or disqualified members.

Each committee shall keep minutes of its proceedings and shall report the same to the Board of Trustees at the next succeeding meeting, and any action by the committee shall be subject to revision and alteration by the Board of Trustees, provided that no vested or contractual rights of third persons shall be affected by any such revision or alteration.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee unless such committee is required to be maintained pursuant to any applicable law, rule or regulation.

ARTICLE V OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Trust shall include a President, a Secretary and a Treasurer and may include a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. In addition: (a) the Trustees may from time to time appoint such other officers who the Trustees designate by resolution as "Executive Officers" of the Trust with such powers and duties as they shall deem necessary or desirable; and (b) the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) may from time to time appoint any other officers with such powers and duties as the Chief Executive Officer (or the President, as applicable) shall deem necessary or desirable. The Chief Executive Officer and other Executive Officers of the Trust shall be appointed at such intervals as the Trustees may determine, and all other officers of the Trust shall be appointed at such intervals as the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) may determine. Each officer shall hold office until his successor is elected and qualifies or until the earlier of his death, resignation or removal in the manner hereinafter provided. Any two or more offices except President and Vice President may be held by the same person. The Trustees, in their discretion, or the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) may leave unfilled any office except those of President, Secretary and Treasurer. Appointment of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed at any time by the affirmative vote of two-thirds of the full Board of Trustees taken at any regular or special meeting of the Trustees if in their judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. In addition, the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President) may remove any officer or agent of the Trust other than an Executive Officer at any time if, in his judgment, the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by giving written notice of his resignation to the Trustees, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Trustees for the balance of the term of office, and a vacancy in any office other than those of Chief Executive Officer, President and any other Executive Officer may be filled by the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President) for the balance of the term of office.

Section 4. CHIEF EXECUTIVE OFFICER. The Trustees may designate a Chief Executive Officer from among the elected or appointed officers. The Chief Executive Officer shall have responsibility for implementation of the policies of the Trust, as determined by the Trustees, and for the administration of the business affairs of the Trust. In the absence of the Chairman of the Board or if there is no Chairman of the Board, the Chief Executive Officer shall preside over the meetings of the shareholders and the meetings of the Trustees at which he shall be present. The Chief Executive Officer shall have the right to delegate any rights and responsibilities relating to the appointment and removal of officers to any other Executive Officer, subject to such limitations as the Chief Executive Officer shall determine.

Section 5. CHIEF OPERATING OFFICER. The Trustees may designate a Chief Operating Officer from among the elected or appointed officers. The Chief Operating Officer shall have the responsibilities and duties as set forth by the Trustees or the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President).

Section 6. CHIEF FINANCIAL OFFICER. The Trustees may designate a Chief Financial Officer from among the elected or appointed officers. The Chief Financial Officer shall have the responsibilities and duties as set forth by the Trustees or the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President).

Section 7. PRESIDENT. In the absence of the Chairman of the Board (or if there is no Chairman of the Board) and the absence of the Chief Executive Officer, the President shall preside over the meetings of the shareholders and meetings of the Trustees at which he shall be present. In the absence of a designation of a Chief Executive Officer by the Trustees, the President shall be the Chief Executive Officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Trustees. The President may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Trustees from time to time. The President shall have the right to delegate any rights and responsibilities relating to the appointment and removal of officers to any other Executive Officer, subject to such limitations as the President shall determine.

Section 8. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the President or by the Trustees. The Trustees may designate one or more Vice Presidents as Executive Vice Presidents, Senior Vice Presidents or Vice Presidents for particular areas of responsibility.

Section 9. SECRETARY. The Secretary shall: (a) keep the minutes of the proceedings of the shareholders, the Trustees and committees of the Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the Trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; (f) vote, on behalf of the Trust, all of the shares of any subsidiary of the Trust, whether currently existing or created in the future, on each matter presented to shareholders of any such subsidiary for a vote; and (g) in general, perform such other duties as from time to time may be assigned to him or her by the Chief Executive Officer, the President or the Trustees.

Section 10. TREASURER. The Treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Trustees.

He shall disburse the funds of the Trust in accordance with the authority granted by the Chief Executive Officer, the President or the Trustees, taking proper vouchers for such disbursements, and shall render to the President and Trustees, whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Trust.

If required by the Trustees, he shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Trustees for the faithful performance of the duties of his office and for the restoration to the Trust, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his possession or under his control belonging to the Trust.

Section 11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the Chief Executive Officer, the President or the Trustees. The Assistant Treasurers shall, if required by the Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Trustees.

Section 12. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by or with the approval of the Trustees and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a Trustee.

ARTICLE VI
CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. **CONTRACTS.** The Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document executed by one or more of the Trustees or by an authorized person shall be valid and binding upon the Trustees and upon the Trust when authorized or ratified by action of the Trustees.

Section 2. **CHECKS AND DRAFTS.** All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Trustees.

Section 3. **DEPOSITS.** All funds of the Trust not otherwise employed shall be deposited from time to time to the credit of the Trust in such banks, trust companies or other depositories as the Trustees may designate. If the Trustees fail to designate a depository, the Chief Executive Officer (or if there is no Chief Executive Officer, the President) may do so.

ARTICLE VII
SHARES

Section 1. **CERTIFICATES.** Each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interests held by him in the Trust. Each certificate shall be signed by the Chief Executive Officer, the President or an Executive Officer and countersigned by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Trust shall, from time to time, issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Trust, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Trust may set forth upon the face or back of the certificate a statement that the Trust will furnish to any shareholder, upon request and without charge, a full statement of such information.

Section 2. **TRANSFERS.** Certificates shall be treated as negotiable and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation. Upon surrender to the Trust or the transfer agent of the Trust of a share certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Trust shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of beneficial interest of the Trust will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

Section 3. **REPLACEMENT CERTIFICATE.** Any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Trustees may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as the officer shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. **CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.** The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of shareholders not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

In lieu of fixing a record date, the Trustees may provide that the share transfer books shall be closed for a stated period but not longer than 20 days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the share transfer books are not closed for the determination of shareholders: (a) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when: (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired; or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. **STOCK LEDGER.** The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. **FRACTIONAL SHARES; ISSUANCE OF UNITS.** The Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

ARTICLE VIII ***ACCOUNTING YEAR***

The Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

ARTICLE IX ***DISTRIBUTIONS***

Section 1. **AUTHORIZATION.** Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. **CONTINGENCIES.** Before payment of any dividends or other distributions, there may be set aside out of any funds of the Trust available for dividends or other distributions such sum or sums as the Trustees may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Trust or for such other purpose as the Trustees shall determine to be in the best interest of the Trust, and the Trustees may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X ***INVESTMENT POLICY***

Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Trust as it shall deem appropriate in its sole discretion.

ARTICLE XI ***SEAL***

Section 1. **SEAL.** The Trustees may authorize the adoption of a seal by the Trust. The seal shall have inscribed thereon the name of the Trust and the year of its formation. The Trustees may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. **AFFIXING SEAL.** Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

**ARTICLE XII
INDEMNIFICATION AND ADVANCE OF EXPENSES**

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify: (a) any Trustee, officer or shareholder or any former Trustee, officer or shareholder (including among the foregoing, for all purposes of this Article XII and without limitation, any individual who, while a Trustee, officer or shareholder and at the express request of the Trust, serves or has served another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, manager, member, partner or trustee of such real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to which he or she was made a party by reason of service in such capacity, against reasonable expenses incurred by him or her in connection with the proceeding; (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he or she may become subject by reason of such status unless it is established that: (i) his or her act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; (ii) he or she actually received an improper personal benefit in money, property or services; or (iii) in the case of a criminal proceeding, he or she had reasonable cause to believe that his or her act or omission was unlawful; and (c) each shareholder or former shareholder against any claim or liability to which he or she may become subject by reason of such status. In addition, the Trust shall, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee, officer or shareholder or former Trustee, officer or shareholder made a party to a proceeding by reason such status, provided that, in the case of a Trustee or officer, the Trust shall have received: (1) a written affirmation by the Trustee or officer of his or her good faith belief that he or she has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws; and (2) a written undertaking by or on his or her behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of expenses to any Trustee, officer or shareholder or any former Trustee, officer or shareholder who served a predecessor of the Trust and to any employee or agent of the Trust or a predecessor of the Trust. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Any indemnification or payment or reimbursement of the expenses permitted by these Bylaws shall be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the MGCL for directors of Maryland corporations. The Trust may provide to Trustees, officers and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

**ARTICLE XIII
WAIVER OF NOTICE**

Whenever any notice is required to be given pursuant to the Declaration of Trust or Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**ARTICLE XIV
AMENDMENT OF BYLAWS**

Section 1. **AMENDMENT BY SHAREHOLDERS.** Any provision of these Bylaws may be adopted, altered or repealed by the shareholders at any meeting of shareholders called for that purpose, by the affirmative vote of holders of not less than a majority of the shares then outstanding and entitled to vote.

Section 2. **AMENDMENT BY TRUSTEES.** Except as otherwise provided in any Bylaws adopted pursuant to Section 1 of this Article XIV or as otherwise required pursuant to the last paragraph of Section 10 of Article II, any provision of these Bylaws may be adopted, altered or repealed by the Trustees provided that the Trustees may not repeal Section 1 of this Article XIV, or the

last paragraph of Section 10 of Article II, or increase the shareholder vote required under either of such sections.

ARTICLE XV
MISCELLANEOUS

All references to the Declaration of Trust shall include any amendments thereto.

Amended on October 29, 2003
Amended on May 5, 2004
Amended on February 17, 2006
Amended on May 6, 2009
Amended on November 2, 2016
Amended on February 5, 2019
Amended on April 2, 2020

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.

May 6, 2020

/s/ Donald C. Wood

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

CERTIFICATION

I, *Daniel Guglielmon*e, 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.

May 6, 2020

/s/ Daniel Guglielmon

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

CERTIFICATION

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

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 (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.

May 6, 2020

/s/ Donald C. Wood

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 March 31, 2020 (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.

May 6, 2020

/s/ Daniel Guglielmon

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