UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016
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	**52-0782497**
(State of Organization)	**(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest, $.01 par value per share, with associated Common Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	o (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the Registrant's common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2016 was $11.8 billion.

The number of Registrant's common shares outstanding on February 8, 2017 was 72,105,659.

FEDERAL REALTY INVESTMENT TRUST

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2016

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission for the Registrant's 2016 annual meeting of shareholders to be held in May 2017 will be incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

References to "we," "us," "our" or the "Trust" refer to Federal Realty Investment Trust and our business and operations conducted through our directly or indirectly owned subsidiaries.

General

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, as well as in California and South Florida. As of December 31, 2016, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 96 predominantly retail real estate projects comprising approximately 22.6 million square feet. In total, the real estate projects were 94.4% leased and 93.3% occupied at December 31, 2016. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 49 consecutive years.

We were founded in 1962 as a REIT under the laws of the District of Columbia and re-formed as a REIT in the state of Maryland in 1999. We operate in a manner intended to qualify as a REIT for tax purposes pursuant to provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Our principal executive offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852. Our telephone number is (301) 998-8100. Our website address is *www.federalrealty.com*. The information contained on our website is not a part of this report and is not incorporated herein by reference.

Business Objectives and Strategies

Our primary business objective is to own, manage, acquire and redevelop a portfolio of high quality retail focused properties that will:

- provide increasing cash flow for distribution to shareholders;
- generate higher internal growth than the shopping center industry;
- provide potential for capital appreciation; and
- protect investor capital.

Our portfolio includes, and we continue to acquire and redevelop, high quality retail in many formats ranging from regional, community and neighborhood shopping centers that often are anchored by grocery stores to mixed-use properties that are typically centered around a retail component but also include office, residential and/or hotel components.

Operating Strategies

Our core operating strategy is to actively manage our properties to maximize rents and maintain occupancy levels by attracting and retaining a strong and diverse base of tenants and replacing less relevant, weaker, underperforming tenants with stronger ones. Our properties are generally located in some of the most densely populated and affluent areas of the country. These strong demographics help our tenants generate higher sales, which has enabled us to maintain higher occupancy rates, charge higher rental rates, and maintain steady rent growth, all of which increase the value of our portfolio. Our operating strategies also include:

- increasing rental rates through the renewal of expiring leases or the leasing of space to new tenants at higher rental rates while limiting vacancy and down-time;
- maintaining a diversified tenant base, thereby limiting exposure to any one tenant's financial or operating difficulties;
- monitoring the merchandising mix of our tenant base to achieve a balance of strong national and regional tenants with local specialty tenants;
- minimizing overhead and operating costs;
- monitoring the physical appearance of our properties and the construction quality, condition and design of the buildings and other improvements located on our properties to maximize our ability to attract customers and thereby generate higher rents and occupancy rates;
- developing local and regional market expertise in order to capitalize on market and retailing trends;
- leveraging the contacts and experience of our management team to build and maintain long-term relationships with tenants;

- providing exceptional customer service; and
- creating an experience at many of our properties that is identifiable, unique and serves the surrounding communities to help insulate these properties and the tenants at these properties from the impact of on-line retailing.

Investing Strategies

Our investment strategy is to deploy capital at risk-adjusted rates of return that exceed our long-term weighted average cost of capital in projects that have potential for future income growth and increased value. Our investments primarily fall into one of the following four categories:

- renovating, expanding, reconfiguring and/or retenanting our existing properties to take advantage of under-utilized land or existing square footage to increase revenue;
- renovating or expanding tenant spaces for tenants capable of producing higher sales, and therefore, paying higher rents;
- acquiring quality retail and mixed-use properties located in densely populated and/or affluent areas where barriers to entry for further development are high, and that have possibilities for enhancing operating performance and creating value through renovation, expansion, reconfiguration and/or retenanting; and
- developing the retail portions of mixed-use properties and developing or otherwise investing in non-retail portions of mixed-use properties we already own in order to capitalize on the overall value created in these properties.

Investment Criteria

When we evaluate potential redevelopment, retenanting, expansion, acquisition and development opportunities, we consider such factors as:

- the expected returns in relation to our short and long-term cost of capital as well as the anticipated risk we will face in achieving the expected returns;
- the anticipated growth rate of operating income generated by the property;
- the ability to increase the long-term value of the property through redevelopment and retenanting;
- the tenant mix at the property, tenant sales performance and the creditworthiness of those tenants;
- the geographic area in which the property is located, including the population density and household incomes, as well as the population and income trends in that geographic area;
- competitive conditions in the vicinity of the property, including competition for tenants and the ability of others to create competing properties through redevelopment, new construction or renovation;
- access to and visibility of the property from existing roadways and the potential for new, widened or realigned, roadways within the property's trade area, which may affect access and commuting and shopping patterns;
- the level and success of our existing investments in the market area;
- the current market value of the land, buildings and other improvements and the potential for increasing those market values; and
- the physical condition of the land, buildings and other improvements, including the structural and environmental condition.

Financing Strategies

Our financing strategies are designed to enable us to maintain an investment grade balance sheet while retaining sufficient flexibility to fund our operating and investing activities in the most cost-efficient way possible. Our financing strategies include:

- maintaining a prudent level of overall leverage and an appropriate pool of unencumbered properties that is sufficient to support our unsecured borrowings;
- managing our exposure to variable-rate debt;
- maintaining an available line of credit to fund operating and investing needs on a short-term basis;
- taking advantage of market opportunities to refinance existing debt, reduce interest costs and manage our debt maturity schedule so that a significant portion of our debt does not mature in any one year;
- selling properties that have limited growth potential or are not a strategic fit within our overall portfolio and redeploying the proceeds to redevelop, renovate, retenant and/or expand our existing properties, acquire new properties or reduce debt; and
- utilizing the most advantageous long-term source of capital available to us to finance redevelopment and acquisition opportunities, which may include:
    - the sale of our equity or debt securities through public offerings, including our at-the-market ("ATM") equity program in which we may from time to time offer and sell common shares, or private placements,
    - the incurrence of indebtedness through unsecured or secured borrowings,

- the issuance of operating partnership units in a new or existing “downREIT partnership” that is controlled and consolidated by us (generally operating partnership units in a “downREIT” partnership are issued in exchange for a tax deferred contribution of property; these units receive the same distributions as our common shares and the holders of these units have the right to exchange their units for cash or the same number of our common shares, at our option), or
- the use of joint venture arrangements.

Employees

At February 8, 2017, we had 312 full-time employees and 17 part-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We elected to be taxed as a REIT under the federal income tax laws when we filed our 1962 tax return. As a REIT, we are generally not subject to federal income tax on taxable income that we distribute to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income each year. We will be subject to federal income tax on our taxable income (including any applicable alternative minimum tax) at regular corporate rates if we fail to qualify as a REIT for tax purposes in any taxable year, or to the extent we distribute less than 100% of our taxable income. We will also generally not qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed taxable income.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Code. A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws, including without limitation:

- the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, which we refer to as CERCLA;
- the Resource Conservation & Recovery Act;
- the Federal Clean Water Act;
- the Federal Clean Air Act;
- the Toxic Substances Control Act;
- the Occupational Safety & Health Act; and
- the Americans with Disabilities Act.

The application of these laws to a specific property that we own depends on a variety of property-specific circumstances, including the current and former uses of the property, the building materials used at the property and the physical layout of the property. Under certain environmental laws, principally CERCLA, we, as the owner or operator of properties currently or previously owned, may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at the property. We may also be held liable to a governmental entity or third parties for property damage and for investigation and clean up costs incurred in connection with the contamination, whether or not we knew of, or were responsible for, such contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. As the owner or operator of real estate, we also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the real estate. Such costs or liabilities could exceed the value of the affected real estate. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results of operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental, health, safety and similar laws and we carry environmental insurance which covers a number of environmental risks for most of our properties.

Competition

Numerous commercial developers and real estate companies compete with us with respect to the leasing and the acquisition of properties. Some of these competitors may possess greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market. This competition may:

- reduce the number of properties available for acquisition;
- increase the cost of properties available for acquisition;
- interfere with our ability to attract and retain tenants, leading to increased vacancy rates and/or reduced rents; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs, superstores, and other forms of sales and marketing of goods and services, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") are available free of charge through the Investors section of our website at *www.federalrealty.com* as soon as reasonably practicable after we electronically file the material with, or furnish the material to, the Securities and Exchange Commission, or the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics applicable to our Chief Executive Officer and senior financial officers, Whistleblower Policy, organizational documents and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investors section of our website.

Amendments to the Code of Ethics or Code of Business Conduct or waivers that apply to any of our executive officers or our senior financial officers will be disclosed in that section of our website as well.

You may obtain a printed copy of any of the foregoing materials from us by writing to us at Investor Relations, Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, Maryland 20852.

ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Also, documents that we “incorporate by reference” into this Annual Report on Form 10-K, including documents that we subsequently file with the SEC will contain forward-looking statements. 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.” In particular, the below risk factors describe forward-looking information. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Many things can happen that can cause actual results to be different from those we describe. These factors include, but are not limited to the following:

Revenue from our properties may be reduced or limited if the retail operations of our tenants are not successful.

Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants and generally provide for reimbursement of real estate taxes and expenses of operating the property. Economic and/or competitive conditions may impact the success of our tenants’ retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. While demand for our retail spaces has been strong, there can be no assurance that this will continue. Any reduction in our tenants’ abilities to pay base rent, percentage rent or other charges on a timely basis, including the filing by any of our tenants for bankruptcy protection, will adversely affect our financial condition and results of operations. In the event of default by a tenant, we may experience delays and unexpected costs in enforcing our rights as landlord under lease terms, which may also adversely affect our financial condition and results of operations.

Our net income depends on the success and continued presence of our “anchor” tenants.

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. We currently are experiencing higher levels of anchor vacancy and expect this will persist over the next few years while we are actively releasing vacant space, and in some cases, redeveloping the shopping center. Our anchor tenant space is currently 97.1% leased and 96.3% occupied. We also have seen an overall decrease in the number of tenants available to fill anchor spaces. Therefore, tenant demand for certain of our anchor spaces may decrease and as a result, we may see an increase in vacancy and/or a decrease in rents for those spaces that could have a negative impact to our net income.

We may be unable to collect balances due from tenants that file for bankruptcy protection.

If a tenant or lease guarantor files for bankruptcy, we may not be able to collect all pre-petition amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate our lease in which event we would have a general unsecured claim that would likely be for less than the full amount owed to us for the remainder of the lease term, which could adversely affect our financial condition and results of operations.

We may experience difficulty or delay in renewing leases or re-leasing space.

We derive most of our revenue directly or indirectly from rent received from our tenants. We are subject to the risks that, upon expiration or termination of leases, whether by their terms, as a result of a tenant bankruptcy, general economic conditions or otherwise, leases for space in our properties may not be renewed, space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms and may include decreases in rental rates. As a result, our net income could be reduced.

The amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition.

As of December 31, 2016, we had approximately $2.8 billion of debt outstanding. Of that outstanding debt, approximately $466.3 million was secured by all or a portion of nine of our real estate projects and approximately $71.6 million represented capital lease obligations on four of our properties. All of our debt outstanding as of December 31, 2016 is fixed rate debt, which includes all of our property secured debt, our capital lease obligations and our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements. Our organizational documents do not limit the level or amount of debt that we may incur. The amount of our debt outstanding from time to time could have important consequences to our shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, property acquisitions, redevelopments and other appropriate business opportunities that may arise in the future;
- limit our ability to make distributions on our outstanding common shares and preferred shares;
- make it difficult to satisfy our debt service requirements;
- require us to dedicate increased amounts of our cash flow from operations to payments on debt upon refinancing or on our variable rate, unhedged debt, if interest rates rise;
- limit our flexibility in planning for, or reacting to, changes in our business and the factors that affect the profitability of our business;
- limit our ability to obtain any additional debt or equity financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, redevelopments or other general corporate purposes or to obtain such financing on favorable terms; and/or
- limit our flexibility in conducting our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

Our ability to make scheduled principal payments of, to pay interest on, or to refinance our indebtedness will depend primarily on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt or meet our other cash needs. If we are unable to generate this cash flow from our business, we may be required to refinance all or a portion of our existing debt, sell assets or obtain additional financing to meet our debt obligations and other cash needs, including the payment of dividends required to maintain our status as a real estate investment trust. We cannot assure you that any such refinancing, sale of assets or additional financing would be possible on terms that we would find acceptable.

We are obligated to comply with financial and other covenants pursuant to our debt obligations that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate payment under our debt agreements.

Our revolving credit facility, term loan and certain series of notes include financial covenants that may limit our operating activities in the future. We are also required to comply with additional covenants that include, among other things, provisions:

- relating to the maintenance of property securing a mortgage;
- restricting our ability to pledge assets or create liens;
- restricting our ability to incur additional debt;
- restricting our ability to amend or modify existing leases at properties securing a mortgage;
- restricting our ability to enter into transactions with affiliates; and
- restricting our ability to consolidate, merge or sell all or substantially all of our assets.

As of December 31, 2016, we were in compliance with all of our financial covenants. If we were to breach any of our debt covenants, including the covenants listed above, and did not cure the breach within any 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, term loan 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.

Adverse changes in our credit rating could affect our borrowing capacity and borrowing terms

Our credit worthiness is rated by nationally recognized credit rating agencies. The credit ratings assigned are based on our operating performance, liquidity and leverage ratios, financial condition and prospects, and other factors viewed by the credit rating agencies as relevant to our industry and the economic outlook in general. Our credit rating can affect the amount of capital we access, as well as the terms of certain existing and future financing we obtain. Since we depend on debt financing to fund the growth of our business, an adverse change in our credit rating, including actual changes in outlook, or even the initiation of review of our credit rating that could result in an adverse change, could have a material adverse effect on us.

Our development activities have inherent risks.

The ground-up development of improvements on real property, as opposed to the renovation and redevelopment of existing improvements, presents substantial risks. We generally do not look to acquire raw land for future development; however, we do intend to complete the development and construction of future phases of projects we already own, such as Assembly Row in Somerville, Massachusetts and Pike & Rose in North Bethesda, Maryland. We may undertake development of these and other projects on our own or bring in third parties if it is justifiable on a risk-adjusted return basis. We may also choose to delay completion of a project if market conditions do not allow an appropriate return. If conditions arise and we are not able or decide not to complete a project or if the expected cash flows of our project do not exceed the book value, an impairment of the project may be required. If additional phases of any of our existing projects or if any new projects are not successful, it may adversely affect our financial condition and results of operations.

During 2016, construction continued on the development of Phase II at both Assembly Row and Pike & Rose. At Santana Row, we continue our on-going redevelopment efforts, completed construction of a new 234,500 square foot office building that is pre-leased to Splunk Inc., and are also proceeding with construction of an eight story 284,000 square foot office building, which will include 29,000 square feet of retail space and 1,300 parking spaces. A further discussion of these projects, expected costs, and current status can be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the "Outlook" subsection.

In addition to the risks associated with real estate investment in general, as described elsewhere and the specific risks above, the risks associated with our remaining development activities include:

- contractor changes may delay the completion of development projects and increase overall costs;
- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy;
- delivery of residential product (both rental units and for sale condominium units) into uncertain residential environments may result in lower rents or sale prices than underwritten;
- substantial amount of our investment is related to infrastructure, the value of which may be negatively impacted if we do not complete subsequent phases;
- failure or inability to obtain construction or permanent financing on favorable terms;
- failure or inability to obtain public funding from governmental agencies to fund infrastructure projects, including public funding in connection with our development at Assembly Row;
- expenditure of money and time on projects that may never be completed;
- failure or inability of partners to perform on hotel joint ventures;
- the third-party developer of office or other buildings may not deliver or may encounter delays in delivering space as planned;
- difficulty securing key anchor or other tenants may impact occupancy rates and projected revenue;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher than estimated construction or operating costs, including labor and material costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of high quality, retail focused properties in densely populated areas with high average household incomes and significant barriers to adding competitive retail supply. The redevelopment and acquisition of properties entail risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- our estimate of the costs to improve, reposition or redevelop a property may prove to be too low, or the time we estimate to complete the improvement, repositioning or redevelopment may be too short. As a result, the property may fail to achieve the returns we have projected, either temporarily or for a longer time;
- we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- we may not be able to integrate an acquisition into our existing operations successfully;
- properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties’ failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and

- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition of additional properties. We believe that it will be difficult to fund our expected growth with cash from operating activities because, in addition to other requirements, we are generally required to distribute to our shareholders at least 90% of our taxable income each year to continue to qualify as a REIT for federal income tax purposes. As a result, we must rely primarily upon the availability of debt or equity capital, which may or may not be available on favorable terms or at all. Debt could include the sale of debt securities and mortgage loans from third parties. If economic conditions and conditions in the capital markets are not favorable at the time we need to raise capital, we may need to obtain capital on less favorable terms. Additionally, we cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential and risk profile, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors as well as the impact of the economic environment, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

Rising interest rates could adversely affect our cash flow and the market price of our outstanding debt and preferred shares.

Of our approximately $2.8 billion of debt outstanding as of December 31, 2016, approximately $275.0 million bears interest at variable rates which is effectively fixed at 2.62% through two interest rate swap agreements. We have an $800.0 million revolving credit facility, on which no balance is outstanding at December 31, 2016, that bears interest at LIBOR plus 82.5 basis points. We may borrow additional funds at variable interest rates in the future. Increases in interest rates would increase the interest expense on our variable rate debt and reduce our cash flow, which could adversely affect our ability to service our debt and meet our other obligations and also could reduce the amount we are able to distribute to our shareholders. We may enter into this type of hedging arrangements or other transactions for all or a portion of our variable rate debt to limit our exposure to rising interest rates. However, the amounts we are required to pay under the term loan and any other variable rate debt to which hedging or similar arrangements relate may increase in the event of non-performance by the counterparties to any of our hedging arrangements. In addition, an increase in market interest rates may lead purchasers of our debt securities and preferred shares to demand a higher annual yield, which could adversely affect the market price of our outstanding debt securities and preferred shares and the cost and/or timing of refinancing or issuing additional debt securities or preferred shares.

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our debt and equity securities depends on various factors, which may change from time to time and/or may be unrelated to our financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors include, among others:

- general economic and financial market conditions;
- level and trend of interest rates;
- our ability to access the capital markets to raise additional capital;
- the issuance of additional equity or debt securities;
- changes in our funds from operations ("FFO") or earnings estimates;
- changes in our debt or analyst ratings;
- our financial condition and performance;
- market perception of our business compared to other REITs; and
- market perception of REITs, in general, compared to other investment alternatives.

Loss of our key management could adversely affect performance and the value of our common shares.

We are dependent on the efforts of our key management. Although we believe qualified replacements could be found for any departures of key executives, the loss of their services could adversely affect our performance and the value of our common shares.

Our performance and value are subject to general risks associated with the real estate industry.

Our economic performance and the value of our real estate assets, and, consequently, the value of our investments, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. As a real estate company, we are susceptible to the following real estate industry risks:

- economic downturns in general, or in the areas where our properties are located;
- adverse changes in local real estate market conditions, such as an oversupply or reduction in demand;
- changes in tenant preferences that reduce the attractiveness of our properties to tenants;
- zoning or regulatory restrictions;
- decreases in market rental rates;
- weather conditions that may increase or decrease energy costs and other weather-related expenses;
- costs associated with the need to periodically repair, renovate and re-lease space; and
- increases in the cost of adequate maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur even when circumstances such as market factors and competition cause a reduction in revenues from one or more properties, although real estate taxes typically do not increase upon a reduction in such revenues.

Each of these risks could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect our financial condition and results of operation.

Many real estate costs are fixed, even if income from our properties decreases.

Our financial results depend primarily on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. Additionally, new properties that we may acquire or redevelop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with such new properties until they are fully occupied.

Competition may limit our ability to purchase new properties and generate sufficient income from tenants.

Numerous commercial developers and real estate companies compete with us in seeking tenants for our existing properties and properties for acquisition. This competition may:

- reduce properties available for acquisition;
- increase the cost of properties available for acquisition;
- reduce rents payable to us;
- interfere with our ability to attract and retain tenants;
- lead to increased vacancy rates at our properties; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs and other forms of sales and marketing of goods, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants. If we are unable to continue to attract appropriate retail tenants to our properties, or to purchase new properties in our geographic markets, it could materially affect our ability to generate net income, service our debt and make distributions to our shareholders.

We may be unable to sell properties when appropriate because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. In addition, there are some limitations under federal income tax laws applicable to real estate and to REITs in particular that may limit our ability to sell our assets. We may not be able to alter our portfolio promptly in response to changes in economic or other conditions including being unable to sell a property at a return we believe is appropriate due to the economic environment. Our inability to respond quickly to adverse changes in the performance of our investments could have an adverse effect on our ability to meet our obligations and make distributions to our shareholders.

Our insurance coverage on our properties may be inadequate.

We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire, flood, earthquake, environmental matters, rental loss and acts of terrorism. All of these policies contain coverage limitations. We believe these coverages are of the types and amounts customarily obtained for or by an owner of similar types of real property assets located in the areas where our properties are located. We intend to obtain similar insurance coverage on subsequently acquired properties.

The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry and other factors outside our control. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Further, we may be unable to collect insurance proceeds if our insurers are unable to pay or contest a claim. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our shareholders.

We may have limited flexibility in dealing with our jointly owned investments.

Our organizational documents do not limit the amount of funds that we may invest in properties and assets owned jointly with other persons or entities. As of December 31, 2016, we held nine predominantly retail real estate projects jointly with other persons in addition to properties owned in a "downREIT" structure. Additionally, we have entered into a joint venture agreement related to the hotel component of Phase II of our Pike & Rose and Assembly Row development projects. We may make additional joint investments in the future. Our existing and future joint investments may subject us to special risks, including the possibility that our partners or co-investors might become bankrupt, that those partners or co-investors might have economic or other business interests or goals which are unlike or incompatible with our business interests or goals, that those partners or co-investors might be in a position to take action contrary to our suggestions or instructions, or in opposition to our policies or objectives, and that disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration or some other form of dispute resolution. Although as of December 31, 2016, we held the controlling interests in all of our existing co-investments (except the hotel investments discussed above), we generally must obtain the consent of the co-investor or meet defined criteria to sell or to finance these properties. Joint ownership gives a third party the opportunity to influence the return we can achieve on some of our investments and may adversely affect our ability to make distributions to our shareholders. We may also be liable for the actions of our co-investors.

Environmental laws and regulations could reduce the value or profitability of our properties.

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Under various federal, state and local laws, ordinances and regulations, we and our tenants may be required to investigate and clean up certain hazardous or toxic substances released on or in properties we own or operate, and also may be required to pay other costs relating to hazardous or toxic substances. This liability may be imposed without regard to whether we or our tenants knew about the release of these types of substances or were responsible for their release. The presence of contamination or the failure to properly remediate contamination at any of our properties may adversely affect our ability to sell or lease those properties or to borrow funds by using those properties as collateral. The costs or liabilities could exceed the value of the affected real estate. We are not aware of any environmental condition with respect to any of our properties that management believes would have a material adverse effect on our business, assets or results of operations taken as a whole. The uses of any of our properties prior to our acquisition of the property and the building materials used at the property are among the property-specific factors that will affect how the environmental laws are applied to our properties. If we are subject to any material environmental liabilities, the liabilities could adversely affect our results of operations and our ability to meet our obligations.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. Our tenants, like many of their competitors, have incurred, and will continue to incur, capital and operating expenditures and other costs associated with complying with these laws and regulations, which will adversely affect their potential profitability.

Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a lease does not require compliance or if a tenant fails to or cannot comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

The Americans with Disabilities Act of 1990 could require us to take remedial steps with respect to existing or newly acquired properties.

Our existing properties, as well as properties we may acquire, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990. Investigation of a property may reveal non-compliance with this Act. The requirements of this Act, or of other federal, state or local laws or regulations, also may change in the future and restrict further renovations of our properties with respect to access for disabled persons. Future compliance with this Act may require expensive changes to the properties.

The revenues generated by our tenants could be negatively affected by various federal, state and local laws to which they are subject.

We and our tenants are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and state and local fire, life-safety and similar requirements that affect the use of the properties. The leases typically require that each tenant comply with all laws and regulations. Failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties. Non-compliance of this sort could reduce our revenues from a tenant, could require us to pay penalties or fines relating to any non-compliance, and could adversely affect our ability to sell or lease a property.

Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions.

We believe that we are organized and qualified as a REIT for federal income tax purposes and currently intend to operate in a manner that will allow us to continue to qualify as a REIT under the Code. However, we cannot assure you that we will remain qualified as such in the future.

Qualification as a REIT involves the application of highly technical and complex Code provisions and applicable income tax regulations that have been issued under the Code. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying rents and certain other income. Satisfying this requirement could be difficult, for example, if defaults by tenants were to reduce the amount of income from qualifying rents. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. In addition, new legislation, new regulations, new administrative interpretations or new court decisions may significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. Any modification in the tax treatment of REITs could have a significant adverse impact to our net income.

If we fail to qualify as a REIT:
- we would not be allowed a deduction for distributions to shareholders in computing taxable income;
- we would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax;
- unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified;
- we could be required to pay significant income taxes, which would substantially reduce the funds available for investment or for distribution to our shareholders for each year in which we failed or were not permitted to qualify; and
- we would no longer be required by law to make any distributions to our shareholders.

We may be required to incur additional debt to qualify as a REIT.

As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. We are subject to income tax on amounts of undistributed taxable income and net capital gain. In addition, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and aggregate undistributed income from prior years. We intend to make distributions to shareholders to comply with the Code’s distribution provisions and to avoid federal income and excise tax. We may need to borrow funds to meet our distribution requirements because:
- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and

- non-deductible capital expenditures, creation of reserves, or debt service requirements may reduce available cash but not taxable income.

In these circumstances, we might have to borrow funds on terms we might otherwise find unfavorable and we may have to borrow funds even if our management believes the market conditions make borrowing financially unattractive. Current tax law also allows us to pay a portion of our distributions in shares instead of cash.

To maintain our status as a REIT, we limit the amount of shares any one shareholder can own.

The Code imposes certain limitations on the ownership of the stock of a REIT. For example, not more than 50% in value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of any taxable year. To protect our REIT status, our declaration of trust prohibits any one shareholder from owning (actually or constructively) more than 9.8% in value of the outstanding common shares or of any class or series of outstanding preferred shares. The constructive ownership rules are complex. Shares of our capital stock owned, actually or constructively, by a group of related individuals and/or entities may be treated as constructively owned by one of those individuals or entities. As a result, the acquisition of less than 9.8% in value of the outstanding common shares and/or a class or series of preferred shares (or the acquisition of an interest in an entity that owns common shares or preferred shares) by an individual or entity could cause that individual or entity (or another) to own constructively more than 9.8% in value of the outstanding capital stock. If that happened, either the transfer of ownership would be void or the shares would be transferred to a charitable trust and then sold to someone who can own those shares without violating the 9.8% ownership limit.

The Board of Trustees may waive these restrictions on a case-by-case basis. In addition, the Board of Trustees and two-thirds of our shareholders eligible to vote at a shareholder meeting may remove these restrictions if they determine it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The 9.8% ownership restrictions may delay, defer or prevent a transaction or a change of our control that might involve a premium price for the common shares or otherwise be in the shareholders' best interest.

We cannot assure you we will continue to pay dividends at historical rates.

Our ability to continue to pay dividends on our common shares at historical rates or to increase our common share dividend rate, and our ability to pay preferred share dividends and service our debt securities, will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend on our common shares, it could have an adverse effect on the market price of our common shares and other securities. Any preferred shares we may offer in the future may have a fixed dividend rate that would not increase with any increases in the dividend rate of our common shares. Conversely, payment of dividends on our common shares may be subject to payment in full of the dividends on any preferred shares and payment of interest on any debt securities we may offer.

Certain tax and anti-takeover provisions of our declaration of trust and bylaws may inhibit a change of our control.

Certain provisions contained in our declaration of trust and bylaws and the Maryland General Corporation Law, as applicable to Maryland REITs, may discourage a third party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also may delay or prevent the shareholders from receiving a premium for their common shares over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by the Board of Trustees;
- special meetings of our shareholders may be called only by the chairman of the board, the chief executive officer, the president, by one-third of the trustees or by shareholders possessing no less than 25% of all the votes entitled to be cast at the meeting;
- the Board of Trustees, without a shareholder vote, can classify or reclassify unissued shares of beneficial interest, including the reclassification of common shares into preferred shares and vice-versa;
- a two-thirds shareholder vote is required to approve some amendments to the declaration of trust; and
- advance-notice requirements for proposals to be presented at shareholder meetings.

In addition, if we elect to be governed by it in the future, the Maryland Control Share Acquisition Law could delay or prevent a change in control. Under Maryland law, unless a REIT elects not to be subject to this law, “control shares” acquired in a “control share acquisition” have no voting rights except to the extent approved by shareholders by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer and by officers or trustees who are employees of the REIT. “Control shares” are voting shares that would entitle the acquirer to exercise voting power in electing trustees within specified ranges of voting power. A “control share acquisition” means the acquisition of control shares, with some exceptions.

Our bylaws state that the Maryland control share acquisition law will not apply to any acquisition by any person of our common shares. This bylaw provision may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares, by a vote of a majority of the shareholders entitled to vote, and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

We may amend or revise our business policies without your approval.

Our Board of Trustees may amend or revise our operating policies without shareholder approval. Our investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, are determined by the Board of Trustees. The Board of Trustees may amend or revise these policies at any time and from time to time at its discretion. A change in these policies could adversely affect our financial condition and results of operations, and the market price of our securities.

The current business plan adopted by our Board of Trustees focuses on our investment in high quality retail based properties that are typically neighborhood and community shopping centers or mixed-use properties, principally through redevelopments and acquisitions. If this business plan is not successful, it could have a material adverse effect on our financial condition and results of operations.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Annual Report on Form 10-K. 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 above risks and the risk factors.

Natural disasters and severe weather conditions could have an adverse impact on our cash flow and operating results.

Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters and severe weather conditions and created additional uncertainty as to future trends and exposures. 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 occurrence of natural disasters or severe weather conditions can delay new development projects, increase investment costs to repair or replace damaged properties, increase operation costs, increase future property insurance costs, and negatively impact the tenant demand for lease 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.

We face risks relating to cybersecurity attacks that could cause loss of confidential information and other business disruptions.

We rely extensively on computer systems to process transactions and manage our business, and our business is at risk from and may be impacted by cybersecurity attacks. These could include attempts to gain unauthorized access to our data and computer systems. Attacks can be both individual and/or highly organized attempts organized by very sophisticated hacking organizations. We employ a number of measures to prevent, detect and mitigate these threats, which include password encryption, frequent password change events, firewall detection systems, anti-virus software in-place, frequent backups, a redundant data system for core applications and annual penetration testing; however, there is no guarantee such efforts will be successful in preventing a cyber attack. A cybersecurity attack could compromise the confidential information of our employees, tenants and vendors. A successful attack could disrupt and otherwise adversely affect our business operations.

Changes in accounting standards may adversely impact our financial results.

The Financial Accounting Standards Board ("FASB"), in conjunction with the SEC, has several key projects on their agenda and recently issued standards that could impact how we currently account for our material transactions, including lease accounting and other convergence projects with the International Accounting Standards Board. At this time, we are unable to predict with certainty which, if any, proposals may be passed or what level of impact any such proposal could have on the presentation of our consolidated financial statements, our results of operations and our financial ratios required by our debt covenants.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

As of December 31, 2016, we owned or had a majority ownership interest in community and neighborhood shopping centers and mixed-used properties which are operated as 96 predominantly retail real estate projects comprising approximately 22.6 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. No single property accounted for over 10% of our 2016 total revenue. We believe that our properties are adequately covered by commercial general liability, fire, flood, earthquake, terrorism and business interruption insurance provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

Tenant Diversification

As of December 31, 2016, we had approximately 2,900 leases, with tenants ranging from sole proprietors to major national and international retailers. No one tenant or affiliated group of tenants accounted for more than 3.1% of our annualized base rent as of December 31, 2016. As a result of our tenant diversification, we believe our exposure to any one bankruptcy filing in the retail sector has not been and will not be significant, however, multiple filings by a number of retailers could have a significant impact.

Geographic Diversification

Our 96 real estate projects are located in 12 states and the District of Columbia. The following table shows the number of projects, the gross leasable area ("GLA") of commercial space and the percentage of total portfolio gross leasable area of commercial space in each state as of December 31, 2016.

State	Number of Projects	Gross Leasable Area	Percentage of Gross Leasable Area
		(In square feet)	
Maryland	20	4,394,000	19.4%
California	14	4,137,000	18.3%
Virginia	16	3,735,000	16.5%
Pennsylvania(1)	10	2,300,000	10.2%
Massachusetts	9	2,052,000	9.1%
New Jersey	6	1,721,000	7.6%
Florida	4	1,355,000	6.0%
New York	6	1,248,000	5.5%
Illinois	4	753,000	3.3%
Connecticut	3	397,000	1.7%
Michigan	1	217,000	1.0%
District of Columbia	2	168,000	0.7%
North Carolina	1	153,000	0.7%
Total	**96**	**22,630,000**	**100.0%**

(1) Additionally, we own two participating mortgages totaling approximately $29.9 million secured by multiple buildings in Manayunk, Pennsylvania.

Leases, Lease Terms and Lease Expirations

Our leases are classified as operating leases and typically are structured to require the monthly payment of minimum rents in advance, subject to periodic increases during the term of the lease, percentage rents based on the level of sales achieved by tenants, and reimbursement of a majority of on-site operating expenses and real estate taxes. These features in our leases generally reduce our exposure to higher costs and allow us to participate in improved tenant sales.

Commercial property leases generally range from three to ten years; however, certain leases, primarily with anchor tenants, may be longer. Many of our leases contain tenant options that enable the tenant to extend the term of the lease at expiration at pre-established rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. Leases on residential units are generally for a period of one year or less and, in 2016, represented approximately 6.6% of total rental income.

The following table sets forth the schedule of lease expirations for our commercial leases in place as of December 31, 2016 for each of the 10 years beginning with 2017 and after 2026 in the aggregate assuming that none of the tenants exercise future renewal options. Annualized base rents reflect in-place contractual rents as of December 31, 2016.

Year of Lease Expiration	Leased Square Footage Expiring	Percentage of Leased Square Footage Expiring	Annualized Base Rent Represented by Expiring Leases	Percentage of Annualized Base Rent Represented by Expiring Leases
2017	1,365,000	7%	$ 39,813,000	7%
2018	2,789,000	13%	69,380,000	12%
2019	2,814,000	13%	70,995,000	12%
2020	2,209,000	11%	58,764,000	10%
2021	2,522,000	12%	71,346,000	13%
2022	2,476,000	12%	58,671,000	10%
2023	1,027,000	5%	32,492,000	6%
2024	1,111,000	5%	33,493,000	6%
2025	1,329,000	6%	38,095,000	7%
2026	843,000	4%	28,029,000	5%
Thereafter	2,566,000	12%	65,336,000	12%
Total	21,051,000	100%	$ 566,414,000	100%

Lease Rollovers

For 2016, we signed leases for a total of 1,688,000 square feet of retail space including 1,473,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 13% on a cash basis and 26% on a straight-line basis. New leases for comparable spaces were signed for 543,000 square feet at an average rental increase of 24% on a cash basis and 40% on a straight-line basis. Renewals for comparable spaces were signed for 930,000 square feet at an average rental increase of 7% on a cash basis and 17% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $66.47 per square foot for new leases and $10.28 per square foot for renewals in 2016.

For 2015, we signed leases for a total of 1,593,000 square feet of retail space including 1,405,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 17% on a cash basis and 29% on a straight-line basis. New leases for comparable spaces were signed for 547,000 square feet at an average rental increase of 22% on a cash basis and 35% on a straight-line basis. Renewals for comparable spaces were signed for 859,000 square feet at an average rental increase of 14% on a cash basis and 24% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $60.98 per square foot for new leases and $8.79 for renewal leases in 2015.

The rental increases associated with comparable spaces generally include all leases signed 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.

The leases signed in 2016 generally become effective over the following two years though some may not become effective until 2019 and beyond. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, these increases do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

Historically, we have executed comparable space leases for 1.2 to 1.5 million square feet of retail space each year and expect the volume for 2017 will be in line with our historical averages with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

Retail and Residential Properties

The following table sets forth information concerning all real estate projects in which we owned an equity interest, had a leasehold interest, or otherwise controlled and are consolidated as of December 31, 2016. Except as otherwise noted, we are the sole owner of our retail real estate projects. Principal tenants are the largest tenants in the project based on square feet leased or are tenants important to a project's success due to their ability to attract retail customers.

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
California						
150 Post Street San Francisco, CA 94108	1908, 1965	1997	105,000	$44.41	81%	Shreve & Co.
Colorado Blvd Pasadena, CA 91103(4)	1905-1988	1996/1998	69,000	$44.18	100%	Pottery Barn Banana Republic
Crow Canyon Commons San Ramon, CA 94583	1980, 1998, 2006	2005/2007	241,000	$27.37	91%	Sprouts Rite Aid Orchard Supply Hardware
East Bay Bridge Emeryville & Oakland, CA 94608	1994-2001, 2011, 2012	2012	439,000	$18.17	100%	Home Depot Michaels Pak-N-Save Target Nordstrom Rack Ashley Furniture Ulta
Escondido Promenade Escondido, CA 92029(5)	1987	1996/2010	298,000	$24.59	98%	TJ Maxx Toys R Us Dick's Sporting Goods Ross Dress For Less
Hermosa Avenue Hermosa Beach, CA 90254	1922	1997	23,000	$42.27	100%	
Hollywood Blvd Hollywood, CA 90028	1929, 1991	1999	180,000	$33.98	91%	Marshalls La La Land DSW L.A. Fitness
Kings Court Los Gatos, CA 95032(4)(6)	1960	1998	79,000	$32.03	100%	Lunardi's Supermarket CVS
Old Town Center Los Gatos, CA 95030	1962, 1998	1997	98,000	$41.51	99%	Gap Banana Republic Anthropologie
Plaza El Segundo / The Point El Segundo, CA 90245(5)(8)	2006-2007, 2016	2011/2013	494,000	$43.26	96%	H&M Anthropologie Best Buy HomeGoods Whole Foods Dick's Sporting Goods Container Store
San Antonio Center Mountain View, CA 94040(4)(5)(6)	1958, 1964-1965, 1974-1975, 1995-1997	2015	376,000	$13.36	95%	Kohl's Walmart Trader Joe's 24 Hour Fitness Jo-Ann Stores
Santana Row San Jose, CA 95128(4)	2002, 2009, 2016	1997	888,000	49.81	99%	H&M Crate & Barrel Container Store Best Buy CineArts Theatre Hotel Valencia Splunk, Inc.
Santana Row Residential San Jose, CA 95128	2003-2006, 2011, 2014	1997/2012	662 units	N/A	95%	
Third Street Promenade Santa Monica, CA 90401	1888-2000	1996-2000	209,000	$76.01	94%	Abercrombie & Fitch J. Crew Old Navy Banana Republic
Westgate Center San Jose, CA 95129	1960-1966	2004	638,000	$17.96	96%	Nike Factory Target Walmart Neighborhood Market Burlington Coat Factory Ross Dress For Less Michaels Nordstrom Rack J. Crew Gap Factory Store

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Connecticut						
Bristol Plaza Bristol, CT 06010	1959	1995	266,000	$13.36	94%	Stop & Shop TJ Maxx
Darien Darien, CT 06820	1920-2009	2013	95,000	$28.42	97%	Stop & Shop Equinox
Greenwich Avenue Greenwich Avenue, CT 06830	1968	1995	36,000	$70.15	100%	Saks Fifth Avenue
District of Columbia						
Friendship Center Washington, DC 20015	1998	2001	119,000	$29.01	100%	Marshalls DSW Maggiano's Nordstrom Rack
Sam's Park & Shop Washington, DC 20008	1930	1995	49,000	$45.16	86%	Petco
Florida						
CocoWalk Coconut Grove, FL 33133(5)(11)	1990/1994, 1922-1973	2015/2016	222,000	$36.24	78%	Cinepolis Theaters Gap Youfit Health Club
Del Mar Village Boca Raton, FL 33433	1982, 1994 & 2007	2008/2014	196,000	$16.11	91%	Winn Dixie CVS
The Shops at Sunset Place South Miami, FL 33143(5)(8)	1999	2015	523,000	$21.43	84%	AMC Theaters L.A. Fitness Barnes & Noble GameTime Restoration Hardware Outlet
Tower Shops Davie, FL 33324	1989	2011/2014	414,000	$21.80	99%	Ulta Best Buy DSW Old Navy Ross Dress for Less TJ Maxx Trader Joe's
Illinois						
Crossroads Highland Park, IL 60035	1959	1993	168,000	$22.14	88%	Binny's Guitar Center L.A. Fitness
Finley Square Downers Grove, IL 60515	1974	1995	316,000	$12.67	99%	Bed, Bath & Beyond Petsmart Buy Buy Baby Michaels
Garden Market Western Springs, IL 60558	1958	1994	140,000	$12.85	98%	Mariano's Fresh Market Walgreens
North Lake Commons Lake Zurich, IL 60047	1989	1994	129,000	$11.55	85%	Jewel Osco
Maryland						
Bethesda Row Bethesda, MD 20814(4)	1945-1991 2001, 2008	1993-2006/ 2008/2010	534,000	$49.20	95%	Apple Computer Barnes & Noble Equinox Giant Food Landmark Theather
Bethesda Row Residential Bethesda, MD 20814	2008	1993	180 units	N/A	97%	
Congressional Plaza Rockville, MD 20852(5)	1965	1965	325,000	$40.09	97%	Buy Buy Baby Last Call Studio by Neiman Marcus Container Store The Fresh Market Saks Fifth Avenue Off 5th Ulta
Congressional Plaza Residential Rockville, MD 20852(5)	2003, 2016	1965	194 units	N/A	97%	
Courthouse Center Rockville, MD 20852	1975	1997	35,000	$23.31	66%	
Federal Plaza Rockville, MD 20852	1970	1989	248,000	$35.30	99%	Micro Center Ross Dress For Less TJ Maxx Trader Joe's

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Free State Shopping Center Bowie, MD 20715(12)	1970	2007	265,000	$18.51	90%	Giant Food TJ Maxx Ross Dress For Less Office Depot
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	207,000	$27.51	94%	Bed, Bath & Beyond Ross Dress For Less Ashley Furniture HomeStore
Governor Plaza Glen Burnie, MD 21961	1963	1985	243,000	$19.56	100%	Aldi Dick's Sporting Goods
Laurel Laurel, MD 20707	1956	1986	389,000	$21.71	86%	L.A. Fitness Giant Food Marshalls
Montrose Crossing Rockville, MD 20852(5)(8)	1960-1979, 1996, 2011	2011/2013	364,000	$25.74	92%	A.C. Moore Giant Food Barnes & Noble Marshalls Value City Furniture
Perring Plaza Baltimore, MD 21134	1963	1985	395,000	$14.44	100%	Micro Center Burlington Coat Factory Home Depot Shoppers Food Warehouse Jo-Ann Stores
Pike & Rose North Bethesda, MD 20852(10)	1963, 2014	1982/2007/ 2012	251,000	$43.63	100%	iPic Theater Gap/Gap Kids Sport & Health Nike Bank of America
Pike & Rose Residential North Bethesda, MD 20852(10)	2014, 2016	1982/2007	493 units	N/A	96%	
Plaza Del Mercado Silver Spring, MD 20906(12)	1969	2004	105,000	$30.91	91%	CVS Aldi
Quince Orchard Gaithersburg, MD 20877(4)	1975	1993	267,000	$23.37	95%	Aldi HomeGoods L.A. Fitness Staples
Rockville Town Square Rockville, MD 20852(4)(7)	2006-2007	2006/2007	187,000	$27.46	92%	CVS Gold's Gym
Rollingwood Apartments Silver Spring, MD 20910 9 three-story buildings(8)	1960	1971	282 units	N/A	97%	
THE AVENUE at White Marsh Baltimore, MD 21236(6)(8)	1997	2007	311,000	$24.27	99%	AMC Loews Old Navy Barnes & Noble A.C. Moore Ulta
The Shoppes at Nottingham Square Baltimore, MD 21236	2005-2006	2007	32,000	$49.25	96%	
White Marsh Other Baltimore, MD 21236	1985	2007	73,000	$31.49	97%	
White Marsh Plaza Baltimore, MD 21236	1987	2007	80,000	$22.06	96%	Giant Food
Wildwood Bethesda, MD 20814	1958	1969	83,000	$97.30	98%	CVS Balducci's
Massachusetts						
Assembly Row/ Assembly Square Marketplace Somerville, MA 02145(10)	2005, 2014	2005-2011/ 2013	761,000	$23.45	94%	AMC Theaters LEGOLAND Discovery Center Saks Fifth Avenue Off 5th Nike Factory J. Crew Legal on the Mystic Bed, Bath & Beyond TJ Maxx
Atlantic Plaza North Reading, MA 01864(12)	1960	2004	123,000	$16.25	92%	Stop & Shop
Campus Plaza Bridgewater, MA 02324(12)	1970	2004	116,000	$15.26	98%	Roche Brothers Burlington Coat Factory

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Chelsea Commons Chelsea, MA 02150(8)	1962-1969, 2008	2006-2008	222,000	$12.01	100%	Sav-A-Lot Home Depot Planet Fitness
Chelsea Commons Residential Chelsea, MA 02150	2013	2008	56 units	N/A	96%	
Dedham Plaza Dedham, MA 02026	1959	1993/2016	241,000	$16.50	94%	Star Market
Linden Square Wellesley, MA 02481	1960, 2008	2006	223,000	$47.15	95%	Roche Brothers Supermarket CVS
North Dartmouth North Dartmouth, MA 02747	2004	2006	48,000	$15.31	100%	Stop & Shop
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	$17.72	100%	HomeGoods TJ Maxx Big Y Foods
Saugus Plaza Saugus, MA 01906	1976	1996	169,000	$12.22	100%	Super Stop & Shop Kmart
Michigan						
Gratiot Plaza Roseville, MI 48066	1964	1973	217,000	$12.04	100%	Bed, Bath & Beyond Best Buy Kroger DSW
New Jersey						
Brick Plaza Brick Township, NJ 08723(4)	1958	1989	422,000	$20.13	68%	Barnes & Noble AMC Lowes Ulta
Brook 35 Sea Grit, NJ 08750(5)(6)(8)	1986, 2004	2014	98,000	$35.25	100%	Ann Taylor Banana Republic Coach Williams-Sonoma
Ellisburg Cherry Hill, NJ 08034	1959	1992	268,000	$15.81	97%	Whole Foods Buy Buy Baby Stein Mart
Mercer Mall Lawrenceville, NJ 08648(4)(7)	1975	2003	530,000	$24.25	98%	Raymour & Flanigan Bed, Bath & Beyond DSW TJ Maxx Shop Rite Nordstrom Rack REI
The Grove at Shrewsbury Shrewsbury, NJ 07702(5)(6)(8)	1988, 1993 & 2007	2014	192,000	$44.77	100%	Lululemon Brooks Brothers Anthropologie Pottery Barn J. Crew Banana Republic Williams-Sonoma
Troy Parsippany-Troy, NJ 07054	1966	1980	211,000	$28.57	67%	L.A. Fitness
New York						
Fresh Meadows Queens, NY 11365	1949	1997	404,000	$31.81	99%	Island of Gold Modell's AMC Loews Kohl's Michaels
Greenlawn Plaza Greenlawn, NY 11743 (12)	1975, 2004	2006	106,000	$17.63	94%	Greenlawn Farms Tuesday Morning
Hauppauge Hauppauge, NY 11788	1963	1998	134,000	$28.80	100%	Shop Rite A.C. Moore
Huntington Huntington, NY 11746	1962	1988/2007/ 2015	279,000	$25.74	99%	Nordstrom Rack Bed, Bath & Beyond Buy Buy Baby Michaels Ulta
Huntington Square East Northport, NY 11731(4)	1980, 2007	2010	74,000	$27.69	93%	Barnes & Noble
Melville Mall Huntington, NY 11747(4)	1974	2006	251,000	$26.58	95%	Dick's Sporting Goods Marshalls Macy's Backstage Field & Stream

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
North Carolina						
Eastgate Crossing Chapel Hill, NC 27514	1963	1986	153,000	$24.25	94%	Stein Mart Trader Joe's Ulta
Pennsylvania						
Andorra Philadelphia, PA 19128	1953	1988	265,000	$15.55	93%	Acme Markets Kohl's Staples L.A. Fitness
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	295,000	$24.47	100%	Acme Markets Lord & Taylor Michaels L.A. Fitness
Flourtown Flourtown, PA 19031	1957	1980	156,000	$21.57	98%	Giant Food Movie Tavern
Lancaster Lancaster, PA 17601(4)(7)	1958	1980	127,000	$17.82	98%	Giant Food Michaels
Langhorne Square Levittown, PA 19056	1966	1985	219,000	$16.79	98%	Marshalls Redner's Warehouse Market
Lawrence Park Broomall, PA 19008	1972	1980	364,000	$20.58	96%	Acme Markets TJ Maxx HomeGoods Brightwood Career Institute
Northeast Philadelphia, PA 19114	1959	1983	288,000	$12.57	87%	Burlington Coat Factory Home Gallery Marshalls
Town Center of New Britain New Britain, PA 18901	1969	2006	124,000	$9.86	89%	Giant Food Rite Aid
Willow Grove Willow Grove, PA 19090	1953	1984	211,000	$19.09	96%	Home Goods Marshalls Barnes & Noble
Wynnewood Wynnewood, PA 19096	1948	1996	251,000	$27.48	100%	DSW Bed, Bath & Beyond Giant Food Old Navy
Virginia						
29th Place Charlottesville, VA 22091(8)	1975-2001	2007	169,000	$17.80	97%	HomeGoods DSW Stein Mart Staples
Barcoft Plaza Falls Church, VA 22041(12)	1963, 1972, 1990, & 2000	2006/2007/ 2016	115,000	$24.52	90%	Harris Teeter Bank of America
Barracks Road Charlottesville, VA 22905	1958	1985	498,000	$26.36	98%	Anthropologie Bed, Bath & Beyond Harris Teeter Kroger Barnes & Noble Old Navy Michaels Ulta Nike
Falls Plaza Falls Church, VA 22046	1960-1962	1967/1972	144,000	$34.88	97%	Giant Food CVS Staples
Graham Park Plaza Fairfax, VA 22042	1971	1983	260,000	$27.24	91%	Stein Mart Giant Food L.A. Fitness
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	$46.61	98%	Whole Foods
Leesburg Plaza Leesburg, VA 20176	1967	1998	236,000	$23.09	92%	Giant Food Pier 1 Imports Office Depot Petsmart

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Mount Vernon/South Valley/ 7770 Richmond Hwy Alexandria, VA 22306(4)(6)	1966, 1972,1987 & 2001	2003/2006	569,000	$17.76	97%	Shoppers Food Warehouse Bed, Bath & Beyond Michaels Home Depot TJ Maxx Gold's Gym Staples DSW
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	$38.98	100%	Whole Foods Walgreens
Pan Am Fairfax, VA 22031	1979	1993	227,000	$24.87	98%	Michaels Micro Center Safeway
Pentagon Row Arlington, VA 22202	2001-2002	1998/2010	299,000	$39.25	83%	Harris Teeter Bed, Bath & Beyond DSW TJ Maxx
Pike 7 Plaza Vienna, VA 22180	1968	1997/2015	164,000	$45.06	100%	DSW Staples TJ Maxx
Tower Shopping Center Springfield, VA 22150	1960	1998	112,000	$24.87	88%	Talbots L.A. Mart Total Wine & More
Tyson's Station Falls Church, VA 22043	1954	1978	49,000	$44.63	95%	Trader Joe's
Village at Shirlington Arlington, VA 22206(4)(7)	1940, 2006-2009	1995	266,000	$37.59	89%	AMC Loews Carlyle Grand Café Harris Teeter
Willow Lawn Richmond, VA 23230	1957	1983	462,000	$18.64	92%	Kroger Old Navy Ross Dress For Less Staples DSW
Total All Regions—Retail(9)			**22,630,000**	**$26.91**	**94%**	
Total All Regions—Residential			**1,867 units**		**96%**	

(1) Represents the GLA of the commercial portion of the property. Some of our properties include office space which is included in this square footage.
(2) Average base rent is calculated as the aggregate, annualized in-place contractual (defined as cash basis excluding rent abatements) minimum rent for all occupied spaces divided by the aggregate GLA of all occupied spaces.
(3) Percentage leased is expressed as a percentage of rentable commercial square feet occupied or subject to a lease. Residential percentage leased is expressed as a percentage of units occupied or subject to a lease.
(4) All or a portion of this property is owned pursuant to a ground lease.
(5) We own the controlling interest in this center.
(6) We own all or a portion of this property in a “downREIT” partnership, of which a wholly owned subsidiary of the Trust is the sole general partner, with third party partners holding operating partnership units.
(7) All or a portion of this property is subject to a capital lease obligation.
(8) All or a portion of this property is encumbered by a mortgage loan.
(9) Aggregate information is calculated on a GLA weighted-average basis.
(10) Portion of property is currently under development. See further discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(11) This property includes partial interests in eight buildings in addition to our initial acquisition. See further discussion in Note 3 to the Financial Statements.
(12) On January 13, 2016, we acquired the 70% controlling interest in these properties and now own the properties 100%. The year acquired reflects the year we first acquired an equity interest in the property.

ITEM 3. LEGAL PROCEEDINGS

In November 2016, we were included as a defendant in a class action lawsuit related to predatory towing by a third party company we had retained to provide towing services at several of our properties in Montgomery County, Maryland. We were not named as a defendant in the litigation prior to the certification of the defendant class. In December 2015, the towing company defendant reached a settlement with the plaintiff class that resulted in a $22 million judgment being entered against them. After the judgment was entered, the Circuit Court for Montgomery County, Maryland certified a defendant class of approximately 600 property owners, including us. We believe this is the first time a Maryland court has certified a defendant class that has resulted in a complete denial of due process to the members of that class and together with the others, filed a Writ of Mandamus challenging the certification of the defendant class. The hearing of the Writ by the Court of Appeals is discretionary. Because of the specific facts and circumstances of our contractual relationship with the towing company, we do not believe we should have been included in the defendant class nor do we believe we should have any liability in this matter. We are currently pursuing all available legal remedies and intend to vigorously defend ourselves in the matter, including defenses based on the total lack of due process afforded to us to present our unique facts and circumstances. We believe our potential loss in this matter ranges from $0 to an undetermined share of the $22 million judgment. The judgment does not provide any guidance for how the judgment amount is to be shared amongst the defendant class.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares trade on the New York Stock Exchange under the symbol “FRT.” Listed below are the high and low closing prices of our common shares as reported on the New York Stock Exchange and the dividends declared for each of the periods indicated.

	Price Per Share		Dividends Declared Per Share
	High	Low	
2016			
Fourth quarter	$ 148.74	$ 136.98	$ 0.980
Third quarter	$ 170.35	$ 153.93	$ 0.980
Second quarter	$ 165.55	$ 149.75	$ 0.940
First quarter	$ 158.96	$ 144.82	$ 0.940
2015			
Fourth quarter	$ 149.96	$ 135.60	$ 0.940
Third quarter	$ 139.05	$ 124.96	$ 0.940
Second quarter	$ 149.20	$ 127.84	$ 0.870
First quarter	$ 150.27	$ 135.74	$ 0.870

On February 8, 2017, there were 2,706 holders of record of our common shares.

Our ongoing operations generally will not be subject to federal income taxes as long as we maintain our REIT status and distribute to shareholders at least 100% of our taxable income. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income.

Future distributions will be at the discretion of our Board of Trustees and will depend on our actual net income available for common shareholders, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our regular annual dividend rate for 49 consecutive years.

Our total annual dividends paid per common share for 2016 and 2015 were $3.80 per share and $3.55 per share, respectively. The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder’s basis in such shareholder’s shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder’s basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder’s shares. No assurances can be given regarding what portion, if any, of distributions in 2017 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Section 857(b)(3) of the Code to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, then the capital gain dividends are generally taxable to the shareholder as long-term capital gains.

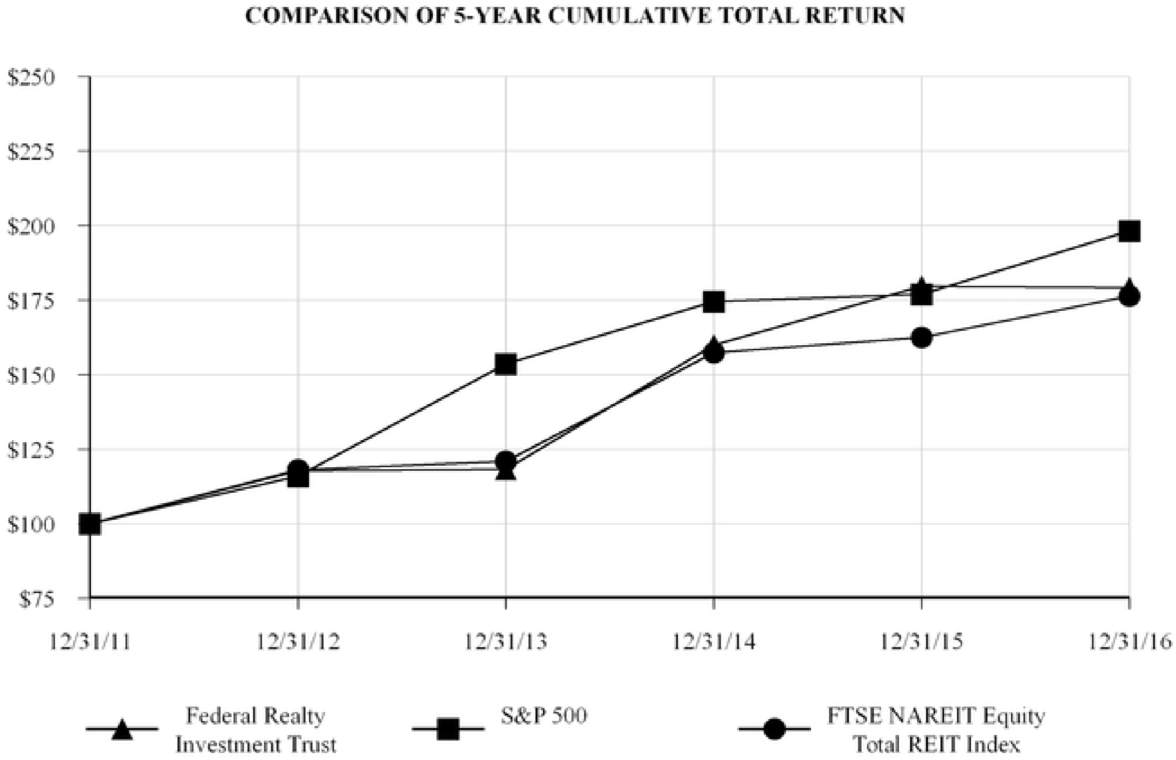
The following table reflects the income tax status of distributions per share paid to common shareholders:

	Year Ended December 31,	
	2016	2015
Ordinary dividend	$ 3.800	$ 3.515
Capital gain	—	0.035
	$ 3.800	$ 3.550

Distributions on our 5.417% Series 1 Cumulative Convertible Preferred Shares were paid at the rate of $1.354 per share per annum commencing on the issuance date of March 8, 2007. We do not believe that the preferential rights available to the holders of our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Total Stockholder Return Performance

The following performance graph compares the cumulative total shareholder return on Federal Realty's common shares with the S&P 500 Index and the index of equity real estate investment trusts prepared by the National Association of Real Estate Investment Trusts ("NAREIT") for the five fiscal years commencing December 31, 2011, and ending December 31, 2016, assuming an investment of $100 and the reinvestment of all dividends into additional common shares during the holding period. Equity real estate investment trusts are defined as those that derive more than 75% of their income from equity investments in real estate assets. The FTSE NAREIT Equity REIT Total Return Index includes all tax qualified real estate investment trusts listed on the NYSE, NYSE MKT, or the NASDAQ National Market. Stock performance for the past five years is not necessarily indicative of future results.



Recent Sales of Unregistered Shares

Under the terms of various operating 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 an equivalent number of our common shares, at our option. During the three months ended December 31, 2016, there were no redemptions of operating partnership units. All other equity securities sold by us during 2016 that were not registered have been previously reported in a Quarterly Report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2016, 18,537 restricted common shares were forfeited by former employees.

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 6. SELECTED FINANCIAL DATA

The following table includes certain financial information on a consolidated historical basis. You should read this section in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share data and ratios)				
Operating Data:					
Rental income	$ 786,583	$ 727,812	$ 666,322	$ 620,089	$ 580,114
Property operating income(1)	$ 547,979	$ 510,595	$ 474,167	$ 446,959	$ 426,721
Operating income	$ 320,995	$ 300,154	$ 271,037	$ 254,161	$ 253,862
Income from continuing operations	$ 226,425	$ 190,094	$ 167,888	$ 137,811	$ 142,972
Gain on sale of real estate and change in control of interests	$ 32,458	$ 28,330	$ 4,401	$ 28,855	$ 11,860
Net income	$ 258,883	$ 218,424	$ 172,289	$ 167,608	$ 156,232
Net income attributable to the Trust	$ 249,910	$ 210,219	$ 164,535	$ 162,681	$ 151,925
Net income available for common shareholders	$ 249,369	$ 209,678	$ 163,994	$ 162,140	$ 151,384
Net cash provided by operating activities	$ 419,254	$ 359,835	$ 346,130	$ 314,498	$ 296,633
Net cash used in investing activities	$ (590,221)	$ (353,763)	$ (396,150)	$ (345,198)	$ (273,558)
Net cash provided by (used in) financing activities	$ 173,289	$ (32,977)	$ 9,044	$ 82,639	$ (53,893)
Dividends declared on common shares	274,402	250,388	224,190	$ 198,965	$ 182,813
Weighted average number of common shares outstanding:					
Basic	70,877	68,797	67,322	65,331	63,881
Diluted	71,049	68,981	67,492	65,483	64,056
Earnings per common share, basic:					
Continuing operations	$ 3.07	$ 2.63	$ 2.35	$ 2.01	$ 2.15
Discontinued operations	—	—	—	0.38	0.02
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07	0.08	0.19
Total	$ 3.51	$ 3.04	$ 2.42	$ 2.47	$ 2.36
Earnings per common share, diluted:					
Continuing operations	$ 3.06	$ 2.62	$ 2.34	$ 2.00	$ 2.14
Discontinued operations	—	—	—	0.38	0.02
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07	0.08	0.19
Total	$ 3.50	$ 3.03	$ 2.41	$ 2.46	$ 2.35
Dividends declared per common share	$ 3.84	$ 3.62	$ 3.30	$ 3.02	$ 2.84
Other Data:					
Funds from operations available to common shareholders(2)	$ 406,359	$ 352,857	$ 327,597	$ 289,938	$ 277,237
EBITDA(3)	$ 547,088	$ 504,696	$ 447,495	$ 446,555	$ 410,918
Adjusted EBITDA(3)	$ 514,630	$ 476,366	$ 443,094	$ 417,700	$ 399,058
Ratio of EBITDA to combined fixed charges and preferred share dividends(3)(4)	4.8 x	3.9 x	3.5 x	3.3 x	3.3
Ratio of Adjusted EBITDA to combined fixed charges and preferred share dividends(3)(4)	4.5 x	3.6 x	3.5 x	3.1 x	3.2

	As of December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Balance Sheet Data:					
Real estate, at cost	$ 6,759,073	$ 6,064,406	$ 5,608,998	$ 5,149,463	$ 4,779,674
Total assets	$ 5,423,279	$ 4,896,559	$ 4,534,237	$ 4,208,727	$ 3,890,315
Mortgages payable and capital lease obligations	$ 542,707	$ 552,704	$ 633,955	$ 659,329	$ 831,022
Notes payable	$ 279,151	$ 341,961	$ 288,339	$ 298,736	$ 297,125
Senior notes and debentures	$ 1,976,594	$ 1,732,551	$ 1,474,749	$ 1,353,229	$ 1,072,204
Preferred shares	$ 9,997	$ 9,997	$ 9,997	$ 9,997	$ 9,997
Shareholders' equity	$ 2,075,835	$ 1,781,931	$ 1,692,556	$ 1,471,297	$ 1,310,593
Number of common shares outstanding	71,996	69,493	68,606	66,701	64,815

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

The reconciliation of operating income to property operating income is as follows:

	2016	2015	2014	2013	2012
	(In thousands)				
Operating income	$ 320,995	$ 300,154	$ 271,037	$ 254,161	$ 253,862
General and administrative	33,399	35,645	32,316	31,970	31,158
Depreciation and amortization	193,585	174,796	170,814	160,828	141,701
Property operating income	$ 547,979	$ 510,595	$ 474,167	$ 446,959	$ 426,721

(2) Funds from operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with GAAP, plus real estate related depreciation and amortization and excluding extraordinary items and gains on the sale of real estate. 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.

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. Additional information regarding our calculation of FFO is contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

	2016	2015	2014	2013	2012
			(In thousands)		
Net income	$ 258,883	$ 218,424	$ 172,289	$ 167,608	$ 156,232
Net income attributable to noncontrolling interests	(8,973)	(8,205)	(7,754)	(4,927)	(4,307)
Gain on sale of real estate and change in control of interests, net	(31,133)	(28,330)	(4,401)	(28,855)	(11,860)
Depreciation and amortization of real estate assets	169,198	154,232	154,060	146,377	127,124
Amortization of initial direct costs of leases	16,875	15,026	12,391	10,694	10,935
Funds from operations	404,850	351,147	326,585	290,897	278,124
Dividends on preferred shares	(541)	(541)	(541)	(541)	(541)
Income attributable to operating partnership units	3,145	3,398	3,027	888	943
Income attributable to unvested shares	(1,095)	(1,147)	(1,474)	(1,306)	(1,289)
Funds from operations available for common shareholders	$ 406,359	$ 352,857	$ 327,597	$ 289,938	$ 277,237

(3) The SEC has stated that EBITDA is a non-GAAP measure as calculated in the table below. Adjusted EBITDA is a non-GAAP measure that means net income or loss plus net interest expense, income taxes, depreciation and amortization, gain or loss on sale of real estate and impairments of real estate if any. Adjusted EBITDA is presented because it approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. Adjusted EBITDA as presented may not be comparable to other similarly titled measures used by other REITs.

The reconciliation of net income to EBITDA and adjusted EBITDA for the periods presented is as follows:

	2016	2015	2014	2013	2012
			(In thousands)		
Net income	$ 258,883	$ 218,424	$ 172,289	$ 167,608	$ 156,232
Depreciation and amortization	193,585	174,796	170,814	161,099	142,039
Interest expense	94,994	92,553	93,941	104,977	113,336
Early extinguishment of debt	—	19,072	10,545	13,304	—
Other interest income	(374)	(149)	(94)	(433)	(689)
EBITDA	547,088	504,696	447,495	446,555	410,918
Gain on sale of real estate and change in control of interests	(32,458)	(28,330)	(4,401)	(28,855)	(11,860)
Adjusted EBITDA	$ 514,630	$ 476,366	$ 443,094	$ 417,700	$ 399,058

(4) Fixed charges consist of interest on borrowed funds (including capitalized interest), amortization of debt discount/ premiums and debt costs, costs related to the early extinguishment of debt, and the portion of rent expense representing an interest factor. Excluding the $19.1 million, $10.5 million, and $13.3 million early extinguishment of debt charge from fixed charges in 2015, 2014, and 2013, respectively, the ratio of EBITDA and adjusted EBITDA to combined fixed charges and preferred share dividends is 4.5x and 4.3x, respectively, for 2015, 3.9x and 3.8x, respectively, for 2014, and 3.7x and 3.4x, respectively for 2013.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements in this section or elsewhere in this report may be deemed “forward-looking statements”. See “Item 1A. Risk Factors” in this report for important information regarding these forward-looking statements and certain risk and uncertainties that may affect us. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in “Item 8. Financial Statements and Supplementary Data” of this report.

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 December 31, 2016, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 96 predominantly retail real estate projects comprising approximately 22.6 million square feet. In total, the real estate projects were 94.4% leased and 93.3% occupied at December 31, 2016. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 49 consecutive years.

Critical Accounting Policies

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 and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in "Item 1A. Risk Factors" of this report. Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in Note 2 to the consolidated financial statements; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous factors including current economic conditions, bankruptcies, and the ability of the tenant to perform under the terms of their lease agreement. While we make estimates of potentially uncollectible amounts and provide an allowance for them through bad debt expense, actual collectability could differ from those estimates which could affect our net income. With respect to the allowance for current uncollectible tenant receivables, we assess the collectability of outstanding receivables by evaluating such factors as nature and age of the receivable, past history and current financial condition of the specific tenant including our assessment of the tenant's ability to meet its contractual lease obligations, and the status of any pending disputes or lease negotiations with the tenant. At December 31, 2016 and 2015, our allowance for doubtful accounts was $11.9 million and $11.7 million, respectively. Historically, we have recognized bad debt expense between 0.3% and 1.3% of rental income and it was 0.3% in 2016. A change in the estimate of collectability of a receivable would result in a change to our allowance for doubtful accounts and correspondingly bad debt expense and net income. For example, in the event our estimates were not accurate and we were required to increase our allowance by 1% of rental income, our bad debt expense would have increased and our net income would have decreased by $7.9 million.

Due to the nature of the accounts receivable from straight-line rents, the collection period of these amounts typically extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2016 and 2015, accounts receivable includes approximately $80.6 million and $72.7 million, respectively, related to straight-line rents. Correspondingly, these estimates of collectability have a direct impact on our net income.

Real Estate

The nature of our business as an owner, redeveloper and operator of retail shopping centers and mixed-use properties means that we invest significant amounts of capital. Depreciation and maintenance costs relating to our properties constitute substantial costs for us as well as the industry as a whole. We capitalize real estate investments and depreciate them on a straight-line basis in accordance with GAAP and consistent with industry standards based on our best estimates of the assets’ physical and economic useful lives. We periodically review the estimated lives of our assets and implement changes, as necessary, to these estimates and, therefore, to our depreciation rates. These reviews may take into account such factors as the historical retirement and replacement of our assets, expected redevelopments, and general economic and real estate factors. Certain events, such as unforeseen competition or changes in customer shopping habits, could substantially alter our assumptions regarding our ability to realize the expected return on investment in the property and therefore reduce the economic life of the asset and affect the amount of depreciation expense to be charged against both the current and future revenues. These assessments have a direct impact on our net income. The longer the economic useful life, the lower the depreciation expense will be for that asset in a fiscal period, which in turn will increase our net income. Similarly, having a shorter economic useful life would increase the depreciation for a fiscal period and decrease our net income.

Land, buildings and real estate under development are recorded at cost. We calculate depreciation using the straight-line method with useful lives ranging generally from 35 years to a maximum of 50 years on buildings and major improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements, which improve or extend the life of the asset, are capitalized and depreciated over the life of the lease or the estimated useful life of the improvements, whichever is shorter. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years.

Capitalized costs associated with leases are depreciated or amortized over the base term of the lease. Unamortized leasing costs are charged to expense if the applicable tenant vacates before the expiration of its lease. Undepreciated tenant work is written-off if the applicable tenant vacates and the tenant work is replaced or has no future value. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the redevelopment is no longer probable of completion, we immediately expense all capitalized costs which are not recoverable.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements, but no later than one year from completion of major construction activity. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period.

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 external and internal costs related to both development and redevelopment activities of $420 million and $9 million, respectively, for 2016 and $232 million and $8 million, respectively, for 2015. We capitalized external and internal costs related to other property improvements of $61 million and $3 million, respectively, for 2016 and $42 million and $2 million, respectively, for 2015. We capitalized external and internal costs related to leasing activities of $13 million and $6 million, respectively, for 2016 and $17 million and $6 million, respectively, for 2015. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $8 million, $2 million, and $6 million, for 2016 and $7 million, $1 million, and $6 million for 2015. Total capitalized costs were $511 million and $307 million for 2016 and 2015, respectively.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in determining whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

Real Estate Acquisitions

Upon acquisition of operating real estate properties, we estimate the fair value of assets and liabilities acquired including land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, and current assets and liabilities, if any. Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the statement of operations. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Long-Lived Assets and Impairment

There are estimates and assumptions made by management in preparing the consolidated financial statements for which the actual results will be determined over long periods of time. This includes the recoverability of long-lived assets, including our properties that have been acquired or redeveloped and our investment in certain joint ventures. Management's evaluation of impairment includes review for possible indicators of impairment as well as, in certain circumstances, undiscounted and discounted cash flow analysis. Since most of our investments in real estate are wholly-owned or controlled assets which are held for use, a property with impairment indicators is first tested for impairment by comparing the undiscounted cash flows, including residual value, to the current net book value of the property. If the undiscounted cash flows are less than the net book value, the property is written down to expected fair value.

The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Because our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because recording an impairment charge results in a negative adjustment to net income.

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 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. Any difference between our estimate of a potential loss and the actual outcome would result in an increase or decrease to net income.

In addition, we reserve for estimated losses, if any, associated with warranties given to a buyer at the time an asset is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and the calculation of potential liability requires significant judgment. If changes in facts and circumstances indicate that warranty reserves are understated, we will accrue additional reserves at such time a liability has been incurred and the costs can be reasonably estimated. Warranty reserves are released once the legal liability period has expired or all related work has been substantially completed. Any changes to our estimated warranty losses would result in an increase or decrease in net income.

Self-Insurance

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims projected to be incurred but not yet reported. Management considers a number of factors, including third-party actuarial analysis, previous experience in our portfolio, and future increases in costs of claims, when making these determinations. If our liability costs differ from these accruals, it will increase or decrease our net income.

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

2016 Property Acquisitions and Disposition

On January 13, 2016, we acquired our partner's 70% interest in our joint venture arrangement (the "Partnership") with affiliates of a discretionary fund created and advised by Clarion Partners ("Clarion") for $153.7 million, which included the payment of $130 million of cash and the assumption of mortgage loans totaling $34.4 million. As a result of the transaction, we gained control of the six underlying properties, and effective January 13, 2016, have consolidated the properties. We also recognized a gain on acquisition of the controlling interest of $25.7 million related to the difference between the carrying value and fair value of the previously held equity interest. Approximately $7.3 million and $4.9 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. We incurred $0.2 million of acquisition costs, of which $0.1 million were incurred in 2016, and included in "general and administrative expenses" on the consolidated statements of comprehensive income in 2016 and 2015.

On May 12, 2016, an unconsolidated joint venture that we hold an interest in sold a building in Coconut Grove, Florida. Our share of the gain, net of noncontrolling interests, was $0.5 million.

On July 26, 2016, we acquired an additional building in the Coconut Grove neighborhood of Miami, Florida for $5.9 million through our CocoWalk LLC entity. We incurred $0.2 million in acquisition costs which are included in "general and administrative expenses" in 2016.

On November 7, 2016, we acquired a building adjacent to our Barcroft Plaza property for $5.3 million, and incurred $0.1 million of acquisition costs which are included in "general and administrative expenses" in 2016.

Subsequent Event - 2017 Property Acquisition

On February 1, 2017, we acquired a leasehold interest in Hastings Ranch Plaza, a 274,000 square foot shopping center in Pasadena, California for $29.5 million.

2016 Significant Debt and Equity Transactions

On January 13, 2016, in connection with the acquisition of our partner's 70% interest in our unconsolidated real estate partnership, we assumed interest only mortgage loans with a face amount of $34.4 million and a fair value of $34.7 million. These mortgage loans had a weighted average interest rate of 5.95% and were repaid at par on April 1, 2016.

On March 7, 2016, we issued 1.0 million common shares at $149.43 per share, in an underwritten public offering, for cash proceeds of $149.3 million, net of expenses.

On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. Under the amended credit facility, the spread over LIBOR is 82.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion.

On July 12, 2016, we issued $250.0 million of fixed rate senior unsecured notes that mature on August 1, 2046 and bear interest at 3.625%. The notes were offered at 97.756% of the principal amount with a yield to maturity of 3.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were $241.8 million.

On October 1, 2016 we repaid the $9.4 million Escondido municipal bonds at par.

On November 4, 2016 we replaced our existing at the market (“ATM”) equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to $400.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended December 31, 2016, we issued 206,400 common shares under our ATM equity program at a weighted average price per share of $141.16 for net cash proceeds of $28.7 million and paid $0.3 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. For the year ended December 31, 2016, we issued 1,156,571 common shares under our ATM equity program at a weighted average price per share of $152.92 for net cash proceeds of $174.8 million and paid $1.8 million in commissions and $0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2016, we had the capacity to issue up to $370.9 million in common shares under our ATM equity program.

Outlook

We seek growth in earnings, funds from operations, and cash flows primarily through a combination of the following:

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

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, the infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain relatively high occupancy and increase rental rates. We continued to see strong levels of interest from prospective tenants for our retail spaces; however, the time it takes to complete new lease deals is longer, as tenants have become more selective and more deliberate in their decision-making process. We have also experienced extended periods of time for some government agencies to process permits and inspections further delaying rent commencement on newly leased spaces. Additionally, we have seen an overall decrease in number of tenants available to fill anchor spaces. We believe the locations of our centers and diverse tenant base partially mitigates any negative changes in the economic environment. However, any significant reduction in our tenants' abilities to pay base rent, percentage rent or other charges, will adversely affect our financial condition and results of operations. We seek to maintain a mix of strong national, regional, and local retailers. At December 31, 2016, no single tenant accounted for more than 3.1% of annualized base rent.

Our properties are located primarily in densely populated and/or affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. We currently have redevelopment projects underway with a projected cost of approximately $188 million that we expect to stabilize in the next several years.

We continue our ongoing redevelopment efforts at Santana Row. In 2016, we completed and opened our $113 million six story building with 234,500 square feet of office space and 670 parking spaces that was pre-leased to Splunk Inc. We are also proceeding with an eight story 284,000 square foot office building which will include 29,000 square feet of retail space and 1,300 parking spaces. The building is expected to cost between $205 and $215 million and to deliver in 2019. After current phases, we have approximately 4 acres remaining for further redevelopment and entitlements in place for an additional 395 residential units and 321,000 square feet of commercial space. Additionally, we control 12 acres of land adjacent to Santana Row.

We continue to invest in the development at Assembly Row which is a long-term multi-phased mixed-use development project we expect to be involved in over the coming years. The carrying value of the development portion of this project at December 31, 2016 is approximately $541 million. The project currently has zoning entitlements to build 3.4 million square feet of commercial-use buildings, 1,840 residential units, and a 170 room hotel. The first phase consists of approximately 331,000 square feet of retail space and 98,000 square feet of office space (both owned by the Trust) and 445 residential units owned by AvalonBay Communities (AvalonBay Communities has exercised their purchase option for the land related to the residential buildings, which is expected to close in 2017). The Massachusetts Bay Transit Authority (MBTA) constructed the new orange line T-Stop at the property, which opened in September 2014. The retail and office space in Phase I are fully delivered and are 100% leased. Total costs for Phase I of Assembly Row are $196 million.

We are also proceeding with development of Phase II of Assembly Row which will include 161,000 square feet of retail space, a 159 room boutique hotel and 447 residential units. The hotel will be owned and operated by a joint venture in which we are a partner. Total expected costs range from $270 million to $285 million and delivery is expected in 2017/2018. Phase II will also include 122 for-sale condominium units with an expected total cost of $70 million to $75 million. Additionally, as part of the second phase, we entered into a ground lease agreement with Partners HealthCare to bring 741,500 square feet of office space to Assembly Row. The ground lease agreement includes a purchase option, which was exercised and is expected to close in 2017. Partners HealthCare commenced construction on this new building in September 2014 and during the second quarter of 2016, started relocating its employees to Assembly Row.

We invested $153 million in Assembly Row in 2016 and expect to invest between $140 million and $165 million in Assembly Row in 2017, net of public funding.

Our Pike & Rose project in North Bethesda, MD, a long-term multi-phased mixed-use development project, currently has zoning entitlements to build 1.6 million square feet of commercial-use buildings and 1,605 residential units. Phase I of Pike & Rose includes 493 residential units, 159,000 square feet of retail space and 80,000 square feet of office space. Phase I reached stabilized physical occupancy in the fourth quarter of 2016. Total costs for Phase I of Pike & Rose range from $265 million to $270 million.

Additionally, we are proceeding with development of Phase II of Pike & Rose. Phase II will include approximately 216,000 square feet of retail space, a 177 room select-service hotel and 272 residential units. Total expected costs range from $200 million to $207 million and delivery is expected in 2017/2018. The hotel will be owned and operated by a joint venture in which we are a partner. Phase II will also include 99 for-sale condominium units with an expected cost of $53 million to $58 million.

We invested $100 million in Pike & Rose in 2016 and expect to invest between $105 million and $130 million in Pike & Rose in 2017.

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

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Initially, some of our acquisitions do not contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition. Generally, our acquisitions are initially financed by available cash and/or borrowings under our revolving credit facility which may be repaid later with funds raised through the issuance of new equity or new long-term debt. We may also finance our acquisitions through the issuance of common shares, preferred shares, or downREIT units as well as through new or assumed mortgages.

At December 31, 2016, the leasable square feet in our properties was 93.3% occupied and 94.4% leased. 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 bankruptcies.

Same-Center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared. For the year ended December 31, 2016 and the comparison of 2016 and 2015, all or a portion of 76 properties were considered same-center and 17 properties were considered redevelopment or expansion. For the year ended December 31, 2016, three properties or portions of properties were moved from same-center to redevelopment and one property was moved from redevelopment to same-center, compared to the designations as of December 31, 2015. For the year ended December 31, 2015 and the comparison of 2015 and 2014, all or a portion of 77 properties were considered same-center and 14 properties were considered redevelopment or expansion. For the year ended December 31, 2015, three properties were moved from acquisition to same-center, three properties were moved from same-center to redevelopment, two properties were removed from same-center as they were sold during 2015, and one property was moved from redevelopment to same-center, compared to the designations as of December 31, 2014. While there is judgment surrounding changes in designations, we typically move redevelopment properties to same-center once they have stabilized, which is typically considered 95% occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from same center when the redevelopment has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to same-center once we have owned the property for the entirety of comparable periods and the property is not under significant redevelopment or expansion.

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

	2016	2015	Change Dollars	Change %
	(Dollar amounts in thousands)			
Rental income	$ 786,583	$ 727,812	$ 58,771	8.1 %
Other property income	11,015	11,810	(795)	(6.7)%
Mortgage interest income	3,993	4,390	(397)	(9.0)%
Total property revenue	801,591	744,012	57,579	7.7 %
Rental expenses	158,326	147,593	10,733	7.3 %
Real estate taxes	95,286	85,824	9,462	11.0 %
Total property expenses	253,612	233,417	20,195	8.7 %
Property operating income (1)	547,979	510,595	37,384	7.3 %
General and administrative expense	(33,399)	(35,645)	2,246	(6.3)%
Depreciation and amortization	(193,585)	(174,796)	(18,789)	10.7 %
Operating income	320,995	300,154	20,841	6.9 %
Other interest income	374	149	225	151.0 %
Income from real estate partnerships	50	1,416	(1,366)	(96.5)%
Interest expense	(94,994)	(92,553)	(2,441)	2.6 %
Early extinguishment of debt	—	(19,072)	19,072	(100.0)%
Total other, net	(94,570)	(110,060)	15,490	(14.1)%
Income from continuing operations	226,425	190,094	36,331	19.1 %
Gain on sale of real estate and change in control of interests	32,458	28,330	4,128	14.6 %
Net income	258,883	218,424	40,459	18.5 %
Net income attributable to noncontrolling interests	(8,973)	(8,205)	(768)	9.4 %
Net income attributable to the Trust	$ 249,910	$ 210,219	$ 39,691	18.9 %

(1) Property operating income is a non-GAAP financial measure. See Item 6. Selected Financial Data for further discussion.

Property Revenues

Total property revenue increased $57.6 million, or 7.7%, to $801.6 million in 2016 compared to $744.0 million in 2015. The percentage occupied at our shopping centers decreased to 93.3% at December 31, 2016 compared to 93.5% at December 31, 2015. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $58.8 million, or 8.1%, to $786.6 million in 2016 compared to $727.8 million in 2015 due primarily to the following:

- an increase of $16.9 million attributable to properties acquired in 2015 and 2016,
- an increase of $15.3 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $11.7 million from Assembly Row and Pike & Rose as portions of both projects opened in 2015 and early 2016,
- an increase of $10.6 million at redevelopment properties due primarily to the lease-up of The Point at Plaza El Segundo, as well as six of our other retail redevelopments, and the opening of the new office building at Santana Row, partially offset by lower occupancy as we start redeveloping centers, and
- an increase of $9.5 million at same-center properties due primarily to higher rental rates of approximately $12.8 million, higher recoveries of $1.8 million primarily the net result of higher real estate tax expense offset by lower snow removal expense, partially offset by lower average occupancy of approximately $4.7 million,

partially offset by,

- a decrease of $4.8 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other Property Income

Other property income decreased $0.8 million, or 6.7%, to $11.0 million in 2016 compared to $11.8 million in 2015. The decrease is primarily due to a decrease in fee income as we no longer earn fees on the former Clarion joint venture properties.

Property Expenses

Total property expenses increased $20.2 million, or 8.7%, to $253.6 million in 2016 compared to $233.4 million in 2015. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $10.7 million, or 7.3%, to $158.3 million in 2016 compared to $147.6 million in 2015. This increase is primarily due to the following:

- an increase of $6.1 million related to properties acquired in 2015 and 2016,
- an increase of $3.2 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $2.0 million related to Assembly Row and Pike & Rose, as portions of both projects opened in 2015 and early 2016,
- an increase of $2.0 million at redevelopment properties,

partially offset by

- a decrease of $1.9 million in repairs and maintenance expenses at same-center properties primarily due to lower snow removal costs, and
- a decrease of $1.1 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased slightly to 19.9% for the year ended December 31, 2016 from 20.0% for the year ended December 31, 2015.

Real Estate Taxes

Real estate tax expense increased $9.5 million, or 11.0% to $95.3 million in 2016 compared to $85.8 million in 2015 due primarily to the following:

- an increase of $4.2 million at same-center properties due to higher assessments,
- an increase of $2.2 million from properties acquired in 2015 and 2016,
- an increase of $1.9 million due to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $1.1 million from redevelopment properties, and
- an increase of $0.8 million related to Assembly Row and Pike & Rose,

partially offset by

- a decrease of $0.8 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Property Operating Income

Property operating income increased $37.4 million, or 7.3%, to $548.0 million in 2016 compared to $510.6 million in 2015. This increase is primarily due to growth in earnings at same-center and redevelopment properties, the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, portions of Assembly Row and Pike & Rose opening in 2015 and early 2016, and properties acquired in 2015, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other Operating Expenses

General and Administrative Expense

General and administrative expense decreased $2.2 million, or 6.3%, to $33.4 million in 2016 from $35.6 million in 2015. This decrease is primarily due lower transaction costs, partially offset by higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased $18.8 million, or 10.7%, to $193.6 million in 2016 from $174.8 million in 2015. This increase is due primarily to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, Assembly Row and Pike & Rose, depreciation on redevelopment related assets, and properties acquired in 2015.

Operating Income

Operating income increased $20.8 million, or 6.9%, to $321.0 million in 2016 compared to $300.2 million in 2015. This increase is primarily due to properties acquired in 2015, portions of Assembly Row and Pike & Rose opening in 2015 and early 2016, growth in earnings at redevelopment and same-center properties, and the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other

Interest Expense

Interest expense increased $2.4 million, or 2.6%, to $95.0 million in 2016 compared to $92.6 million in 2015. This increase is due primarily to an increase of $8.6 million due to higher borrowings, partially offset by a decrease of $6.2 million due to a lower overall weighted average borrowing rate.

Gross interest costs were $113.0 million and $110.7 million in 2016 and 2015, respectively. Capitalized interest was $18.0 million and $18.1 million in 2016 and 2015, respectively.

Early Extinguishment of Debt

The $19.1 million early extinguishment of debt in 2015 relates to the make-whole premium paid as part of the early redemption of our 6.20% senior notes in the second quarter of 2015, partially offset by the related write-off of unamortized premium and debt fees.

Gain on Sale of Real Estate and Change in Control of Interests

The $32.5 million gain on sale of real estate and change in control of interests is primarily the result of our obtaining control of six properties when we acquired Clarion's 70% interest in the partnership that owned those properties (see discussion in Note 3 to the consolidated financial statements). The properties were previously accounted for under the equity method of accounting. We consolidated these assets effective January 13, 2016, and consequently recognized a gain of $25.7 million upon obtaining the controlling interest. 2016 also included a $1.8 million gain related to the May 2016 sale of a building in Coconut Grove, Florida by an unconsolidated joint venture (our share of the gain, net of noncontrolling interests, was $0.5 million) and a $4.9 million gain due to the reversal of the warranty reserve for condominium units at Santana Row, as the statutorily mandated latent construction defect period ended in third quarter 2016 and no further claims have been filed.

The $28.3 million gain on sale of real estate for 2015 is due to the sale of our Houston Street property in April 2015 and the sale of our Courtyard Shops property in November 2015.

YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014

			Change	
	2015	2014	Dollars	%
	(Dollar amounts in thousands)			
Rental income	$ 727,812	$ 666,322	$ 61,490	9.2 %
Other property income	11,810	14,758	(2,948)	(20.0)%
Mortgage interest income	4,390	5,010	(620)	(12.4)%
Total property revenue	744,012	686,090	57,922	8.4 %
Rental expenses	147,593	135,417	12,176	9.0 %
Real estate taxes	85,824	76,506	9,318	12.2 %
Total property expenses	233,417	211,923	21,494	10.1 %
Property operating income (1)	510,595	474,167	36,428	7.7 %
General and administrative expenses	(35,645)	(32,316)	(3,329)	10.3 %
Depreciation and amortization	(174,796)	(170,814)	(3,982)	2.3 %
Operating income	300,154	271,037	29,117	10.7 %
Other interest income	149	94	55	58.5 %
Income from real estate partnerships	1,416	1,243	173	13.9 %
Interest expense	(92,553)	(93,941)	1,388	(1.5)%
Early extinguishment of debt	(19,072)	(10,545)	(8,527)	80.9 %
Total other, net	(110,060)	(103,149)	(6,911)	6.7 %
Income from continuing operations	190,094	167,888	22,206	13.2 %
Gain on sale of real estate	28,330	4,401	23,929	543.7 %
Net income	218,424	172,289	46,135	26.8 %
Net income attributable to noncontrolling interests	(8,205)	(7,754)	(451)	5.8 %
Net income attributable to the Trust	$ 210,219	$ 164,535	$ 45,684	27.8 %

(1) Property operating income is a non-GAAP financial measure. See Item 6. Selected Financial Data for further discussion.

Property Revenues

Total property revenue increased $57.9 million, or 8.4%, to $744.0 million in 2015 compared to $686.1 million in 2014. The percentage occupied at our shopping centers decreased to 93.5% at December 31, 2015 compared to 94.7% at December 31, 2014. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $61.5 million, or 9.2%, to $727.8 million in 2015 compared to $666.3 million in 2014 due primarily to the following:

- an increase of $22.1 million from Assembly Row and Pike & Rose as portions of both projects opened beginning in second quarter 2014 through 2015,
- an increase of $16.6 million attributable to properties acquired in 2015 and 2014,
- an increase of $15.7 million at same-center properties due primarily to higher rental rates of approximately $10.0 million, a $4.0 million increase in recovery income (primarily the result of reimbursements for higher real estate taxes and other tenant reimbursables), and occupancy impacts of approximately $0.8 million, and
- an increase of $10.4 million at redevelopment properties due primarily to the lease-up of our new 212 unit residential building at Santana Row and the lease-up of four of our retail redevelopments,

partially offset by,

- a decrease of $3.8 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other Property Income

Other property income decreased $2.9 million, or 20.0%, to $11.8 million in 2015 compared to $14.8 million in 2014. Included in other property income are items which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This decrease is primarily due to lower lease termination and other fees at our same-center and redevelopment properties.

Property Expenses

Total property expenses increased $21.5 million, or 10.1%, to $233.4 million in 2015 compared to $211.9 million in 2014. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $12.2 million, or 9.0%, to $147.6 million in 2015 compared to $135.4 million in 2014. This increase is primarily due to the following:

- an increase of $5.3 million related to properties acquired in 2015 and 2014,
- an increase of $4.3 million related to Assembly Row and Pike & Rose, as portions of these projects opened beginning in second quarter 2014,
- an increase of $3.2 million in repairs and maintenance expenses at same-center and redevelopment properties primarily due to higher snow removal costs, and
- an increase of $0.6 million in utilities at our same-center properties,

partially offset by

- a decrease of $1.2 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income increased to 20.0% for the year ended December 31, 2015 from 19.9% for the year ended December 31, 2014.

Real Estate Taxes

Real estate tax expense increased $9.3 million, or 12.2% to $85.8 million in 2015 compared to $76.5 million in 2014 due primarily to Assembly Row and Pike & Rose, higher assessments at our same-center and redevelopment properties, and properties acquired in 2015 and 2014, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Property Operating Income

Property operating income increased $36.4 million, or 7.7%, to $510.6 million in 2015 compared to $474.2 million in 2014. This increase is primarily due to portions of Assembly Row and Pike & Rose opening beginning in second quarter 2014, growth in earnings at same-center and redevelopment properties, and properties acquired in 2015 and 2014, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other Operating Expense

General and Administrative Expense

General and administrative expense increased $3.3 million, or 10.3%, to $35.6 million in 2015 from $32.3 million in 2014. This increase is primarily due to higher personnel related costs and higher transaction costs.

Depreciation and Amortization

Depreciation and amortization expense increased $4.0 million, or 2.3%, to $174.8 million in 2015 from $170.8 million in 2014. This increase is due primarily to depreciation on Assembly Row and Pike & Rose and properties acquired in 2015, partially offset by accelerated depreciation in 2014 due to the change in use of a redevelopment property.

Operating Income

Operating income increased $29.1 million, or 10.7%, to $300.2 million in 2015 compared to $271.0 million in 2014. This increase is primarily due to growth in earnings at our same-center and redevelopment properties, portions of Assembly Row and Pike & Rose opening beginning in second quarter 2014, and properties acquired in 2015 and 2014, partially offset by higher personnel related costs.

Other

Interest Expense

Interest expense decreased $1.4 million, or 1.5%, to $92.6 million in 2015 compared to $93.9 million in 2014. This decrease is due primarily to the following:

- a decrease of $12.2 million due to a lower overall weighted average borrowing rate, and

partially offset by

- an increase of $8.1 million due to higher borrowings.
- a decrease of $2.8 million in capitalized interest due primarily to Phase I of Assembly Row and Pike & Rose, as portions of both projects opened beginning second quarter 2014.

Gross interest costs were $110.7 million and $114.9 million in 2015 and 2014, respectively. Capitalized interest was $18.1 million and $21.0 million in 2015 and 2014, respectively.

Early Extinguishment of Debt

The $19.1 million early extinguishment of debt in 2015 relates to the make-whole premium paid as part of the early redemption of our 6.20% senior notes, partially offset by the related net write-off of unamortized premium and debt fees.

The $10.5 million early extinguishment of debt in 2014 relates to the make-whole premium paid as part of the early redemption of our 5.65% senior notes, the prepayment premium on our East Bay Bridge mortgage loan, and the related write-off of unamortized debt fees and mortgage premium balance.

Gain on sale of Real Estate

The $28.3 million gain on sale of real estate for 2015 is due to the sale of our Houston Street property in April 2015 and the sale of our Courtyard Shops property in November 2015.

The $4.4 million gain on sale of real estate for 2014 is due to our portion of the gain resulting from the Partnership's sale of the fee interest in Pleasant Shops in Weymouth, Massachusetts.

Liquidity and Capital Resources

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

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

We intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, joint venture relationships relating to existing properties or new acquisitions, and property dispositions that are consistent with this conservative structure.

At December 31, 2016, we had $23.4 million of cash and cash equivalents and no outstanding balance on our revolving credit facility. On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion. Our $275.0 million unsecured term loan that matures on November 21, 2018, subject to a one-year extension at our option, also has an option (subject to bank approval) to increase the term loan through an accordion feature to $350.0 million. As of December 31, 2016, we had the capacity to issue up to $370.9 million in common shares under our ATM equity program.

For 2016, the maximum amount of borrowings outstanding under our revolving credit facility was $251.5 million, the weighted average amount of borrowings outstanding was $77.3 million and the weighted average interest rate, before amortization of debt fees, was 1.3%. On March 7, 2016 we issued 1.0 million common shares at $149.43 per share, in an underwritten public offering, for net cash proceeds of $149.3 million. On July 12, 2016, we issued $250.0 million of fixed rate senior unsecured notes that mature on August 1, 2046 and bear interest at 3.625%. The notes were offered at 97.756% of the principal amount with a yield to maturity of 3.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were $241.8 million. During 2017, we have $216.7 million of debt maturing. We currently believe that cash flows from operations, cash on hand, our ATM equity program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements and capital expenditures.

Our overall capital requirements during 2017 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Assembly Row, Pike & Rose and future phases of Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to continue to see higher levels of capital investments in our properties under development and redevelopment which is the result of construction on Phase II at both Assembly Row and Pike & Rose, construction of our next phase of Santana Row, and our redevelopment pipeline. With respect to other capital investments related to our existing properties, we expect to incur levels consistent with prior years. Our capital investments will be funded on a short-term basis with cash flow from operations, cash on hand and/or our revolving credit facility, and on a long-term basis, with long-term debt or equity including shares issued under our ATM equity program. If necessary, we may access the debt or equity capital markets to finance significant acquisitions. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

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

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

Summary of Cash Flows

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Cash provided by operating activities	$ 419,254	$ 359,835
Cash used in investing activities	(590,221)	(353,763)
Cash provided by (used in) financing activities	173,289	(32,977)
Increase (decrease) in cash and cash equivalents	2,322	(26,905)
Cash and cash equivalents, beginning of year	21,046	47,951
Cash and cash equivalents, end of year	$ 23,368	$ 21,046

Net cash provided by operating activities increased $59.4 million to $419.3 million during 2016 from $359.8 million during 2015. The increase was primarily attributable to higher net income before certain non-cash items, timing of payments from tenants, and the timing of interest payments and other operating costs.

Net cash used in investing activities increased $236.5 million to $590.2 million during 2016 from $353.8 million during 2015. The increase in net cash used was primarily attributable to:

- $150.7 million increase in capital investments and leasing costs as we continue to invest in Assembly Row, Pike & Rose, Santana Row, and other current redevelopments, and
- $97.4 million decrease in proceeds from the sale of real estate, as we sold both Houston Street and Courtyard Shops in 2015,

partially offset by

- $11.4 million decrease in acquisitions of real estate.

Net cash provided by financing activities increased $206.3 million to $173.3 million provided during 2016 from $33.0 million used in 2015. The increase was primarily attributable to:

- the April 2015 redemption of $200.0 million of senior notes with a make-whole premium of $19.2 million,
- a $218.2 million increase in net proceeds from the issuance of common shares as we issued 1.0 million common shares at $149.43 per share in an underwritten public offering in March 2016, and we sold 1.2 million common shares under our ATM equity program at a weighted average price of $152.92 during 2016 compared to 0.8 million shares at a weighted average price of $135.01 during 2015, and
- a $131.8 million decrease in repayment of mortgages, capital leases and notes payable due to the payoff of $34.4 million of mortgage loans on April 1, 2016, compared to the payoff of seven mortgages totaling $165.1 million in 2015.

partially offset by

- $241.8 million in net proceeds from the issuance of 3.625% senior notes in July 2016, compared to $456.2 million in net proceeds from the re-opening of the 4.50% senior notes in March 2015 and the issuance of 2.55% senior notes in September 2015,
- a $110.4 million increase in net repayments on our revolving credit facility,
- a $24.4 million increase in dividends paid to shareholders due to an increase in the dividend rate and increased number of shares outstanding, and
- $13.0 million acquisition of the 10% noncontrolling interest of a partnership which owns a project in Southern California.

Contractual Commitments

The following table provides a summary of our fixed, noncancelable obligations as of December 31, 2016:

	Commitments Due by Period				
	Total	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**
			(In thousands)		
Fixed rate debt (principal and interest)(1)	$ 3,953,012	$ 328,834	$ 498,118	$ 622,547	$ 2,503,513
Capital lease obligations (principal and interest)	177,232	5,797	11,600	11,600	148,235
Variable rate debt (principal only)(2)	—	—	—	—	—
Operating leases	185,345	2,070	6,195	6,382	170,698
Real estate commitments	70,070	2,570	—	—	67,500
Development, redevelopment, and capital improvement obligations	429,246	351,972	77,274	—	—
Contractual operating obligations	47,769	18,382	19,839	9,488	60
Hotel joint venture obligations (3)	16,092	12,873	3,219	—	—
Total contractual obligations	$ 4,878,766	$ 722,498	$ 616,245	$ 650,017	$ 2,890,006

(1) Fixed rate debt includes our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements.

(2) Variable rate debt includes our revolving credit facility, which currently has no balance outstanding and bears interest at LIBOR plus 0.825%.

(3) Amounts include our share of our hotel joint venture construction related obligations.

In addition to the amounts set forth in the table above and other liquidity requirements previously discussed, the following potential commitments exist:

(a) Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 29.47% interest in Congressional Plaza at the interest’s then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management’s current estimate of fair market value as of December 31, 2016, our estimated liability upon exercise of the put option would range from approximately $89 million to $93 million.

(b) Under the terms of various other partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. As of December 31, 2016, a total of 763,797 operating partnership units are outstanding.

(c) The other member in Montrose Crossing has the right to require us to purchase all of its 10.1% interest in Montrose Crossing at the interest's then-current fair market value. If the other member fails to exercise its put option, we have the right to purchase its interest on or after December 27, 2021 at fair market value. Based on management’s current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from approximately $9 million to $10 million.

(d) Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management’s current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from approximately $21 million to $24 million. Also, we exercised our option to acquire the preferred interest of a member in our Plaza El Segundo partnership for $4.9 million. The transaction is expected to close in 2018.

(e) Effective January 1, 2017, the other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.8% interest in The Grove at Shrewsbury and approximately 8.8% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from $10 million to $11 million.

(f) At December 31, 2016, we had letters of credit outstanding of approximately $1.3 million.

Off-Balance Sheet Arrangements

Other than the items disclosed in the Contractual Commitments Table, we have no off-balance sheet arrangements as of December 31, 2016 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of December 31, 2016:

Description of Debt	Original Debt Issued	Principal Balance as of December 31, 2016	Stated Interest Rate as of December 31, 2016	Maturity Date
	(Dollars in thousands)			
Mortgages payable				
Secured fixed rate				
Plaza El Segundo	Acquired	$ 175,000	6.33%	August 5, 2017
The Grove at Shrewsbury (East)	Acquired	42,536	5.82%	October 1, 2017
The Grove at Shrewsbury (West)	Acquired	10,792	6.38%	March 1, 2018
Rollingwood Apartments	24,050	21,283	5.54%	May 1, 2019
The Shops at Sunset Place	Acquired	68,634	5.62%	September 1, 2020
29th Place	Acquired	4,553	5.91%	January 31, 2021
THE AVENUE at White Marsh	52,705	52,705	3.35%	January 1, 2022
Montrose Crossing	80,000	72,726	4.20%	January 10, 2022
Brook 35	11,500	11,500	4.65%	July 1, 2029
Chelsea	Acquired	6,576	5.36%	January 15, 2031
Subtotal		466,305		
Net unamortized premium and debt issuance costs		4,812		
Total mortgages payable		471,117		
Notes payable				
Unsecured fixed rate				
Term Loan (1)	275,000	275,000	LIBOR + 0.90%	November 21, 2018
Various	7,239	5,247	11.31%	Various through 2028
Unsecured variable rate				
Revolving credit facility (2)	800,000	—	LIBOR + 0.825%	April 20, 2020
Subtotal		280,247		
Net unamortized debt issuance cost		(1,096)		
Total notes payable		279,151		
Senior notes and debentures				
Unsecured fixed rate				
5.90% notes	150,000	150,000	5.90%	April 1, 2020
2.55% notes	250,000	250,000	2.55%	January 15, 2021
3.00% notes	250,000	250,000	3.00%	August 1, 2022
2.75% notes	275,000	275,000	2.75%	June 1, 2023
3.95% notes	300,000	300,000	3.95%	January 15, 2024
7.48% debentures	50,000	29,200	7.48%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.82%	August 1, 2027
4.50% notes	450,000	450,000	4.50%	December 1, 2044
3.625% notes	250,000	250,000	3.625%	August 1, 2046
Subtotal		1,994,200		
Net unamortized (discount)/premium and debt issuance costs		(17,606)		
Total senior notes and debentures		1,976,594		
Capital lease obligations				
Various		71,590	Various	Various through 2106
Total debt and capital lease obligations		**$ 2,798,452**		

1) We entered into two interest rate swap agreements that fix the LIBOR portion of the interest rate on the term loan at 1.72%. The spread on the term loan is 90 basis points resulting in a fixed rate of 2.62%.

2) The maximum amount drawn under our revolving credit facility during 2016 was $251.5 million and the weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 1.30%.

Our revolving credit facility, term loan and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of December 31, 2016, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt 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, term loan 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 December 31, 2016:

	Unsecured		Secured	Capital Lease	Total	
			(In thousands)			
2017	$ 462		$ 222,445	$ 38	$ 222,945	
2018	275,513	(1)	15,477	37	291,027	
2019	567		25,006	42	25,615	
2020	150,629	(2)	64,687	46	215,362	
2021	250,700		5,984	51	256,735	
Thereafter	1,596,576		132,706	71,376	1,800,658	
	$ 2,274,447		$ 466,305	$ 71,590	$ 2,812,342	(3)

1) Our $275.0 million unsecured term loan matures on November 21, 2018, subject to a one-year extension at our option.

2) Our $800.0 million revolving credit facility matures on April 20, 2020, subject to two six-month extensions at our option. As of December 31, 2016, there was no outstanding balance under this credit facility.

3) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium/(discount) and debt issuance costs on certain mortgage loans, notes payable, and senior notes as of December 31, 2016.

Interest Rate Hedging

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

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

As of December 31, 2016, we are party to two interest rate swap agreements that effectively fixed the rate on the term loan at 2.62%. Both swaps were designated and qualified as cash flow hedges and were recorded at fair value. Hedge ineffectiveness has not impacted earnings in 2016, 2015 and 2014, and we do not anticipate it will have a significant effect in the future.

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 extraordinary items and gains and losses on the sale of real estate, and impairment write-downs of depreciable real estate. 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 unless necessary for us to maintain REIT status. However, we must distribute at least 90% of our 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:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Net income	$ 258,883	$ 218,424	$ 172,289
Net income attributable to noncontrolling interests	(8,973)	(8,205)	(7,754)
Gain on sale of real estate and change in control of interests, net	(31,133)	(28,330)	(4,401)
Depreciation and amortization of real estate assets	169,198	154,232	154,060
Amortization of initial direct costs of leases	16,875	15,026	12,391
Funds from operations	404,850	351,147	326,585
Dividends on preferred shares	(541)	(541)	(541)
Income attributable to operating partnership units	3,145	3,398	3,027
Income attributable to unvested shares	(1,095)	(1,147)	(1,474)
Funds from operations available for common shareholders (1)	$ 406,359	$ 352,857	$ 327,597
Weighted average number of common shares, diluted (2)	71,869	69,920	68,410
Funds from operations available for common shareholders, per diluted share (1)	$ 5.65	$ 5.05	$ 4.79

(1) If the $19.1 million and the $10.5 million early extinguishment of debt charge incurred in 2015 and 2014, respectively, was excluded, our FFO available for common shareholders for 2015 and 2014 would have been $371.9 million and $338.1 million, respectively, and FFO available for common shareholders, per diluted share would have been $5.32 and $4.94, respectively.

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

ITEM 7A. 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. As of December 31, 2016, we were party to two interest rate swap agreements that effectively fix the rate on the $275.0 million term loan at 2.62%.

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 or, with respect to capital lease obligations through 2106) 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 December 31, 2016, we had $2.7 billion of fixed-rate debt outstanding, including our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements; we also had capital lease obligations of $71.6 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2016 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $176.9 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2016 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $205.3 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At December 31, 2016, we had no variable rate debt outstanding.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Quarterly Assessment

We carried out an assessment as of December 31, 2016 of the effectiveness of the design and operation of our disclosure controls and procedures and our internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer. Rules adopted by the Securities and Exchange Commission ("SEC") require that we present the conclusions of our principal executive officer and our principal financial officer about the effectiveness of our disclosure controls and procedures and the conclusions of our management about the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report.

Principal Executive Officer and Principal Financial Officer Certifications

Included as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are forms of “Certification” of our principal executive officer and our principal financial officer. The forms of Certification are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of this Annual Report on Form 10-K that you are currently reading is the information concerning the assessment referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports, such as this report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and Executive Vice President-Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. These controls and procedures are based closely on the definition of “disclosure controls and procedures” in Rule 13a-15(e) promulgated under the Exchange Act. Rules adopted by the SEC require that we present the conclusions of the Chief Executive Officer and Chief Financial Officer about the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report.

Internal Control over Financial Reporting

Establishing and maintaining internal control over financial reporting is a process designed by, or under the supervision of, our President and Chief Executive Officer and Executive Vice President-Chief Financial Officer, as appropriate, and effected by our employees, including management and our Board of Trustees, 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 in the United States of America. This process includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of our assets in reasonable detail;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorization procedures we have established; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Limitations on the Effectiveness of Controls

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. In designing and evaluating our control system, management recognized that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, that may affect our operation have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management’s override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions that cannot be anticipated at the present time, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Scope of the Evaluations

The evaluation by our Chief Executive Officer and our Chief Financial Officer of our disclosure controls and procedures and our internal control over financial reporting included a review of our procedures and procedures performed by internal audit, as well as discussions with our Disclosure Committee and others in our organization, as appropriate. In conducting this evaluation, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control—Integrated Framework.* In the course of the evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. The evaluation of our disclosure controls and procedures and our internal control over financial reporting is done on a quarterly basis, so that the conclusions concerning the effectiveness of such controls can be reported in our Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K.

Our internal control over financial reporting is also assessed on an ongoing basis by personnel in our accounting department and by our independent auditors in connection with their audit and review activities. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures and our internal control over financial reporting and to make modifications as necessary. Our intent in this regard is that the disclosure controls and procedures and internal control over financial reporting will be maintained and updated (including with improvements and corrections) as conditions warrant. Among other matters, we sought in our evaluation to determine whether there were any “significant deficiencies” or “material weaknesses” in our internal control over financial reporting, or whether we had identified any acts of fraud involving personnel who have a significant role in our internal control over financial reporting. This information is important both for the evaluation generally and because the Section 302 certifications require that our Chief Executive Officer and our Chief Financial Officer disclose that information to the Audit Committee of our Board of Trustees and our independent auditors and also require us to report on related matters in this section of the Annual Report on Form 10-K. In the Public Company Accounting Oversight Board’s Auditing Standard No. 5, a “deficiency” in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company’s financial reporting. A “material weakness” is defined in Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. We also sought to deal with other control matters in the evaluation, and in any case in which a problem was identified, we considered what revision, improvement and/or correction was necessary to be made in accordance with our on-going procedures.

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures were effective as of the end of the period covered by this report and provides reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Periodic Evaluation and Conclusion of Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of the design and operation of our internal control over financial reporting as of the end of our most recent fiscal year. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such internal control over financial reporting was effective as of the end of our most recent fiscal year and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Statement of Our Management

Our management has issued a report on its assessment of the Trust’s internal control over financial reporting, which appears on page F-2 of this Annual Report on Form 10-K.

Statement of Our Independent Registered Public Accounting Firm

Grant Thornton LLP, our independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Trust’s internal control over financial reporting, which appears on page F-3 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our fourth fiscal quarter of 2016 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

Certain information required in Part III is omitted from this Report but is incorporated herein by reference from our Proxy Statement for the 2017 Annual Meeting of Shareholders (as amended or supplemented, the "Proxy Statement").

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The tables and narrative in the Proxy Statement identifying our Trustees and Board committees under the caption "Election of Trustees" and "Corporate Governance", the sections of the Proxy Statement entitled "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" and other information included in the Proxy Statement required by this Item 10 are incorporated herein by reference.

We have adopted a Code of Ethics, which is applicable to our Chief Executive Officer and senior financial officers. The Code of Ethics is available in the Corporate Governance section of the Investors section of our website at *www.federalrealty.com*.

ITEM 11. EXECUTIVE COMPENSATION

The sections of the Proxy Statement entitled "Summary Compensation Table," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Trustee Compensation" and "Compensation Discussion and Analysis" and other information included in the Proxy Statement required by this Item 11 are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The sections of the Proxy Statement entitled "Share Ownership" and "Equity Compensation Plan Information" and other information included in the Proxy Statement required by this Item 12 are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE

The sections of the Proxy Statement entitled "Certain Relationship and Related Transactions" and "Independence of Trustees" and other information included in the Proxy Statement required by this Item 13 are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The sections of the Proxy Statement entitled "Ratification of Independent Registered Public Accounting Firm" and "Relationship with Independent Registered Public Accounting Firm" and other information included in the Proxy Statement required by this Item 14 are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Our consolidated financial statements and notes thereto, together with Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K commencing on page F-1.

(2) Financial Statement Schedules

Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K commencing on page F-31.

(3) Exhibits

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

(b) See Exhibit Index

(c) Not Applicable

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized this February 13, 2017.

Federal Realty Investment Trust

By: /s/ Donald C. Wood

Donald C. Wood
President, Chief Executive Officer and Trustee

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints each of Donald C. Wood and Dawn M. Becker as his or her attorney-in-fact and agent, with full power of substitution and resubstitution for him or her in any and all capacities, to sign any or all amendments to this Report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his or her substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Donald C. Wood **Donald C. Wood**	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 13, 2017
/s/ Daniel Guglielmone **Daniel Guglielmone**	Executive Vice President-Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 13, 2017
/s/ Joseph S. Vassalluzzo **Joseph S. Vassalluzzo**	Non-Executive Chairman	February 13, 2017
/s/ Jon E. Bortz **Jon E. Bortz**	Trustee	February 13, 2017
/s/ David W. Faeder **David W. Faeder**	Trustee	February 13, 2017
/s/ Kristin Gamble **Kristin Gamble**	Trustee	February 13, 2017
/s/ Elizabeth I. Holland **Elizabeth I. Holland**	Trustee	February 13, 2017
/s/ Gail P. Steinel **Gail P. Steinel**	Trustee	February 13, 2017
/s/ Warren M. Thompson **Warren M. Thompson**	Trustee	February 13, 2017

Item 8 and Item 15(a)(1) and (2)
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Financial Statement Schedules	
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All other schedules have been omitted either because the information is not applicable, not material, or is disclosed in our consolidated financial statements and related notes.

Management Assessment Report on Internal Control over Financial Reporting

The management of Federal Realty Investment Trust (the "Trust") is responsible for establishing and maintaining adequate internal control over financial reporting. Establishing and maintaining internal control over financial reporting is a process designed by, or under the supervision of, our President and Chief Executive Officer and Executive Vice President - Chief Financial Officer and Treasurer, as appropriate, and effected by our employees, including management and our Board of Trustees, 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. This process includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of our assets in reasonable detail;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorization procedures we have established; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our internal control over financial reporting will prevent all errors and fraud. In designing and evaluating our control system, management recognized that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, that may affect our operation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management’s override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management conducted an assessment of the effectiveness of the Trust’s internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control—Integrated Framework.* Based on this assessment, management concluded that our internal control over financial reporting is effective, based on those criteria, as of December 31, 2016.

Grant Thornton LLP, the independent registered public accounting firm that audited the Trust’s consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Trust’s internal control over financial reporting, which appears on page F-3 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders of Federal Realty Investment Trust

We have audited the internal control over financial reporting of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Trust’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Assessment Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Trust’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Federal Realty Investment Trust and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Trust as of and for the year ended December 31, 2016 and our report dated February 13, 2017 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Arlington, Virginia
February 13, 2017

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders of Federal Realty Investment Trust

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedules are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federal Realty Investment Trust and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 13, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Arlington, Virginia
February 13, 2017

Federal Realty Investment Trust
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
	(In thousands, except share and per share data)	
ASSETS		
Real estate, at cost		
Operating (including $1,226,918 and $1,192,336 of consolidated variable interest entities, respectively)	$ 6,125,957	$ 5,630,771
Construction-in-progress	599,260	433,635
Assets held for sale	33,856	—
	6,759,073	6,064,406
Less accumulated depreciation and amortization (including $209,239 and $176,057 of consolidated variable interest entities, respectively)	(1,729,234)	(1,574,041)
Net real estate	5,029,839	4,490,365
Cash and cash equivalents	23,368	21,046
Accounts and notes receivable, net	116,749	110,402
Mortgage notes receivable, net	29,904	41,618
Investment in real estate partnerships	14,864	41,546
Prepaid expenses and other assets	208,555	191,582
TOTAL ASSETS	$ 5,423,279	$ 4,896,559
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable (including $439,120 and $448,315 of consolidated variable interest entities, respectively)	$ 471,117	$ 481,084
Capital lease obligations	71,590	71,620
Notes payable	279,151	341,961
Senior notes and debentures	1,976,594	1,732,551
Accounts payable and accrued expenses	201,756	146,532
Dividends payable	71,440	66,338
Security deposits payable	16,285	15,439
Other liabilities and deferred credits	115,817	121,787
Total liabilities	3,203,750	2,977,312
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests	143,694	137,316
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, $.01 par: 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, 71,995,897 and 69,493,392 shares issued and outstanding, respectively	722	696
Additional paid-in capital	2,718,325	2,381,867
Accumulated dividends in excess of net income	(749,734)	(724,701)
Accumulated other comprehensive loss	(2,577)	(4,110)
Total shareholders' equity of the Trust	1,976,733	1,663,749
Noncontrolling interests	99,102	118,182
Total shareholders' equity	2,075,835	1,781,931
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,423,279	$ 4,896,559

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

Federal Realty Investment Trust
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
REVENUE			
Rental income	$ 786,583	$ 727,812	$ 666,322
Other property income	11,015	11,810	14,758
Mortgage interest income	3,993	4,390	5,010
Total revenue	801,591	744,012	686,090
EXPENSES			
Rental expenses	158,326	147,593	135,417
Real estate taxes	95,286	85,824	76,506
General and administrative	33,399	35,645	32,316
Depreciation and amortization	193,585	174,796	170,814
Total operating expenses	480,596	443,858	415,053
OPERATING INCOME	320,995	300,154	271,037
Other interest income	374	149	94
Interest expense	(94,994)	(92,553)	(93,941)
Early extinguishment of debt	—	(19,072)	(10,545)
Income from real estate partnerships	50	1,416	1,243
INCOME FROM CONTINUING OPERATIONS	226,425	190,094	167,888
Gain on sale of real estate and change in control of interests	32,458	28,330	4,401
NET INCOME	258,883	218,424	172,289
Net income attributable to noncontrolling interests	(8,973)	(8,205)	(7,754)
NET INCOME ATTRIBUTABLE TO THE TRUST	249,910	210,219	164,535
Dividends on preferred shares	(541)	(541)	(541)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$ 249,369	$ 209,678	$ 163,994
EARNINGS PER COMMON SHARE, BASIC			
Continuing operations	$ 3.07	$ 2.63	$ 2.35
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07
	$ 3.51	$ 3.04	$ 2.42
Weighted average number of common shares, basic	70,877	68,797	67,322
EARNINGS PER COMMON SHARE, DILUTED			
Continuing operations	$ 3.06	$ 2.62	$ 2.34
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07
	$ 3.50	$ 3.03	$ 2.41
Weighted average number of common shares, diluted	71,049	68,981	67,492
NET INCOME	$ 258,883	$ 218,424	$ 172,289
Other comprehensive income (loss) - change in value of interest rate swaps	1,533	(595)	(2,098)
COMPREHENSIVE INCOME	260,416	217,829	170,191
Comprehensive income attributable to noncontrolling interests	(8,973)	(8,205)	(7,754)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	$ 251,443	$ 209,624	$ 162,437

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

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity

	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, 2013	399,896	$ 9,997	66,701,422	$ 667	$2,062,708	$ (623,795)	$ (1,417)	$ 23,137	1,471,297
Net income, excluding $3,452 attributable to redeemable noncontrolling interests	—	—	—	—	—	164,535	—	4,302	168,837
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	—	—	(2,098)	—	(2,098)
Dividends declared to common shareholders	—	—	—	—	—	(224,190)	—	—	(224,190)
Dividends declared to preferred shareholders	—	—	—	—	—	(541)	—	—	(541)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(4,620)	(4,620)
Common shares issued	—	—	1,768,703	18	213,562	—	—	—	213,580
Exercise of stock options	—	—	29,218	1	2,261	—	—	—	2,262
Shares issued under dividend reinvestment plan	—	—	18,705	—	2,168	—	—	—	2,168
Share-based compensation expense, net of forfeitures	—	—	117,647	1	12,940	—	—	—	12,941
Shares withheld for employee taxes	—	—	(29,912)	—	(3,335)	—	—	—	(3,335)
Redemption of OP units	—	—	—	—	(49)	—	—	(14)	(63)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	65,350	65,350
Adjustment to redeemable noncontrolling interests	—	—	—	—	(9,032)	—	—	—	(9,032)
BALANCE AT DECEMBER 31, 2014	399,896	9,997	68,605,783	687	2,281,223	(683,991)	(3,515)	88,155	1,692,556
Net income, excluding $3,423 attributable to redeemable noncontrolling interests	—	—	—	—	—	210,219	—	4,782	215,001
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	—	—	(595)	—	(595)
Dividends declared to common shareholders	—	—	—	—	—	(250,388)	—	—	(250,388)
Dividends declared to preferred shareholders	—	—	—	—	—	(541)	—	—	(541)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(5,269)	(5,269)
Common shares issued	—	—	813,548	8	108,537	—	—	—	108,545
Exercise of stock options	—	—	29,940	—	1,991	—	—	—	1,991
Shares issued under dividend reinvestment plan	—	—	16,524	—	2,296	—	—	—	2,296
Share-based compensation expense, net of forfeitures	—	—	52,213	1	12,073	—	—	—	12,074
Shares withheld for employee taxes	—	—	(64,227)		(9,211)	—	—	—	(9,211)
Conversion and redemption of OP units	—	—	39,611	—	4,072	—	—	(4,223)	(151)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	34,737	34,737
Adjustment to redeemable noncontrolling interests	—	—	—	—	(19,114)	—	—	—	(19,114)
BALANCE AT DECEMBER 31, 2015	399,896	$ 9,997	69,493,392	$ 696	$2,381,867	$ (724,701)	$ (4,110)	$ 118,182	$ 1,781,931
Net income, excluding $2,713 attributable to redeemable noncontrolling interests	—	—	—	—	—	249,910	—	6,260	256,170
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	—	—	1,533	—	1,533
Dividends declared to common shareholders	—	—	—	—	—	(274,402)	—	—	(274,402)
Dividends declared to preferred shareholders	—	—	—	—	—	(541)	—	—	(541)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(7,546)	(7,546)
Common shares issued	—	—	2,156,671	21	324,170	—	—	—	324,191
Exercise of stock options	—	—	55,365	1	4,541	—	—	—	4,542
Shares issued under dividend reinvestment plan	—	—	15,619	—	2,387	—	—	—	2,387
Share-based compensation expense, net of forfeitures	—	—	134,913	2	11,225	—	—	—	11,227
Shares withheld for employee taxes	—	—	(30,671)	—	(4,451)	—	—	—	(4,451)
Conversion and redemption of OP units	—	—	170,608	2	18,677	—	—	(18,679)	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	885	885
Adjustment to redeemable noncontrolling interests	—	—	—	—	(20,091)	—	—	—	(20,091)
BALANCE AT DECEMBER 31, 2016	399,896	$ 9,997	71,995,897	$ 722	$2,718,325	$ (749,734)	$ (2,577)	$ 99,102	$ 2,075,835

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

Federal Realty Investment Trust

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
OPERATING ACTIVITIES			
Net income	$ 258,883	$ 218,424	$ 172,289
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	193,585	174,796	170,814
Gain on sale of real estate and change in control of interests	(32,458)	(28,330)	(4,401)
Early extinguishment of debt	—	19,072	10,545
Income from real estate partnerships	(50)	(1,416)	(1,243)
Other, net	(89)	177	733
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Decrease (increase) in accounts receivable, net	1,868	(9,200)	(3,063)
Increase in prepaid expenses and other assets	(5,241)	(7,422)	(4,222)
Increase (decrease) in accounts payable and accrued expenses	4,759	(9,995)	4,253
(Decrease) increase in security deposits and other liabilities	(2,003)	3,729	425
Net cash provided by operating activities	419,254	359,835	346,130
INVESTING ACTIVITIES			
Acquisition of real estate	(142,958)	(154,313)	(9,154)
Capital expenditures - development and redevelopment	(379,720)	(236,437)	(314,654)
Capital expenditures - other	(57,560)	(46,096)	(46,304)
Proceeds from sale of real estate	—	97,422	10,406
Investment in real estate partnerships	(7,220)	(2,802)	(6,731)
Distribution from real estate partnership in excess of earnings	3,910	512	565
Leasing costs	(18,299)	(22,382)	(35,286)
Repayment of mortgage and other notes receivable, net	11,626	10,333	5,008
Net cash used in investing activities	(590,221)	(353,763)	(396,150)
FINANCING ACTIVITIES			
Net (repayments) borrowings under revolving credit facility, net of costs	(56,916)	53,500	—
Issuance of senior notes, net of costs	241,795	456,151	244,579
Redemption and retirement of senior notes	—	(219,228)	(134,240)
Repayment of mortgages, capital leases, notes, and other payables	(49,559)	(181,315)	(94,422)
Issuance of common shares, net of costs	329,103	110,855	216,155
Dividends paid to common and preferred shareholders	(267,694)	(243,314)	(215,216)
Distributions to and redemptions of noncontrolling interests	(10,422)	(9,626)	(7,812)
Redemption of redeemable noncontrolling interests	(13,018)	—	—
Net cash provided by (used in) financing activities	173,289	(32,977)	9,044
Increase (decrease) in cash and cash equivalents	2,322	(26,905)	(40,976)
Cash and cash equivalents at beginning of year	21,046	47,951	88,927
Cash and cash equivalents at end of year	$ 23,368	$ 21,046	$ 47,951

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

Federal Realty Investment Trust

Notes to Consolidated Financial Statements
December 31, 2016, 2015 and 2014

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 December 31, 2016, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 96 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Certain 2015 amounts have been reclassified to conform to current period presentation.

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.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. Accounts receivable are written-off when they are deemed to be uncollectible and we are no longer actively pursuing collection. At December 31, 2016 and 2015, our allowance for doubtful accounts was $11.9 million and $11.7 million, respectively.

In some cases, primarily relating to straight-line rents, the collection of accounts receivable extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2016 and 2015, accounts receivable include approximately $80.6 million and $72.7 million, respectively, related to straight-line rents.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 35 years to a maximum of 50 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. In 2016, 2015 and 2014, real estate depreciation expense was $173.2 million, $156.5 million and $155.7 million, respectively, including amounts from real estate sold and assets under capital lease obligations.

Sales of real estate are recognized only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement. The application of these criteria can be complex and requires us to make assumptions. We believe these criteria were met for all real estate sold during the periods presented.

Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and/or appraised values. When we acquire operating real estate properties, the purchase price is allocated to land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, if any, and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the consolidated statements of comprehensive income. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Transaction costs related to the acquisition of a business, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are expensed as incurred and included in “general and administrative expenses” in our consolidated statements of comprehensive income. The acquisition of an operating shopping center typically qualifies as a business. For asset acquisitions not meeting the definition of a business, transaction costs are capitalized as part of the acquisition cost. See "Recently Issued Accounting Pronouncements" for further discussion.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in determining whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and redevelopment activities. Capitalization of these costs begin when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the development or redevelopment is no longer probable of completion, we expense all capitalized costs which are not recoverable.

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity, when purchased, under three months. Cash balances in individual banks may exceed the federally insured limit by the Federal Deposit Insurance Corporation (the "FDIC"). At December 31, 2016, we had $19.7 million in excess of the FDIC insured limit.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, prepaid property taxes and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and salaries and related costs of personnel directly related to time spent obtaining a lease. Capitalized lease costs are amortized over the life of the related lease. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any previously capitalized lease costs are written off.

Debt Issuance Costs

Costs related to the issuance of debt instruments are deferred and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in "early extinguishment of debt." Effective January 1, 2016, we adopted ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs," and ASU 2015-15 "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which impacts the balance sheet presentation of debt issuance costs. See "Recently Adopted Accounting Pronouncements" for further discussion.

Derivative Instruments

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

The interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt; within the next twelve months, we expect to reclassify an estimated $2.1 million as an increase to interest expense. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness did not impact earnings in 2016, 2015 or 2014, and we do not anticipate it will have a significant effect in the future.

See Note 8 for additional disclosures relating to our two existing interest rate swap agreements.

Mortgage Notes Receivable

We have made certain mortgage loans that, because of their nature, qualify as loan receivables. At the time the loans were made, we did not intend for the arrangement to be anything other than a financing and did not contemplate a real estate investment. We evaluate each investment to determine whether the loan arrangement qualifies as a loan, joint venture or real estate investment and the appropriate accounting thereon. Such determination affects our balance sheet classification of these investments and the recognition of interest income derived therefrom. We receive additional interest, however, we never receive in excess of 50% of the residual profit in the project, and because the borrower has either a substantial investment in the project or has guaranteed all or a portion of our loan (or a combination thereof), the loans qualify for loan accounting. The amounts under these arrangements are presented as mortgage notes receivable at December 31, 2016 and 2015.

Mortgage notes receivable are recorded at cost, net of any valuation adjustments. Interest income is accrued as earned. Mortgage notes receivable are considered past due based on the contractual terms of the note agreement. On a quarterly basis, we evaluate the collectability of each mortgage note receivable based on various factors which may include payment history, expected fair value of the collateral securing the loan, internal and external credit information and/or economic trends. A loan is considered impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due under the existing contractual terms. When a loan is considered impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the mortgage note receivable to the present value of expected future cash flows. Since our loans are collateralized by a first mortgage, the loans have risk characteristics similar to the risks in owning commercial real estate.

Share Based Compensation

We grant share based compensation awards to employees and trustees typically in the form of restricted common shares, common shares, and options. We measure stock based compensation expense based on the grant date fair value of the award and recognize the expense ratably over the requisite service period, which is typically the vesting period. See Note 14 for further discussion regarding our share based compensation plans and policies.

Variable Interest Entities

Effective January 1, 2016, we adopted ASU 2015-02, "Amendments to the Consolidation Analysis," as further discussed in "Recently Adopted Accounting Pronouncements." Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as VIEs. VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE has both the power to direct the activities that most significantly impact economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

We have evaluated our investments in shopping center related ventures and identified 14 entities that meet the criteria of a VIE in which we hold a variable interest (including 10 entities newly deemed to be a VIE under ASU 2015-02, effective January 1, 2016). For each of these entities we control the significant operating decisions and consequently have the power to direct the activities that most significantly impact the economic performance of the entities. As we also have the obligation to absorb the majority of the losses and/or the right to receive a majority of the benefits for each of these entities, all are consolidated in our financial statements. As of December 31, 2016, net real estate assets and mortgage payables related to variable interest entities included in our consolidated balance sheet are approximately $1.0 billion and $439.1 million, respectively.

In addition, our equity method investment in the Pike & Rose hotel joint venture is now considered a variable interest in a VIE under ASU 2015- 02 effective January 1, 2016. As we do not control the activities that most significantly impact the economic performance of the joint venture, we are not the primary beneficiary and do not consolidate. As of December 31, 2016 our investment in the joint venture and maximum exposure to loss was $13.5 million, which is our total required contribution to complete construction of the hotel.

We have also evaluated our mortgage notes receivable investments and determined that the entities obligated under the mortgage notes are not VIEs. Our equity method investment and mortgage notes receivable balances are presented separately in our consolidated balance sheets.

Redeemable Noncontrolling Interests

We have certain noncontrolling interests that are redeemable for cash upon the occurrence of an event that is not solely in our control and therefore are classified outside of permanent equity. We adjust the carrying amounts of these noncontrolling interests that are currently redeemable to redemption value at the balance sheet date. Adjustments to the carrying amount to reflect changes in redemption value are recorded as adjustments to additional paid-in capital in shareholders' equity. These amounts are classified within the mezzanine section of the consolidated balance sheets.

The following table provides a rollforward of the redeemable noncontrolling interests:

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Beginning balance	$ 137,316	$ 119,053
Net income	2,713	3,423
Distributions & Redemptions	(16,426)	(4,286)
Contributions	—	12
Change in redemption value	20,091	19,114
Ending balance	$ 143,694	$ 137,316

On February 12, 2016, we acquired the 10% noncontrolling interest in the partnership that owns our Hollywood Blvd project for $13.0 million, bringing our ownership interest to 100%.

Income Taxes

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.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the "Code"). A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2012. As of December 31, 2016 and 2015, we had no material unrecognized tax benefits. While we currently have no material unrecognized tax benefits, as a policy, we recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense.

Segment Information

Our primary business is the ownership, management, and redevelopment of retail and mixed-use properties. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. We evaluate financial performance using property operating income, which consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. No individual property constitutes more than 10% of our revenues or property operating income and we have no operations outside of the United States of America. Therefore, we have aggregated our properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

Recently Adopted Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, which modifies the evaluation of whether limited partnerships and similar legal entities are variable or voting interest entities, eliminates the presumption that the general partner should consolidate a limited partnership, modifies the consolidation analysis for reporting entities that are involved in variable interest entities, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that operate as registered money market funds. We adopted the standard effective January 1, 2016, and as a result, partnerships controlling ten properties (previously consolidated as voting interest entities) are now considered to be variable interest entities. As we have the obligation to absorb losses and the right to receive benefits and control the activities that most significantly impact the economic performance of these entities, we are the primary beneficiary and we will continue to consolidate each of these entities. Net real estate assets of $566.1 million and mortgage payables of $194.9 million were included in our consolidated balance sheet at January 1, 2016 for these newly classified variable interest entities. In addition, our equity method investment in the Pike & Rose hotel joint venture is now considered a variable interest in a variable interest entity. As we do not control the activities that most significantly impact the economic performance of the joint venture, we are not the primary beneficiary and do not consolidate. Our investment in the joint venture was $6.6 million at January 1, 2016, and our maximum exposure to loss is approximately $13.5 million.

In April 2015, the FASB issued ASU 2015-03, which requires debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, rather than classified as an asset. Recognition and measurement of debt issuance costs are not affected. Subsequently, in August 2015, the FASB issued ASU 2015-15, which allows an entity to present the costs related to securing a line-of credit arrangement as an asset, regardless of whether there are any outstanding borrowings. We adopted the standards effective January 1, 2016 and have adjusted our balance sheet presentation in both periods to reflect the net debt issuance costs as a reduction of the respective liability. The adoption resulted in a $15.2 million decrease to total assets and liabilities at December 31, 2015, for this reclassification. Debt issuance costs related to our revolving credit facility continue to be classified as an asset and are included in "prepaids and other assets" in our consolidated balance sheets.

Recently Issued Accounting Pronouncements

In May 2014, the the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes nearly all existing revenue recognition guidance under GAAP and replaces it with a core revenue recognition principle, that an entity will recognize revenue when it transfers control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and creates a five-step model for revenue recognition in accordance with this principle. ASU 2014-09 also requires new disclosures in both interim and annual reporting periods. The guidance in ASU 2014-09 does not apply to contracts within the scope of ASC 840, Leases. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 to the first quarter of 2018. In March 2016, April 2016, May 2016, and December 2016, the FASB issued ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, respectively, as clarifications to ASU 2014-09. ASU 2016-08 clarifies how to identify the unit of accounting for the principal versus agent evaluation, how to apply the control principle to certain types of arrangements, such as service transactions, and reframed the indicators in the guidance to focus on evidence that an entity is acting as a principal rather than as an agent. ASU 2016-10 clarifies the existing guidance on identifying performance obligations and licensing implementation. ASU 2016-12 adds practical expedients related to the transition for contract modifications and further defines a completed contract, clarifies the objective of the collectability assessment and how revenue is recognized if collectability is not probable, and when non-cash considerations should be measured. ASU 2016-20 corrects or improves guidance in thirteen narrow focus aspects of the guidance. ASU 2014-09, including all of the various ASUs noted above clarifying the revenue recognition guidance, are effective for us in the first quarter of 2018. While we are still completing the assessment of the impact of this standard to our consolidated financial statements, we believe the majority of our revenue falls outside of the scope of this guidance.We intend to implement the standard retrospectively with the cumulative effect recognized in retained earnings at the date of initial application.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for us in the first quarter of 2019, and we are currently assessing the impact of this standard to our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation." ASU 2016-09 simplifies the accounting for share-based payment transactions, including a policy election option with respect to accounting for forfeitures either as they occur or estimating forfeitures (as is currently required), as well as increasing the amount an employer can withhold to cover income taxes on equity awards. ASU 2016-09 is effective for us in the first quarter of 2017. We plan on accounting for forfeitures as they occur, and we do not expect the adoption will have a material effect on our financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses." ASU 2016-13 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. ASU 2016-13 is effective for us in the first quarter of 2020, and we are currently assessing the impact of this standard to our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides classification guidance for eight specific topics including debt extinguishment costs, contingent consideration payments made after a business combination, and distributions received from equity method investees. ASU 2016-15 is effective for us in the first quarter of 2018, and we are currently assessing the impact of this standard to our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows - Restricted Cash." ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and equivalents should be included with cash and cash equivalents when reconciling the beginning and end of period total amounts on the statement of cash flows. Currently, there is no specific guidance to address how to classify or present these changes. ASU 2016-18 is effective for us in the first quarter of 2018, and we are currently assessing the impact of this standard to our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business." ASU 2017-01 changes the definition of a business to exclude acquisitions where substantially all of the fair value of the assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets. Given this change in definition, we believe most of our shopping center acquisitions will no longer be considered business combinations but rather asset acquisitions. While there are various differences between the accounting for an asset acquisition and a business combination, we expect the largest impact will be that transaction costs are capitalized for asset acquisitions rather than currently expensed when they are considered business combinations. Based on acquisitions in the past several years, transactions costs for a single shopping center acquisition have typically ranged from $0.2 to $2.4 million with significantly higher transaction costs expected for an acquisition of a larger portfolio. The new guidance will be applied prospectively to any transactions occurring in the period of adoption. ASU 2017-01 is effective January 1, 2019, however, we expect to early adopt this standard in 2017.

Consolidated Statements of Cash Flows—Supplemental Disclosures

The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
SUPPLEMENTAL DISCLOSURES:			
Total interest costs incurred	$ 113,016	$ 110,675	$ 114,912
Interest capitalized	(18,022)	(18,122)	(20,971)
Interest expense	$ 94,994	$ 92,553	$ 93,941
Cash paid for interest, net of amounts capitalized	$ 90,185	$ 116,335	$ 100,011
Cash paid for income taxes	$ 296	$ 274	$ 278
NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Mortgage loans assumed with acquisition	$ 34,385	$ 89,516	$ 68,282
DownREIT operating partnership units redeemed for common shares	$ 18,679	$ 4,114	$ —
DownREIT operating partnership units issued with acquisition	$ —	$ 7,742	$ 65,348
Mortgage loans refinanced	$ —	$ —	$ 64,205
Repayment of note payable with public funding/related construction-in-progress offset	$ —	$ —	$ 10,000
Shares issued under dividend reinvestment plan	$ 2,017	$ 1,977	$ 1,855

See Note 3 for additional disclosures relating to the Clarion Partners, San Antonio Center, CocoWalk, and The Shops at Sunset Place acquisitions.

Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place. These costs include third party commissions and salaries and personnel costs related to obtaining a lease. Capitalized lease costs are amortized over the initial term of the related lease which generally ranges from three to ten years. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow and therefore, we classify cash outflows related to leasing costs as an investing activity in our consolidated statements of cash flows.

NOTE 3—REAL ESTATE

A summary of our real estate investments and related encumbrances is as follows:

	Cost	Accumulated Depreciation and Amortization	Encumbrances
		(In thousands)	
December 31, 2016			
Retail and mixed-use properties	$ 6,621,170	$ (1,677,938)	$ 449,896
Retail properties under capital leases	127,359	(42,308)	71,590
Residential	10,544	(8,988)	21,221
	$ 6,759,073	$ (1,729,234)	$ 542,707
December 31, 2015			
Retail and mixed-use properties	$ 5,929,569	$ (1,526,934)	$ 459,454
Retail properties under capital leases	124,590	(38,509)	71,620
Residential	10,247	(8,598)	21,630
	$ 6,064,406	$ (1,574,041)	$ 552,704

Retail and mixed-use properties includes the residential portion of Santana Row, Bethesda Row, Pike & Rose, Congressional Plaza and Chelsea Commons. The residential property investment is our investment in Rollingwood Apartments.

2016 Property Acquisitions and Disposition

On January 13, 2016, we acquired our partner's 70% interest in our joint venture arrangement (the "Partnership") with affiliates of a discretionary fund created and advised by Clarion Partners ("Clarion") for $153.7 million, which included the payment of $130.0 million of cash and the assumption of mortgage loans totaling $34.4 million. As a result of the transaction, we gained control of the six underlying properties, and effective January 13, 2016, have consolidated the properties. We also recognized a gain on acquisition of the controlling interest of $25.7 million related to the difference between the carrying value and fair value of the previously held equity interest. Approximately $7.3 million and $4.9 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. We incurred $0.2 million of acquisition costs, of which $0.1 million were incurred in 2016, and included in "general and administrative expenses" on the consolidated statements of comprehensive income in 2016 and 2015.

On May 12, 2016, an unconsolidated joint venture that we hold an interest in sold a building in Coconut Grove, Florida. Our share of the gain, net of noncontrolling interests, was $0.5 million.

On July 26, 2016, we acquired an additional building in the Coconut Grove neighborhood of Miami, Florida for $5.9 million through our CocoWalk LLC entity. We incurred $0.2 million in acquisition costs which are included in "general and administrative expenses" in 2016.

On November 7, 2016, we acquired a building adjacent to our Barcroft Plaza property for $5.3 million, and incurred $0.1 million of acquisition costs which are included in "general and administrative expenses" in 2016.

2015 Significant Property Acquisitions and Dispositions

In January 2015, we acquired a controlling interest in San Antonio Center, a 376,000 square foot shopping center in Mountain View, California based on a total value of $62.2 million. Our effective interest approximates 80% and was funded by the assumption of our share of $18.7 million of mortgage debt, 58,000 downREIT operating partnership units, and $27 million of cash. A portion of the land is controlled under a long-term ground lease. Approximately $8.1 million of assets acquired were allocated to lease intangibles and included within other assets. Approximately $19.1 million was allocated to lease intangibles primarily related to "below market leases," and is included within other liabilities. Additionally, $16.3 million was allocated to noncontrolling interests. We incurred $1.8 million of acquisition costs, of which $1.1 million were incurred in 2015, and included in "general and administrative expense" in 2015 and 2014.

On February 25, 2015, we acquired the interest of one of the noncontrolling interest holders in The Grove at Shrewsbury for $8.8 million. As this noncontrolling interest was mandatorily redeemable, it was classified as a liability until it was settled in February 2015.

On April 24, 2015, we sold our Houston Street property in San Antonio, Texas for a sales price of $46.1 million, resulting in a gain of $11.5 million.

On May 4, 2015, we acquired CocoWalk, a 198,000 square foot retail property located in the Coconut Grove neighborhood of Miami, Florida for $87.5 million. The acquisition was completed through a newly formed entity ("CocoWalk LLC") for which we own a preferred interest and an 80% common interest. Approximately $1.5 million and $4.3 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. Additionally, approximately $6.9 million was allocated to noncontrolling interests. On July 1, 2015 and December 16, 2015, we acquired partial interests in eight buildings in the Coconut Grove neighborhood of Miami, Florida for $7.8 million through our CocoWalk LLC entity. In total, we incurred $1.1 million in acquisition costs which are included in "general and administrative expenses" in 2015.

On July 8, 2015 we acquired a parcel of land adjacent to our Pike 7 Plaza property for $5.0 million.

On October 1, 2015, we acquired The Shops at Sunset Place, a 515,000 square foot mixed-use property located in South Miami, Florida based on a gross value of $110.2 million. The acquisition was completed through a newly formed entity for which we own an 85% interest. Approximately $4.8 million and $6.6 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. Additionally, approximately $6.3 million was allocated to noncontrolling interests. We incurred $0.9 million of acquisition costs, which are included in "general and administrative expenses" in 2015. The transaction includes the assumption of an existing $70.8 million mortgage loan.

On November 19, 2015, we sold our Courtyard Shops property in Wellington, Florida for a sales price of $52.8 million, resulting in a gain of $16.8 million.

Assets held for sale

We lease three parcels of land at our Assembly Row property to two ground lessees. During 2016, both lessees exercised purchase options under the related ground leases. We expect the related sale transactions to close in 2017. The total cost basis of the related land is $33.9 million and is included in "assets held for sale" on our consolidated balance sheet as of December 31, 2016.

NOTE 4—MORTGAGE NOTES RECEIVABLE

At December 31, 2016 and 2015, we had two and three mortgage notes receivable, respectively, with aggregate carrying amounts of $29.9 million and $41.6 million, respectively, and a weighted average interest rate of 9.9% and 9.0%, respectively. The loans were secured by first mortgages on retail buildings. Under the terms of the two remaining mortgages, we receive additional interest based upon the gross income of the secured properties and upon sale, share in the appreciation of the properties.

NOTE 5—REAL ESTATE PARTNERSHIPS

As of December 31, 2015, we had a joint venture arrangement (the “Partnership”) with affiliates of a discretionary fund created and advised by Clarion Partners (“Clarion”). We owned 30% of the equity in the Partnership and Clarion owned 70%. We held a general partnership interest, however, Clarion also held a general partnership interest and had substantive participating rights. We could not make significant decisions without Clarion’s approval. Accordingly, we accounted for our interest in the Partnership using the equity method. As of December 31, 2015, the Partnership owned six retail real estate properties. We were the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, management, leasing, and financing. Intercompany profit generated from fees was eliminated in consolidation. We also had the opportunity to receive performance-based earnings through our Partnership interest. Accounting policies for the Partnership were similar to accounting policies followed by the Trust. On January 13, 2016, we acquired Clarion's 70% interest in the partnership, as further discussed in Note 3.

The following tables provide summarized operating results and the financial position of the Partnership:

	Year Ended December 31,	
	2015	2014
OPERATING RESULTS		
Revenue	$ 17,405	$ 18,329
Expenses		
Other operating expenses	5,992	5,948
Depreciation and amortization	4,974	5,678
Interest expense	2,062	2,759
Total expenses	13,028	14,385
Net income before gain on sale of real estate	4,377	3,944
Gain on sale of real estate	—	14,507
Net income	$ 4,377	$ 18,451
Our share of net income from real estate partnership before gain on sale of real estate	$ 1,557	$ 1,423
Our share of gain on sale of real estate	$ —	$ 4,401

	December 31,
	2015
	(In thousands)
BALANCE SHEETS	
Real estate, net	$ 146,906
Cash	2,690
Other assets	5,495
Total assets	$ 155,091
Mortgages payable	$ 34,385
Other liabilities	3,554
Partners' capital	117,152
Total liabilities and partners' capital	$ 155,091
Our share of unconsolidated debt	$ 10,316
Our investment in real estate partnership	$ 31,745

In 2014, the Partnership repaid $22.4 million of mortgage loans at par, which were funded by capital contributions totaling $22.4 million, of which our contribution was $6.7 million.

On July 24, 2014, the Partnership sold the fee interest in Pleasant Shops in Weymouth, Massachusetts for a sales price of $34.3 million, resulting in a gain on sale of $14.5 million. Our share of the gain was $4.4 million. The partners received distributions totaling $32.8 million as a result of the sale, of which our distribution was $10.4 million.

NOTE 6—ACQUIRED IN-PLACE LEASES

Acquired above market leases are included in prepaid expenses and other assets and had a balance of $45.3 million and $39.4 million and accumulated amortization of $28.1 million and $22.9 million at December 31, 2016 and 2015, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of $138.3 million and $133.4 million and accumulated amortization of $48.9 million and $40.7 million at December 31, 2016 and 2015, respectively. The value allocated to in-place leases is amortized over the related lease term and reflected as additional rental income for below market leases or a reduction of rental income for above market leases in the consolidated statements of comprehensive income. Rental income included amortization from acquired above market leases of $6.7 million, $4.4 million and $3.4 million in 2016, 2015 and 2014, respectively and amortization from acquired below market leases of $8.5 million, $7.1 million and $5.8 million in 2016, 2015 and 2014, respectively. The remaining weighted-average amortization period as of December 31, 2016, is 4.7 years and 19.5 years for above market leases and below market leases, respectively.

The amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows:

	Above Market Leases	Below Market Leases
	(In thousands)	
Year ending December 31,		
2017	$ 4,468	$ 7,538
2018	3,013	6,345
2019	1,718	5,951
2020	1,356	4,993
2021	1,136	4,377
Thereafter	5,551	60,122
	$ 17,242	$ 89,326

NOTE 7—DEBT

The following is a summary of our total debt outstanding as of December 31, 2016 and 2015:

Description of Debt	Principal Balance as of December 31, 2016	Principal Balance as of December 31, 2015	Stated Interest Rate as of December 31, 2016	Stated Maturity Date
	(Dollars in thousands)			
Mortgages payable				
Plaza El Segundo	$ 175,000	$ 175,000	6.33%	August 5, 2017
The Grove at Shrewsbury (East)	42,536	43,557	5.82%	October 1, 2017
The Grove at Shrewsbury (West)	10,792	11,024	6.38%	March 1, 2018
Rollingwood Apartments	21,283	21,716	5.54%	May 1, 2019
The Shops at Sunset Place	68,634	70,542	5.62%	September 1, 2020
29th Place	4,553	4,753	5.91%	January 31, 2021
THE AVENUE at White Marsh	52,705	52,705	3.35%	January 1, 2022
Montrose Crossing	72,726	74,329	4.20%	January 10, 2022
Brook 35	11,500	11,500	4.65%	July 1, 2029
Chelsea	6,576	6,868	5.36%	January 15, 2031
Subtotal	466,305	471,994		
Net unamortized premium and debt issuance costs	4,812	9,090		
Total mortgages payable	471,117	481,084		
Notes payable				
Escondido (municipal bonds)	—	9,400		October 1, 2016
Revolving credit facility	—	53,500	LIBOR + 0.825%	April 20, 2020
Term loan	275,000	275,000	LIBOR + 0.90%	November 21, 2018
Various	5,247	5,700	11.31%	Various through 2028
Subtotal	280,247	343,600		
Net unamortized debt issuance costs	(1,096)	(1,639)		
Total notes payable	279,151	341,961		
Senior notes and debentures				
5.90% notes	150,000	150,000	5.90%	April 1, 2020
2.55% notes	250,000	250,000	2.55%	January 15, 2021
3.00% notes	250,000	250,000	3.00%	August 1, 2022
2.75% notes	275,000	275,000	2.75%	June 1, 2023
3.95% notes	300,000	300,000	3.95%	January 15, 2024
7.48% debentures	29,200	29,200	7.48%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.82%	August 1, 2027
4.50% notes	450,000	450,000	4.50%	December 1, 2044
3.625% notes	250,000	—	3.625%	August 1, 2046
Subtotal	1,994,200	1,744,200		
Net unamortized (discount)/premium and debt issuance costs	(17,606)	(11,649)		
Total senior notes and debentures	1,976,594	1,732,551		
Capital lease obligations				
Various	71,590	71,620	Various	Various through 2106
Total debt and capital lease obligations	**$ 2,798,452**	**$ 2,627,216**		

On January 13, 2016, in connection with the acquisition of our partner's 70% interest in our unconsolidated real estate partnership, we assumed interest only mortgage loans with a face amount of $34.4 million and a fair value of $34.7 million. These mortgage loans had a weighted average interest rate of 5.95% and were repaid at par on April 1, 2016.

On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. Under the amended credit facility, the spread over LIBOR is 82.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion. The revolving credit facility requires an annual facility fee of $1.0 million. During 2016, 2015 and 2014, the maximum amount of borrowings outstanding under our revolving credit facility was $251.5 million, $324.0 million and $79.5 million, respectively. The weighted average amount of borrowings outstanding was $77.3 million, $109.7 million and $12.5 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 1.3%, 1.1% and 1.1%, respectively. At December 31, 2016, our revolving credit facility had no balance outstanding, and had $53.5 million outstanding at December 31, 2015.

On July 12, 2016, we issued $250.0 million of fixed rate senior unsecured notes that mature on August 1, 2046 and bear interest at 3.625%. The notes were offered at 97.756% of the principal amount with a yield to maturity of 3.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were $241.8 million.

On October 1, 2016 we repaid the $9.4 million Escondido municipal bonds at par.

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 December 31, 2016, we were in compliance with all loan covenants.

Scheduled principal payments on mortgages payable, notes payable, senior notes and debentures as of December 31, 2016 are as follows:

	Mortgages Payable	Notes Payable		Senior Notes and Debentures	Total Principal	
	(In thousands)					
Year ending December 31,						
2017	$ 222,445	$ 462		$ —	$ 222,907	
2018	15,477	275,513	(1)	—	290,990	
2019	25,006	567		—	25,573	
2020	64,687	629	(2)	150,000	215,316	
2021	5,984	700		250,000	256,684	
Thereafter	132,706	2,376		1,594,200	1,729,282	
	$ 466,305	$ 280,247		$ 1,994,200	$ 2,740,752	(3)

(1) Our $275.0 million unsecured term loan matures on November 21, 2018, subject to a one-year extension at our option.
(2) Our $800.0 million revolving credit facility matures on April 20, 2020, subject to two six-month extensions at our option. As of December 31, 2016, there was no outstanding balance under this credit facility.
(3) The total debt maturities differ from the total reported on the consolidated balance sheet as of December 31, 2016 due to the unamortized premium/(discount) and debt issuance costs on certain mortgages payable, notes payable, and senior notes.

Future minimum lease payments and their present value for property under capital leases as of December 31, 2016, are as follows:

	(In thousands)
Year ending December 31,	
2017	$ 5,797
2018	5,800
2019	5,800
2020	5,800
2021	5,800
Thereafter	148,235
	177,232
Less amount representing interest	(105,642)
Present value	$ 71,590

NOTE 8—FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability in an orderly transaction. The hierarchy for inputs used in measuring fair value are as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

3. Level 3 Inputs—prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	$ 750,268	$ 760,260	$ 823,045	$ 833,931
Senior notes and debentures	$ 1,976,594	$ 2,015,973	$ 1,732,551	$ 1,786,758

As of December 31, 2016, we have two interest rate swap agreements with a notional amount of $275.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the variable portion of our $275.0 million term loan at 1.72% through November 1, 2018. 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 December 31, 2016 and 2015, was a liability of $2.6 million and $4.1 million, respectively, and are included in "accounts payable and accrued expenses" on our consolidated balance sheets. The value of our interest rate swaps increased $1.5 million and decreased $0.6 million (including $3.5 million and $4.3 million respectively, reclassified from other comprehensive loss to earnings) for 2016 and 2015, respectively. These changes in value are included in "accumulated other comprehensive income/loss." A summary of our financial liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	$ —	$ 2,577	$ —	$ 2,577	$ —	$ 4,110	$ —	$ 4,110

NOTE 9—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. Other than as described below, 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.

In November 2016, we were included as a defendant in a class action lawsuit related to predatory towing by a third party company we had retained to provide towing services at several of our properties in Montgomery County, Maryland. We were not named as a defendant in the litigation prior to the certification of the defendant class. In December 2015, the towing company defendant reached a settlement with the plaintiff class that resulted in a $22 million judgment being entered against them. After the judgment was entered, the Circuit Court for Montgomery County, Maryland certified a defendant class of approximately 600 property owners, including us. We believe this is the first time a Maryland court has certified a defendant class that has resulted in a complete denial of due process to the members of that class and together with others in the defendant class, filed a Writ of Mandamus challenging the certification of the defendant class. The hearing of the Writ by the Court of Appeals is discretionary. Because of the specific facts and circumstances of our contractual relationship with the towing company, we do not believe we should have been included in the defendant class nor do we believe we should have any liability in this matter. We are currently pursuing all available legal remedies and intend to vigorously defend ourselves in the matter, including defenses based on the total lack of due process afforded to us to present our unique facts and circumstances. We believe our potential loss in this matter ranges from $0 to an undetermined share of the $22 million judgment. The judgment does not provide any guidance for how the judgment amount is to be shared amongst the defendant class.

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third-party actuarial analysis, previous experience in our portfolio, and future increases in costs of claims, when making these determinations. If our liability costs exceed these accruals, it will reduce our net income.

We reserve for estimated losses, if any, associated with warranties given to a buyer at the time real estate is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and require significant judgment. If changes in facts and circumstances indicate that warranty reserves are understated, we will accrue additional reserves at such time a liability has been incurred and the costs can be reasonably estimated. Warranty reserves are released once the legal liability period has expired or all related work has been substantially completed. During 2016, the legal liability period relating to our latent defect warranty on condominiums sold at Santana Row expired. Upon expiration, we released the remaining $4.9 million warranty reserve which is included in "gain on sale of real estate and change in control of interests" in the consolidated statement of comprehensive income for the year ended December 31, 2016.

At December 31, 2016 and 2015, our reserves for warranties and general liability costs were $2.8 million and $7.7 million, respectively, and are included in “accounts payable and accrued expenses” in our consolidated balance sheets. Any potential losses which exceed our estimates would result in a decrease in our net income. During 2016 and 2015, we made payments from these reserves of $2.0 million and $1.8 million, respectively. Although we consider the reserve to be adequate, there can be no assurance that the reserve will prove to be adequate over-time to cover losses due to the difference between the assumptions used to estimate the reserve and actual losses.

At December 31, 2016, we had letters of credit outstanding of approximately $1.3 million.

As of December 31, 2016 in connection with capital improvement, development, and redevelopment projects, the Trust has contractual obligations of approximately $445.3 million.

We are obligated under ground lease agreements on several shopping centers requiring minimum annual payments as follows, as of December 31, 2016:

	(In thousands)
Year ending December 31,	
2017	$ 2,070
2018	3,021
2019	3,174
2020	3,187
2021	3,195
Thereafter	170,698
	$ 185,345

A master lease for Mercer Mall includes a fixed purchase price option for $55 million in 2023. If we fail to exercise our purchase option, the owner of Mercer Mall has a put option which would require us to purchase Mercer Mall for $60 million in 2025.

Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management's current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from approximately $89 million to $93 million.

A master lease for Melville Mall includes a fixed purchase price option in 2021 for $5 million. If we fail to exercise our purchase option, the owner of Melville Mall has a put option which would require us to purchase Melville Mall in 2023 for $5 million.

The other member in Montrose Crossing has the right to require us to purchase all of its 10.1% interest in Montrose Crossing at the interest's then-current fair market value. If the other member fails to exercise its put option, we have the right to purchase its interest on or after December 27, 2021 at fair market value. Based on management's current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from approximately $9 million to $10 million.

Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management's current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from approximately $21 million to $24 million. Also, we exercised our option to acquire the preferred interest of a member in our Plaza El Segundo partnership for $4.9 million. The transaction is expected to close in 2018.

Effective January 1, 2017, the other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.8% interest in The Grove at Shrewsbury and approximately 8.8% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2016, our estimated maximum liability upon exercise of the put option would range from $10 million to $11 million.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. A total of 763,797 downREIT operating partnership units are outstanding which have a total fair value of $108.5 million, based on our closing stock price on December 31, 2016.

On February 12, 2016, we acquired the 10% noncontrolling interest of a partnership which owns a project in southern California for $13.0 million, bringing our ownership interest to 100%.

NOTE 10—SHAREHOLDERS' EQUITY

We have a Dividend Reinvestment Plan (the "Plan"), whereby shareholders may use their dividends and optional cash payments to purchase shares. In 2016, 2015 and 2014, 15,619 shares, 16,524 shares and 18,705 shares, respectively, were issued under the Plan.

As of December 31, 2016, 2015, and 2014, we had 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares ("Series 1 Preferred Shares") outstanding that have a liquidation preference of $25 per share and
par value $0.01 per share. The Series 1 Preferred Shares accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common shares at a conversion rate of $104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

On March 7, 2016, we issued 1.0 million common shares at $149.43 per share, in an underwritten public offering, for cash proceeds of $149.3 million, net of expenses.

On November 4, 2016, we replaced our existing at-the-market ("ATM") equity program with a new 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 of outstanding under our revolving credit facility and/or for general corporate purposes. For the year ended December 31, 2016, we issued 1,156,571 common shares at a weighted average price per share of $152.92 for net cash proceeds of $174.8 million and paid $1.8 million in commissions and $0.2 million in additional offering expenses related to the sales of these common shares. For the year ended December 31, 2015, we issued 813,414 common shares at a weighted average price per share of $135.01 for net cash proceeds of $108.5 million and paid $1.1 million in commissions and $0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2016, we had the capacity to issue up to $370.9 million in common shares under our ATM equity program.

NOTE 11—DIVIDENDS

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

	Year Ended December 31,					
	2016		2015		2014	
	Declared	Paid	Declared	Paid	Declared	Paid
Common shares	$ 3.840	$ 3.800	$ 3.620	$ 3.550	$ 3.300	$ 3.210
5.417% Series 1 Cumulative Convertible Preferred shares	$ 1.354	$ 1.354	$ 1.354	$ 1.354	$ 1.354	$ 1.354

A summary of the income tax status of dividends per share paid is as follows:

	Year Ended December 31,		
	2016	2015	2014
Common shares			
Ordinary dividend	$ 3.800	$ 3.515	$ 3.178
Capital gain	—	0.035	0.032
	$ 3.800	$ 3.550	$ 3.210
5.417% Series 1 Cumulative Convertible Preferred shares			
Ordinary dividend	$ 1.354	$ 1.340	$ 1.340
Capital gain	—	0.014	0.014
	$ 1.354	$ 1.354	$ 1.354

On November 2, 2016, the Trustees declared a quarterly cash dividend of $0.98 per common share, payable January 17, 2017 to common shareholders of record on January 3, 2017.

NOTE 12—OPERATING LEASES

At December 31, 2016, our 96 predominantly retail shopping center and mixed-use properties are located in 12 states and the District of Columbia. There are approximately 2,900 leases with tenants providing a wide range of retail products and services. These tenants range from sole proprietorships to national retailers; no one tenant or corporate group of tenants accounts for more than 3.1% of annualized base rent.

Our leases with commercial property and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, may provide for percentage rents based on the tenant's level of sales achieved and cost recoveries for the tenant's share of certain operating costs. Leases on apartments are generally for a period of 1 year or less.

As of December 31, 2016, minimum future commercial property rentals from noncancelable operating leases, before any reserve for uncollectible amounts and assuming no early lease terminations, at our operating properties are as follows:

	(In thousands)
Year ending December 31,	
2017	$ 542,941
2018	488,668
2019	427,595
2020	365,231
2021	297,953
Thereafter	1,681,024
	$ 3,803,412

NOTE 13—COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Minimum rents			
Retail and commercial	$ 549,552	$ 509,825	$ 472,602
Residential	49,465	42,797	36,099
Cost reimbursement	158,042	148,110	135,592
Percentage rent	10,977	11,911	10,169
Other	18,547	15,169	11,860
Total rental income	$ 786,583	$ 727,812	$ 666,322

Minimum rents include the following:

	Year Ended December 31,		
	2016	2015	2014
	(In millions)		
Straight-line rents	$ 8.1	$ 7.6	$ 5.1
Net amortization of above and below market leases	$ 1.8	$ 2.7	$ 2.4

The principal components of rental expenses are as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Repairs and maintenance	$ 64,942	$ 62,420	$ 55,444
Utilities	24,968	23,003	20,499
Management fees and costs	20,823	18,639	17,416
Payroll	13,832	12,673	11,554
Marketing	8,520	9,046	9,532
Insurance	7,758	7,875	6,462
Ground rent	2,561	2,540	1,952
Bad debt expense	2,375	1,168	2,021
Other operating	12,547	10,229	10,537
Total rental expenses	$ 158,326	$ 147,593	$ 135,417

NOTE 14—SHARE-BASED COMPENSATION PLANS

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Grants of common shares and options	$ 11,227	$ 12,074	$ 12,941
Capitalized share-based compensation	(1,310)	(868)	(1,188)
Share-based compensation expense	$ 9,917	$ 11,206	$ 11,753

As of December 31, 2016, we have grants outstanding under two share-based compensation plans. In May 2010, our shareholders approved the 2010 Performance Incentive Plan, as amended (“the 2010 Plan”), which authorized the grant of share options, common shares and other share-based awards for up to 2,450,000 common shares of beneficial interest. Our

2001 Long Term Incentive Plan (the “2001 Plan”), which expired in May 2010, authorized the grant of share options, common shares and other share-based awards of 3,250,000 common shares of beneficial interest.

Option awards under both plans are required to have an exercise price at least equal to the closing trading price of our common shares on the date of grant. Options and restricted share awards under these plans generally vest over three to seven years and option awards typically have a ten-year contractual term. We pay dividends on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control. Additionally, the vesting on certain option and share awards can accelerate in part or in full upon retirement based on the age of the retiree or upon termination without cause.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Expected volatilities, term, dividend yields, employee exercises and estimated forfeitures are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of each share award is determined based on the closing trading price of our common shares on the grant date. No options were granted in 2015 and 2014.

The following table provides a summary of the weighted-average assumption used to value options granted in 2016:

Volatility	18.8%
Expected dividend yield	2.8%
Expected term (in years)	6.0
Risk free interest rate	1.5%

The following table provides a summary of option activity for 2016:

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
			(In years)	(In thousands)
Outstanding at December 31, 2015	313,802	$ 60.93		
Granted	682	152.34		
Exercised	(55,365)	82.03		
Forfeited or expired	—	—		
Outstanding at December 31, 2016	259,119	$ 56.66	1.7	$ 22,148
Exercisable at December 31, 2016	258,437	$ 56.41	1.7	$ 22,148

The weighted-average grant-date fair value of options granted during 2016 was $19.52 per share. The total cash received from options exercised during 2016, 2015 and 2014 was $4.5 million, $2.0 million and $2.3 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2016, 2015 and 2014 was $4.2 million, $2.1 million and $1.1 million, respectively.

The following table provides a summary of restricted share activity for 2016:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2015	177,214	$ 118.68
Granted	153,450	152.70
Vested	(94,774)	116.62
Forfeited	(18,537)	129.08
Unvested at December 31, 2016	217,353	$ 142.70

The weighted-average grant-date fair value of stock awarded in 2016, 2015 and 2014 was $152.70, $141.08 and $111.45, respectively. The total vesting-date fair value of shares vested during the year ended December 31, 2016, 2015 and 2014, was $13.8 million, $26.1 million and $12.1 million, respectively.

As of December 31, 2016, there was $15.0 million of total unrecognized compensation cost related to unvested share-based compensation arrangements (i.e. options and unvested shares) granted under our plans. This cost is expected to be recognized over the next 7.4 years with a weighted-average period of 2.5 years.

Subsequent to December 31, 2016, common shares were awarded under various compensation plans as follows:

Date	Award		Vesting Term	Beneficiary
January 3, 2017	4,751	Shares	Immediate	Trustees
February 7, 2017	101,009	Restricted shares	3-4 years	Officers and key employees

NOTE 15—SAVINGS AND RETIREMENT PLANS

We have a savings and retirement plan in accordance with the provisions of Section 401(k) of the Code. Generally, employees can elect, at their discretion, to contribute a portion of their compensation up to a maximum of $18,000 for 2016 and 2015, and $17,500 for 2014. Under the plan, we contribute 50% of each employee’s elective deferrals up to 5% of eligible earnings. In addition, we may make discretionary contributions within the limits of deductibility set forth by the Code. Our full-time employees are immediately eligible to become plan participants. Employees are eligible to receive matching contributions immediately on their participation; however, these matching payments will not vest until their third anniversary of employment. Our expense for the years ended December 31, 2016, 2015 and 2014 was approximately $602,000, $504,000 and $442,000, respectively.

A non-qualified deferred compensation plan for our officers and certain other employees was established in 1994 that allows the participants to defer a portion of their income. As of December 31, 2016 and 2015, we are liable to participants for approximately $10.5 million and $9.7 million, respectively, under this plan. Although this is an unfunded plan, we have purchased certain investments to match this obligation. Our obligation under this plan and the related investments are both included in the accompanying consolidated financial statements.

NOTE 16—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 2016 and 2015, we had 0.2 million weighted average unvested shares outstanding, respectively, and in 2014, we had 0.3 million 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 no anti-dilutive stock options in 2016, 2015, or 2014. 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.

	Year Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
NUMERATOR			
Income from continuing operations	$ 226,425	$ 190,094	$ 167,888
Less: Preferred share dividends	(541)	(541)	(541)
Less: Income from continuing operations attributable to noncontrolling interests	(7,648)	(8,205)	(7,754)
Less: Earnings allocated to unvested shares	(702)	(797)	(1,003)
Income from continuing operations available for common shareholders	217,534	180,551	158,590
Gain on sale of real estate and change in control of interests, net	31,133	28,330	4,401
Net income available for common shareholders, basic and diluted	$ 248,667	$ 208,881	$ 162,991
DENOMINATOR			
Weighted average common shares outstanding—basic	70,877	68,797	67,322
Effect of dilutive securities:			
Stock options	172	184	170
Weighted average common shares outstanding—diluted	71,049	68,981	67,492
EARNINGS PER COMMON SHARE, BASIC			
Continuing operations	$ 3.07	$ 2.63	$ 2.35
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07
	$ 3.51	$ 3.04	$ 2.42
EARNINGS PER COMMON SHARE, DILUTED			
Continuing operations	$ 3.06	$ 2.62	$ 2.34
Gain on sale of real estate and change in control of interests, net	0.44	0.41	0.07
	$ 3.50	$ 3.03	$ 2.41
Income from continuing operations attributable to the Trust	$ 218,777	$ 181,889	$ 160,134

NOTE 17—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2016				
Revenue	$ 198,344	$ 197,981	$ 201,157	$ 204,109
Operating income	$ 76,922	$ 80,135	$ 80,461	$ 83,477
Net income(1)	$ 79,063	$ 58,898	$ 61,198	$ 59,724
Net income attributable to the Trust(1)	$ 76,955	$ 55,941	$ 58,977	$ 58,037
Net income available for common shareholders(1)	$ 76,820	$ 55,806	$ 58,841	$ 57,902
Earnings per common share—basic(1)	$ 1.10	$ 0.79	$ 0.82	$ 0.81
Earnings per common share—diluted(1)	$ 1.10	$ 0.78	$ 0.82	$ 0.80

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2015				
Revenue	$ 184,792	$ 181,461	$ 185,252	$ 192,507
Operating income	$ 72,122	$ 76,201	$ 75,917	$ 75,914
Net income(1)	$ 48,203	$ 45,673	$ 54,550	$ 69,998
Net income attributable to the Trust(1)	$ 46,186	$ 43,632	$ 52,447	$ 67,954
Net income available for common shareholders(1)	$ 46,051	$ 43,497	$ 52,311	$ 67,819
Earnings per common share—basic(1)	$ 0.67	$ 0.63	$ 0.75	$ 0.98
Earnings per common share—diluted(1)	$ 0.67	$ 0.63	$ 0.75	$ 0.97

(1) First quarter 2016 includes a $25.7 million gain on change in control of interests from our Clarion Partners acquisition as further discussed in Note 3. Third quarter 2016 includes a $4.9 million gain on sale from the reversal of our warranty reserve on condominiums sold at Santana Row as further discussed in Note 9. Second and fourth quarter 2015 include an $11.5 million and $16.8 million gain on sale, respectively, from our Houston Street and Courtyard Shops properties as further discussed in Note 3.

NOTE 18—SUBSEQUENT EVENTS

On January 12, 2017, we exercised our purchase option on non-controlling interests in San Antonio Center for $2.6 million of cash and 44,195 of downREIT operating partnership units.

On February 1, 2017, we acquired a leasehold interest in Hastings Ranch Plaza, a 274,000 square foot shopping center in Pasadena, California for $29.5 million.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A		COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
			Initial cost to company			Gross amount at which carried at close of period						
Descriptions		Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
150 POST STREET (California)	CA		$ 11,685	$ 9,181	$ 15,243	$ 11,685	$ 24,424	$ 36,109	$ 16,232	1908/1965	10/23/1997	35 years
29TH PLACE (Virginia)	VA	4,514	10,211	18,863	11,730	10,195	30,609	40,804	10,522	1975 - 2001	5/30/2007	35 years
ANDORRA (Pennsylvania)	PA		2,432	12,346	11,013	2,432	23,359	25,791	18,269	1953	1/12/1988	35 years
ASSEMBLY ROW/ASSEMBLY SQUARE MARKETPLACE (Massachusetts)	MA		93,252	34,196	500,278	94,552	533,174	627,726	36,044	2005, 2012-2014	2005-2013	35 years
ATLANTIC PLAZA (Massachusetts)	MA		6,293	17,109	1,780	6,293	18,889	25,182	885	1960	1/13/2016	35 years
BALA CYNWYD (Pennsylvania)	PA		3,565	14,466	22,502	2,581	37,952	40,533	18,950	1955	9/22/1993	35 years
BARCROFT PLAZA (Virginia)	VA		12,617	29,603	630	12,617	30,233	42,850	984	1963, 1972, 1990, & 2000	1/13/16 & 11/7/16	35 years
BARRACKS ROAD (Virginia)	VA		4,363	16,459	42,978	4,363	59,437	63,800	39,882	1958	12/31/1985	35 years
BETHESDA ROW (Maryland)	MD		46,579	35,406	144,090	44,880	181,195	226,075	67,697	1945-2008	12/31/93, 6/2/97, 1/20/06, 9/25/08, 9/30/08, & 12/27/10	35 - 50 years
BRICK PLAZA (New Jersey)	NJ		—	24,715	45,437	3,945	66,207	70,152	45,645	1958	12/28/1989	35 years
BRISTOL PLAZA (Connecticut)	CT		3,856	15,959	10,963	3,856	26,922	30,778	16,623	1959	9/22/1995	35 years
BROOK 35 (New Jersey)	NJ	11,242	7,128	38,355	1,635	7,128	39,990	47,118	4,070	1986/2004	1/1/2014	35 years
CAMPUS PLAZA (Massachusetts)	MA		16,710	13,412	265	16,710	13,677	30,387	611	1970	1/13/2016	35 years
CHELSEA COMMONS (Massachusetts)	MA	6,328	9,417	19,466	13,958	9,396	33,445	42,841	7,486	1962/1969/2008	8/25/06, 1/30/07, & 7/16/08	35 years
COCOWALK (Florida)	FL		33,160	71,001	2,716	32,504	74,373	106,877	4,276	1990/1994, 1922-1973	5/4/15, 7/1/15, 12/16/15, & 7/26/16	35 years
COLORADO BLVD (California)	CA		5,262	4,071	10,032	5,262	14,103	19,365	10,262	1905-1988	12/31/96 & 8/14/98	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A		COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
			Initial cost to company		Cost Capitalized Subsequent to Acquisition	Gross amount at which carried at close of period			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
Descriptions		Encumbrance	Land	Building and Improvements		Land	Building and Improvements	Total				
CONGRESSIONAL PLAZA (Maryland)	MD		2,793	7,424	90,748	1,020	99,945	100,965	50,640	1965/2003	4/1/1965	35 years
COURTHOUSE CENTER (Maryland)	MD		1,750	1,869	1,286	1,750	3,155	4,905	1,793	1975	12/17/1997	35 years
CROSSROADS (Illinois)	IL		4,635	11,611	15,879	4,635	27,490	32,125	15,719	1959	7/19/1993	35 years
CROW CANYON COMMONS (California)	CA		27,245	54,575	7,679	27,245	62,254	89,499	19,516	Late 1970's/ 1998/2006	12/29/05 & 2/28/07	35 years
DARIEN (Connecticut)	CT		29,809	18,302	810	29,809	19,112	48,921	2,424	1920-2009	4/3/2013	35 years
DEDHAM PLAZA (Massachusetts)	MA		14,834	12,918	10,564	14,834	23,482	38,316	14,734	1959	12/31/93 & 12/14/16	35 years
DEL MAR VILLAGE (Florida)	FL		15,624	41,712	5,252	15,587	47,001	62,588	18,573	1982/1994/2007	5/30/08, 7/11/08, & 10/14/14	35 years
EAST BAY BRIDGE (California)	CA		29,079	138,035	10,487	29,079	148,522	177,601	19,797	1994-2001, 2011/2012	12/21/2012	35 years
EASTGATE CROSSING (North Carolina)	NC		1,608	5,775	23,647	1,608	29,422	31,030	18,859	1963	12/18/1986	35 years
ELLISBURG (New Jersey)	NJ		4,028	11,309	19,112	4,013	30,436	34,449	19,374	1959	10/16/1992	35 years
ESCONDIDO PROMENADE (California)	CA		19,117	15,829	12,402	19,117	28,231	47,348	14,590	1987	12/31/96 & 11/10/10	35 years
FALLS PLAZA (Virginia)	VA		1,798	1,270	10,900	1,819	12,149	13,968	8,287	1960/1962	9/30/67 & 10/05/72	25 years
FEDERAL PLAZA (Maryland)	MD		10,216	17,895	39,531	10,216	57,426	67,642	40,896	1970	6/29/1989	35 years
FINLEY SQUARE (Illinois)	IL		9,252	9,544	17,995	9,252	27,539	36,791	18,537	1974	4/27/1995	35 years
FLOURTOWN (Pennsylvania)	PA		1,345	3,943	11,604	1,345	15,547	16,892	5,424	1957	4/25/1980	35 years
FREE STATE SHOPPING CENTER (Maryland)	MD		18,581	41,658	3,739	18,581	45,397	63,978	1,864	1970	1/13/2016	35 years
FRESH MEADOWS (New York)	NY		24,625	25,255	36,465	24,633	61,712	86,345	35,528	1946-1949	12/5/1997	35 years
FRIENDSHIP CENTER (District of Columbia)	DC		12,696	20,803	4,071	12,696	24,874	37,570	10,909	1998	9/21/2001	35 years
GAITHERSBURG SQUARE (Maryland)	MD		7,701	5,271	13,929	5,973	20,928	26,901	17,291	1966	4/22/1993	35 years
GARDEN MARKET (Illinois)	IL		2,677	4,829	6,089	2,677	10,918	13,595	7,016	1958	7/28/1994	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A Descriptions		COLUMN B Encumbrance	COLUMN C Initial cost to company Land	COLUMN C Initial cost to company Building and Improvements	COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period Land	COLUMN E Gross amount at which carried at close of period Building and Improvements	COLUMN E Total	COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed
GOVERNOR PLAZA (Maryland)	MD		2,068	4,905	20,401	2,068	25,306	27,374	19,389	1963	10/1/1985	35 years
GRAHAM PARK PLAZA (Virginia)	VA		1,237	15,096	18,523	1,169	33,687	34,856	27,137	1971	7/21/1983	35 years
GRATIOT PLAZA (Michigan)	MI		525	1,601	17,694	525	19,295	19,820	16,620	1964	3/29/1973	25.75 years
GREENLAWN PLAZA (New York)	NY		10,590	20,869	213	10,590	21,082	31,672	875	1975/2004	1/13/2016	35 years
GREENWICH AVENUE (Connecticut)	CT		7,484	5,444	1,199	7,484	6,643	14,127	3,980	1968	4/12/1995	35 years
HAUPPAUGE (New York)	NY		8,791	15,262	4,577	8,419	20,211	28,630	10,977	1963	8/6/1998	35 years
HERMOSA AVENUE (California)	CA		1,116	280	4,459	1,368	4,487	5,855	3,129	1922	9/17/1997	35 years
HOLLYWOOD BLVD (California)	CA		8,300	16,920	21,502	8,370	38,352	46,722	13,294	1929/1991	3/22/99 & 6/18/99	35 years
HUNTINGTON (New York)	NY		12,195	16,008	18,372	12,195	34,380	46,575	14,516	1962	12/12/88, 10/26/07, & 11/24/15	35 years
HUNTINGTON SQUARE (New York)	NY		—	10,075	2,101	—	12,176	12,176	2,777	1980/2004-2007	8/16/2010	35 years
IDYLWOOD PLAZA (Virginia)	VA		4,308	10,026	2,453	4,308	12,479	16,787	8,505	1991	4/15/1994	35 years
KINGS COURT (California)	CA		—	10,714	952	—	11,666	11,666	8,331	1960	8/24/1998	26 years
LANCASTER (Pennsylvania)	PA	4,907	—	2,103	11,759	75	13,787	13,862	7,992	1958	4/24/1980	22 years
LANGHORNE SQUARE (Pennsylvania)	PA		720	2,974	18,236	720	21,210	21,930	14,439	1966	1/31/1985	35 years
LAUREL (Maryland)	MD		7,458	22,525	25,986	7,464	48,505	55,969	35,839	1956	8/15/1986	35 years
LAWRENCE PARK (Pennsylvania)	PA		5,723	7,160	20,117	5,734	27,266	33,000	24,029	1972	7/23/1980	22 years
LEESBURG PLAZA (Virginia)	VA		8,184	10,722	17,120	8,184	27,842	36,026	13,920	1967	9/15/1998	35 years
LINDEN SQUARE (Massachusetts)	MA		79,382	19,247	49,410	79,269	68,770	148,039	19,737	1960-2008	8/24/2006	35 years
MELVILLE MALL (New York)	NY		35,622	32,882	15,370	35,622	48,252	83,874	10,403	1974	10/16/2006	35 years
MERCER MALL (New Jersey)	NJ	55,618	28,684	48,028	44,258	28,717	92,253	120,970	37,484	1975	10/14/2003	25 - 35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A		COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
			Initial cost to company			Gross amount at which carried at close of period						
Descriptions		Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
MONTROSE CROSSING (Maryland)	MD	72,726	48,624	91,819	13,772	48,624	105,591	154,215	20,987	1960s, 1970s, 1996 & 2011	12/27/11, 12/19/13	35 years
MOUNT VERNON/SOUTH VALLEY/7770 RICHMOND HWY. (Virginia)	VA		10,068	33,501	40,545	10,230	73,884	84,114	31,396	1966/1972/1987/2001	3/31/03, 3/21/03, & 1/27/06	35 years
NORTH DARTMOUTH (Massachusetts)	MA		9,366	—	2	9,366	2	9,368	—	2004	8/24/2006	
NORTHEAST (Pennsylvania)	PA		1,152	10,596	16,482	1,153	27,077	28,230	19,721	1959	8/30/1983	35 years
NORTH LAKE COMMONS (Illinois)	IL		2,782	8,604	5,638	2,628	14,396	17,024	8,106	1989	4/27/1994	35 years
OLD KEENE MILL (Virginia)	VA		638	998	5,625	638	6,623	7,261	5,159	1968	6/15/1976	33.33 years
OLD TOWN CENTER (California)	CA		3,420	2,765	30,571	3,420	33,336	36,756	20,065	1962, 1997-1998	10/22/1997	35 years
PAN AM (Virginia)	VA		8,694	12,929	7,262	8,695	20,190	28,885	14,504	1979	2/5/1993	35 years
PENTAGON ROW (Virginia)	VA		—	2,955	95,154	—	98,109	98,109	42,881	1999 - 2002	1998 & 11/22/10	35 years
PERRING PLAZA (Maryland)	MD		2,800	6,461	21,677	2,800	28,138	30,938	22,232	1963	10/1/1985	35 years
PIKE & ROSE (Maryland)	MD		31,471	10,335	427,582	26,199	443,189	469,388	13,498	1963 & 2012-2014	5/18/82, 10/26/07, & 7/31/12	50 years
PIKE 7 PLAZA (Virginia)	VA		14,970	22,799	4,564	14,914	27,419	42,333	15,818	1968	3/31/1997 & 7/8/2015	35 years
PLAZA DEL MERCADO (Maryland)	MD		10,305	21,553	10,558	10,305	32,111	42,416	853	1969	1/13/2016	35 years
PLAZA EL SEGUNDO/THE POINT (California)	CA	176,209	62,127	153,556	63,039	64,463	214,259	278,722	32,104	2006/2007/2016	12/30/11, 6/14/13, 7/26/13 & 12/27/13	35 years
QUEEN ANNE PLAZA (Massachusetts)	MA		3,319	8,457	6,504	3,319	14,961	18,280	9,386	1967	12/23/1994	35 years
QUINCE ORCHARD (Maryland)	MD		3,197	7,949	26,927	2,928	35,145	38,073	17,738	1975	4/22/1993	35 years
ROCKVILLE TOWN SQUARE (Maryland)	MD	4,474	—	8,092	41,924	—	50,016	50,016	14,806	2005 - 2007	2006 - 2007	50 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A		COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
			Initial cost to company		Cost Capitalized Subsequent to Acquisition	Gross amount at which carried at close of period			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
Descriptions		Encumbrance	Land	Building and Improvements		Land	Building and Improvements	Total				
ROLLINGWOOD APTS. (Maryland)	MD	21,221	552	2,246	7,746	572	9,972	10,544	8,988	1960	1/15/1971	25 years
SAM'S PARK & SHOP (District of Columbia)	DC		4,840	6,319	1,585	4,840	7,904	12,744	4,925	1930	12/1/1995	35 years
SAN ANTONIO CENTER (California)	CA		39,920	32,466	1,114	39,920	33,580	73,500	3,206	1958, 1964-1965, 1974-1975, 1995-1997	1/9/2015	35 years
SANTANA ROW (California)	CA		66,682	7,502	732,733	57,578	749,339	806,917	166,872	1999-2006, 2009, 2011, 2014, 2016	3/5/97, 7/13/12, 9/6/12, 4/30/13 & 9/23/13	40 - 50 years
SAUGUS PLAZA (Massachusetts)	MA		4,383	8,291	2,583	4,383	10,874	15,257	6,274	1976	10/1/1996	35 years
THE AVENUE AT WHITE MARSH (Maryland)	MD	52,436	20,682	72,432	12,961	20,685	85,390	106,075	28,432	1997	3/8/2007	35 years
THE GROVE AT SHREWSBURY (New Jersey)	NJ	54,212	18,016	103,115	2,625	18,021	105,735	123,756	10,395	1988/1993/2007	1/1/2014 & 10/6/14	35 years
THE SHOPPES AT NOTTINGHAM SQUARE (Maryland)	MD		4,441	12,849	170	4,441	13,019	17,460	4,447	2005 - 2006	3/8/2007	35 years
THE SHOPS AT SUNSET PLACE (Florida)	FL	72,229	64,499	50,853	5,425	64,499	56,278	120,777	3,697	1999	10/1/2015	35 years
THIRD STREET PROMENADE (California)	CA		22,645	12,709	43,693	25,125	53,922	79,047	31,389	1888-2000	1996-2000	35 years
TOWER (Virginia)	VA		7,170	10,518	4,019	7,280	14,427	21,707	8,465	1953-1960	8/24/1998	35 years
TOWER SHOPS (Florida)	FL		29,940	43,390	22,840	29,962	66,208	96,170	13,142	1989	1/19/11 & 6/13/14	35 years
TOWN CENTER OF NEW BRITAIN (Pennsylvania)	PA		1,282	12,285	1,575	1,470	13,672	15,142	4,659	1969	6/29/2006	35 years
TROY (New Jersey)	NJ		3,126	5,193	26,770	4,501	30,588	35,089	20,415	1966	7/23/1980	22 years
TYSON'S STATION (Virginia)	VA		388	453	3,782	475	4,148	4,623	3,583	1954	1/17/1978	17 years
VILLAGE AT SHIRLINGTON (Virginia)	VA	6,591	9,761	14,808	38,650	4,234	58,985	63,219	24,877	1940, 2006-2009	12/21/1995	35 years
WESTGATE CENTER (California)	CA		6,319	107,284	35,823	6,319	143,107	149,426	42,865	1960-1966	3/31/2004	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2016
(Dollars in thousands)

COLUMN A		COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
			Initial cost to company			Gross amount at which carried at close of period						
Descriptions		Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
WHITE MARSH PLAZA (Maryland)	MD		3,478	21,413	337	3,478	21,750	25,228	7,932	1987	3/8/2007	35 years
WHITE MARSH OTHER (Maryland)	MD		34,281	1,843	8,432	34,311	10,245	44,556	752	1985	3/8/2007	35 years
WILDWOOD (Maryland)	MD		9,111	1,061	9,484	9,111	10,545	19,656	8,484	1958	5/5/1969	33.33 years
WILLOW GROVE (Pennsylvania)	PA		1,499	6,643	21,954	1,499	28,597	30,096	25,190	1953	11/20/1984	35 years
WILLOW LAWN (Virginia)	VA		3,192	7,723	82,479	7,790	85,604	93,394	55,812	1957	12/5/1983	35 years
WYNNEWOOD (Pennsylvania)	PA		8,055	13,759	21,001	8,055	34,760	42,815	21,597	1948	10/29/1996	35 years
TOTALS		$ 542,707	$1,305,525	$ 2,055,800	$3,397,748	$1,294,800	$ 5,464,273	$6,759,073	$1,729,234			

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
Three Years Ended December 31, 2016
Reconciliation of Total Cost
(in thousands)

Balance, December 31, 2013	$ 5,149,463
Additions during period	
Acquisitions	174,328
Improvements	329,674
Deduction during period—dispositions and retirements of property and transfer to joint venture	(44,467)
Balance, December 31, 2014	5,608,998
Additions during period	
Acquisitions	291,726
Improvements	281,471
Deduction during period—dispositions and retirements of property	(117,789)
Balance, December 31, 2015	6,064,406
Additions during period	
Acquisitions	229,296
Improvements	483,932
Deduction during period—dispositions and retirements of property	(18,561)
Balance, December 31, 2016	$ 6,759,073

(1) For Federal tax purposes, the aggregate cost basis is approximately $6.0 billion as of December 31, 2016.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
Three Years Ended December 31, 2016
Reconciliation of Accumulated Depreciation and Amortization
(in thousands)

Balance, December 31, 2013	$	1,350,471
Additions during period—depreciation and amortization expense		155,662
Deductions during period—dispositions and retirements of property		(39,083)
Balance, December 31, 2014		1,467,050
Additions during period—depreciation and amortization expense		156,513
Deductions during period—dispositions and retirements of property		(49,522)
Balance, December 31, 2015		1,574,041
Additions during period—depreciation and amortization expense		173,244
Deductions during period—dispositions and retirements of property		(18,051)
Balance, December 31, 2016	$	1,729,234

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 2016

(Dollars in thousands)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Description of Lien	**Interest Rate**	**Maturity Date**	**Periodic Payment Terms**	**Prior Liens**	**Face Amount of Mortgages**	**Carrying Amount of Mortgages(1)**	**Principal Amount of Loans Subject to delinquent Principal or Interest**
Mortgage on retail buildings in Philadelphia, PA	8% or 10% based on timing of draws, plus participation	May 2021	Interest only monthly; balloon payment due at maturity	$ —	$ 20,654	$ 20,654 (2)	$ —
Mortgage on retail buildings in Philadelphia, PA	10% plus participation	May 2021	Interest only monthly; balloon payment due at maturity	—	9,250	9,250	—
				$ —	$ 29,904	$ 29,904	$ —

(1) For Federal tax purposes, the aggregate tax basis is approximately $29.9 million as of December 31, 2016.
(2) This mortgage is available for up to $25.0 million.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE - CONTINUED
Three Years Ended December 31, 2016
Reconciliation of Carrying Amount
(in thousands)

Balance, December 31, 2013	$ 55,155
Deductions during period:	
Collection and satisfaction of loans	(4,778)
Amortization of discount	611
Balance, December 31, 2014	50,988
Additions during period:	
Issuance of loans	368
Deductions during period:	
Collection and satisfaction of loans	(10,692)
Amortization of discount	954
Balance, December 31, 2015	41,618
Deductions during period:	
Collection and satisfaction of loans	(11,714)
Balance, December 31, 2016	$ 29,904

EXHIBIT INDEX

Exhibit No.	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2009 (previously filed as Exhibit 3.1 to the Trust's Registration Statement on Form S-3 (File No. 333-160009) and incorporated herein by reference)
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, and November 2, 2016.
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) and incorporated herein by reference)
4.2	Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8-K filed on March 13, 2007, (File No. 1-07533) and incorporated herein by reference)
4.3	** Indenture dated December 1, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.4	** Indenture dated September 1, 1998 related to the Trust's 5.65% Notes due 2016; 6.20% Notes due 2017; 5.90% Notes due 2020; 3.00% Notes due 2022; 2.75% Notes due 2023; 3.95% Notes due 2024; 4.50% Notes due 2044; 2.55% Notes due 2021; 3.625% Notes due 2046 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
10.1	* Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the "1999 1Q Form 10-Q") and incorporated herein by reference)
10.2	* Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference)
10.3	* Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the "2004 Form 10-K") and incorporated herein by reference)
10.4	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.5	* Health Coverage Continuation Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.6	* Severance Agreement between the Trust and Dawn M. Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust's 2005 2Q Form 10-Q and incorporated herein by reference)
10.7	* Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)
10.8	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.9	Form of Restricted Share Award Agreement for long term vesting and retention awards for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-07533) (the "2010 Form 10-K") and incorporated herein by reference)
10.10	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)

Exhibit No.	Description
10.11	Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-07533) and incorporated herein by reference)
10.12	* Amendment to Severance Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-07533) ("the 2008 Form 10-K") and incorporated herein by reference)
10.13	* Second Amendment to Executive Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.27 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.14	* Amendment to Health Coverage Continuation Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.28 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.15	* Second Amendment to Severance Agreement between the Trust and Dawn M. Becker dated January 1, 2009 (previously filed as Exhibit 10.30 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.16	2010 Performance Incentive Plan (previously filed as Appendix A to the Trust's Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.17	Amendment to 2010 Performance Incentive Plan ("the 2010 Plan") (previously filed as Appendix A to the Trust's Proxy Supplement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.18	* Restricted Share Award Agreement between the Trust and Donald C. Wood dated October 12, 2010 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 01-07533) and incorporated herein by reference)
10.19	Form of Restricted Share Award Agreement for awards made under the Trust's Long-Term Incentive Award Program and the Trust's Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.34 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.20	Form of Option Award Agreement for awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.21	Form of Option Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.39 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.22	Form of Option Award Agreement for basic options awarded out of the 2010 Plan (previously filed as Exhibit 10.40 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.23	Form of Restricted Share Award Agreement, dated as of February 10, 2011, between the Trust and Dawn M. Becker (previously filed as Exhibit 10.41 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.24	* Severance Agreement between the Trust and James M. Taylor dated July 30, 2012 (previously filed as Exhibit 10.35 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 1-07533) and incorporated herein by reference)
10.25	Credit Agreement dated as of July 7, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Wells Fargo Securities, LLC, as a Lead Arranger and Book Manager, and PNC Capital Markets LLC, as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 11, 2011 and incorporated herein by reference)
10.26	Term Loan Agreement dated as of November 22, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, PNC Bank, National Association, as Administrative Agent, Capital One, N.A., Syndication Agent, PNC Capital Markets, LLC, as a Lead Arranger and Book Manager, and Capital One, N.A., as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on November 28, 2011 and incorporated herein by reference)

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Exhibit No.	Description
10.27	Revised Form of Restricted Share Award Agreement for front loaded awards made under the Trust’s Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-07533) (the "2012 Form 10-K") and incorporated herein by reference)
10.28	Revised Form of Restricted Share Award Agreement for long-term vesting and retention awards made under the Trust’s Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.36 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.29	Revised Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as Exhibit 10.37 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.30	Revised Form of Restricted Share Award Agreement for awards made under the Trust’s Long-Term Incentive Award Program and the Trust’s Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.31	First Amendment to the Credit Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2013 and incorporated herein by reference)
10.32	First Amendment to the Term Loan Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.40 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 1-07533) and incorporated herein by reference
10.33	Second Amendment to Term Loan Agreement, dated as of August 28, 2014, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on September 2, 2014 and incorporated herein by reference)
10.34	Second Amendment to Credit Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference)
10.35	Third Amendment to Term Loan Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference)
10.36	Severance Agreement between the Trust and Daniel Guglielmone dated August 15, 2016 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 1-07533 and incorporated herein by reference)
21.1	Subsidiaries of Federal Realty Investment Trust (filed herewith)
23.1	Consent of Grant Thornton LLP (filed herewith)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)
101	The following materials from Federal Realty Investment Trust’s Annual Report on Form 10-K for the year ended December 31, 2016, 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.

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.
** Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust.

Exhibit 3.2

Bylaws

Federal Realty
INVESTMENT TRUST

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.

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 more than one Trustee on the Board of Trustees that fails 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 except during a period of no more than ninety (90) days following changed circumstances.

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

Exhibit 21.1

FEDERAL REALTY INVESTMENT TRUST AND SUBSIDIARIES

NAME OF SUBSIDIARY	STATE OF INCORPORATION OR ORGANIZATION
FR Associates Limited Partnership	Maryland
Andorra Associates	Pennsylvania
Governor Plaza Associates	Pennsylvania
Shopping Center Associates	Pennsylvania
Berman Enterprises II Limited Partnership	Maryland
FRIT Escondido Promenade, LLC	California
FRIT Leasing & Development Services, Inc.	Delaware
FRIT Santana Row TRS, Inc.	Delaware
Congressional Plaza Associates, LLC	Maryland
FR Pike 7 Limited Partnership	Delaware
Federal/LPF GP, Inc.	Delaware
Federal Realty Partners L.P.	Delaware
FRLP, Inc.	Delaware
Federal Realty Partners, Inc.	Delaware
FR East Bay Bridge, LLC	Delaware
East Bay Bridge Retail, LLC	Delaware
Federal Realty Management Services, Inc.	Delaware
FRIT Solar, Inc.	Delaware
Santana Row ROF, Inc.	Delaware
FR Mercer Mall, Inc.	Delaware
FR Mercer Mall, LLC	Delaware
FR Westgate Mall, LLC	Delaware
FR Assembly Square, LLC	Delaware
FR Crow Canyon, LLC	Delaware
FR Linden Square, Inc.	Delaware
FR Chelsea Commons I, Inc.	Delaware
FR Chelsea Commons I, LLC	Delaware
FR White Marsh, Inc.	Maryland
Cordon Fairfield Business Trust	Maryland
Campbell-Philadelphia Business Trust	Maryland
Shoppes at Nottingham Square Business Trust	Maryland
Retail Properties Business Trust	Maryland
Nottingham Square Business Trust	Maryland
White Marsh Plaza, LLC	Maryland
White Marsh Plaza Limited Partnership	Maryland
White Marsh Plaza Business Trust	Maryland
Byron Station, LLC	Maryland
Byron Station Limited Partnership, LLLP	Maryland
The Avenue at White Marsh Business Trust	Maryland
NVI-Avenue, LLC	Maryland
FR Shoppers World, Inc.	Delaware
FR Shoppers World, LLC	Delaware
FR Florida, Inc.	Delaware
FR Rollingwood, LLC	Delaware
FR Rollingwood, Inc.	Delaware
Federal Realty Boston, Inc.	Delaware
Federal Realty West Coast, Inc.	Delaware
FR Montrose Crossing, Inc.	Delaware
FR Montrose Crossing, LLC	Delaware
FR Montrose Crossing Borrower, LLC	Delaware

FRIT CA Operations, Inc.	California

FR Huntington Square, LLC	Delaware
FR Darien, LLC	Delaware
Street Retail, Inc.	Maryland
SRI Old Town, LLC	California
Street Retail West I, L.P.	Delaware
Street Retail West II, L.P.	Delaware
Street Retail West 3, L.P.	Delaware
Street Retail West 4, L.P.	Delaware
Street Retail West 6, L.P.	Delaware
Street Retail West 7, L.P.	Delaware
Street Retail West 10, L.P.	Delaware
FRIT San Jose Town and Country Village, LLC	California
FR Sturtevant Street, Inc.	Delaware
SRI Assembly Row B7, LLC	Delaware
SRI Assembly Row B8, LLC	Delaware
SRI Assembly Row B9, LLC	Delaware
Santana Row Services, Inc.	Delaware
SRI/Continental JV, LLC	Delaware
CCA Sepulveda, LLC	Delaware
Rosecrans-Sepulveda Partners 3, LLC	Delaware
PES Partners, LLC	Delaware
Route 35 Shrewsbury L.P.	New Jersey
Shrewsbury Commons L.P.	Washington
Sea Girt L.P.	Washington
35 West, LLC	Washington
Merritt Shrewsbury Commons LLC	Delaware
Cole Grove West, LLC	Delaware
FR 508 Broad, LLC	Delaware
FR San Antonio Center, LLC	Delaware
San Antonio Center II, LLC	Delaware
Pike & Rose Condominium, Inc.	Delaware
PNR Hotel XXVI JV LLC	Delaware
PNR Hotel XXVI Owner LLC	Delaware
PNR Hotel XXVI Operator LLC	Delaware
SR Winchester, LLC	Delaware
Assembly Row Condominium, Inc.	Delaware
SRI Assembly Row Hotel, Inc.	Delaware
Assembly Row Hotel Operator, LLC	Delaware
Assembly Row Hotel, LLC	Delaware
FRIT Shops at Sunset Place, LLC	Delaware
FRIT Shops at Sunset Place Owner, LLC	Delaware
FRIT Shops at Sunset Place Fee Owner, LLC	Delaware
FRIT Cocowalk, LLC	Delaware
FRIT Cocowalk Owner, LLC	Delaware
3206 Grand Avenue, LLC	Delaware
3406 Main Highway, LLC	Delaware
Federal/Lion Venture LP	Delaware
FLV Atlantic Plaza GP, LLC	Delaware
FLV Atlantic Plaza Limited Partnership	Delaware
FLV Campus Plaza GP, LLC	Delaware
FLV Campus Plaza Limited Partnership	Delaware
FLV Plaza del Mercado, LLC	Delaware
FLV Plaza del Mercado, LP	Delaware
FLV Greenlawn Plaza GP, LLC	Delaware
FLV Greenlawn Plaza, LP	Delaware
FLV Barcroft Plaza GP, LLC	Delaware

FLV Barcroft Plaza, LP	Delaware
FLV Free State GP, LLC	Delaware
FLV Free State Limited Partnership	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 13, 2017, with respect to the consolidated financial statements, schedules, and internal control over financial reporting included in the Annual Report of Federal Realty Investment Trust on Form 10-K for the year ended December 31, 2016. We consent to the incorporation by reference of said reports in the Registration Statements of Federal Realty Investment Trust on Form S-3 (File No. 333-204103 effective May 12, 2015, File No. 333-204009 effective May 8, 2015, File No. 333-203999 effective May 8, 2015, File No. 333-124195 effective April 20, 2005, File No. 033-63687 effective October 25, 1995) and on Form S-8 (File No. 333-166531 effective May 5, 2010, File No. 333-147080 effective November 1, 2007, File No. 333-147081 effective November 1, 2007 and File No. 333-60364 effective May 7, 2001).

/s/ GRANT THORNTON LLP

Arlington, Virginia
February 13, 2017

Exhibit 31.1

CERTIFICATION

I, Donald C. Wood, certify that:

1) I have reviewed this annual report on Form 10-K 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.

February 13, 2017

/s/ Donald C. Wood

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

Exhibit 31.2

CERTIFICATION

I, *Daniel Guglielmone*, certify that:

1) I have reviewed this annual report on Form 10-K 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.

February 13, 2017

/s/ Daniel Guglielmone

Daniel Guglielmone,

Executive Vice President -
Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

Exhibit 32.1

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 Annual Report on Form 10-K for the period ended December 31, 2016 (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.

February 13, 2017

/s/ Donald C. Wood

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

Exhibit 32.2

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 Guglielmone, 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 Annual Report on Form 10-K for the period ended December 31, 2016 (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.

February 13, 2017

/s/ Daniel Guglielmone

Daniel Guglielmone,

Executive Vice President -
Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)