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

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

FORM 10-K

For Fiscal Year Ended: December 31, 2001

Commission File No.1-07533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

Maryland	52-0782497
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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, par value $0.01 per share, with associated Common Share Purchase Rights	New York Stock Exchange
7.95% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (Liquidation Preference $25.00 per share)	New York Stock Exchange
8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (Liquidation Preference $25.00 per share)	New York Stock Exchange

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

None

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 x 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. [x]

At March 7, 2002, the aggregate market value of Common Shares of Beneficial Interest of Federal Realty Investment Trust held by nonaffiliates was $1.053 billion based upon the closing price of such Shares on the New York Stock Exchange.

As of March 7, 2002, 40,252,891 of the Trust's Common Shares of Beneficial Interest were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

PART III

Portions of the Trust's Proxy Statement in connection with its Annual Meeting to be held on May 1, 2002 (hereinafter called the "2002 Proxy Statement") are incorporated herein by reference.

PART I & II

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

The Trust and its representatives may from time to time make written or oral statements that are "forward-looking", within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Trust to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among others,

- changes in our business strategy;
- general economic and business conditions which will affect the credit worthiness of tenants;
- financing availability and cost;
- retailing trends and rental rates;
- risks of real estate development and acquisitions, including the risk that potential acquisitions or development projects may not perform in accordance with expectations;
- our ability to satisfy the complex rules in order to qualify for taxation as a REIT for federal income tax purposes and to operate effectively within the limitations imposed by these rules;
- government approvals, actions and initiatives including the need for compliance with environmental and safety requirements, and changes in laws and regulations or the interpretation thereof; and
- competition with other real estate companies, real estate projects and technology.

We identify forward-looking statements by using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "may be", "objective", "plan", "predict", "project", and "will be" and similar words or phrases, or the negatives thereof or other similar variations thereof or comparable terminology. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

Item 1. Business

Federal Realty Investment Trust (the "Trust") is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. The Trust consolidates the financial statements of various entities which it controls. At December 31, 2001 the Trust owned or had an interest in 58 community and neighborhood shopping centers comprising over 12 million square feet, primarily located in densely populated and affluent communities throughout the Northeast and Mid-Atlantic

United States. In addition, the Trust owns 62 retail and urban mixed-use properties comprising over 2 million square feet located in strategic markets across the United States and one apartment complex. Federal Realty has paid quarterly dividends to its shareholders continuously since its founding in 1962, and has increased its dividend rate for 34 consecutive years.

The Trust, which is organized as a Maryland real estate investment trust, operates in a manner intended to enable it to qualify as a real estate investment trust (REIT) for federal income tax purposes. A REIT which distributes at least 90% of its real estate investment trust taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, no provision for Federal income taxes is required. Prior to 2001, the distribution requirement for a REIT was 95% of its taxable income.

An important part of the Trust's strategy has been to acquire older, well-located properties in densely populated and affluent areas and to enhance their operating performance through a program of renovation, expansion, reconfiguration and retenanting. The traditional focus of the Trust has been on community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Late in 1994, recognizing a trend of consumer shopping preferences and retailer expansion to main streets, the Trust expanded its investment strategy to include "street retail" or "mixed-use" properties. The mixed-use properties are typically centered around a retail component but may also include office, residential and hotel components, in established main street shopping areas. In addition, from 1997 through 2001 the Trust has obtained control of various land parcels and has devoted substantial resources for the purpose of developing mixed-use projects in urban areas that center around the retail component. On February 28, 2002 the board of trustees approved the adoption of a business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers. The Trust will complete its mixed-use projects in San Jose, California, Arlington, Virginia and Bethesda, Maryland, but will not pursue any further new, large-scale ground-up development projects.

The Trust continually evaluates its properties for renovation, retenanting and expansion opportunities. Similarly, the Trust regularly reviews its portfolio and from time to time considers selling stabilized lower-growth properties or exchanging them for other real estate assets. Proceeds from the sale of such properties may be used to acquire other properties, to fund the Trust's current redevelopment and development projects or to fund other capital needs.

The Trust's portfolio of properties has grown from 86 as of January 1, 1997 to 121 at December 31, 2001. During this

five year period the Trust acquired 43 retail and mixed-use properties for approximately $502 million. During this same period eight properties were sold. Also during this period the Trust spent over $600 million to develop, renovate, expand, improve and retenant its properties.

At December 31, 2001 the Trust has $322 million invested in three mixed-used ground-up developments. Two of the projects, with costs totaling $306 million at December 31, 2001, are currently under construction. During 2002 and 2003, the Trust estimates that it will spend $240 million and $21 million, respectively, to complete the current phases of these two projects, which are located in San Jose, California and Arlington, Virginia. In connection with the adoption of the new business plan on February 28, 2002, the Trust has discontinued plans for the third development, located in Portland, Oregon. In the first quarter of 2002, the Trust estimates it will record a charge of $16 million to $18 million to write down this and other developments and record severance and other compensation costs related to a management restructuring as a result of the new business plan.

Consistent with the Trust's renewed focus on neighborhood and community shopping centers, the Trust will seek older, well-located shopping centers and retail buildings to acquire, renovate, retenant and remerchandise, thereby enhancing their revenue potential. In addition, the Trust may seek opportunities to develop ground-up grocery anchored shopping centers in and around the Metropolitan Washington, D.C., Philadelphia and New York markets and will identify and execute expansion and development opportunities in its existing portfolio.

Although the Trust does not have any policy restricting its ability to make investments in properties or development sites, the Trust will generally look for properties and sites in densely populated or growing affluent areas where barriers to entry or further development are high. The Trust will evaluate each investment on its individual merits, looking for investments where it believes it will be able to increase the cash flow from the property both in near-term and over time. Although the Trust usually purchases a 100% fee interest in its acquisitions, on occasion, it has entered into long-term leases, classified as capital leases under the provisions of SFAS No. 13, "Accounting for Leases", as a means of acquiring control of properties. A capital lease transfers the benefits and risks of ownership of the property to the Trust and the Trust records the lease as an acquisition of the property with a corresponding incurrence of a liability. In addition, the Trust has purchased certain properties in partnership with others. Certain of the partnerships, known as "downreit partnerships", are a means of allowing property owners to make a tax deferred contribution of their property in exchange for partnership units, which receive the same distributions as Trust common shares and may be convertible into common shares of the Trust.

Since a significant portion of cash provided by operating activities is distributed to common and preferred shareholders,

capital outlays for acquisitions, developments and redevelopments typically require debt or equity funding. During the Trust's 40 years of existence, it has financed its operations and other capital needs in a variety of ways during a variety of economic conditions, including through issuance of senior securities and subordinated debt and by borrowing money on its credit facilities. Since January 1, 1999, the Trust has financed its capital needs primarily with debt. Debt issuances since January 1, 1999 were as follows:

- In November 1999, the Trust issued $175 million of 8.75% Notes to the public. The notes pay interest semi-annually on June 1 and December 1 and are due December 1, 2009.
- In February 2000, the Trust obtained a $24.5 million construction loan for its development project in Bethesda, Maryland. The loan bears interest at LIBOR plus 1.2% - 1.5% depending upon occupancy, matures August 2002 and has two one-year extension options.
- In June 2000, the Trust modified certain covenants and extended its $300 million syndicated credit facility and its $125 million term loan for an additional year to December 19, 2003.
- In October 2000, the Trust obtained a $152 million mortgage loan, which is secured by five shopping centers. The mortgage bears interest at 7.95% and matures November 1, 2015.
- In April 2001, the Trust obtained a $33 million mortgage loan secured by Brick Plaza. The mortgage bears interest at 7.415% and matures November 1, 2015.
- In April 2001, The Trust closed on a $295 million construction loan on its Santana Row project in San Jose, California. The loan initially bears interest at LIBOR plus 212.5 basis points, matures April 2004 and provides for two one-year extension options, subject to attaining certain operating targets. The interest rate on the loan will decrease over time if specified operating hurdles are achieved. There is no assurance that these targets and hurdles will be met. The initial funding of the construction loan took place on August 23, 2001 when the equity and pre-leasing requirements were met.
- In May 2001, the Trust refinanced the mortgage loan secured by Federal Plaza. The new $36.5 million loan bears interest at 6.75% and matures on June 11, 2011. The prior outstanding mortgage loan of $26.5 million was paid off with these proceeds.
- In August 2001, The Trust refinanced the mortgage loan secured by Tyson's Station. The new $7.0 million loan bears interest at 7.4% and matures on September 1, 2011. The prior outstanding mortgage loan of $3.9 million was paid off with these proceeds.
- In September 2001, in connection with the purchase of Friendship Center the Trust placed a $17.0 million mortgage on the property. The loan bears interest at LIBOR plus 135 basis points, matures September 22, 2003

and has three one-year extension options.

The Trust is in compliance with all financial covenants associated with its debt.

In addition, since January 1, 1999 through December 31, 2001, the Trust has issued 478,717 common shares of beneficial interest under its Dividend Reinvestment Plan, realizing proceeds of $10.0 million.

On November 19, 2001 the Trust issued 5.4 million 8.5% Series B Cumulative Redeemable Preferred Shares at $25 per share in a public offering, netting approximately $130.8 million.

In the future, the Trust intends to satisfy its capital needs through private and public offerings of its equity and debt securities, by entering into joint ventures and/or by borrowing on its syndicated credit facility. The Trust may also seek to extend, expand or renew its syndicated credit facility, or obtain new credit facilities or lines of credit. In addition, if necessary the Trust may seek to obtain mortgages on its properties. The board of trustees has not adopted a policy limiting the amount or number of mortgages that may be placed on a particular property, although the mortgage financing instruments typically do limit additional indebtedness on properties covered by existing mortgages.

The Trust's 121 properties are located in fifteen states and the District of Columbia. Twenty-seven of the properties are located in the Washington, D.C. metropolitan area; twenty-five are in California; fourteen are in Connecticut; ten are in Pennsylvania, primarily in the Philadelphia area; ten are in New Jersey; nine are in Texas; seven are in New York; six are in Illinois; four are in Massachusetts; two are in central Virginia; two are in Florida; two are in Arizona; and there is one in each of the following states: Michigan, North Carolina and Oregon. No single property accounts for over 10% of the Trust's revenues.

The Trust operates its business on an asset management model, where small focused teams are responsible for a portfolio of assets. The Trust has divided its portfolio of properties into three operating regions: the Northeast, Mid-Atlantic and West. Each region is operated under the direction of a regional chief operating officer, with dedicated leasing, property management and financial staff and operates largely autonomously with respect to day to day operating decisions. (See "Segment Results" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of the segments and their results.)

The Trust has approximately 2,100 tenants, ranging from sole proprietors to major national retailers; no one tenant or corporate group of tenants accounts for more than 2.7% of revenue. The Trust's exposure to recent bankruptcy filings has not been significant, with the Trust's largest tenant to

declare bankruptcy, Kmart Corporation, accounting for only 1.0% of revenue and 3.4% of leaseable square footage. The Trust's leases with these tenants are classified as operating leases and typically are structured to include minimum rents, percentage rents based on tenants' gross sales volumes and reimbursement of certain operating expenses and real estate taxes.

While the Trust's emphasis will continue to be on equity real estate investments, the Trust may, at its discretion, invest in mortgages and other similar interests. The Trust does not intend to be a lender to a significant extent. Similarly, although the Trust does not intend to do so to a significant degree, it may invest in securities of other entities engaged in real estate activities or securities of other issuers. The Trust does not, however, intend to make investments that would cause it to be required to register as an investment company under the Investment Company Act of 1940, nor will it underwrite securities of other issuers. The Trust has in the past and may in the future repurchase or otherwise reacquire its own securities if the Trust determines that it would be beneficial to do so. In December 1999 the board of trustees authorized a share repurchase program for calendar year 2000. A total of 1,325,900 shares were repurchased at a cost of $25.2 million under this plan.

The success of the Trust is subject to various risks, including risks associated with changing economic conditions that affect the real estate industry as a whole. Such risks include the following:

Risk Factors

Risks Relating To Owning, Operating and Developing Retail and Mixed-Use Real Estate

The Trust may be unable to renew leases or relet space as leases expire which may result in reduced cash flow and may adversely affect the Trust's ability to make distributions to shareholders. If tenants decide not to renew their leases upon their expiration, the Trust may not be able to relet the space promptly. Even if the tenants do renew or the space can be relet, the terms of renewal or reletting, including the cost of required renovations may be less favorable than current lease terms. From January 1, 2002 through December 31, 2006, leases, excluding leases with options to renew, will expire on a total of 2.7 million rentable square feet or 18% of the rentable square feet at the current properties. If the Trust is unable to promptly renew the leases or relet this space, or if the rental rates upon such renewal or reletting are significantly lower than expected rates, then the cash flow and ability to make distributions to shareholders may suffer.

Revenue from the Trust's properties depends in part on the success of its tenants' retail operations, making the Trust vulnerable to general economic downturns and other conditions affecting the retail industry. The Trust's leases provide for base rent plus contractual base rent increases. A number of the

leases also provide for additional rent above the base amount based upon a specified percentage of the revenues the tenants generate. In 2001, 170 of the Trusts 2,107 tenants paid percentage rent totaling an aggregate of $6.1 million, or 2.2% of the Trust's rental income for the year.

Under the percentage rent leases, the revenue from tenants may increase or decrease as revenues of the tenants fluctuate. Generally, retailers face declining revenues during downturns in the economy. In addition, traditional retailers are facing competition from Internet sales. To the extent that the Internet is successful in attracting customers away from the Trust's tenants, these tenants' revenues could be adversely affected. As a result, the portion of the Trust's revenue which is derived from percentage rent leases could decline upon a general economic downturn and competition from Internet sales. In addition, these same issues could cause tenants to go bankrupt and terminate their leases with the Trust.

The ground-up development of real estate properties, as opposed to renovation and redevelopment of existing properties, is a new line of business for the Trust and presents a substantial risk not faced before. The Trust has devoted substantial resources, including money and manpower, to its development business. At December 31, 2001, the Trust has invested $306 million in development of two projects, Pentagon Row in Arlington, Virginia and Phase 1 of Santana Row in San Jose, California. The Trust estimates that it will spend $261 million to complete these two projects. The Trust is competing with other companies that may have more development experience and that may have more resources than are available to the Trust. The business of developing properties has many risks, as noted in the paragraph below. If the projects are not successful, it may adversely affect the Trust's financial condition and results of operations.

The Trust faces a variety of risks relating to its development, construction and renovation activities, any of which may negatively impact its results of operations. Although the Trust does not intend to initiate any new large scale mixed-use ground-up development projects, it does expect to complete developments currently underway at Pentagon Row and Santana Row, and to pursue development, expansion and renovation projects on income-producing properties that it already owns. Risks associated with development, construction and renovation activities include the risks that:

- a development opportunity may be abandoned after expending significant resources if the Trust determines that the development opportunity is not feasible or if it is unable to obtain all necessary zoning and other required governmental permits and authorizations;

- development, construction and renovation costs of a project may exceed original estimates;

- the Trust may be unable to attract credit-worthy tenants

that attract visitors to its properties;

- occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;

- construction and/or permanent financing may not be available on favorable terms or may not be available at all; and

- projects may not be completed on schedule as a result of several factors, many of which are beyond the control of the Trust, such as weather, labor conditions and material shortages, resulting in increased debt service expense and construction costs and decreases in revenue.

Properties developed or acquired for development may generate little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, new development and renovation activities, regardless of whether or not they are ultimately successful, may require a substantial portion of management's time and attention.

The Santana Row development project is the largest, most expensive project the Trust has undertaken and if it is not successful, it could have a material adverse effect on the Trust's financial condition and results of operations. The project in San Jose, California is being developed on 42 acres of land acquired in 1997. Phase 1 of Santana Row consists of a 1,500 foot "main street" framed by nine buildings which are scheduled to contain 538,000 square feet of retail space, 501 residential housing units and a 214-room hotel, as well as the development's own central utility plant. Phase 1 is anticipated to cost $475 million. Phase 1 of Santana Row, upon completion, will comprise approximately 20% of the Trust's total real estate at cost, therefore, for each one percent change in the yield on the Santana Row investment, net operating income would be affected by $4.8 million.

On April 17, 2001 the Trust obtained a $295 million construction loan for Phase 1 of Santana Row. As of December 31, 2001, $62.0 million had been borrowed under the loan and the Trust had invested $229 million in Santana Row. The Trust intends to finance any amounts needed in excess of the construction loan to complete Phase 1 through borrowings from its syndicated credit facility or through other sources of capital.

The recent downturn in the economy has severely impacted the San Jose economy, producing decreased market rents in both the residential and retail sectors and higher vacancies in the residential sector than were projected at commencement of Phase 1. The Trust has not finalized the cost and scope of future phases of Santana Row, and will not do so until the success of Phase 1 and future demand for rental space, both residential and retail, can be determined.

Competition for acquisitions results in increased prices for, and lower returns on, properties. The Trust expects other

major real estate investors will compete with it for attractive investment opportunities. These competitors include other publicly traded REITs, private REITs, investment banking firms, private institutional investment funds, individual investors, opportunity funds and local, regional and national developers. Many of the competitors are larger and have greater financial resources than the Trust.

Acquired properties may fail to perform as expected, adversely affecting the Trust's financial condition. The Trust may acquire retail properties to the extent that the properties can be acquired on advantageous terms and meet the Trust's investment criteria and to the extent the Trust can obtain capital on commercially reasonable terms. Newly acquired properties may fail to perform as expected. The Trust may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position. These failures could adversely affect the Trust's financial condition and results of operations.

Expenses remain relatively constant even if revenue drops. The expenses of owning and operating a property, including debt service, real estate taxes, insurance and maintenance costs, are not necessarily reduced when market factors and competition may require the Trust to reduce rents charged on a property to attract or retain tenants. Furthermore, if operating expenses increase, the local rental market may limit the extent to which rents can be raised without decreasing occupancy rates. If the Trust cannot increase rents or control its costs, its financial condition and results of operations may be adversely affected.

Risks Relating to the Trust's Level of Indebtedness

Scheduled debt payments could adversely affect the Trust's financial condition and its ability to make distributions to shareholders. Like many owners of real estate, the Trust relies on borrowings and debt issuances to assist it in acquiring, holding and developing properties. As of December 31, 2001, the Trust had $1.0 billion of debt outstanding, including $44 million drawn on its $300 million syndicated credit facility but excluding capital leases. The Trust may also incur additional debt in connection with future property acquisitions or development, construction or redevelopment activities. Consequently, its business will be affected by risks normally associated with debt financing. If the Trust cannot refinance, extend or make principal payments due at maturity with proceeds of other capital transactions, including new equity capital, its cash flow may not be sufficient to repay all maturing debt. If prevailing interest rates or other factors at the time of refinancing, including the possible reluctance of lenders to make commercial loans, result in higher interest rates, increased interest expense would adversely affect the Trust's cash flow and its ability to make distributions to shareholders.

The following table shows the interest rate and maturity for debt outstanding at December 31, 2001. All dollar references are in thousands. This table does not include scheduled monthly amortization payments.

Description	Principal	Interest Rate	Maturity Date
5 1/4% Convertible subordinated debentures	$ 289	5.25%	2002
8% Senior notes	25,000	8.0%	2002
Note issued in connection with land purchase	3,400	LIBOR + 1.25%	2002
5 1/4% Convertible subordinated debentures	75,000	5.25%	2003
Term note with banks (1)	125,000	LIBOR + .95%	2003
Revolving credit facilities	44,000	LIBOR + .80%	2003
Mortgage loan	17,000	LIBOR + 1.35%	2003
Construction loan	23,164	LIBOR + 1.35%	2004
6.74% Medium Term Notes	39,500	6.74%	2004
Construction loan	62,004	LIBOR + 2.125%	2004
6.62% Notes	40,000	6.62%	2005
6.99% Medium Term Notes	40,500	6.99%	2006
6.82% Medium Term Notes, due 2027, redeemable by holder 2007	40,000	6.82%	2007
7.48% Debentures due 2027, redeemable by holder 2008	50,000	7.48%	2008
Mortgage loans	10,204	6.51% - 7.5%	2008
8.75% Notes	175,000	8.75%	2009
Mortgage loans	43,271	6.75% - 7.4%	2011
Amortizing debt	2,443	7.5% - 10%	2013
Mortgage loans	185,000	7.415% - 7.95%	2015
Municipal bonds	9,400	Variable	2016
	$1,010,175		

(1) During 2001, the Trust entered into interest rate swaps that fixed the LIBOR interest rate at 5.27%.

The Trust's obligation to comply with financial covenants in its syndicated credit facility and term loans could restrict its range of operating activities and ability to incur indebtedness. These covenants require the Trust to:

- limit the amount of debt as a percentage of gross asset value to under .6 to 1 (the Trust maintained a ratio of .44 to 1 as of December 31, 2001);
- limit the amount of secured debt as a percentage of gross asset value to under .35 to 1 (the Trust maintained a ratio of .18 to 1 as of December 31, 2001);
- limit the amount of debt so that interest coverage will exceed 1.75 to 1 on a rolling four quarter basis (the Trust

maintained a ratio of 2.17 to 1 as of December 31, 2001);

- limit the amount of secured debt so that unencumbered asset value to unsecured debt will equal or exceed 1.67 to 1 (the Trust maintained a ratio of 2.14 to 1 as of December 31, 2001); and

- limit the total cost of development projects under construction to 30% or less of gross asset value (the budgeted total cost of the Trusts projects under construction represented 22% of gross asset value as of December 31, 2001).

There is no limitation on debt incurrence in the Trust's organizational documents which could result in it incurring more debt than can be serviced. The organizational documents do not contain any limitation on the amount of indebtedness the Trust may incur. Accordingly, the Trust could become highly leveraged, resulting in an increase in debt service that could increase its risk of default on its indebtedness, which would adversely affect the Trust's cash flow and its ability to make distributions to shareholders.

The Trust depends on external sources of capital for future growth. As with other REIT's, but unlike corporations generally, the Trust's ability to reduce its debt and finance its growth must be funded largely by external sources of capital, because the Trust generally will have to distribute to its shareholders 90% of net taxable income in order to qualify as a REIT, including taxable income where the Trust does not receive corresponding cash. For taxable years prior to January 1, 2001, the Trust was required to distribute 95% of its net taxable income to qualify as a REIT. The Trust's access to external capital will depend upon a number of factors, including general market conditions, the market's perception of its growth potential, current and potential future earnings, cash distributions and the market price of the Trust's common shares.

Risks Relating to the Real Estate Industry

Because real estate investments are illiquid, the Trust may not be able to sell properties when appropriate, which could adversely affect its financial condition. Real estate investments generally cannot be sold quickly. As a result, the Trust may not be able to diversify its portfolio promptly in response to economic or other conditions. The Trust's inability to respond rapidly to changes in the performance of its investments could adversely affect its financial condition and results of operations.

The Trust's performance and share value will be affected by risks associated with the real estate industry. Factors that may adversely affect the economic performance and value of the Trust's properties include:

- changes in the national, regional and local economic climate;

- local conditions such as an oversupply of, or a reduction in demand for, main street retail, residential, office or shopping center properties;

- the attractiveness of the Trust's properties to shoppers, residents and tenants; and

- competition from other main street retail and mixed-use properties as well as community shopping centers, regional shopping malls and the Internet.

If the Trust co-invests in properties with third parties, it may not control the management of those properties. The Trust may co-invest in properties with third parties through partnerships, joint ventures or other vehicles. In some of these co-investments, the Trust may acquire non-controlling interests in, or shared management responsibility for, the affairs of the property and, therefore, may not be able to control decisions relating to the property. Even in co-investments where the Trust does control ordinary management of the property, it may not be able to sell or finance the property without the consent of the co-investor. Where the Trust acquires non-controlling interests, the co-investors may be in a position to take action contrary to the Trust's instructions or requests and contrary to its policies or objectives. If the Trust shares management responsibilities, it and the co-investor may reach an impasse on major decisions, such as a sale, because neither the Trust nor the co-investor would have full control over the management of the investment property.

Currently the Trust has co-investors in 8 shopping centers and 9 mixed-use buildings centered on their retail component. The Trust has the managing general partnership interest in all of these co-investments, but it must obtain the consent of the co-investor or meet defined criteria to sell or to finance 10 of these properties.

Co-investments may create increased bankruptcy, liability and other risks. Co-investments in partnerships, joint ventures or other vehicles may involve risks not present were a third party not involved, including the possibility that:

- the co-investors might fail to fund their share of required capital contributions;

- the co-investors might at any time have economic or other business interests or goals which are inconsistent with the Trust's business interests or goals; and

- the Trust may be liable for the actions of its co-investors.

Some potential losses are not covered by insurance. The

Trust carries comprehensive liability, fire, extended coverage and rental loss insurance on its properties. There are, however, some types of losses, such as lease and other contract claims or losses caused by acts of war, that may not be insured. Should an uninsured loss or a loss in excess of insured limits occur, the Trust could lose all or a portion of the capital it has invested in a property, as well as the anticipated future revenue from the property. In that event, the Trust may nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. In addition, there can be no assurance as to future costs and the scope of coverage that may be available under the Trust's insurance policies.

The Trust carries earthquake insurance on all of its properties in California. These earthquake policies contain coverage limitations. The Trust also carries environmental insurance on most of its properties, which policies also contain coverage limitations. The Trust cannot assure shareholders that material losses in excess of insurance proceeds will not occur in the future.

Under the terms of certain of the Trust's debt and other agreements, the Trust is required to maintain adequate insurance coverage. As a result of the terrorist attacks of September 11, 2001, acts of terrorism may no longer be covered by property insurance and additional coverage for terrorism may be expensive or unavailable. The Trust has terrorism insurance coverage through September 30, 2002 and is evaluating the availability and costs of such coverage thereafter in order to determine whether obtaining any meaningful level of terrorism coverage is economically feasible. In any event, the Trust's financial condition and results of operations may be subject to the risks associated with acts of terrorism and the potential for uninsured losses as a result of any such act.

Environmental problems are possible and can be costly. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. If unidentified environmental problems arise, the Trust may have to make substantial payments which could adversely affect its cash flow.

Environmental laws also govern the presence, maintenance and removal of asbestos. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Investments in real property create a potential for environmental liability on the part of the current and previous owners of, or any mortgage lender on, such real property. If hazardous substances are discovered on or emanating from any property, the owner or operator of the property may be held liable for costs and liabilities relating to such hazardous substances. The Trust has environmental insurance on most of its properties. Subject to certain exclusions and deductibles,

the insurance provides coverage for unidentified, pre-existing conditions and for future contamination caused by tenants and third parties. The Trust's current policy is to require an environmental study on each property it seeks to acquire. On recent acquisitions, any substances identified prior to closing which are required, by applicable laws, to be remediated have been or are in the process of investigation and remediation. Costs related to the abatement of asbestos which increase the value of Trust properties are capitalized. Other costs are expensed. In 2001 and 2000 approximately $720,000 and $1,453,000, respectively, was spent on environmental matters, of which $369,000 and $464,000, respectively, was capitalized abatement costs. The Trust has budgeted approximately $1,025,000 in 2002 for environmental matters, a majority of which is projected for asbestos abatement.

Risks Relating to Owning the Trust's Common Shares

An increase in the number of the Trust's common shares that are or become available for future sale could adversely affect the price for the common shares. Sales of a substantial number of the Trust's common shares, or the perception that sales could occur, could adversely affect prevailing market prices for the common shares. In addition, holders of limited partnership interests in some of the subsidiary partnerships have the right to receive common shares for those limited partnership interests and upon registration or an exemption from registration will be able to sell their shares freely after they are received, unless the person is an affiliate. Further, a substantial number of the Trust's common shares have been and will be issued or reserved for issuance from time to time under employee benefit plans, including shares paid to officers and some employees as bonuses pursuant to the incentive compensation plans and common shares reserved for options, and these common shares would be available for sale in the public markets from time to time pursuant to exemptions from registration or upon registration. Moreover, the issuance of additional common shares by the Trust in the future would be available for sale in the public markets. The Trust can make no prediction about the effect that future sales of its common shares would have on the market price of its common shares.

The Trust's earnings and cash distributions will affect the market price of our common shares. The Trust believes that the market value of a REIT's equity securities is based upon the market's perception of the REIT's growth potential, its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancings, and upon the value of the underlying assets. The Trust's common shares may trade at prices that are higher or lower than the net asset value per share. To the extent the Trust retains operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing such cash flow to shareholders, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of its common shares.

Market interest rates may affect the price of the Trust's common shares. One of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the dividend distribution rate on such shares, considered as a percentage of the price of such shares, relative to market interest rates. If market interest rates increase, prospective purchasers of REIT shares may expect a higher distribution rate. Thus, higher market interest rates could cause the market price of the Trust's shares to go down.

Risks Relating to Provisions in Governing Documents and Maryland Law, Including Limiting Changes in Control

The Board of Trustees may make changes in operating policies without shareholder approval. The Trust's investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, will be 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 without a vote of the shareholders. A change in these policies could adversely affect the financial condition, results of operations and the market price of the Trust's securities.

Provisions of the Declaration of Trust and Bylaws and Maryland Law, and the Shareholder Rights Plan, could inhibit changes in control. Provisions of the declaration of trust and bylaws and Maryland law contain provisions that may delay or prevent a change in control or other transaction that could provide the Trust's shareholders with a premium over the then-prevailing market price of their shares or which might otherwise be in their best interests. These provisions include:

- The board's authority to issue preferred shares having a preference as to dividends or distributions upon liquidation over the common shares without shareholder approval.

- A staggered board consisting of three classes of trustees and fixed size of board of trustees, within a range,

may make it more difficult for a third party to gain control of the board.

- Special meeting's of the Trust's shareholders may be called only by the president, by two-thirds of the trustees or by shareholders possessing not less than 25% of all the votes entitled to be cast at such meeting, which limits the ability of shareholders to call special meetings.

- 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. These supermajority vote requirements may make it difficult for the Trust's shareholders to amend the declaration of trust.

- The advance notice requirements for proposals to be presented at shareholder meetings in the Trust's bylaws may limit the ability of shareholders to make nominations for trustees or introduce other proposals for consideration at a meeting.

- Maryland law limitations on changes in control may prevent or delay a change in control or other transaction that may provide the Trust's shareholders with a premium or which might otherwise be in their best interests.

- Shareholder rights plan. The Trust adopted a shareholder rights plan which provides, among other things, that when specified events occur, its shareholders will be entitled to purchase from it a number of common shares equal in value to two times the purchase price, initially equal to $65.00 per share, subject to adjustment upon the occurrence of specified events. Therefore, for example, if the Trust's common shares had a current market value of $21.66 and the purchase price was $65.00, a shareholder would be entitled to purchase six common shares for $65.00. The share purchase rights are triggered by the earlier to occur of (1) the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the Trust's outstanding common shares without the prior consent of the board of trustees or (2) ten days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 15% or more of the Trust's outstanding common shares. The share purchase rights would cause substantial dilution to a person or group that attempts to acquire the Trust on terms not approved by the board of trustees.

If the Trust elects 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 the provision, "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 acquiror and by officers or trustees who are employees of the REIT. "Control shares" are voting shares which would entitle the acquiror 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.

The Trust's bylaws state that the Maryland control share acquisition law shall not apply to any acquisition by any person of its 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 and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Federal Income Tax Risks Relating to Operating as a Real Estate Investment Trust

The Trust intends to qualify as a REIT, but the Trust cannot guarantee that it will qualify. The Trust believes that it has qualified for taxation as a REIT for federal income tax purposes commencing with its taxable year ended December 31, 1962. If the Trust qualifies as a REIT, it generally will not be subject to federal income tax on its income that is distributed to its

shareholders. The Trust plans to continue to meet the requirements for taxation as a REIT, but there can be no assurance that it will do so. Many of the REIT requirements are highly technical and complex. The determination that the Trust is a REIT requires an analysis of various factual matters and circumstances that may not be totally within its control. For example, to qualify as a REIT, at least 95% of its gross income must come from sources that are itemized in the REIT tax laws. REIT's generally are prohibited from owning more than 10% of the voting securities or more than 10% of the value of the outstanding securities of any one issuer, subject to certain exceptions, including an exception with respect to corporations electing to be "taxable REIT subsidiaries," and are also required to distribute to shareholders at least 90% of REIT taxable income, excluding capital gains. Furthermore, Congress and the Internal Revenue Service might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for the Trust to remain qualified as a REIT. The Trust does not believe, however, that any pending or proposed tax law changes would jeopardize its REIT status. If the Trust failed to qualify as a REIT, it would be subject to federal income tax at regular corporate rates. Also, unless the Internal Revenue Service granted it relief under certain statutory provisions, it would remain disqualified as a REIT for the four years following the year it first failed to qualify.

If the Trust failed to qualify as a REIT, it would have to pay significant income taxes and would therefore have less money available for investments or for distributions to shareholders. This would likely have a significant adverse affect on the value of the Trust's common shares.

The Trust pays some taxes. Even if the Trust does qualify as a REIT, it is required to pay some federal, state and local taxes on its income and property. In addition, any net taxable income earned directly by the taxable REIT subsidiaries is subject to federal, state and local corporate tax. A taxable REIT subsidiary is a fully taxable corporation and is limited in its ability to deduct interest payments made to the Trust. In addition, the Trust will be subject to a 100% penalty tax on some payments that it receives if the economic arrangements between the Trust, its tenants, and the taxable REIT subsidiary are not arm's length.

Current Developments

In 2001 improvements to properties totaled $219.5 million, including $174.0 million on development projects in Bethesda, Maryland; San Jose, California; and Arlington, Virginia. Construction of Woodmont East in Bethesda, Maryland, a 130,000 square foot retail and office complex, was completed with occupancy at 95% as of December 31, 2001. Construction on the $475 million Phase 1 of Santana Row, a multi-phased mixed-use project to be built on 42 acres in San Jose, California continues. Santana Row Phase 1 is expected to begin generating revenues in the third quarter of 2002 and be stabilized twelve to eighteen months later. As of December 31, 2001, the Trust has incurred costs of $229 million including the purchase of

the land. Construction also continues on Pentagon Row, a mixed-use project in Arlington, Virginia. The Trust is developing the retail component which was 95% leased and 66% occupied as of December 31, 2001. Completion of the retail space is anticipated during the first quarter of 2002.

Real estate acquisitions totaling $52.8 million were made in 2001. The acquisitions consisted of two street retail buildings, one in San Francisco, California and one in Washington, D.C., the purchase of the fee interest underlying the capital lease obligation on Brick Plaza, in Brick, New Jersey, the buy-out of the minority partner's interest in nine street retail buildings in southern California and the exchange, with the minority partner, of the Trust's 90% interest in a street retail building in Forest Hills, New York for the minority partner's 10% interest in three other street retail buildings, also located in Forest Hills, New York.

The Trust invested $900,000 in mortgage notes receivable with a weighted average interest rate of 10.0%, with $4.2 million of notes being repaid. Williamsburg Shopping Center in Williamsburg, Virginia was sold in April 2001 for $16.7 million, resulting in a gain of $7.9 million. 101 E. Oak Street, a street retail property in Chicago, Illinois, was sold in December 2001 for $6.1 million, resulting in a gain of $1.8 million. The exchange of properties in Forest Hills, New York with the minority partner resulted in an accounting loss of approximately $500,000.

In April 2001 the Trust closed on a $295 million construction loan for Santana Row. The initial funding of the construction loan took place in August 2001 when the equity and pre-leasing requirements were met.

In November 2001 the Trust issued 5.4 million 8.5% Series B Cumulative Redeemable Preferred Shares at $25 per share in a public offering, netting approximately $130.8 million in cash which was used to pay down the Trust's syndicated credit facility.

The Trust utilized its syndicated credit facility, the proceeds from the sale of Williamsburg Shopping Center and the construction loan for Santana Row to fund its 2001 acquisitions and capital expenditures.

At December 31, 2001 the Trust has 243 full-time employees.

Subsequent Events

On February 28, 2002 the Trust adopted a business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

The Trust will complete Bethesda Row, Pentagon Row and Santana Row, but does not plan any new, large-scale, mixed-use, ground-up development projects. Rather, the Trust will return its focus to community and neighborhood shopping centers. The Trust will seek to acquire income producing centers, may seek opportunities to develop ground-up grocery anchored shopping centers in and around the Metropolitan Washington, D.C., Philadelphia and New York markets and will identify and execute redevelopment opportunities in its existing portfolio.

Steven J. Guttman, the Trust's Chief Executive Officer and Chairman of the Board, will primarily devote his attention to the completion of Santana Row. Upon Mr. Guttman's planned retirement in March 2003, it is expected that Donald C. Wood will become Chief Executive Officer with Mr. Guttman remaining as Chairman of the Board. Effective March 1, 2002, the Trust combined functions of its previous Chief Investment Officer and Chief Financial Officer, and appointed Larry E. Finger, to the new executive office of Chief Financial Officer in charge of capital markets, investor relations and financial reporting. With the renewed emphasis on acquisitions, Jeffrey S. Berkes was appointed an executive officer, Senior Vice President - Strategic Transactions.

As a result of the change in the Trust's business plan, the Trust estimates it will record a charge of $16 million to $18 million in the first quarter of 2002. The charge includes severance and other compensation costs related to the management restructuring as well as charges to write-down the Trust's Tanasbourne and other development projects to fair value since the Trust will hold the Tanasbourne project for sale. The Trust is re-evaluating the most effective way to realize value on these assets on a risk-adjusted return basis.

Executive Officers of the Trust

The Executive Officers at December 31, 2001 were:

Name	Age	Position with Trust
Steven J. Guttman	55	Chairman of the Board and Chief Executive Officer
Donald C. Wood	41	President and Chief Operating Officer
Nancy J. Herman	38	Senior Vice President, General Counsel and Secretary
Ron D. Kaplan (terminated employment as of March 1, 2002)	38	Senior Vice President-Capital Markets, Chief Investment Officer
Cecily A. Ward (Ceased serving as an Executive Officer on February 28, 2002 and will terminate employment late 2002)	55	Vice President-Chief Financial Officer and Treasurer

New appointees to serve as Executive Officers on March 1, 2002 are:

Name	Age	Position with Trust
Jeffrey S. Berkes	38	Senior Vice President - Strategic Transactions
Larry E. Finger	48	Senior Vice President - Chief Financial Officer and Treasurer

Steven J. Guttman, the Trust's President and Chief Executive Officer since April 1980 was on February 14, 2001 appointed Chairman of the Board and Chief Executive Officer. Mr. Guttman has been associated with the Trust since 1972, became Chief Operating Officer in 1975 and a Managing Trustee in 1979.

Donald C. Wood was appointed President and Chief Operating Officer on February 14, 2001, prior to that time he served as Senior Vice President - Chief Operating Officer. Mr. Wood joined the Trust in May 1998 as Senior Vice President, Chief Financial Officer and Treasurer. Prior to joining the Trust, Mr. Wood was Senior Vice President and Chief Financial Officer for Caesars World, Inc., a wholly-owned subsidiary of ITT Corporation, where he was responsible for all aspects of finance throughout the company including strategic planning, process re-engineering, capital allocation and financial analysis. Prior to joining ITT in 1990, Mr. Wood was employed at Arthur Andersen LLP from 1982 where he served in numerous positions including audit manager.

Nancy J. Herman became the Trust's Vice President, General Counsel and Secretary on December 21, 1998 and was appointed Senior Vice President on July 1, 2000. In this position, Ms. Herman has overall responsibility for the Trust's legal affairs and human resources. Ms. Herman joined the Trust in 1990 as a staff attorney. Prior to joining the Trust in 1990, Ms. Herman practiced real estate law at Hogan & Hartson L.L.P.

Ron D. Kaplan joined the Trust in November 1992 as Senior Vice President-Capital Markets. Mr. Kaplan was formerly a Vice President of Salomon Brothers Inc where he was responsible for capital raising and financial advisory services for public and private real estate companies. While at Salomon Brothers which he joined in 1985, he participated in two of the Trust's debt offerings. Mr. Kaplan terminated employment effective March 1, 2002. Under the terms of his severance agreement with the Trust, he will serve as a consultant until September 30, 2002.

Cecily A. Ward was appointed Vice President - Chief Financial Officer and Treasurer on February 9, 2000. Ms. Ward had previously served as Vice President - - Controller and Treasurer. Ms. Ward joined the Trust in April 1987 as Controller. Prior to joining the Trust, Ms. Ward, a certified public accountant, was employed by Grant Thornton LLP. Ms. Ward ceased serving as an executive officer on February 28, 2002. Under the terms of her severance agreement with the Trust, she will serve as vice-president until August 30, 2002 during which time she will transition her duties to other Trust personnel.

Jeffrey S. Berkes was appointed Senior Vice President - Strategic Transactions, effective February 28, 2002. Mr. Berkes oversees acquisition and dispositions for the Trust. He joined the Trust in February 2000 as Vice President - Strategic Transactions. From September 1998 until joining the Trust in February 2000, Mr. Berkes was Vice President of Acquisitions and Finance for Velsor Properties LLC, a northern Virginia-based private real estate investment firm. From April 1997 to August 1998, he was Director of Acquisitions for Federal Realty. Prior to his first tenure at Federal Realty in 1997, he was Vice President of Acquisitions for Heitman Financial.

Larry E. Finger joined the Trust on March 1, 2002 as Senior Vice President - Chief Financial Officer and Treasurer when the functions of Chief Investment Officer and Chief Financial Officer, previously held by Mr. Kaplan and Ms. Ward, respectively, were combined. Mr. Finger will be in charge of capital markets, investor relations and financial reporting. Prior to joining the Trust, Mr. Finger was with Washington Real Estate Investment Trust from 1993 through October 15, 2001, where he most recently served as Senior Vice President and Chief Financial Officer responsible for capital markets, financial reporting, public relations and investor relations.

Item 2. Properties

Retail Properties

The following table sets forth information concerning each retail property in which the Trust owns an equity interest or has a leasehold interest as of December 31, 2001. Except as otherwise noted, retail properties are 100% owned in fee by the Trust.

NORTHEAST	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Shopping Centers							
Allwood Clifton, NJ 07013 (4)	1958	1988	52,000	7	5	100% / 100%	Stop & Shop Mandee's
Andorra Philadelphia, PA 19128 (5)	1953	1988	259,000	39	23	93% / 93%	Acme Markets Andorra Theater Kohl's
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	281,000	23	22	100% / 100%	Acme Markets Lord & Taylor
Blue Star Watchung, NJ 07060 (4)	1959	1988	410,000	37	55	98% / 98%	Kohl's Michael's Shop Rite Toys R Us
Brick Plaza Brick Township, NJ 08723	1958	1989	409,000	36	42	100% / 99%	A&P Supermarket Barnes & Noble Sony Theatres Sports Authority
Bristol Bristol, CT 06010	1959	1995	296,000	33	22	93% / 93%	Bradlees Super Stop & Shop TJ Maxx
Brunswick North Brunswick, NJ 08902 (4)	1957	1988	318,000	22	22	97% / 77%	A&P Supermarket Ames
Clifton Clifton, NJ 07013 (4)	1959	1988	80,000	12	8	91% / 91%	Acme Markets Drug Fair Dollar Express
Crossroads Highland Park, IL 60035	1959	1993	173,000	24	15	100% / 100%	Comp USA Golfsmith
Dedham Dedham, MA 02026	1959	1993	240,000	32	18	93% / 93%	Ames Pier One Imports
Ellisburg Circle Cherry Hill, NJ 08034	1959	1992	259,000	32	27	97% / 97%	Bed, Bath & Beyond Shop Rite
Feasterville Feasterville, PA 19047	1958	1980	116,000	8	12	84% / 84%	Genuardi Markets Office Max

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Finley Square Downers Grove, IL 60515	1974	1995	313,000	17	21	82% / 82%	Bed, Bath & Beyond Service Merchandise Sports Authority
Flourtown Flourtown, PA 19031	1957	1980	191,000	21	15	100% / 100%	Genuardi Markets
Fresh Meadows Queens, NY 11365	1949	1997	410,000	74	25	98% / 98%	Cineplex Odeon Value City K Mart
Garden Market Western Springs, IL 60558	1958	1994	142,000	18	12	85% / 85%	Dominick's
Gratiot Plaza Roseville, MI 48066	1964	1973	218,000	10	20	100% / 100%	Bed, Bath and Beyond Best Buy Farmer Jack
Greenlawn Plaza Greenlawn, NY 11740	1975	2000	92,000	15	13	81% / 81%	Waldbaum's
Hamilton Hamilton, NJ 08690 (4)	1961	1988	190,000	14	18	100% / 100%	Shop Rite Steven's Furniture A.C. Moore
Hauppauge Hauppauge, NY 11788	1963	1998	131,000	20	15	100% / 100%	Shop Rite Office Max Dress Barn
Huntington Huntington, NY 11746 (4)	1962	1988	279,000	14	21	100% / 100%	Barnes & Noble Bed, Bath and Beyond Buy Buy Baby Michael's Toys R Us
Lancaster Lancaster, PA 17601 (4)	1958	1980	107,000	15	11	94% / 94%	A.C. Moore Giant Food
Langhorne Square Levittown, PA 19056	1966	1985	216,000	28	21	96% / 96%	Drug Emporium Marshalls Redner's Market
Lawrence Park Broomall, PA 19008	1972	1980	326,000	40	28	98% / 98%	Acme Markets TJ Maxx Today's Man

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Northeast Philadelphia, PA 19114	1959	1983	292,000	35	19	97% / 97%	Burlington Coat Factory Marshalls Tower Records
North Lake Commons Lake Zurich, IL 60047	1989	1994	129,000	19	14	88% / 88%	Dominick's
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	10	18	99% / 99%	TJ Maxx Victory Markets
Rutgers Franklin, N.J. 08873 (4)	1973	1988	217,000	19	27	89% / 89%	Edwards Super Food K Mart
Saugus Plaza Saugus, MA 01906	1976	1996	171,000	7	19	100% / 100%	K Mart Super Stop & Shop
Troy Parsippany-Troy, NJ 07054	1966	1980	202,000	21	19	100% / 100%	Comp USA Pathmark Toys R Us
Willow Grove Willow Grove, PA 19090	1953	1984	215,000	25	14	97% / 97%	Barnes and Noble Marshalls Toys R Us
Wynnewood Wynnewood, PA 19096	1948	1996	257,000	28	16	99% / 99%	Bed, Bath and Beyond Borders Books Genuardi's
Main Street Retail Properties							
Thirteen buildings in CT	1900 - 1991	1994 -1996	233,000	78	-	90% / 90%	Eddie Bauer Pottery Barn Sak Fifth Avenue
Two buildings in IL	1920 - 1927	1995	19,000	3	-	100% / 100%	Foodstuffs The Gap
One building in MA	1930	1995	13,000	7	-	74% / 74%	AT&T Wireless
Three buildings in NY	1937 - 1987	1997	85,000	9	-	100% / 100%	Midway Theatre Duane Reade The Gap
One building in NJ	1940	1995	11,000	2	-	100% / 100%	Legg Mason

MID ATLANTIC	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Shopping Centers							
Barracks Road Charlottesville, VA 22905	1958	1985	484,000	85	39	99% / 99%	Bed, Bath & Beyond Harris Teeter Kroger
Congressional Plaza Rockville, MD 20852 (6)	1965	1965	339,000	46	22	95% / 95%	Buy Buy Baby Fresh Fields Tower Records
Courthouse Center Rockville, MD 20852 (7)	1970	1997	38,000	11	2	72% / 72%	Rockville Interiors
Eastgate Chapel Hill, NC 27514	1963	1986	159,000	30	17	97% / 97%	Food Lion Southern Season
Falls Plaza Falls Church, VA 22046	1962	1967	73,000	10	6	100% / 100%	Giant Food
Falls Plaza - East Falls Church, VA 22046	1960	1972	71,000	18	5	100% / 100%	CVS Pharmacy Staples
Federal Plaza Rockville, MD 20852	1970	1989	247,000	39	18	98% / 98%	Comp USA Ross Dress For Less TJ Maxx
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	205,000	36	17	98% / 98%	Bed, Bath & Beyond Borders Books and Music
Governor Plaza Glen Burnie, MD 21961 (5)	1963	1985	252,000	23	26	100% / 92%	Office Depot Syms
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	17	6	95% / 95%	Fresh Fields
Laurel Centre Laurel, MD 20707	1956	1986	386,000	56	26	94% / 93%	Giant Food Marshalls Toys R Us
Leesburg Plaza Leesburg, VA 20176 (7)	1967	1998	247,000	27	24	100% / 100%	Giant Food K Mart Peebles
Loehmann's Plaza Fairfax, VA 22042 (7)	1971	1983	242,000	54	18	98% / 97%	Linens N Things Loehmann's Dress Shop

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Magruder's Center Rockville, MD 20852 (7)	1955	1997	109,000	23	5	100% / 100%	Magruder's Tuesday Morning
Mid-Pike Plaza Rockville, MD 20852 (4)	1963	1982	312,000	23	20	99% / 99%	Bally Total Fitness Frugal Fannies Toys R Us
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	21	11	100% / 100%	Fresh Fields
Pan Am Fairfax, VA 22031	1979	1993	218,000	31	25	93% / 92%	Michael's Micro Center Safeway
Perring Plaza Baltimore, MD 21134 (5)	1963	1985	412,000	17	27	100% / 100%	Burlington Coat Factory Home Depot Metro Foods
Pike 7 Plaza Vienna, VA 22180	1968	1997	164,000	26	13	99% / 99%	Staples TJ Maxx
Quince Orchard Gaithersburg, MD 20877 (9)	1975	1993	237,000	31	16	95% / 95%	Circuit City Dyncorp Staples
Tower Shopping Center Springfield, VA 22150	1960	1998	109,000	28	12	86% / 83%	Virginia Fine Wine Talbot's Outlet
Tysons Station Falls Church, VA 22043	1954	1978	50,000	17	4	100% / 100%	Trader Joe's
Wildwood Bethesda, MD 20814	1958	1969	83,000	33	13	100% / 96%	CVS Pharmacy Sutton Place Gourmet
The Shops at Willow Lawn Richmond, VA 23230	1957	1983	505,000	82	37	79% / 79%	Dillards Hannaford Brothers
Development							
Land in Bethesda, MD 20814		1997 - 2000			1		

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres (3)	Occupancy (1) Overall / Economic	Principal Tenants
Main Street Retail Properties							
Bethesda Row Bethesda, MD 20814 (8)	1945-1991, 2001	1993-1998	418,000	84	8	100% / 98%	Barnes and Noble Giant Food
Friendship Center Washington, D.C 20015	1998	2001	119,000	5	1	100% / 100%	Maggiano's Eddie Bauer
Pentagon Row Arlington, VA 22202 (9) (11)	n/a	1999	215,000	34	18	98% / 94%	Harris Teeter Bed, Bath & Beyond
Sam's Park & Shop Washington, DC 20036	1930	1995	50,000	12	1	100% / 100%	Petco Pizzeria Uno
Shirlington Arlington, VA 22206	1940	1995	202,000	45	16	98% / 98%	Carlyle Grand Cafe Cineplex Odeon
Two buildings in FL	1920	1996	28,000	8	-	85% / 85%	Express
WEST COAST							
Shopping Centers							
Escondido Promenade Escondido, CA 92029 (20)	1987	1996	222,000	56	18	97% / 97%	Toys R Us TJ Maxx
King's Court Los Gatos, CA 95032 (7) (9)	1960	1998	78,000	18	8	99% / 99%	Lunardi's Supermarket Longs Drug
Main Street Retail Properties							
Old Town Center Los Gatos, CA 95030	1962	1997	97,000	20	4	94% / 93%	Borders Books and Music Gap Kids Banana Republic
150 Post Street San Francisco, CA 94108	1965	1997	103,000	20	-	86% / 86%	Brooks Brothers Williams - Sonoma
Uptown Shopping Center Portland, OR 97210	Various	1997	100,000	67	7	99% / 98%	Elephant's Delicatessen Zupan's Markets
Nine buildings in Santa Monica, CA (13)	1888 - 1995	1996 - 2000	201,000	24	-	95% / 93%	Abercrombie & Fitch J. Crew Banana Republic
Three buildings in Hollywood, CA (18)	1921 - 1991	1999	160,000	15	-	79% / 79%	General Cinema Hollywood Entertainment Museum
Four buildings in San Diego, CA (12)	1888 - 1995	1996 - 1997	51,000	21	-	94% / 94%	Urban Outfitters
Four buildings in CA (16) (19)	1922	1996 - 1998	87,000	25	-	99% / 99%	Pottery Barn Banana Republic

Two buildings in AZ (17)	1996 - 1998	1998	40,000	10	-	100% / 100%	Gordon Biersch Brewing Co.
Development							
Santana Row San Jose, CA 95128 (10) (14)	n/a	1997	n/a	n/a	42	n/a / n/a	
Nine buildings in San Antonio, TX (15)	1890 - 1935	1998	n/a	5	-	n/a / n/a	The Palm

(1) Overall occupancy is expressed as a percentage of rentable square feet and includes square feet covered by leases for stores not yet opened. Economic occupancy is expressed as a percentage of rentable square feet , but only includes leases currently generating rental income.
(2) Represents the physical square feet of the property, which may exceed the rentable square feet used to express occupancy.
(3) Acreage on each individual main street retail building is not significant.
(4) The Trust has a leasehold interest in this property.
(5) The Trust owns a 99.99% general partnership interest in these properties.
(6) The Trust owns a 55.7% equity interest in this center.
(7) The Trust owns this property in a "downreit" partnership.
(8) This property contains twelve buildings; seven are subject to a leasehold interest, one is subject to a ground lease and four are owned 100% by the Trust.
(9) The Trust owns this property subject to a ground lease.
(10) As of December 31, 2001 the Trust owns the controlling interest in this center. A minority owner with an interest in the profits of the center was bought out on February 1, 2002.
(11) Occupancy is based on three completed buildings, the fourth building is under development.
(12) As of December 31, 2001 the Trust owns 100% of three buildings and a 90% general partnership interest in one building.
(13) As of December 31, 2001 the Trust owns 100% of seven buildings and a 90% general partnership interest in two buildings.
(14) Under development.
(15) The Trust is redeveloping these properties, many of which are currently vacant.
(16) As of December 31, 2001 the Trust owns 100% of one building, a 90% general partnership interest in two buildings and a 75% LLC interest in one building.
(17) The Trust owns 100% of one building and an 85% partnership interest in the second building.
(18) The Trust owns a 90% general partnership interest in these buildings.
(19) Occupancy is based on two occupied buildings in Pasadena, CA. Two additional buildings are currently under redevelopment.
(20) As of December 31, 2001 the Trust owns the controlling interest in this center.

Apartments

The following table sets forth information concerning the Trust's apartment development as of December 31, 2001 which is 100% owned by the Trust in fee. This development is not subject to rent control.

Property	Year Completed	Year Acquired	Acres	1-BR	2-BR	3-BR	Total	Occupancy
Rollingwood Silver Spring, MD 9 three-story buildings	1960	1971	14	58	163	61	282	99%

Item 3. Legal Proceedings.

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Trust's common shares of beneficial interest are listed on the New York Stock Exchange ("NYSE") under the symbol "FRT".

The following table shows the high and low sales prices of the common shares as reported on the NYSE over the past two years, as well as the amounts of quarterly dividends declared over that period. The Trust generally pays dividends in the quarter after they are declared.

Quarter ended	High	Low	Dividends Declared
December 31, 2001	$23.67	$21.04	$.48
September 30, 2001	23.71	20.32	.48
June 30, 2001	21.56	18.98	.47
March 31, 2001	20.20	19.0625	.47
December 31, 2000	$20.00	$18.75	$.47
September 30, 2000	21.9375	19.125	.47
June 30, 2000	22.3125	18.9375	.45
March 31, 2000	20.50	17.75	.45

The number of holders of record for Federal Realty's common shares of beneficial interest at March 7, 2002 was 5,932.

For the year ended December 31, 2000, $.11 of dividends paid on common shares represented a return of capital and $.04 of dividends paid on common shares represented capital gain. There was no return of capital or capital gains for the year ended December 31, 2001.

The Trust intends to pay regular quarterly distributions to its common stockholders. Future distributions will depend upon cash generated by operating activities, the Trust's financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Trustees deems relevant.

Item 6. Selected Financial Data.

In thousands, except per share data

	Year ended December 31,				
	2001	2000	1999	1998	1997
Operating Data					
Rental Income	$279,935	$260,684	$245,833	$222,186	$188,529
Income before gain (loss) on sale of real estate	59,571	56,842	55,493	44,960	40,129
Gain (loss) on sale of real estate	9,185	3,681	(7,050)	---	6,375
Net income	68,756	60,523	48,443	44,960	46,504
Net income available for common shareholders	59,722	52,573	40,493	37,010	44,627
Net cash provided by operating activities (1)	108,545	106,146	102,183	90,427	72,170
Net cash used in investing activities (1)	232,138	121,741	99,313	187,646	279,343
Net cash provided by (used in) financing activities (1)	129,799	15,214	(8,362)	97,406	213,175
Dividends declared on common shares	75,863	72,512	71,630	69,512	66,636
Weighted average number of common shares outstanding:					
Basic	39,164	38,796	39,574	39,174	38,475
Diluted	40,266	39,910	40,638	40,080	38,988
Per share: Earnings per common share:					
Basic	$1.52	$1.36	$1.02	$.94	$1.16
Diluted	1.52	1.35	1.02	.94	1.14
Dividends declared per common share	1.90	1.84	1.78	1.74	1.70
Other Data					
Funds from Operations (2)	$110,432	$102,173	$96,795	$86,536	$79,733

	As of December 31,				
	2001	2000	1999	1998	1997
Balance Sheet Data					
Real Estate at cost	$2,104,304	$1,854,913	$1,721,459	$1,642,136	$1,453,639
Total assets	1,837,978	1,621,079	1,534,048	1,484,317	1,316,573
Mortgage and construction loans and capital lease obligations	450,336	340,152	172,573	173,480	221,573
Notes payable	174,843	209,005	162,768	263,159	119,028
Senior notes	410,000	410,000	510,000	335,000	225,000
Convertible subordinated debentures	75,289	75,289	75,289	75,289	75,289
Redeemable Preferred Shares	235,000	100,000	100,000	100,000	100,000
Shareholders' equity	592,388	467,654	501,827	529,947	553,810
Number of common shares outstanding	40,071	39,469	40,201	40,080	39,148

(1) Determined in accordance with Financial Accounting Standards Board Statement No. 95, Statement of Cash Flows.

(2) As of January 1, 2000, funds from operations is defined by the National Association of Real Estate Investment Trusts (NAREIT) as income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items less gains (losses) on sale of real estate. Prior to January 1, 2000 funds from operation also excluded significant nonrecurring events. Funds from operations differs from net cash provided by operating activities primarily because funds from operations does not include changes in operating assets and liabilities. Funds from operations is a supplemental measure of performance used in the real estate industry that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted by real estate investment trusts to provide a consistent measure of operating performance in the industry. Nevertheless, funds from operations, as presented by the Trust, may not be comparable to funds from operations as presented by other real estate investment trusts.

The calculation of funds from operations for the periods presented is reflected in the following table:

	Year ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands)				
Net income available for common shareholders	$59,722	$52,573	$40,493	$37,010	$44,627
Depreciation and Amortization	54,350	48,456	45,388	41,792	37,281
Amortization of initial direct cost of leases	4,161	3,514	3,033	2,491	2,249
(Gain) loss on sale of real estate	(9,185)	(3,681)	7,050	---	(6,375)
Income attributable to partnership units	1,384	1,311	831	578	---
Non-recurring items	---	---	---	4,665	1,951
Funds from Operations	$110,432	$102,173	$96,795	$86,536	$79,733

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read together with the Consolidated Financial Statements and Notes thereto of Federal Realty Investment Trust (the "Trust").

The Trust is engaged in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. The Trust, which has traditionally acquired and redeveloped community and neighborhood shopping centers, expanded its investments to the development of urban mixed-used properties, beginning in 1997. Management continually evaluates the future prospects of its real estate portfolio, not only to identify expansion and renovation opportunities, but also to identify properties that no longer fit the Trust's investment criteria and therefore, should be monetized or exchanged into other real estate assets. At December 31, 2001 the Trust owned 120 retail properties and one apartment complex.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from these estimates. The most significant accounting policies which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actuals differing from estimates are as follows.

Revenue Recognition and Accounts Receivable

Leases with tenants are classified as operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases net of valuation adjustments based on management's assessment of credit, collection and other business risk. The Trust makes estimates of the collectibility of its accounts receivable, related to base rents including straight line rentals, expense reimbursements and other revenue or income. In some cases the ultimate collectibility of these claims exceeds beyond a year. These estimates have a direct impact on the Trust's net income, because a higher bad debt reserve results in less net income.

Real Estate

Land, buildings and real estate under development are recorded at cost. Depreciation is computed using the straight-line method with useful lives ranging from three to 50 years on buildings and improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements are capitalized and depreciated over the life of the

lease or their estimated useful life, respectively. Certain external and internal costs directly related to the development, redevelopment and leasing of real estate including applicable salaries and their related direct costs are capitalized. The capitalized costs associated with developments, redevelopments and leasing are depreciated or amortized over the life of the improvement and lease, respectively. Unamortized leasing costs and undepreciated tenant work are charged to operations if the applicable tenant vacates before the expiration of its lease.

The Trust, when applicable as lessee, classifies its leases of land and buildings as operating or capital leases in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 13, "Accounting for Leases". The Trust is 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 applying the provisions of SFAS No. 13. These estimates determine whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

The Trust is required to make subjective assessments as to the useful lives of its real estate for purposes of determining the amount of depreciation to reflect on an annual basis. These assessments have a direct impact on net income. Should the Trust lengthen the expected useful life of an asset, it would be depreciated over more years, resulting in less annual depreciation expense and higher annual net income. Likewise, the Trust must make subjective assumptions as to which costs should be capitalized. These assumptions have a direct impact on net income, because the capitalization of costs results in higher net income.

Interest costs on developments and major redevelopments are capitalized as part of the development and redevelopment. Capitalization of interest commences when development activities and expenditures begin and end upon completion, i.e. when the asset is ready for its intended used. 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. The Trust makes judgments as to the time period over which to capitalize costs and these assumptions have a direct impact on net income. If the time period is extended, more interest is capitalized, thereby increasing net income.

Long-Lived Assets

The Trust evaluates the carrying value of its long-lived assets in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". In cases where particular assets are being held for sale, impairment is based on whether the fair value (estimated sales price less costs of disposal) of each individual property to be sold is less than the net book value. Otherwise, impairment is based on whether it is probable that undiscounted future cash flows from each property will be less than its net book value. If a property is impaired, its basis is adjusted to its fair market value.

The Trust is required to make estimates of undiscounted cash flows in determining whether there is an impairment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because taking an impairment results in a negative adjustment to net income.

Contingencies

The Trust is involved in various lawsuits and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the amount and likelihood of loss relating to these matters. These estimates and assumptions have a direct impact on net income, because the likelihood of loss and a higher amount of loss result in less net income.

Liquidity and Capital Resources

The Trust meets its liquidity requirements through net cash provided by operating activities, along with debt and equity funding alternatives available to it. A significant portion of cash provided by operating activities is distributed to common and preferred shareholders in the form of dividends. Accordingly, capital outlays for property acquisitions, major renovation and development projects and balloon debt repayments require debt or equity funding. At times, proceeds from the sale of selected assets may also provide an additional source of capital. From 1998 until November 2001, the Trust relied primarily on debt to fund these capital needs, and accordingly, debt as a percentage of total capitalization steadily increased over that period. In November 2001 the Trust issued $135 million of preferred stock. In the future, the Trust will look to common, preferred and joint-venture equity in addition to debt to fund longer term growth needs.

Net cash provided by operating activities was $108.5 million in 2001, $106.1 million in 2000, and $102.2 million in 1999, of which $80.6 million, $77.5 million, and $76.6 million, respectively, was distributed to shareholders. Contributions from newly acquired properties and from retenanted and redeveloped properties, as more fully described below, were the primary sources of these increases.

Net cash used in investing activities was $232.1 million in 2001, $121.7 million in 2000, and $99.3 million in 1999. The Trust acquired real estate assets totaling $52.8 million in 2001, $26.8 million in 2000, and $26.4 million in 1999 requiring cash outlays of $61.4 million, $52.8 million to purchase new assets and $8.6 million to purchase the capital lease obligation on Brick Plaza and to fund the buy-out of the minority partners' interests; $23.6 million; and $25.3 million, respectively. During these same three years the Trust expended an additional $199.1 million, $145.8 million, and $90.8 million in capital improvements to its properties, of which $158.0 million in 2001, $81.0 million in 2000 and $32.6 million in 1999 related to new development. The Trust received mortgage note repayments, net of funds invested, of $3.3 million in 2001 and $494,000 in 2000. The Trust invested, net of loan repayments, $2.3 million in 1999 in mortgage notes receivable. The weighted average stated interest rate on these loans was 10.0% for the years 1999 through 2001. Certain of these mortgages also participate in the gross revenues and appreciation and are convertible into ownership interests in the properties by which they are secured. Cash of $25.1 million in 2001, $47.2 million in 2000 and $19.2 million in 1999 was received from the sale of properties.

During 2001 the Trust expended cash of $61.4 million to acquire real estate and an additional $199.1 million to improve, redevelop and develop its existing real estate. Of the $199.1 million spent in 2001 on the Trust's existing real estate portfolio, approximately $158.0 million was invested in the Trust's development projects, primarily the projects in Bethesda, Maryland; San Jose, California; and in Arlington, Virginia. The remaining $41.0 million of capital expenditures relates to improvements to common areas, tenant work and various redevelopments, including the office expansion and retenanting of Willow Lawn Shopping Center, the renovation of Brunswick Shopping Center, the redevelopment of retail buildings in San Antonio, Texas and the redevelopment and retenanting of certain of the Trust's California street retail buildings.

On February 16, 2001 the Trust bought the fee interest underlying the capital lease obligation of $21.4 million, thereby terminating the capital lease, on Brick Plaza in Brick, New Jersey for a purchase price of $28 million. A mortgage note receivable of $3.2 million owed to the Trust by the lessor and a $3 million security deposit on the capital lease were credited to the purchase price, resulting in a cash outlay of approximately $21.5 million.

On March 1, 2001 the limited partners in two partnerships, owning street retail properties in southern California, exercised their rights under the partnership agreements and put their interests to the Trust for $18.1 million plus additional consideration to be determined based upon meeting certain leasing requirements in the future. The Trust paid the initial $18.1 million, $11.4 million in cash at closing and the $6.7 million balance in 328,116 common shares issued to the limited partners on June 19, 2001. To date, leasing transactions have resulted in a purchase price adjustment of $188,000; $160,000 of which was paid by the issuance of 7,120 common shares on December 6, 2001 and the remainder paid in cash. The Trust estimates that an additional $1.0 to $1.2 million will be owed to the limited partners upon completion of certain other leasing transactions.

In connection with the buyout of the minority partner at Santana Row in a transaction being structured as a tax-free exchange the Trust made an equity investment of $2.6 million and a loan of $5.9 million to a partnership which purchased a building for $8.5 million. Upon consummation of the exchange in January 2002, the Trust received the minority interest in Santana Row in exchange for its $2.6 million investment in the building. The $5.9 million loan is due to the Trust on January 12, 2003.

On April 27, 2001 the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for $16.7 million resulting in a gain of $7.9 million. The proceeds from the sale were held by a qualified intermediary until the execution of a tax-free exchange for Friendship Center.

On September 21, 2001 the Trust purchased Friendship Center, a 119,000 square foot street retail property in Washington, D.C. for $33.4 million. The purchase price was funded from the proceeds from the sale of Williamsburg Shopping Center and a $17.0 million

mortgage loan.

On December 18, 2001 the Trust sold the street retail property located at 101 E. Oak Street in Chicago, Illinois for $6.1 million resulting in a gain of $1.8 million. The proceeds from the sale are being held by a qualified intermediary for purposes of executing a tax-free property exchange.

On December 30, 2001 the Trust exchanged its 90% interest in a street retail building in Forest Hills, New York to the minority partner in exchange for the minority partners 10% interest in three other street retail buildings in Forest Hills, New York resulting in an accounting loss of approximately $500,000.

Net cash provided by financing activities, before dividend payments, was $210.4 million in 2001, $92.7 million in 2000, and $68.3 million in 1999. The Trust utilized the proceeds from the sale of Williamsburg Shopping Center, its syndicated credit facility and the construction loan for Santana Row to fund acquisitions, most capital expenditures and balloon debt repayments.

On April 12, 2001 the Trust obtained a $33 million mortgage loan secured by Brick Plaza in Brick, New Jersey. The mortgage, which bears interest at 7.415%, matures November 15, 2015. The loan provides for interest only payments for the initial 29 months, then monthly principal and interest payments based on a twenty-seven year amortization schedule until the maturity date. The proceeds from the mortgage loan were used to fund the purchase of the fee interest of Brick Plaza.

On April 17, 2001 the Trust closed on a $295 million construction loan for Santana Row in San Jose, California, which is described below.

On May 3, 2001 the Trust refinanced the mortgage loan secured by Federal Plaza in Rockville, Maryland. The new $36.5 million mortgage loan bears interest at 6.75% and matures on June 1, 2011. The loan provides for monthly principal and interest payments of $236,700 based on a thirty year amortization schedule until the maturity date. The proceeds from the refinancing were first used to payoff the outstanding mortgage balance on the property of $26.5 million. The remaining proceeds were used to pay down the Trust's syndicated credit facility.

On August 30, 2001 the Trust refinanced the mortgage loan secured by Tysons Station in Falls Church, Virginia. The new $7.0 million mortgage bears interest at 7.4% and matures on September 1, 2011. The loan provides for monthly principal and interest payments of $51,300 based on a twenty-five year amortization schedule until the maturity date. The proceeds from the refinancing were first used to payoff the outstanding mortgage balance on the property of $3.9 million. The remaining proceeds were used to pay down on the Trust's syndicated credit facility.

In connection with the purchase of Friendship Center in Washington, D.C. on September 21, 2001 the Trust placed a $17.0 million mortgage on the property. The loan, which bears interest at LIBOR plus 135 basis points, matures September 22, 2003 with three

one-year extension options. The loan provides for interest only payments through maturity.

On November 19, 2001 the Trust issued 5.4 million 8.5% Series B Cumulative Redeemable Preferred Shares at $25 per share in a public offering, netting approximately $130.8 million. The proceeds from the share issuance were used to pay down the Trust's syndicated credit facility.

The Trust has a $300 million syndicated credit facility with seven banks which is due December 19, 2003. This facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. At December 31, 2001, 2000 and 1999, $44.0 million, $78.0 million and $34.0 million, respectively, was borrowed under the syndicated credit facility. The maximum borrowed during 2001, 2000 and 1999 was $183.5 million, $218.1 million and $205.0 million, respectively. The weighted average interest rate on borrowings during 2001, 2000 and 1999 was 4.9%, 7.1% and 5.9%, respectively.

In December 1998, the Trust obtained a four-year loan of $125 million from five institutional lenders. The loan requires fees and has the same covenants as the syndicated credit facility. In 2000, the loan was extended for an additional year to December 19, 2003. The weighted average interest rate on the term loan during 2001, 2000 and 1999 was 6.4%, 7.4% and 6.1%, respectively.

In order to minimize the risk of changes in interest rates the Trust will enter into derivative contracts, which qualify as cash flow hedges. During 2001, to hedge its exposure to interest rates on its $125 million term loan, the Trust entered into interest rate swaps, which fixed the LIBOR interest rate on the term loan at 5.27%. The current interest rate on the term loan is LIBOR plus 95 basis points thus fixing the interest rate at 6.22% on notional amounts totaling $125 million. The interest rate swaps mature concurrently with the $125 million term loan on December 19, 2003. There were no open hedge agreements at December 31, 2000.

Capital requirements in 2002 will depend upon acquisition opportunities, the rate of build-out on the Trust's current developments and the level of improvements and redevelopments on existing properties. The Trust has budgeted approximately $240 million for 2002 for its Santana Row and Pentagon Row developments and $52 million for redevelopments and expansions of its existing portfolio, tenant work and improvements to the core portfolio. The Trust's syndicated credit facility, with $256 million available at December 31, 2001, and the $295 million Santana Row construction loan are anticipated to be sufficient to fund these needs.

The Trust will need additional capital in order to fund acquisitions, expansions and any new developments, including future phases of Santana Row, if any, and to refinance its maturing debt. Sources of this future funding may be additional debt, both secured and unsecured, additional equity and joint venture relationships.

The Trust's long term debt has varying maturity dates and in a number of instances includes balloon payments or other contractual provisions that could require significant repayments during a

particular period. In 2002, the $23.2 million construction loan on Woodmont East matures, unless the options to extend are exercised, as well as the $3.4 million note held in connection with the land held for future development in Hillsboro, Oregon and $25.0 million of Senior Notes. The next significant maturities occur in 2003 when $75.0 million of Senior Notes are due in October and the $17 million Friendship Center mortgage loan, if the option to extend is not exercised, is due in September. In addition, the Trust's syndicated credit facility and its $125 million term loan expire in December 2003.

Santana Row

In 2002, the Trust's single largest capital use is anticipated to be the development of Santana Row, a multi-phase mixed-use project being built on 42 acres in San Jose, California in the heart of Silicon Valley. The project will consist of residential, retail and hotel components, creating a community with the feel of an urban district. Phase 1 of the project includes Santana Row, the "1,500 foot long main street" and nine buildings which will contain approximately 538,000 square feet of retail space, 501 residential units, a 214 room hotel and the supporting infrastructure. Eight buildings comprising 440,000 square feet of retail space are expected to be completed during the third and fourth quarters of 2002 with the ninth building being completed twelve to eighteen months later. The total cost of Phase 1 is expected to be $475 million. As of December 31, 2001, the Trust has incurred costs of $229 million including the purchase of the land; the Trust estimates that it will spend approximately $225 million in 2002 and the balance in 2003 to complete the first phase of the project.

On April 17, 2001, the Trust closed on a $295 million construction loan. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to obtaining certain operating targets. The interest rate will decrease to LIBOR plus 187.5 basis points then to LIBOR plus 162.5 basis points upon the achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these targets and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. The initial funding of the construction loan took place on August 23, 2001 when the equity and pre-leasing requirements were met. As of December 31, 2001, $62.0 million was borrowed under the loan.

The success of Santana Row will depend on many factors which cannot be assured and are not entirely within the Trust's control. These factors include among others, the demand for retail and residential space and at what rents, the ability to construct the current and later phases at reasonable costs, the cost of operations, including utilities and insurance, the availability and cost of capital and the general economy, particularly in the Silicon Valley.

The Trust has not finalized the cost and scope for all future

phases of Santana Row and will not do so until the success of Phase 1 and future demand for rental space can be determined. However, as Phase 1 utilizes only part of the retail and residential entitlements of the property, and as Phase 1 contains infrastructure for further phases, the Trust expects to identify and execute economically viable additional phases to the project.

Subsequent Events

On February 28, 2002 the Trust adopted a business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

The Trust will complete Bethesda Row, Pentagon Row and Santana Row, but does not plan any new, large-scale, mixed-use, ground-up development projects. Rather, the Trust will return its focus to community and neighborhood shopping centers. The Trust will seek to acquire income producing centers, may seek opportunities to develop ground-up grocery anchored shopping centers in and around the Metropolitan Washington, D.C., Philadelphia and New York markets and will identify and execute redevelopment opportunities in its existing portfolio.

Steven J. Guttman, the Trust's Chief Executive Officer and Chairman of the Board, will primarily devote his attention to the completion of Santana Row. Upon Mr. Guttman's planned retirement in March 2003, it is expected that Donald C. Wood will become Chief Executive Officer with Mr. Guttman remaining as Chairman of the Board. Effective March 1, 2002, the Trust combined functions of its previous Chief Investment Officer and Chief Financial Officer, and appointed Larry E. Finger, to the new executive office of Chief Financial Officer in charge of capital markets, investor relations and financial reporting. With the renewed emphasis on acquisitions, Jeffrey S. Berkes was appointed an executive officer, Senior Vice President - Strategic Transactions.

As a result of the change in the Trust's business plan, the Trust estimates it will record a charge of $16 million to $18 million in the first quarter of 2002. The charge includes severance and other compensation costs related to the management restructuring as well as charges to write-down the Trust's Tanasbourne and other development projects to fair value since the Trust will hold the Tanasbourne project for sale. The Trust is re-evaluating the most effective way to realize value on these assets on a risk-adjusted return basis.

Contingencies

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the

residential developer, because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. Though not quantifiable until the project is completed, the combined damage claim is estimated to be in excess of $40.0 million. The original contractor filed a counterclaim against the Trust and the residential developer for damages of $7 million plus interest, attorneys' fees and litigation costs. The Trust believes that the counterclaim is generally without merit and that the outcome of the counterclaim will not have a material adverse effect on its financial condition, results of operations or on the project. Work continues under the direction of the new general contractor. Due to the delay and other costs associated with the change in general contractor the estimated cost of the project is now $92 million, if there is no recovery of damages from the original general contractor. The lawsuit against the original contractor is scheduled for mediation in May 2002, and, should mediation prove unsuccessful, is scheduled to go to trial in October 2002.

In addition, the Trust is involved in various other lawsuits and environmental matters arising in the normal course of business. Management believes that such matters will not have a material effect on the financial condition or results of operations of the Trust.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company, an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of Rockville Plaza Company's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated liability upon exercise of the put option is approximately $27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has reached an agreement with Rockville Plaza Company to acquire an additional 7.5% interest in Congressional Plaza in exchange for funding approximately $7 million of Rockville Plaza Company's share of the redevelopment cost. This funding will take place through 2002 and the transaction will be completed in 2003.

Under the terms of five other partnership agreements, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or for two of the partnerships, a limited number of common shares of the Trust at the election of the limited partners. In certain of the partnerships, if the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.

Under the terms of other partnership agreements, the partners may redeem their 904,589 operating units for cash or exchange into the same number of common shares of the Trust, at the option of the

Trust

As of December 31, 2001 in connection with renovation and development projects, the Trust has contractual obligations of approximately $172 million, including approximately $154 million for Santana Row.

A subcontractor of the Trust's Santana Row project has entered into a contract with a wood supply company in which a trustee of the Trust owns an indirect 9.7% interest. The contract provides for a payment to the company of approximately $330,000 for wood flooring. The dollar amount of the contract does not represent a material amount of business to the wood supply company. Terms of the contract were negotiated at arms-length.

The centerpiece of Santana Row is a four-star, 214 room boutique hotel. The Trust has entered into a 99 year ground lease with the hotel requiring minimum rent of $450,000 per annum with rental increases every five years and percentage rent on room, parking and other revenues. The Trust has committed to loan $7.2 million to the hotel. The loan bears interest at rates ranging from 12% to 15% and has a ten year term. During the first five years, interest is payable from cash flow, if available. If cash flow is not sufficient to pay interest, it will accrue and bear interest at the same rate as the initial principal. In addition, the Trust has committed approximately $5.5 million to four restaurant joint ventures at Santana Row in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with the terms of each individual venture.

Results of Operations

The Trust's retail leases generally provide for minimum rents with periodic increases. Most retail tenants pay a majority of on-site operating expenses and real estate taxes. Many leases also contain a percentage rent clause which calls for additional rents based on gross tenant sales. These features in the Trust's leases reduce the Trust's exposure to higher costs caused by inflation and allow it to participate in improved tenant sales.

Consolidated Results

2001 vs. 2000

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 7.4 % from $260.7 million in 2000 to $279.9 million in 2001. On a same center basis, rental income increased 6.4%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as, increases associated with lease rollovers and increased cost recoveries. Same center basis, in 2001, excludes Williamsburg Shopping Center in Williamsburg, Virginia and Peninsula Shopping Center in Palos Verdes, California which were sold on April 27, 2001 and June 30, 2000, respectively, as well as, properties acquired and properties under development in 2000 and 2001, including Friendship Center in Washington, D.C., Woodmont East in Bethesda, Maryland, Pentagon Row in Arlington, Virginia, 214 Wilshire Boulevard in Santa Monica, California and Town & Country Shopping Center in San Jose, California, which was demolished to make way for the new Santana Row development.

Other property income includes items, which although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 26.3% from $11.1 million in 2000 to $14.0 million in 2001 due primarily to increases in lease termination fees of $1.2 million and parking income. On a same center basis, other property income increased 18.4%.

Rental expenses increased 12.8% from $56.3 million in 2000 to $63.5 million in 2001. Increased leasing and marketing costs associated with the Trust's development projects, as well as operating costs associated with the Woodmont East project which was in service for a full year in 2001 were major components of this overall increase. Rental expense as a percentage of property income, rental income plus other property income, increased from 20.7% in 2000 to 21.6% in 2001. On a same center basis, rental expenses increased 4.4% from $54.5 million in 2000 to $57.0 million in 2001, primarily due to general cost increases along with increased property management costs in 2001.

Real estate taxes increased 8.1% from $26.6 million in 2000 to $28.8 million in 2001. On a same center basis, real estate taxes increased 9.3% due primarily to increased taxes on recently redeveloped properties.

Depreciation and amortization expenses increased 12.5% from $53.3 million in 2000 to $59.9 million in 2001 reflecting the impact of recent new development, tenant work and property redevelopments which were placed in service during the year.

In 2001, the Trust incurred interest expense of $87.1 million, of which $17.8 million was capitalized, as compared to 2000's $79.7 million, of which $13.3 million was capitalized. The increase in interest expense reflects the additional debt issued to fund the Trust's acquisitions and capital improvement programs. To mitigate its exposure to changes in variable interest rates, the Trust has entered into interest rate swaps on its $125 million term loan which locks the LIBOR interest rate on this loan at 5.27%. The current interest rate on the term loan is LIBOR plus 95 basis points, thus fixing the interest rate at 6.22%. The weighted average interest rate was 7.6% in 2001 compared with 7.9% in 2000. The ratio of earnings to combined fixed charges and preferred dividends was 1.33x in 2001 and 1.40x in 2000. The ratio of earnings to fixed charges was 1.50x both in 2001 and 2000. The ratio of funds from operations to combined fixed charges and preferred dividends was 1.9x in 2001 and 2.0x in 2000.

Administrative expenses increased from $13.3 million in 2000 to $14.3 million in 2001 due to increased personnel costs, legal and accounting fees. Administrative expenses as a percentage of revenue remained constant in 2001 and 2000 at 4.8%.

Investors' share of operations represents the minority interest in the income of certain properties. The overall $1.3 million decrease from $6.5 million in 2000 to $5.2 million in 2001 is due to the Trust's buy-out of the minority partners' in nine street retail buildings in southern California, thereby increasing the Trust's ownership to 100%.

On April 27, 2001, the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for $16.7 million, resulting in a gain of $7.9 million. On December 18, 2001 the Trust sold the street retail property located at 101 E. Oak Street in Chicago, Illinois for $6.1 million, resulting in a gain of $1.8 million. On December 30, 2001 the Trust exchanged its 90% interest in a street retail building in Forest Hills, New York to the minority partner in exchange for the minority partner's 10% interest in three other street retail buildings in Forest Hills, New York resulting in an accounting loss of approximately $500,000. On June 30, 2000, the Trust sold the 296,000 square foot Peninsula Shopping Center located in Palos Verdes, California for $48.6 million resulting in a gain of $3.7 million.

As a result of the foregoing items, net income before gain on the sale of real estate increased from $56.8 million in 2000 to $59.6 million in 2001, while net income increased from $60.5 million in 2000 to $68.8 million in 2001 and net income available for common shareholders increased from $52.6 million to $59.7 million.

Growth in net income in 2002 will continue to be primarily dependent on contributions from the core portfolio. Growth of net

income from the core portfolio is, in part, dependent on the financial health of the Trust's tenants and on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal, insurance and real estate tax assessments and the general economy. The current weakening of the retail and overall economic environment could adversely impact the Trust by increasing vacancies and decreasing rents. In past weak retail and real estate environments, however, the Trust has been able to replace weak and bankrupt tenants with stronger tenants; management believes that due to the quality of the Trust's properties there will continue to be demand for its space. Growth in the core portfolio, however, will be offset by expenses at Santana Row. Leasing, marketing and pre-opening expenses at Santana Row prior to its scheduled opening in fall 2002 and additional depreciation and interest expense as the project is phased into operations will have a dilutive effect on 2002 earnings.

Growth in net income is also dependent on the amount of leverage and interest rates. The Trust's leverage is increasing as it finances its development projects. In addition, to the extent variable-rate debt is unhedged, the Trust will continue to have exposure to changes in market interest rates. If interest rates increase, net income and funds from operations, as well as the ultimate cost of the Trust's development projects, will be negatively impacted. Net income available for common shareholders and funds from operations will also be reduced by the issuance of the 8.5% Series B Cumulative Redeemable Preferred Shares.

2000 vs. 1999
- -------------

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 6.0 % from $245.8 million in 1999 to $260.7 million in 2000. On a same center basis, rental income increased 7.7%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as increases associated with lease rollovers. Same center basis, in 2000, excludes properties acquired in 2000 and 1999, Peninsula Shopping Center in Palos Verdes, California and Northeast Plaza in Atlanta, Georgia which were sold on June 30, 2000 and October 18, 1999, respectively and properties developed in 2000 and 1999, including Bethesda Row Phase 3 in Bethesda, Maryland, Old Town in Los Gatos, California and Town & Country Shopping Center in San Jose, California which was vacated as the Santana Row development began.

Other property income includes items which, although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income remained constant in 2000 compared to 1999. On a same center basis, other property income decreased $473,000 in 2000 compared to 1999, due mostly to decreases in lease termination fees.

Rental expenses increased 4.8% from $53.7 million in 1999 to $56.3 million in 2000. Rental expense as a percentage of property income, rental income plus other property income, remained constant in both periods at 21%. On a same center basis, rental

expenses increased 6.0% from $49.6 million in 1999 to $52.6 million in 2000, primarily due to general cost increases along with increased snow removal and utility costs in 2000.

Real estate taxes increased 6.4% from $25.0 million in 1999 to $26.6 million in 2000. On a same center basis, real estate taxes increased 5.9% due primarily to increased taxes on recently redeveloped properties.

Depreciation and amortization expenses increased 6.5% from $50.0 million in 1999 to $53.3 million in 2000 reflecting the impact of recent tenant work and property improvements.

In 2000, the Trust incurred interest expense of $79.7 million, of which $13.3 million was capitalized, as compared to 1999's $68.4 million, of which $6.9 million was capitalized. The increase in interest expense reflects the additional debt issued to fund the Trust's share repurchase and capital improvement programs and increased borrowing costs. The weighted average interest rate was 7.9% in 2000 compared with 7.6% in 1999. The ratio of earnings to combined fixed charges and preferred dividends was 1.40x in 2000 and 1.52x in 1999. The ratio of earnings to fixed charges was 1.50x in 2000 and 1.70x in 1999. The ratio of funds from operations to combined fixed charges and preferred dividends was 2.0x in 2000 and 2.2x in 1999.

Administrative expenses decreased from $15.1 million in 1999 to $13.3 million in 2000. In 1999 the Trust incurred expenses of approximately $2.8 million related to a terminated merger transaction. The decrease in these costs was offset by increased personnel costs and several key new hires. The tight labor market in the Trust's operating regions resulted in higher compensation costs both to existing and new employees.

Investors' share of operations represents the minority interest in the income of certain properties. The majority of the $2.6 million increase from $3.9 million in 1999 to $6.5 million in 2000 is due to the allocation of operating losses to minority owners in 1999 and 1998 in accordance with the respective partnership agreements. The remainder of the increase represents the minority partners' share of increased earnings in certain shopping center and street retail assets.

On June 30, 2000, the Trust sold the 296,000 square foot Peninsula Shopping Center located in Palos Verdes, California for $48.6 million resulting in a gain of $3.7 million. During the second quarter of 1999, the Trust recorded a $7.1 million charge, representing the estimated loss on a potential sale of certain assets, principally Northeast Plaza in Atlanta, Georgia, thereby valuing the assets at their estimated fair value less estimated costs to sell. On October 18, 1999, the Trust sold Northeast Plaza for $19.6 million, realizing a loss of $6.3 million.

As a result of the foregoing items, net income before gain (loss) on the sale of real estate increased from $55.5 million in 1999 to $56.8 million in 2000, while net income increased from $48.4 million in 1999 to $60.5 million in 2000 and net income available for common shareholders increased from $40.5 million to

$52.6 million.

Segment Results

The Trust's operating structure is organized on an asset management model, where small focused teams are responsible for a portfolio of assets. The Trust has divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. Each region is operated under the direction of a chief operating officer, with dedicated leasing, property management and financial staff and operates largely autonomously with respect to day to day operating decisions. Incentive compensation, throughout the regional teams, is tied to the net operating income of the respective portfolios.

Historical operating results for the three regions are as follows (in thousands):

	2001	2000	1999
Rental Income			
Northeast	$120,313	$113,078	$102,452
Mid-Atlantic	124,765	114,371	111,624
West	34,857	33,235	31,757
Total	$279,935	$260,684	$245,833
Net Operating Income			
Northeast	$86,512	$79,685	$74,276
Mid-Atlantic	92,086	84,346	81,425
West	23,061	24,818	22,665
Total	$201,659	$188,849	$178,366

The Northeast

The Northeast region is comprised of 52 assets, extending from suburban Philadelphia north to New York and its suburbs into New England and west to Illinois and Michigan. A significant portion of this portfolio has been held by the Trust for many years although acquisitions, redevelopment and retenanting remain major components to the current and future performance of the region. Several redevelopment projects were completed in 2000 and 2001, which enhanced revenues and net operating income in 2001.

When comparing 2001 with 2000, rental income, on an overall and same center basis, increased 6.4% from $113.1 million in 2000 to $120.3 million in 2001, primarily due to increases at recently redeveloped and retenanted shopping centers and street retail properties, such as Greenlawn, Blue Star, Brunswick, Ellisburg, Fresh Meadows and Austin Street.

Net operating income increased 8.6% from $79.7 million in 2000 to $86.5 million in 2001, primarily due to increases at the recently redeveloped and retenanted shopping centers and street retail properties, as well as, increased lease termination fees of $1.0 million in 2001 over 2000's $265,000.

When comparing 2000 with 1999, rental income increased 10% from $102.5 million in 1999 to $113.1 million in 2000. Excluding Greenlawn Plaza in Greenlawn, New York which was acquired on January 5, 2000, on a same center basis, rental income also increased 10%, primarily due to increases at the recently redeveloped and retenanted shopping centers such as, Bala Cynwyd, Lawrence Park, Gratiot, Langhorne Square, and Wynnewood.

Net operating income increased 7% from $74.3 million in 1999 to $79.7 million in 2000. Excluding Greenlawn Plaza in Greenlawn, New York which was acquired on January 5, 2000, on a same center basis, net operating income also increased 7%, primarily due to increases at the recently redeveloped and retenanted Bala Cynwyd, Lawrence Park, Gratiot, Langhorne Square, and Wynnewood shopping centers.

The Mid-Atlantic

The Mid-Atlantic region is comprised of 32 assets, including Pentagon Row, the final phase of which is currently under development, extending from Baltimore south to metropolitan Washington, D.C. and further south through Virginia and North Carolina into Florida. As with the Northeast region, a significant portion of this portfolio has been held by the Trust for many years although acquisitions, new development, redevelopment and retenanting remain major components to its current and future performance.

When comparing 2001 with 2000, rental income increased 9.1% from $114.4 million in 2000 to $124.8 million in 2001 reflecting the contribution from the recently completed Woodmont East project in Bethesda, Maryland, the rental income generated from the first three buildings at the Pentagon Row project in Arlington, Virginia and the September 21, 2001 acquisition of Friendship Center in Washington, D.C. On a same center basis, which excludes Woodmont East, Pentagon Row, Friendship Center and Williamsburg Shopping Center, which was sold on April 27, 2001, rental income increased 4.3% from $112.4 million in 2000 to $117.2 million in 2001.

Net operating income increased 9.2% from $84.3 million in 2000 to $92.1 million in 2001. On a same center basis as defined above, net operating income increased 5.2% from $82.9 million in 2000 to $87.1 million in 2001 due primarily to successful anchor, small shop and office leasing.

When comparing 2000 with 1999, rental income increased 3% from $111.6 million in 1999 to $114.4 million in 2000. On a same center basis, excluding Northeast Plaza in Atlanta, Georgia which was sold in 1999 and the recently developed Phase 3 of the Bethesda Row project in Bethesda, Maryland, rental income increased 4%, due in part to new anchor leases at several centers. Net operating income increased 4% from $81.4 million in 1999 to $84.3 million in 2000. On

a same center basis as above, net operating income increased 5%, due primarily to new anchor leases and lease termination fees.

The West

The West region is comprised of 37 assets, including Santana Row which is currently under development, extending from Texas to the West Coast. Unlike the Northeast and Mid-Atlantic regions, this portfolio is relatively new to the Trust and is part of a deliberate expansion west over the past several years. This region is the fastest growing at the Trust and includes the Trust's largest new development project, Santana Row in San Jose, California. Several redevelopment projects were completed in 2000 and 2001 which contributed to revenues and net operating income in 2001 and will for future years as well.

When comparing 2001 with 2000, on a same center basis, which excludes properties acquired and sold in 2001 and 2000 and Santana Row, which is currently under development, rental income increased 14.9% from $28.9 million in 2000 to $33.2 million in 2001, due primarily to increases from recently redeveloped and retenanted properties in Los Angeles and San Francisco, California. On an overall basis, which includes the impact of the sale of Peninsula Shopping Center on June 30, 2000, rental income increased 4.9% from $33.2 million in 2000 to $34.9 million in 2001.

On a same center basis as defined above, net operating income increased 10.9% from $22.0 million in 2000 to $24.4 million in 2001, primarily due to the recently redeveloped and retenanted properties in Los Angeles and San Francisco, California. Overall net operating income decreased 7.1% from $24.8 million in 2000 to $23.1 million in 2001, again reflecting the sale of Peninsula Shopping Center and the marketing and leasing costs associated with the Santana Row development.

When comparing 2000 with 1999 on a same center basis, which excludes newly developed properties, Santana Row, which is currently under development, and properties sold and acquired since January 1, 1999, rental income increased 20% from $19.7 million in 1999 to $23.5 million in 2000, due primarily to recently redeveloped and retenanted properties in the Los Angeles and San Francisco, California areas. On an overall basis, which includes the impact of the sale of Peninsula Shopping Center on June 30, 2000 and the temporary reduction in earnings caused by the demolition of the old Town & Country Shopping Center to make way for the new Santana Row development, rental income increased 5% from $31.8 million in 1999 to $33.2 million in 2000.

On the same center basis as defined above, net operating income increased 25% from $14.2 million in 1999 to $17.8 million in 2000, due to increases from the recently redeveloped and retenanted properties in the Los Angeles and San Francisco, California areas. Overall net operating income increased 10% from $22.7 million in 1999 to $24.8 million in 2000, again reflecting the sale of Peninsula Shopping Center and the temporary reduction in earnings caused by the Santana Row development.

Funds from Operations

The Trust has historically reported its funds from operations in addition to its net income and net cash provided by operating activities. Funds from operations is a supplemental measure of real estate companies' operating performance. As of January 1, 2000, the National Association of Real Estate Investment Trusts (NAREIT) defines funds from operations as follows: income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items less gains (losses) on sale of real estate. Prior to January 1, 2000, funds from operations also excluded significant nonrecurring events. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted by real estate investment trusts to provide a consistent measure of operating performance in the industry. Nevertheless, funds from operations, as presented by the Trust, may not be comparable to funds from operations as presented by other real estate investment trusts.

The reconciliation of net income to funds from operations is as follows (in thousands):

	Year ended December 31,		
	2001	2000	1999
Net income available for common shareholders	$59,722	$52,573	$40,493
Depreciation and amortization of real estate assets	54,350	48,456	45,388
Amortization of initial direct costs of leases	4,161	3,514	3,033
Income attributable to operating partnership units	1,384	1,311	831
(Gain) loss on sale of real estate	(9,185)	(3,681)	7,050
Funds from operations for common shareholders	$110,432	$102,173	$96,795

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Trust's primary financial market risk is the fluctuation in interest rates. At December 31, 2001, the Trust had $97.0 million of variable rate debt, not including $62.0 million in variable rate construction loans of which the interest is capitalized to the development project. Based upon this balance of variable operating debt, if interest rates increased 1%, the Trust's earnings and cash flows would decrease by approximately $1.0 million. If interest rates decreased 1%, the Trust's earnings and cash flows would increase by approximately $1.0 million. The Trust believes that the change in the fair value of its financial instruments resulting from a forseeable fluctuation in interest rates would be immaterial to its total assets and total liabilities.

Item 8. Financial Statements and Supplementary Data.

Included in Item 14.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

N/A

Part III

Item 10. Directors and Executive Officers of the Registrant.

(a) The table identifying the Trust's Trustees under the caption "Election of Trustees" of the 2002 Proxy Statement is incorporated herein by reference.

(b) The information required by this item is included in this report at Item 1 under the caption "Executive Officers of the Registrant".

Item 11. Executive Compensation.

The sections entitled "Summary Compensation Table" and "Aggregated Option Exercises in 2001 and December 31, 2001 Option Values" of the 2002 Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The sections entitled "Ownership of Shares by Certain Beneficial Owners" and "Ownership of Shares by Trustees and Officers" of the 2002 Proxy Statement are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The section entitled "Certain Relationships and Related Transactions" of the 2002 Proxy Statement is incorporated herein by reference.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

Report of Independent Public Accountants	F-1
Consolidated Balance Sheets- December 31, 2001 and 2000	F-2
Consolidated Statements of Operations - years ended December 31, 2001, 2000 and 1999	F-3
Consolidated Statements of Common Shareholders' Equity - years ended December 31, 2001, 2000 and 1999	F-4
Consolidated Statements of Cash Flows - years ended December 31, 2001, 2000 and 1999	F-5
Notes to Consolidated Financial Statements (Including Selected Quarterly Data)	F-6 - F28

2. Financial Statement Schedules

Schedule III - Summary of Real Estate and Accumulated Depreciation	F29 - F32
Schedule IV - Mortgage Loans on Real Estate	F33 - F34

(a) 3. Exhibits

(3) (i) Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 filed with the Commission on May 25, 1999 as an exhibit to the Trust's Current Report on Form 8-K is incorporated herein by reference thereto.

(ii) Bylaws of the Trust dated May 5, 1999 filed with the Commission on May 25, 1999 as an exhibit to the Trust's Current Report on Form 8-K is incorporated herein by reference thereto.

(4) (i) A description of a Common Share of Beneficial Interest certificate filed with the Commission as a portion of Exhibit 4 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 is incorporated herein by reference thereto.

(ii) A description of a 7.95% Series A Cumulative Redeemable Preferred Share certificate filed with the Commission as a portion of Exhibit 4 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 is incorporated herein by reference thereto.

(iii) Statement of Designation for Shares, filed on Form 8-K with the Commission on October 3, 1997, is incorporated herein by reference thereto.

(iv) The 5 1/4% Convertible Subordinated Debenture due 2002 as described in Amendment No. 1 to Form S-3 (File No. 33-15264), filed with the Commission on August 4, 1987 is incorporated herein by reference thereto.

(v) Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company, filed as an exhibit to the Trust's Form 8-A/A filed with the Commission on March 11, 1999, is incorporated herein by reference thereto.

(vi) Indenture dated December 13, 1993, related to the Trust's 7.48% Debentures due August 15, 2026; 8 7/8% Senior Notes due January 15, 2000; 8% Notes due April 21, 2002; 6 5/8% Notes due 2005; 6.82% Medium Term Notes due August 1, 2027; 6.74% Medium Term Notes due March 10, 2004; and 6.99% Medium Term Notes due March 10, 2006, filed with the commission on December 13, 1993 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), effective December 4, 1995 is incorporated herein by reference thereto.

(vii) Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009 filed as exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) is incorporated herein by reference thereto.

(viii) A description of a 8.5% Series B Cumulative Redeemable Preferred Share certificate filed with the commission on November 26, 2001 as a portion of Exhibit 4 to the Trust's Form 8-A is incorporated herein by reference thereto.

(10) (i) The Trust's 1983 Stock Option Plan adopted May 12, 1983, filed with the Commission as Exhibit 10 (vi) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1983, is incorporated herein by reference.

(ii) * Deferred Compensation Agreement with Steven J. Guttman dated December 13, 1978, filed with the Commission as Exhibit 10 (iv) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1980 is incorporated herein by reference thereto.

(iii) The Trust's 1985 Non-Qualified Stock Option Plan, adopted on September 13, 1985, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1985 is incorporated herein by reference thereto.

(iv) The 1991 Share Purchase Plan, dated January 31, 1991, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1990 is incorporated herein by reference thereto.

(v) * Employment and Relocation Agreement between the Trust and Ron D. Kaplan, dated September 30, 1992, filed as an exhibit to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992 is incorporated herein by reference thereto.

(vi) Amendment dated October 1, 1992, to Voting Trust Agreement dated as of March 3, 1989 by and between I. Wolford Berman and Dennis L. Berman filed as an exhibit to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992 is incorporated herein by reference thereto.

(vii) Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 , filed with the Commission as portions of Item 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference thereto.

The following documents, filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 are incorporated herein by reference thereto:

(viii) Fiscal Agency Agreement dated as of October 28, 1993 between Federal Realty Investment Trust and Citibank, N.A.

(ix) * Other Share Award and Purchase Note between Federal Realty Investment Trust and Ron D. Kaplan, dated January 1, 1994, filed with the Commission as a portion of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 is incorporated herein by reference thereto.

(x) Amended and Restated 1983 Stock Option Plan of Federal Realty Investment Trust and 1985 Non-Qualified Stock Option Plan of Federal Realty Investment Trust, filed with the Commission on August 17, 1994 on Form S-8, (File No. 33-55111) is incorporated herein by reference thereto.

(xi) Form of Severance Agreement between Federal Realty Investment Trust and Certain of its Officers dated December 31, 1994, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference thereto.

The following filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1997, are incorporated herein by reference thereto:

(xii) Credit Agreement Dated as of December 19, 1997 by and among Federal Realty Investment Trust, as Borrower, The Financial Institutions Party Thereto and Their Assignees Under Section 13.5.(a), as Lenders, Corestates Bank, N.A., as Syndication Agent, First Union National Bank, as Administrative Agent and as Arranger, and Wells Fargo Bank, as Documentation Agent and as Co-Arranger.

(xiii) * Performance Share Award Agreement between Federal Realty Investment Trust and Steven J. Guttman, as of January 1, 1998.

(xiv) * Form of Amended and Restated Restricted Share Award Agreements between Federal Realty Investment Trust and Steven J. Guttman for the years 1998 through 2002.

(xv) * Performance Share Award Agreements between Federal Realty Investment Trust and Ron D. Kaplan, as of January 1, 1998.

(xvi) * Restricted Share Award Agreements between Federal Realty Investment Trust and Ron D. Kaplan, as of January 1, 1998.

(xvii) * Amended and Restated Employment Agreement between the Trust and Steven J. Guttman as of March 6, 1998.

(xviii) * Amended and Restated Executive Agreement between the Trust and Steven J. Guttman as of March 6, 1998.

(xix) * Executive Agreement between the Trust and Ron D. Kaplan as of March 6, 1998.

(xx) * Amended and Restated Severance Agreement between the Trust and Ron D. Kaplan as of March 6, 1998.

The following filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference thereto:

(xxi) Term Loan Agreement, dated as of December 22, 1998 by and among Federal Realty Investment Trust, as Borrower, the Financial Institutions Party Thereto and Their Assignees Under Section 13.5.(d), as Lenders,Commerzbank Aktiengesellschaft, New York Branch as Syndication Agent, PNC, National Association, as Administrative Agent and Fleet National Bank, as documentation agent.

The following filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999, is incorporated herein by reference thereto:

(xxii) * Amended and Restated Severance Agreement between the Trust and Nancy J. Herman as of December 27, 1999.

(xxiii) * Performance Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood.

(xxiv) * Restricted Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood.

(xxv) * Amendment to Performance Share Award Agreement dated as of February 25, 2000 between Federal Realty Investment Trust and Steven J. Guttman.

(xxvi) * Amendments to Performance Share Award Agreements dated as of February 25, 2000 between Federal Realty Investment Trust and Ron D. Kaplan.

(xxvii) * Severance Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999.

(xxviii) * Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999.

The following filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference thereto:

(xxix) * Amendment to Restricted Share Award Agreement dated December 8, 2000 between Federal Realty Investment Trust and Ron D. Kaplan.

(xxx) * Amendment to Restricted Share Award Agreement dated December 8, 2000 between Federal Realty Investment Trust and Ron D. Kaplan.

(xxxi) * Amendment to Restricted Share Award Agreement dated December 8, 2000 between Federal Realty Investment Trust and Don C. Wood.

(xxxii) * Split Dollar Life Insurance Agreement dated May 20, 1998 between Federal Realty Investment Trust and The Ronald D. Kaplan Family Trust.

(xxxiii) * Split Dollar Life Insurance Agreement dated June 7, 1998 between Federal Realty Investment Trust and The Guttman Family 1998 Trust.

(xxxiv) * Split Dollar Life Insurance Agreement dated August 12, 1998 between Federal Realty Investment Trust and Donald C. Wood.

(xxxv) * Split Dollar Life Insurance Agreement dated November 2, 2000 between Federal Realty Investment Trust and The Nancy J. Herman Insurance Trust.

The following documents, filed with the commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 are incorporated herein by reference hereto:

(xxxvi) Building Loan Agreement among FRIT San Jose Town and Country Village LLC, San Jose Residential, Inc. and Street Retail, Inc. jointly and severally as Borrower, Commerzbank AG, New York Branch, Fleet National Bank, Bayerische Hypo-Und Vereinsbank AG, New York Branch and Other Lenders named herein.

The following are filed as exhibits hereto:

(10) (xxxvii) * Restricted Share Agreement dated February 15, 2000 between Federal Realty Investment Trust and Jeffrey S. Berkes.

(xxxviii) * Severance Agreement between Federal Realty Investment Trust and Jeffrey S. Berkes dated March 1, 2000.

(xxxix) * Termination letter dated March 1, 2002 between Federal Realty Investment Trust and Ron D. Kaplan.

(xl) * Consulting Agreement dated March 1, 2002 between Federal Realty Investment Trust and Ron D. Kaplan.

(xli) * Full Recourse Secured Promissory Note dated March 14, 2002 between Federal Realty Investment Trust and Ron D. Kaplan.

(xlii) * Share Pledge Agreement dated March 14, 2002 between Federal Realty Investment Trust and Ron D. Kaplan.

(21) Subsidiaries of the registrant................... Filed as an exhibit hereto.

(23) Consent of Arthur Andersen.......................

(99) Letter concerning Arthur Andersen's representation to the Trust in accordance with Temporary Note 3T to Article 3 of Regulation S-X..................

(b) Reports on Form 8-K Filed during the Last Quarter

A Form 8-K, dated November 1, 2001, was filed in response to Item 5, amended by Form 8-K/A dated December 6, 2001.

A Form 8-K, dated November 19, 2001 was filed in response to Item 5, amended by Form 8-K/A dated November 29, 2001 .

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* Management contract or compensatory plan required to be filed under item 14 (c) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERAL REALTY INVESTMENT TRUST

Date: March 22, 2202

By: Steven J. Guttman
Steven J. Guttman
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
Steven J. Guttman Steven J. Guttman	Chairman of the Board and Chief Executive Officer	March 22, 2202
Donald C. Wood Donald C. Wood	President and Chief Operating Officer	March 22, 2202
Larry E. Finger Larry E. Finger	Senior Vice-President, Chief Financial Officer And Treasurer (Chief Accounting Officer)	March 22, 2202
Dennis L. Berman Dennis L. Berman	Trustee	March 22, 2202
Kenneth D. Brody Kenneth D. Brody	Trustee	March 22, 2202
Kristin Gamble Kristin Gamble	Trustee	March 22, 2202
Walter F. Loeb Walter F. Loeb	Trustee	March 22, 2202
Mark S. Ordan Mark S. Ordan	Trustee	March 22, 2202

FINANCIAL STATEMENTS
AND
SCHEDULES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the 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 as of December 31, 2001 and 2000 and the related consolidated statements of operations, common shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 2001. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, 2001 and 2000 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The financial statement schedules included on pages F-29 through F-34 of the Form 10-K are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a required part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Arthur Andersen LLP
Vienna, Virginia
February 11, 2002

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2001	December 31, 2000
	(In thousands, except share data)	
Real estate, at cost		
Operating	$ 1,782,318	$ 1,679,289
Development	321,986	175,624
	2,104,304	1,854,913
Less accumulated depreciation and amortization	(395,767)	(351,258)
	1,708,537	1,503,655
Other Assets		
Cash	17,563	11,357
Mortgage notes receivable	35,607	47,360
Accounts and notes receivable	18,580	13,092
Prepaid expenses and other assets, principally property taxes and lease commissions	50,739	38,140
Debt issue costs, net of accumulated amortization of $4,840 and $3,982, respectively	6,952	7,475
	$ 1,837,978	$ 1,621,079
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	$ 100,293	$ 121,611
Mortgages and construction loans payable	350,043	218,541
Notes payable	174,843	209,005
Accounts payable and accrued expenses	64,014	36,810
Dividends payable	21,664	19,892
Security deposits	6,026	5,537
Prepaid rents	10,400	8,819
Senior notes and debentures	410,000	410,000
5 1/4% Convertible subordinated debentures	75,289	75,289
Investors' interest in consolidated assets	33,018	47,921
Commitments and contingencies		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, $.01 par		
7.95% Series A Cumulative Redeemable Preferred Shares, (stated at liquidation preference $25 per share), 4,000,000 shares issued in 1997	100,000	100,000
8.5% Series B Cumulative Redeemable Preferred Shares, (stated at liquidation preference $25 per share), 5,400,000 shares issued in 2001	135,000	--
Common shares of beneficial interest, $.01 par , 100,000,000 shares authorized, 41,524,165 and 40,910,972 issued, respectively	417	410
Additional paid in capital	730,835	723,078
Accumulated dividends in excess of Trust net income	(322,428)	(306,287)
	643,824	517,201
Less:1,452,926 and 1,441,594 common shares in treasury - at cost, respectively	(27,990)	(27,753)
Deferred compensation on restricted shares	(15,005)	(17,254)
Notes receivable from employee stock plans	(4,148)	(4,540)
Accumulated other comprehensive income (loss)	(4,293)	--
	592,388	467,654
	$ 1,837,978	$ 1,621,079

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year ended December 31, 2001	2000	1999
Revenue			
Rental income	$ 279,935	$ 260,684	$ 245,833
Interest and other income	6,590	7,532	7,649
Other property income	13,977	11,065	11,231
	300,502	279,281	264,713
Expenses			
Rental	63,481	56,280	53,677
Real estate taxes	28,772	26,620	25,021
Interest	69,313	66,418	61,492
Administrative	14,281	13,318	15,120
Depreciation and amortization	59,914	53,259	50,011
	235,761	215,895	205,321
Operating income before investors' share of operations	64,741	63,386	59,392
Investors' share of operations	(5,170)	(6,544)	(3,899)
Income before gain (loss) on sale of real estate	59,571	56,842	55,493
Gain (loss) on sale of real estate	9,185	3,681	(7,050)
Net income	68,756	60,523	48,443
Dividends on preferred stock	(9,034)	(7,950)	(7,950)
Net income available for common shareholders	$ 59,722	$ 52,573	$ 40,493
Earnings per common share, basic			
Income before gain (loss) on sale of real estate	$ 1.29	$ 1.26	$ 1.20
Gain (loss) on sale of real estate	0.23	0.10	(0.18)
	$ 1.52	$ 1.36	$ 1.02
Weighted average number of common shares, basic	39,164	38,796	39,574
Earnings per common share, diluted			
Income before gain (loss) on sale of real estate	$ 1.29	$ 1.26	$ 1.19
Gain (loss) on sale of real estate	0.23	0.09	(0.17)
	$ 1.52	$ 1.35	$ 1.02
Weighted average number of common shares, diluted	40,266	39,910	40,638

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

	Year ended December 31,					
	2001			2000		
(In thousands, except share data)	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital
Common Shares of Beneficial Interest						
Balance, beginning of year	40,910,972	$ 410	$ 723,078	40,418,766	$ 404	$ 713,354
Adjustment to reflect change in par value	--	--	--	--	--	--
Shares issued to purchase partnership interests	335,236	3	6,919	--	--	--
Exercise of stock options	22,066	--	459	67,684	1	1,398
Shares issued under dividend reinvestment plan	159,234	2	3,277	153,713	2	3,136
Performance and Restricted Shares granted, net of Restricted Shares retired	96,657	2	1,877	270,809	3	5,190
Cost of 8.5% Series B Cumulative Preferred Shares	--	--	(4,775)	--	--	--
Balance, end of year	41,524,165	$ 417	$ 730,835	40,910,972	$ 410	$
Accumulated Dividends in Excess of Trust Net Income						
Balance, beginning of year		($306,287)			($286,348)	
Net income		68,756			60,523	
Dividends declared to common shareholders		(75,863)			(72,512)	
Dividends declared to preferred shareholders		(9,034)			(7,950)	
Balance, end of year		($322,428)			($306,287)	
Common Shares of Beneficial Interest in Treasury						
Balance, beginning of year	(1,441,594)	($27,753)		(217,644)	($ 4,334)	
Performance and Restricted Shares forfeited	(11,332)	(237)		(38,550)	(787)	
Purchase of treasury shares	--	--		(1,185,400)	(22,632)	
Balance, end of year	(1,452,926)	($27,990)		(1,441,594)	($ 27,753)	
Deferred Compensation on Restricted Shares						
Balance, beginning of year	(735,875)	($17,254)		(599,427)	($15,219)	
Performance and Restricted Shares issued, net of forfeitures	(61,369)	(830)		(218,771)	(4,151)	
Vesting of Performance and Restricted Shares	130,588	3,079		82,323	2,116	
Balance, end of year	(666,656)	($15,005)		(735,875)	($17,254)	
Subscriptions receivable from employee stock plans						
Balance, beginning of year	(242,638)	($4,540)		(317,606)	($6,030)	
Subscription loans issued	(3,333)	(70)		(5,500)	(115)	
Subscription loans paid	27,416	462		80,468	1,605	
Balance, end of year	(218,555)	($4,148)		(242,638)	($4,540)	
Accumulated other comprehensive income (loss)						
Balance, beginning of year		--			--	
Change due to recognizing gain on securities		$ 49			--	
Change in valuation on interest rate swap		(4,342)			--	
Balance, end of year		($4,293)			$ 0	
Other comprehensive income						
Net income		$ 68,756			--	
Change due to recognizing gain on securities		49			--	
Change in valuation on interest rate swap		(4,342)			--	
Total other comprehensive income		$ 64,463			$ 0	

	Year ended December 31,		
	1999		
(In thousands, except share data)	Shares	Amount	Additional Paid-in Capital
Common Shares of Beneficial Interest			
Balance, beginning of year	40,139,675	$ 707,724	--
Adjustment to reflect change in par value	--	(707,324)	$ 707,323
Shares issued to purchase partnership interests	--	--	--
Exercise of stock options	52,667	1	1,092
Shares issued under dividend reinvestment plan	165,770	2	3,566
Performance and Restricted Shares granted, net of Restricted Shares retired	60,654	1	1,373
Cost of 8.5% Series B Cumulative Preferred Shares	--	--	--

	------------	------------	------------
Balance, end of year	40,418,766	$ 404	$ 713,354
	============	============	============
Accumulated Dividends in Excess of Trust Net Income			
Balance, beginning of year			
Net income		($255,211)	
Dividends declared to common shareholders		48,443	
Dividends declared to preferred shareholders		(71,630)	
		(7,950)	
Balance, end of year		------------	
		($286,348)	
		============	
Common Shares of Beneficial Interest in Treasury			
Balance, beginning of year			
Performance and Restricted Shares forfeited	(59,425)	($1,376)	
Purchase of treasury shares	(17,719)	(393)	
	(140,500)	(2,565)	
Balance, end of year	------------	------------	
	(217,644)	($4,334)	
	============	============	
Deferred Compensation on Restricted Shares			
Balance, beginning of year			
Performance and Restricted Shares issued, net of forfeitures	(582,910)	($14,892)	
Vesting of Performance and Restricted Shares	(31,660)	(730)	
	15,143	403	
Balance, end of year	------------	------------	
	(599,427)	($15,219)	
	============	============	
Subscriptions receivable from employee stock plans			
Balance, beginning of year			
Subscription loans issued	(337,111)	($6,298)	
Subscription loans paid	(9,083)	(190)	
	28,588	458	
Balance, end of year	------------	------------	
	(317,606)	($6,030)	
	============	============	
Accumulated other comprehensive income (loss)			
Balance, beginning of year			
Change due to recognizing gain on securities		--	
Change in valuation on interest rate swap		--	
		--	
Balance, end of year		------------	
		$ 0	
		============	
Other comprehensive income			
Net income			
Change due to recognizing gain on securities		--	
Change in valuation on interest rate swap		--	
		--	
Total other comprehensive income		------------	
		$ 0	
		============	

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2001	2000	1999
	(In thousands)		
OPERATING ACTIVITIES			
Net income	$ 68,756	$ 60,523	$ 48,443
Items not requiring cash outlays			
Depreciation and amortization	59,914	53,259	50,011
(Gain) loss on sale of real estate	(9,185)	(3,681)	7,050
Other, net	1,041	1,634	2,395
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(5,544)	323	(5,257)
Increase in prepaid expenses and other assets before depreciation and amortization	(18,305)	(6,834)	(2,183)
Increase (decrease) in operating accounts payable, security deposits and prepaid rent	4,132	3,342	(1,202)
Increase (decrease) in accrued expenses	7,736	(2,420)	2,926
Net cash provided by operating activities	108,545	106,146	102,183
INVESTING ACTIVITIES			
Acquisition of real estate	(61,415)	(23,554)	(25,337)
Capital expenditures - development	(158,048)	(81,023)	(32,589)
Capital expenditures - other	(41,013)	(64,815)	(58,207)
Repayments (issuance) of mortgage notes receivable, net	3,275	494	(2,341)
Proceeds from sale of real estate, net of costs	25,063	47,157	19,161
Net cash used in investing activities	(232,138)	(121,741)	(99,313)
FINANCING ACTIVITIES			
Borrowing (repayment) of short-term debt, net	(34,000)	47,400	(100,147)
Proceeds from mortgage and construction financing, net of costs	145,427	166,383	--
(Repayment) issuance of senior notes, net of costs	--	(100,000)	172,193
Issuance of Series B Preferred shares, net of costs	130,225	--	--
Issuance of common shares	1,301	3,428	2,243
Common shares repurchased	--	(22,632)	(2,565)
Payments on mortgages, capital leases and notes payable	(31,550)	(2,169)	(1,151)
Dividends paid	(80,593)	(77,499)	(76,617)
(Decrease) increase in minority interest, net	(1,011)	303	(2,318)
Net cash provided by (used in) financing activities	129,799	15,214	(8,362)
Increase (decrease) in cash	6,206	(381)	(5,492)
Cash at beginning of year	11,357	11,738	17,230
Cash at end of year	$ 17,563	$ 11,357	$ 11,738

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Realty Investment Trust (the "Trust") is a full-service real estate company, which owns and operates community and neighborhood shopping centers and owns and develops main street retail properties, retail buildings and mixed-use properties located in densely developed urban and suburban areas.

The Trust operates in a manner intended to enable it to qualify as a real estate investment trust for federal income tax purposes. A trust which distributes at least 90% of its real estate investment trust taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, no provision for Federal income taxes is required.

The consolidated financial statements of the Trust include the accounts of the Trust, its wholly owned corporate subsidiaries, several corporations where the Trust has a majority ownership, numerous partnerships and a joint venture, all of which it controls. The equity interests of other investors are reflected as investors' interest in consolidated assets. All significant intercompany transactions and balances are eliminated in consolidation.

Revenue Recognition. Leases with tenants are classified as operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases net of valuation adjustments based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based on gross tenant sales, are recognized at the end of the lease year or other period in which tenant sales' thresholds have been reached and the percentage rents are due. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the expenditures occurred.

Real Estate. Land, buildings and real estate under development are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range from three to 25 years on apartment buildings and improvements, and from three to 50 years on retail properties and improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements are capitalized and depreciated over the life of the lease or their estimated useful life, respectively. In accordance with Statement of Financial Accounting Standard ("SFAS") No. 66, "Accounting for Sales of Real Estate", sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and the Trust has no significant continuing involvement. The gain or loss resulting from the sale of properties is included in net income at the time of sale. Upon termination of a lease, undepreciated tenant improvement costs are charged to operations if the assets

are replaced and the asset and the corresponding accumulated depreciation are retired.

The Trust evaluates the carrying value of its long-lived assets in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". In cases where particular assets are being held for sale, impairment is based on whether the fair value (estimated sales price less costs of disposal) of each individual property to be sold is less than the net book value. Otherwise, impairment is based on whether it is probable that undiscounted future cash flows from each property will be less than its net book value. If a property is impaired, its basis is adjusted to its fair market value.

In August 2001 the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for the Trust on January 1, 2002). SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly-acquired, and broadens the presentation of discontinued operations to include more disposal transactions.

The Trust, when applicable as lessee, classifies its leases of land and buildings as operating or capital leases in accordance with the provisions of SFAS No. 13, "Accounting for Leases".

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate including applicable salaries and their related direct costs are capitalized. The capitalized costs associated with developments, redevelopments and leasing are depreciated or amortized over the life of the improvement and lease, respectively. Unamortized leasing costs are charged to operations if the applicable tenant vacates before the expiration of their lease.

Interest costs on developments and major redevelopments are capitalized as part of the development and redevelopment. Capitalization of interest commences when development activities and expenditures begin and end upon completion, i.e. 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 the completion of major construction activity.

Debt Issue Costs. Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the life of the related issue using the effective interest method. Upon conversion or in the event of redemption, applicable unamortized costs are charged to shareholders' equity or to operations, respectively.

Cash and Cash Equivalents. The Trust defines cash as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity under three months. Cash balances in individual banks may exceed insurable amounts from time to time.

Risk Management. Upon adoption of SFAS No. 133 "Accounting for

Derivative Instruments and Hedging Activities" on January 1, 2001, the Trust had no derivatives and thus there was no transition adjustment upon adoption. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge of the exposure to certain risks. The Trust enters into derivative contracts, which qualify as cash flow hedges, in order to manage interest rate risk. Derivatives are not purchased for speculation. During 2001, to hedge its exposure to interest rates on its $125 million term loan, the Trust entered into interest rate swaps, which fixed the LIBOR interest rate on the term loan at 5.27%. The current interest rate on the term loan is LIBOR plus 95 basis points, thus fixing the interest rate at 6.22% on notional amounts totaling $125 million. The Trust is exposed to credit loss in the event of non-performance by the counterparties to the interest rate protection agreement should interest rates exceed the cap. However, management does not anticipate non-performance by the counterparties. The counterparties have long-term debt ratings of A- or above by S&P and AA2 or above by Moody's. Although the Trust's cap is not exchange-traded, there are a number of financial institutions which enter into these types of transactions as part of their day-to-day activities. The interest rate swaps mature concurrently with the $125 million term loan on December 19, 2003. The swaps were documented as cash flow hedges and designated as effective at inception of the swap contract. Consequently, the unrealized gain or loss upon measuring the swaps at their fair market value is recorded as a component of other comprehensive income within stockholders' equity and either a derivative instrument asset or liability is recorded on the balance sheet. At December 31, 2001, an unrealized loss of $4,342,000, representing the difference between the current market value and the 6.22% fixed interest rate on the swap, was recorded in other comprehensive income with a corresponding derivative liability on the balance sheet. Interest expense of approximately $2,217,000 will be reclassified from other comprehensive income into current earnings over the next twelve months to bring the effective interest rate up to 6.22%. There were no open derivative contracts at December 31, 2000 or 1999.

Acquisition, Development and Construction Loan Arrangements. The Trust has made certain mortgage loans that, because of their nature, qualify as loan receivables. At the time the loans were made the Trust did not intend for the arrangement to be anything other than a financing and did not contemplate a real estate investment. Using guidance set forth in the Third Notice to Practitioners issued by the AICPA in February 1986 entitled "ADC Arrangements" ("the Third Notice"), the Trust evaluates each investment to determine whether the loan arrangement qualifies under the Third Notice as a loan, joint venture or real estate investment and the appropriate accounting thereon; such determination affects the Trust's balance sheet classification of these investments and the recognition of interest income derived therefrom. Generally, the Trust receives additional interest on these loans, however the Trust never receives in excess of 50% of the residual profit in the project (as defined in the Third Notice) and because the borrower has either a substantial investment in the project or has guaranteed all or a portion of

the Trust's loan (or a combination thereof) the loans qualify for loan accounting. The amounts under ADC arrangements at December 31, 2001 and 2000 are $35.6 million and $47.4 million, respectively and interest income recognized thereon was $4.1 million and $5.0 million, respectively.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are prepared using management's best judgment, after considering past and current events. Actual results could differ from these estimates.

Comprehensive Income. The Trust's interest rate swaps were documented as cash flow hedges and designated as effective at inception of the swap contract, therefore, the unrealized gain or loss upon measuring the swaps at their fair market value is recorded as a component of other comprehensive income within stockholders' equity. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", investments purchased in connection with the Trust's nonqualified deferred compensation plan are classified as available for sale securities and reported at fair value. Unrealized gains or losses on these investments purchased to match the Trust's obligation to the participants is also recorded as a component of other comprehensive income. At December 31, 2001 these investments consisted of mutual funds and are stated at market value.

Earnings Per Share. The Trust calculates basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share". Basic EPS excludes dilution and is computed by dividing net income available for common shareholders by the weighted number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares and then shared in the earnings of the Trust.

The following table sets forth the reconciliation between basic and diluted EPS (in thousands, except per share data):

	2001	2000	1999
Numerator			
Net income available for common shareholders - basic	$59,722	$52,573	$40,493
Income attributable to operating partnership units	1,384	1,311	831
Net income available for common shareholders - diluted	$61,106	$53,884	$41,324
Denominator			
Denominator for basic EPS- weighted average shares	39,164	38,796	39,574
Effect of dilutive securities			
Stock options and awards	197	155	214
Operating partnership units	905	959	850
Weighted average shares - diluted	40,266	39,910	40,638
Earnings per common share - basic	$ 1.52	$ 1.36	$ 1.02
Earnings per common share - diluted	$ 1.52	$ 1.35	$ 1.02

Stock options are accounted for in accordance with APB 25, as interpreted, whereby if options are priced at fair market value or above at the date of grant, no compensation expense is recognized.

Reclassifications. Certain components of real estate, mortgages and construction loans payable and notes payable on the December 31, 2000 Balance Sheet have been reclassified to assure comparability of all periods presented.

NOTE 1: REAL ESTATE AND ENCUMBRANCES

A summary of the Trust's properties at December 31, 2001 and 2000 is as follows (in thousands):

2001	Cost	Accumulated depreciation and amortization	Encumbrances
Retail properties	$1,928,554	$ 329,911	$ 350,043
Retail properties under capital leases	169,072	59,967	100,293
Apartments	6,678	5,889	--
	$2,104,304	$ 395,767	$ 450,336
2000			
Retail properties	$1,633,448	$ 276,982	$ 218,541
Retail properties under capital leases	214,805	68,564	121,611
Apartments	6,660	5,712	--
	$1,854,913	$ 351,258	$ 340,152

During 2001 the Trust expended cash of $61.4 million to acquire real estate and an additional $199.1 million to improve, redevelop and develop its existing real estate. Of the $199.1 million spent in 2001 on the Trust's existing real estate portfolio, approximately $158.0 million was invested in the Trust's development projects, primarily the projects in Bethesda, Maryland; San Jose, California; and in Arlington, Virginia. The remaining $41.0 million of capital expenditures relates to improvements to common areas, tenant work and various redevelopments, including the office expansion and retenanting of Willow Lawn Shopping Center, the renovation of Brunswick Shopping Center, the redevelopment of retail buildings in San Antonio, Texas and the redevelopment and retenanting of certain of the Trust's California street retail buildings.

On February 16, 2001 the Trust bought the fee interest underlying the capital lease obligation of $21.4 million, thereby terminating the capital lease, on Brick Plaza in Brick, New Jersey for a purchase price of $28 million. A mortgage note receivable of $3.2 million owed to the Trust by the lessor and a $3 million security deposit on the capital lease were credited to the purchase price, resulting in a cash outlay of approximately $21.5 million.

On March 1, 2001 the limited partners in two partnerships, owning street retail properties in southern California, exercised their rights under the partnership agreements and put their interests to the Trust for $18.1 million plus additional consideration to be determined upon meeting certain leasing requirements in the future. The Trust paid the initial $18.1 million, $11.4 million in cash at closing, and the $6.7 million

balance in 328,116 common shares issued to the limited partners on June 19, 2001. To date, leasing transactions have resulted in a purchase price adjustment of $188,000; $160,000 of which was paid by the issuance of 7,120 common shares on December 6, 2001 and the remainder paid in cash. The Trust estimates that an additional $1.0 to $1.2 million will be owed to the limited partners upon completion of certain other leasing transactions.

In connection with the buyout of the minority partner at Santana Row in a transaction being structured as a tax-free exchange the Trust made an equity investment of $2.6 million and a loan of $5.9 million to a partnership which purchased a building for $8.5 million. Upon consummation of the exchange in January 2002, the Trust received the minority interest in Santana Row in exchange for its $2.6 million investment in the building. The $5.9 million loan is due to the Trust on January 12, 2003.

On April 27, 2001 the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for $16.7 million resulting in a gain of $7.9 million. The proceeds from the sale were held by a qualified intermediary until the execution of a tax-free exchange for Friendship Center.

On September 21, 2001 the Trust purchased Friendship Center, a 119,000 square foot street retail property in Washington, D.C. for $33.4 million. The purchase was funded from the proceeds from the sale of Williamsburg Shopping Center and a $17.0 million mortgage loan.

On December 18, 2001 the Trust sold the street retail property located at 101 E. Oak Street in Chicago, Illinois for $6.1 million resulting in a gain of $1.8 million. The proceeds from the sale are being held by a qualified intermediary for purposes of executing a tax-free property exchange.

On December 30, 2001 the Trust exchanged its 90% interest in a street retail building in Forest Hills, New York to the minority partner in exchange for the minority partner's 10% interest in three other street retail buildings in Forest Hills, New York resulting in an accounting loss of approximately $500,000.

The Trust's 120 retail properties at December 31, 2001 are located in 15 states and the District of Columbia. There are approximately 2,100 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 2.7% of revenue.

Mortgage notes receivable of $35.6 million are due over various terms from January 2002 to May 2021 and have an average weighted interest rate of 10.0%. Under the terms of certain of these mortgages, the Trust will receive additional interest based upon the gross income of the secured properties and, upon sale of the properties, the Trust will share in the appreciation of the properties.

Mortgages and construction loans payable and capital lease obligations are due in installments over various terms extending to 2016 and 2060, respectively, with interest rates ranging from 4.1% to 11.25%. Certain of the capital lease obligations require

additional interest payments based upon property performance. The Trust refinanced two maturing mortgages totaling $30.5 million during 2001 by placing new mortgage notes totaling $43.5 million on these properties. In addition the Trust placed new mortgage loans on two properties, Brick Plaza and Friendship Center, totaling $50.0 million. There were no maturing mortgages in 2000 or 1999.

On April 17, 2001 the Trust closed on a $295 million construction loan for Santana Row in San Jose, California. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to obtaining certain operating targets. The interest rate will decrease to LIBOR plus 187.5 basis points and then to LIBOR plus 162.5 basis points upon the achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these targets and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. The initial funding of the construction loan took place on August 23, 2001 when the equity and pre-leasing requirements were met. As of December 31, 2001, $62.0 million was borrowed under the loan. No principal payments are due until maturity. The property secures the construction loan facility.

At December 31, 2001 there was $23.2 million borrowed under the construction loan for the Trust's Woodmont East development in Bethesda, Maryland. The loan, which has a floating interest rate of LIBOR plus 120 to 150 basis points, depending on occupancy levels, matures August 29, 2002 with two one-year extension options. No principal payments are due until maturity. The property secures the construction loan facility.

Scheduled principal payments on mortgage and construction loan indebtedness, assuming the option to extend the Woodmont East construction loan is exercised, as of December 31, 2001 are as follows (in thousands):

Year ending December 31,	
2002	$ 498
2003	17,709
2004	87,826
2005	2,896
2006	3,227
Thereafter	237,887
	$ 350,043

Future minimum lease payments and their present value for property under capital leases as of December 31, 2001, are as follows (in thousands):

Year ending December 31,	
2002	$ 9,394
2003	9,324
2004	9,539
2005	9,539
2006	9,539
Thereafter	375,012
	422,347
Less amount representing interest	(322,054)
Present value	$ 100,293

Leasing Arrangements

The Trust's leases with retail property and apartment tenants are classified as operating leases. Leases on apartments are generally for a period of one year, whereas retail property leases generally range from three to 10 years (certain leases with anchor tenants may be longer), and usually provide for contingent rentals based on sales and sharing of certain operating costs.

The components of rental income are as follows (in thousands):

	Year ended December 31,		
	2001	2000	1999
Retail and mixed-use properties			
Minimum rents	$223,515	$208,474	$197,299
Cost reimbursements	47,328	43,056	39,574
Percentage rent	6,107	6,364	6,277
Apartments - rents	2,985	2,790	2,683
	$279,935	$260,684	$245,833

The components of rental expense are as follows (in thousands):

	Year ended December 31, 2001	2000	1999
Repairs and maintenance	$17,383	$16,590	$15,347
Management fees and costs	11,995	9,831	10,635
Utilities	8,129	8,096	7,120
Payroll - properties	4,709	4,510	4,440
Ground rent	3,698	3,190	2,933
Insurance	3,150	2,900	2,774
Other operating	14,417	11,163	10,428
	$63,481	$56,280	$53,677

Minimum future retail property rentals on noncancelable operating leases, before any reserve for uncollectible amounts, on operating properties as of December 31, 2001 are as follows (in thousands):

Year ending December 31,	
2002	$ 231,787
2003	221,169
2004	200,241
2005	179,164
2006	153,902
Thereafter	898,538
	$1,884,801

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by the Trust, using available market information and appropriate valuation methods. Considerable judgment is necessary to develop estimates of fair value. The estimates presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments.

The Trust estimates the fair value of its financial instruments using the following methods and assumptions: (1) quoted market prices, when available, are used to estimate the fair value of investments in marketable debt and equity securities; (2) quoted market prices are used to estimate the fair value of the Trust's marketable convertible subordinated debentures; (3) discounted cash flow analyses are used to estimate the fair value of mortgage notes receivable and payable, using the Trust's estimate of current interest rates for similar notes; (4) carrying amounts in the balance sheet approximate fair value for cash, accounts payable, accrued expenses and short term borrowings. Notes receivable from officers are excluded from fair value estimation since they have been issued in connection with employee stock ownership programs.

(in thousands)	December 31, 2001 Carrying Value	December 31, 2001 Fair Value	December 31, 2000 Carrying Value	December 31, 2000 Fair Value
Cash & equivalents	$ 17,563	$ 17,563	$ 11,357	$ 11,357
Investments	2,739	2,739	2,356	2,356
Mortgage notes receivable	35,607	36,427	47,360	48,039
Mortgages and construction loans and notes payable	524,886	559,179	427,546	427,937
Convertible debentures	75,289	70,696	75,289	71,058
Senior notes	410,000	425,970	410,000	411,934

NOTE 3. NOTES PAYABLE

The Trust's notes payable consist of the following (in thousands):

	2001	2000
Revolving credit facilities	$ 44,000	$ 78,000
Term note with banks	125,000	125,000
Other	5,843	6,005
	$174,843	$209,005

In December 1997 the Trust obtained a five year syndicated revolving credit facility for $300 million due December 2002. The syndicated facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. In June 2000, the Trust modified certain covenants and extended the maturity date to December 19, 2003. The current borrowing rate on the syndicated credit facility is LIBOR plus 80 basis points.

In December 1998 the Trust obtained a four year loan of $125 million from five institutional lenders. The loan was originally due December 2002 and was extended to December 19, 2003 along with the syndicated credit facility. The loan requires the payment of certain fees and has the same covenants as the syndicated credit facility. The current borrowing rate on the term loan is LIBOR plus 95 basis points.

The maximum amount drawn under these facilities during 2001, 2000 and 1999 was $308.5 million, $343.1 million and $330.0 million, respectively. In 2001, 2000 and 1999 the weighted average interest rate on borrowings was 5.6%, 7.2% and 5.9%, respectively, and the average amount outstanding was $269.7 million, $283.2 million and $296.4 million, respectively.

In connection with the land held for future development in Hillsboro, Oregon, the Trust issued a $3.4 million note which was originally due June 30, 2001. The note has been extended one year to June 30, 2002. The loan bears interest at LIBOR plus 125 basis points. The property secures the loan facility.

NOTE 4. 5 1/4% CONVERTIBLE SUBORDINATED DEBENTURES

In October 1993, the Trust issued $75.0 million of 5 1/4% convertible subordinated debentures, realizing cash proceeds of approximately $73.0 million. The debentures were not registered under the Securities Act of 1933 and were not publicly distributed within the United States. The debentures, which mature in 2003, are convertible into shares of beneficial interest at $36 per share. The debentures are redeemable by the Trust, in whole, at any time after October 28, 1998 at 100% of the principal amount plus accrued

interest

At December 2001 and 2000 the Trust had outstanding $289,000 of 5 1/4% convertible subordinated debentures due 2002. The debentures which are convertible into shares of beneficial interest at $30.625 were not registered under the Securities Act of 1933 and were not publicly distributed within the United States.

There are no significant financial covenants on these debentures. The Trust is in compliance with the terms and covenants of these borrowings. No principal is due on these notes prior to maturity.

NOTE 5. SENIOR NOTES AND DEBENTURES

Unsecured senior notes and debentures at December 31, 2001 and 2000 consist of the following (in thousands):

	2001	2000
8% Notes due April 21, 2002	$ 25,000	$ 25,000
6.74% Medium-Term Notes due March 10, 2004	39,500	39,500
6.625% Notes due December 1, 2005	40,000	40,000
6.99% Medium-Term Notes due March 10, 2006	40,500	40,500
6.82% Medium-Term Notes due August 1, 2027, redeemable at par by holder August 1, 2007	40,000	40,000
7.48% Debentures due August 15, 2026, redeemable at par by holder August 15, 2008	50,000	50,000
8.75% Notes due December 1, 2009	175,000	175,000
	$410,000	$410,000

On January 17, 2000 the Trust's $100 million of 8.875% Notes matured and were paid with borrowings from the Trust's syndicated credit facilities.

The loan agreements contain various covenants, including limitations on the amount of debt and minimum debt service coverage ratios. The Trust is in compliance with all covenants. No principal is due on these notes prior to maturity.

In September 1998 the Trust filed a $500 million shelf registration statement with the Securities and Exchange Commission which allows the issuance of debt securities, preferred shares and common shares. As of December 31, 2001, $190 million is available under the shelf registration.

The Trust plans to pay-off the 8% Notes due April 21,2002 through borrowings from its syndicated credit facility.

NOTE 6. DIVIDENDS

On November 1, 2001 the Trustees declared a quarterly cash dividend of $.48 per common share, payable January 15, 2002 to common shareholders of record January 2, 2002. For the years ended December 31, 2000 and 1999 $.11 and $.16, of dividends

paid per common share, respectively, represented a return of capital. There was no return of capital in 2001.

On November 1, 2001 the Trustees declared a quarterly cash dividend of $.49687 per share on its Series A Cumulative Redeemable Preferred Shares, payable on January 31, 2002 to shareholders of record on January 15, 2002.

On January 2, 2002 the Trustees declared a quarterly cash dividend of $.3778 per share on its Series B Cumulative Redeemable Preferred Shares, payable January 31, 2002 to shareholders of record on January 15, 2002.

For the year ended December 31, 2000, $.04 of dividends paid per common share and per preferred share represent a capital gain. There were no capital gains in 2001 or 1999.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the residential developer, because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. Though not quantifiable until the project is completed, the combined damage claim is estimated to be in excess of $40.0 million. The original contractor filed a counterclaim against the Trust and the residential developer for damages of $7 million plus interest, attorneys' fees and litigation costs. The Trust believes that the counterclaim is generally without merit and that the outcome of the counterclaim will not have a material adverse effect on its financial condition, results of operations or on the project. Work continues under the direction of the new general contractor. Due to the delay and other costs associated with the change in general contractor the estimated cost of the project is now $92 million, if there is no recovery of damages from the original general contractor. The lawsuit against the original contractor is scheduled for mediation in May 2002, and, should mediation prove unsuccessful, is scheduled to go to trial in October 2002.

In addition, the Trust is involved in various other lawsuits and environmental matters arising in the normal course of business. Management believes that such matters will not have a material effect on the financial condition or results of operations of the Trust.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company, an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of Rockville Plaza Company's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated

liability upon exercise of the put option is approximately $27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has reached an agreement with Rockville Plaza Company to acquire an additional 7.5% interest in Congressional Plaza in exchange for funding approximately $7 million of Rockville Plaza Company's share of the redevelopment cost. The funding will take place through 2002 and the transaction will be completed in early 2003.

Under the terms of five other partnership agreements, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or for two of the partnerships, a limited number of common shares of the Trust at the election of the limited partners. In certain of the partnerships, if the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.

Under the terms of other partnership agreements, the partners may redeem their 904,589 operating units for cash or exchange into the same number of common shares of the Trust, at the option of the Trust.

As of December 31, 2001 in connection with renovation and development projects, the Trust has contractual obligations of approximately $172 million, including approximately $154 million for Santana Row.

A subcontractor of the Trust's Santana Row project has entered into a contract with a wood supply company in which a trustee of the Trust owns an indirect 9.7% interest. The contract provides for a payment to the company of approximately $330,000 for wood flooring. The dollar amount of the contract does not represent a material amount of business to the wood supply company. Terms of the contract were negotiated at arms-length.

The centerpiece of Santana Row is a four-star, 214 room boutique hotel. The Trust has entered into a 99 year ground lease with the hotel requiring minimum rent of $450,000 per annum with rental increases every five years and percentage rent on room, parking and other revenues. The Trust has committed to loan $7.2 million to the hotel. The loan bears interest at rates ranging from 12% to 15% and has a ten year term. During the first five years, interest is payable from cash flow, if available. If cash flow is not sufficient to pay interest, it will accrue and bear interest at the same rate as the initial principal. In addition, the Trust has committed approximately $5.5 million to four restaurant joint ventures at Santana Row in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with the terms of each individual venture.

The Trust is obligated under ground lease agreements on several shopping centers requiring minimum annual payments as follows (in thousands):

2002	$ 3,909
2003	3,910
2004	3,921
2005	3,930
2006	3,977
Thereafter	252,229
	$271,876

NOTE 8. SHAREHOLDERS' EQUITY

In May 1999, the Trust reorganized as a Maryland real estate investment trust by amending and restating its declaration of trust and bylaws. The Amended Declaration of Trust changed the number of authorized shares of common and preferred shares from unlimited to 100,000,000 and 15,000,000, respectively. In addition, all common shares of beneficial interest, no par value, which were issued and outstanding were changed to common shares of beneficial interest, $0.01 par value per share and all Series A Cumulative Redeemable Preferred Shares of beneficial interest, no par value, which were issued and outstanding were changed to Series A Cumulative Redeemable Preferred Shares of beneficial interest, $0.01 par value per share.

On October 6, 1997 the Trust issued four million 7.95% Series A Cumulative Redeemable Preferred Shares at $25 per share in a public offering, realizing cash proceeds of approximately $96.6 million after costs of $3.4 million. The Series A Preferred Shares are not redeemable prior to October 6, 2002. On or after that date, the Preferred Shares may be redeemed, in whole or in part, at the option of the Trust, at a redemption price of $25 per share plus all accrued and unpaid dividends. The redemption price is payable solely out of proceeds from the sale of other capital shares of the Trust. Dividends on the Preferred Shares are payable quarterly in arrears on the last day of January, April, July and October.

On November 19, 2001 the Trust issued 5.4 million 8.5% Series B Cumulative Redeemable Preferred Shares at $25 per share in a public offering, realizing cash proceeds of approximately $130.2 million after costs of $4.8 million. The Series B Preferred Shares are not redeemable prior to November 27, 2006. On or after that date, the Preferred Shares may be redeemed, in whole or in part, at the option of the Trust, at a redemption price of $25 per share plus all accrued and unpaid dividends. The redemption price is payable solely out of proceeds from the sale of other capital shares of the Trust. Dividends on the Preferred Shares are payable quarterly in arrears on the last day of January, April, July and October.

The Trust has a Dividend Reinvestment Plan, whereby shareholders may use their dividends and make optional cash payments to purchase shares. In 2001, 2000 and 1999, 159,234 shares, 153,713 shares and 165,770 shares, respectively, were issued under the Plan.

In December 1999, the Trustees authorized a share repurchase program for calendar year 2000 of up to an aggregate of 4 million of the Trust's common shares. During 2000 a total of 1,325,900 shares were repurchased, at a cost of $25.2 million. The Trust did not repurchase shares in 2001.

In 2001 and 2000, 96,657 common shares and 270,809 common

shares, respectively, were awarded to the Trust's Chief Executive Officer and other key employees under various incentive compensation programs designed to directly link a significant portion of their current and long term compensation to the prosperity of the Trust and its shareholders. The shares vest over terms from 3 to 8 years.

In 1999, 65,660 common shares were awarded, and 5,006 shares were forfeited and retired, to the Trust's Chief Executive Officer and other key employees under various incentive compensation programs. Fifteen thousand shares vested upon award, and the balance vest over terms from 5 to 13 years.

In January 1994 under the terms of the 1993 Long Term Incentive Plan, an officer of the Trust purchased 40,000 common shares at $25 per share with the assistance of a $1.0 million loan from the Trust. The loan, which has a term of 12 years and a current balance of $500,000, bears interest at 6.24%. Forgiveness of up to 75% of the loan is subject to the future performance of the Trust. One eighth of the loan was forgiven on January 31, 1995 and an additional one sixteenth has been forgiven each January 31 since then as certain performance criteria of the Trust were met.

In January 1991 the Trustees adopted the Federal Realty Investment Trust Share Purchase Plan. Under the terms of this plan, officers and certain employees of the Trust purchased 446,000 common shares at $15.125 per share with the assistance of loans of $6.7 million from the Trust. Originally, the Plan called for one sixteenth of the loan to be forgiven each year for eight years, as long as the participant was still employed by the Trust. The loans for all participants, but two, were modified in 1994 to extend the term an additional four years and to tie forgiveness in 1995 and thereafter to certain performance criteria of the Trust. One sixteenth of the loan has been forgiven during each year of the plan. At December 31, 2001 the Trust has outstanding purchase loans to participants of $1.3 million. The purchase loans bear interest at 9.39%. The shares purchased under the plan may not be sold, pledged or assigned until both the purchase and tax loans associated with the plan are satisfied and the term has expired, without the consent of the Compensation Committee of the Board of Trustees.

Tax loans with a balance of $3.1 million in 2001, $2.2 million in 2000 and $1.3 million in 1999 have been made in connection with restricted share grants to the Trust's Chief Executive Officer, President and Chief Investment Officer and in connection with the Share Purchase Plans. The loans, which bear interest ranging from 6.36% to 9.39%, are due over periods ranging from 8 to 13 years from the date of the loan.

On April 13, 1999, the Shareholder Rights Plan adopted in 1989 expired. On March 11, 1999 the Trust entered into an Amended and Restated Rights Agreement with American Stock Transfer and Trust Company, pursuant to which (i)the expiration date of the Trust's shareholder rights plan was extended for an additional ten years to April 24, 2009, (ii)the beneficial ownership percentage at which a person

becomes an "Acquiring Person" under the plan was reduced from 20% to 15%, and (iii) certain other amendments were made.

NOTE 9. STOCK OPTION PLAN

The 1993 Long Term Incentive Plan ("Plan") has been amended to authorize the grant of options and other stock based awards for up to 5.5 million shares. Options granted under the Plan have ten year terms and vest in one to five years. Under the Plan, on each annual meeting date during the term of the Plan, each nonemployee Trustee will be awarded 2,500 options.

In May 2001 the Trust's shareholders' approved the 2001 Long Term Incentive Plan ("2001 Plan") which authorized an additional 1,750,000 shares for future option and other stock based awards.

The option price to acquire shares under the 2001 Plan and previous plans is required to be at least the fair market value at the date of grant. As a result of the exercise of options, the Trust had outstanding from its officers and employees notes for $2.5 million, $2.6 million and $3.6 million at December 31, 2001, 2000 and 1999, respectively. The notes issued under the 1993 Plan bear interest at the lesser of (i) the Trust's borrowing rate on the date of exercise or (ii) the dividend rate on the date of exercise divided by the purchase price of such shares. The notes issued under the previous plans bear interest at the lesser of (i) the Trust's borrowing rate or (ii) the current indicated annual dividend rate on the shares acquired pursuant to the option, divided by the purchase price of such shares. The notes are collateralized by the shares and are with recourse. The loans have a term extending to the employee's or officer's retirement date.

SFAS No. 123, "Accounting for Stock-Based Compensation" requires pro forma information regarding net income and earnings per share as if the Trust accounted for its stock options under the fair value method of that Statement. The fair value for options issued in 2001, 2000 and 1999 has been estimated as $350,000, $549,000 and $434,000, respectively, as of the date of grant, using a binomial model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 4.9%, 5.2% and 5.4%; volatility factors of the expected market price of the Trust's shares of 20%, 14% and 15%; and a weighted average expected life of the option of 6.9 years, 5.7 years and 6.6 years. The Trust's assumed weighted average dividend yield used to estimate the fair value of the options issued was 9.598% in 2001.

Because option valuation models require the input of highly subjective assumptions, such as the expected stock price volatility, and because changes in these subjective input assumptions can materially affect the fair value estimate, the existing model may not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options are amortized to expense over the options' vesting period. The pro forma information is as follows (in thousands except for earnings per share):

	2001	2000	1999
Pro forma net income	$68,076	$59,445	$46,368
Pro forma earnings per share, basic	$1.51	$1.33	$.97
Pro forma earnings per share, diluted	$1.50	$1.32	$.97

A summary of the Trust's stock option activity for the years ended December 31, is as follows:

	Shares Under Option	Weighted Average Exercise Price
January 1, 1999	3,608,816	$25.00
Options granted	720,000	21.12
Options exercised	(52,667)	20.73
Options forfeited	(380,635)	25.29
December 31, 1999	3,895,514	24.31
Options granted	737,500	19.75
Options exercised	(67,684)	20.50
Options forfeited	(847,049)	24.27
December 31, 2000	3,718,281	23.46
Options granted	417,500	19.80
Options exercised	(27,566)	20.81
Options forfeited	(351,834)	22.88
December 31, 2001	3,756,381	23.12

At December 31, 2001 and 2000, options for 2.7 million and 2.3 million shares, respectively, were exercisable. The average remaining contractual life of options outstanding at December 31, 2001 and 2000 was 5.8 years and 8.1 years, respectively. The weighted average grant date fair value per option for options granted in 2001 and 2000 was $1.04 and $.72, respectively. The exercise price of options outstanding at December 31, 2001 ranged from $18.00 per share to $27.13 per share.

NOTE 10. SAVINGS AND RETIREMENT PLANS

The Trust has a savings and retirement plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Employees' contributions range, at the discretion of each employee, from 1% to 20% of compensation up to a maximum of $10,500. Under the plan, the Trust, out of its current net income, contributes 50% of each employee's first 5% of contributions. In addition, the Trust may make discretionary contributions within the limits of deductibility set forth by the Code. Employees of the Trust are immediately eligible to

become plan participants. Employees are not eligible to receive matching contributions until their first anniversary of employment. The Trust's expense for the years ended December 31, 2001, 2000 and 1999 was $243,000, $216,000 and $223,000, respectively.

A nonqualified deferred compensation plan for Trust officers and directors was established in 1994. The plan allows the participants to defer future income until the earlier of age 65 or termination of employment with the Trust. As of December 31, 2001, the Trust is liable to participants for approximately $2.4 million under this plan. Although this is an unfunded plan, the Trust has purchased certain investments with which to match this obligation.

NOTE 11. INTEREST EXPENSE

The Trust incurred interest expense totaling $87.1 million, $79.7 million and $68.4 million in 2001, 2000 and 1999, respectively, of which $17.8 million, $13.3 million, and $6.9 million respectively, was capitalized. Interest paid was $84.1 million in 2001, $83.1 million in 2000 and $67.0 million in 1999.

NOTE 12. SUBSEQUENT EVENTS

On January 31, 2002 the Trust received repayment of $1,152,000 of mortgage notes receivable.

On February 1, 2002, to complete the buyout of the minority partner at Santana Row, the Trust received the minority partner's interest in Santana Row in exchange for a $2.6 million investment in a partnership which had purchased a building. A $5.9 million loan made by the Trust to the partnership as part of the original purchase is due January 12, 2003.

As has been the practice over the past four years, under a Restricted Share Agreement designed to link his compensation with the prosperity of the shareholders, the Trust's Chief Executive Officer elected to accept stock in lieu of cash for his 2002 salary and 2001 bonus. As a result, in 2002, 28,913 common shares were awarded to the Chief Executive Officer in lieu of his 2002 cash salary and 14,908 shares in lieu of his 2001 bonus.

Pursuant to the 2001 Incentive Bonus Plan, vice presidents and certain key employees receive part of their 2001 bonus in Federal Realty shares which vest over three years. Consequently, on February 28, 2002, 23,168 shares were awarded under this plan.

In February 2002, 415,000 options and 30,000 performance shares were granted to certain officers and key employees.

NOTE 13. SUBSEQUENT EVENTS - CHANGE IN BUSINESS PLAN (UNAUDITED)

On February 28, 2002 the Trust adopted a business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

The Trust will complete Bethesda Row, Pentagon Row and Santana Row, but does not plan any new, large-scale, mixed-use, ground-up development projects. Rather, the Trust will return its focus to community and neighborhood shopping centers. The Trust will seek to acquire income producing centers, may seek opportunities to develop ground-up grocery anchored shopping centers in and around the Metropolitan Washington, D.C., Philadelphia and New York markets and will identify and execute redevelopment opportunities in its existing portfolio.

Steven J. Guttman, the Trust's Chief Executive Officer and Chairman of the Board, will primarily devote his attention to the completion of Santana Row. Upon Mr. Guttman's planned retirement in March 2003, it is expected that Donald C. Wood will become Chief Executive Officer with Mr. Guttman remaining as Chairman of the Board. Effective March 1, 2002, the Trust combined functions of its previous Chief Investment Officer and Chief Financial Officer, and appointed Larry E. Finger, to the new executive office of Chief Financial Officer in charge of capital markets, investor relations and financial reporting. With the renewed emphasis on acquisitions, Jeffrey S. Berkes was appointed an executive officer, Senior Vice President - Strategic Transactions.

As a result of the change in the Trust's business plan, the Trust estimates it will record a charge of $16 million to $18 million in the first quarter of 2002. The charge includes severance and other compensation costs related to the management restructuring as well as charges to write-down the Trust's Tanasbourne and other development projects to fair value since the Trust will hold the Tanasbourne project for sale. The Trust is re-evaluating the most effective way to realize value on these assets on a risk-adjusted return basis.

NOTE 14. SEGMENT INFORMATION

The Trust operates its portfolio of assets in three geographic operating regions: Northeast, Mid-Atlantic and West.

A summary of the Trust's operations by geographic region is presented below (in thousands):

2001	North East	Mid Atlantic	West	Other	Consolidated
Rental income	$120,313	$124,765	$ 34,857	-	$ 279,935
Other income	5,659	5,715	2,603	-	13,977
Rental expense	(23,597)	(28,443)	(11,441)	-	(63,481)
Real estate tax	(15,863)	(9,951)	(2,958)	-	(28,772)
Net operating income	86,512	92,086	23,061		201,659
Interest income	-	-	-	$6,590	6,590
Interest expense	-	-	-	(69,313)	(69,313)
Administrative expense	-	-	-	(14,281)	(14,281)
Depreciation and Amortization	(27,576)	(23,921)	(7,383)	(1,034)	(59,914)
Income before investors' Share of operations and Gain on sale of real Estate	$ 58,936	$ 68,165	$ 15,678	($78,038)	$ 64,741
Capital expenditures	$ 15,386	$ 87,706	$169,278	_	$ 272,370
Real estate assets	$760,849	$793,566	$549,889	_	$2,104,304

2000	North East	Mid Atlantic	West	Other	Consolidated
Rental income	$113,078	$114,371	$ 33,235	-	$ 260,684
Other income	4,215	3,900	2,950	-	11,065
Rental expense	(23,261)	(24,766)	(8,253)	-	(56,280)
Real estate tax	(14,347)	(9,159)	(3,114)	-	(26,620)
Net operating income	79,685	84,346	24,818		188,849
Interest income	-	-	-	$7,532	7,532
Interest expense	-	-	-	(66,418)	(66,418)
Administrative expense	-	-	-	(13,318)	(13,318)
Depreciation and Amortization	(25,169)	(21,915)	(5,242)	(933)	(53,259)
Income before investors' Share of operations and Gain on sale of real Estate	$ 54,516	$ 62,431	$ 19,576	($73,137)	$ 63,386
Capital expenditures	$ 38,696	$ 60,783	$ 83,205	_	$ 182,684
Real estate assets	$754,048	$720,208	$380,657	_	$1,854,913

1999	North East	Mid Atlantic	West	Other	Consolidated
Rental income	$102,452	$111,624	$ 31,757	-	$ 245,833
Other income	5,672	3,903	1,656	-	11,231
Rental expense	(20,702)	(25,096)	(7,879)	-	(53,677)
Real estate tax	(13,146)	(9,006)	(2,869)	-	(25,021)
Net operating income	74,276	81,425	22,665		178,366
Interest income	-	-	-	$7,649	7,649
Interest expense	-	-	-	(61,492)	(61,492)
Administrative expense	-	-	-	(15,120)	(15,120)
Depreciation and Amortization	(22,648)	(22,473)	(4,101)	(789)	(50,011)
Income before investors' Share of operations and Loss on sale of real Estate	$ 51,628	$ 58,952	$ 18,564	($69,752)	$ 59,392
Capital expenditures	$ 32,547	$ 26,444	$ 62,512	-	$ 121,503
Real estate assets	$715,772	$663,019	$342,668	-	$1,721,459

There are no transactions between geographic areas.

NOTE 15. QUARTERLY DATA (UNAUDITED)

The following summary represents the results of operations for each quarter in 2001 and 2000 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Revenue	$71,703	$73,398	$75,524	$79,877
Net income available for common shares	12,245	20,180 (1)	13,194	14,103 (2)
Earnings per common share - basic	.32	.51	.34	.35
Earnings per common share - diluted (4)	.32	.51	.33	.35

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Revenue	$69,104	$68,806	$68,581	$72,790
Net income available for common shares	12,151	16,087 (3)	12,433	11,902
Earnings per common share - basic	.31	.42	.32	.31
Earnings per common share - diluted	.31	.41	.32	.31

(1)Net income includes a $7.9 million gain on sale of real estate ($.20 gain per share - basic and diluted).

(2)Net income includes a net $1.3 million gain on sale of real estate ($.03 gain per share - basic and $.02 gain per share - diluted).

(3)Net income includes a $3.7 million gain on sale of real estate ($.10 gain per share - basic and $.09 gain per share - diluted).

(4)The sum of quarterly earnings per common share - diluted, $1.51 differs from the annual earnings per common share - diluted, $1.52, due to rounding.

COLUMN A	COLUMN B	COLUMN C		COLUMN D
		Initial cost to company		
Descriptions	Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition
ALLWOOD (New Jersey)	$ 3,523,000	$	$ 3,920,000	$ 344,000
ANDORRA (Pennsylvania)		2,432,000	12,346,000	3,645,000
ARIZONA BUILDINGS (2)		1,334,000	9,104,000	598,000
BALA CYNWYD (Pennsylvania)		3,565,000	14,466,000	6,186,000
BARRACKS ROAD (Virginia)	44,300,000	4,363,000	16,459,000	18,295,000
BETHESDA ROW (Maryland)	36,046,000	9,114,000	20,821,000	45,562,000
BLUESTAR (New Jersey)	26,893,000		29,922,000	8,963,000
BRICK PLAZA (New Jersey)	33,000,000		24,715,000	28,901,000
BRISTOL (Connecticut)		3,856,000	15,959,000	1,835,000
BRUNSWICK (New Jersey)	11,195,000		12,456,000	8,497,000
CALIFORNIA RETAIL BUILDINGS				
SANTA MONICA (9)		22,645,000	12,709,000	34,312,000
SAN DIEGO (4)		3,844,000	1,352,000	6,901,000
150 POST STREET (San Francisco)		11,685,000	9,181,000	6,903,000
OTHER (7)		19,496,000	25,752,000	8,787,000
CLIFTON (New Jersey)	3,277,000		3,646,000	1,151,000
CONGRESSIONAL PLAZA (Maryland)		2,793,000	7,424,000	36,839,000
CONNECTICUT RETAIL BUILDINGS (13)		25,061,000	27,739,000	2,385,000
COURTHOUSE CENTER (Maryland)		1,750,000	1,869,000	112,000
CROSSROADS (Illinois)		4,635,000	11,611,000	5,435,000
DEDHAM PLAZA (Massachusetts)		12,369,000	12,918,000	2,799,000
EASTGATE (North Carolina)		1,608,000	5,775,000	5,311,000
ELLISBURG CIRCLE (New Jersey)		4,028,000	11,309,000	10,301,000
ESCONDIDO PROMENADE (California)	9,400,000	11,505,000	12,147,000	833,000
FALLS PLAZA (Virginia)		1,260,000	735,000	6,159,000
FALLS PLAZA - East (Virginia)		538,000	535,000	2,277,000
FEASTERVILLE (Pennsylvania)		1,431,000	1,600,000	8,474,000
FEDERAL PLAZA (Maryland)	36,304,000	10,216,000	17,895,000	33,366,000
FINLEY SQUARE (Illinois)		9,252,000	9,544,000	6,929,000
FLORIDA RETAIL BUILDINGS (2)		5,206,000	1,631,000	36,000
FLOURTOWN (Pennsylvania)		1,345,000	3,943,000	3,337,000
FRESH MEADOWS (New York)		24,625,000	25,255,000	14,272,000
FRIENDSHIP CTR (District of Columbia)	17,000,000	12,696,000	20,803,000	4,000
GAITHERSBURG SQUARE (Maryland)		7,701,000	5,271,000	10,505,000
GARDEN MARKET (Illinois)		2,677,000	4,829,000	2,823,000
GOVERNOR PLAZA (Maryland)		2,068,000	4,905,000	10,170,000
GRATIOT PLAZA (Michigan)		525,000	1,601,000	14,517,000
GREENLAWN (New York)		2,294,000	3,864,000	4,401,000
HAMILTON (New Jersey)	4,857,000		5,405,000	2,175,000
HAUPPAUGE (New York)	16,700,000	8,791,000	15,262,000	2,077,000
HUNTINGTON (New York)	14,387,000		16,008,000	6,487,000
IDYLWOOD PLAZA (Virginia)		4,308,000	10,026,000	456,000
ILLINOIS RETAIL BUILDINGS (2)		1,291,000	2,325,000	645,000
KINGS COURT (California)			10,714,000	151,000
LANCASTER (Pennsylvania)	68,000		2,103,000	2,588,000
LANGHORNE SQUARE (Pennsylvania)		720,000	2,974,000	13,768,000
LAUREL (Maryland)		7,458,000	22,525,000	15,254,000
LAWRENCE PARK (Pennsylvania)	31,400,000	5,723,000	7,160,000	10,540,000
LEESBURG PLAZA (Virginia)	9,900,000	8,184,000	10,722,000	1,166,000
LOEHMANN'S PLAZA (Virginia)		1,237,000	15,096,000	8,605,000

COLUMN A	COLUMN E		
	Gross amount at which carried at close of period		
Descriptions	Land	Building and Improvements	Total
ALLWOOD (New Jersey)	$	4,264,000	$ 4,264,000
ANDORRA (Pennsylvania)	2,432,000	15,991,000	18,423,000
ARIZONA BUILDINGS (2)	1,334,000	9,702,000	11,036,000
BALA CYNWYD (Pennsylvania)	3,565,000	20,652,000	24,217,000
BARRACKS ROAD (Virginia)	4,363,000	34,754,000	39,117,000
BETHESDA ROW (Maryland)	9,127,000	66,370,000	75,497,000
BLUESTAR (New Jersey)		38,885,000	38,885,000
BRICK PLAZA (New Jersey)	3,788,000	49,828,000	53,616,000
BRISTOL (Connecticut)	3,856,000	17,794,000	21,650,000
BRUNSWICK (New Jersey)		20,953,000	20,953,000
CALIFORNIA RETAIL BUILDINGS			
SANTA MONICA (9)	22,645,000	47,021,000	69,666,000
SAN DIEGO (4)	3,844,000	8,253,000	12,097,000
150 POST STREET (San Francisco)	11,685,000	16,084,000	27,769,000
OTHER (7)	19,496,000	34,539,000	54,035,000
CLIFTON (New Jersey)		4,797,000	4,797,000
CONGRESSIONAL PLAZA (Maryland)	2,793,000	44,263,000	47,056,000
CONNECTICUT RETAIL BUILDINGS (13)	25,061,000	30,124,000	55,185,000
COURTHOUSE CENTER (Maryland)	1,750,000	1,981,000	3,731,000
CROSSROADS (Illinois)	4,635,000	17,046,000	21,681,000
DEDHAM PLAZA (Massachusetts)	12,369,000	15,717,000	28,086,000
EASTGATE (North Carolina)	1,608,000	11,086,000	12,694,000
ELLISBURG CIRCLE (New Jersey)	4,028,000	21,610,000	25,638,000
ESCONDIDO PROMENADE (California)	11,505,000	12,980,000	24,485,000
FALLS PLAZA (Virginia)	1,260,000	6,894,000	8,154,000

FALLS PLAZA - East (Virginia)	559,000	2,791,000	3,350,000
FEASTERVILLE (Pennsylvania)	1,431,000	10,074,000	11,505,000
FEDERAL PLAZA (Maryland)	10,216,000	51,261,000	61,477,000
FINLEY SQUARE (Illinois)	9,252,000	16,473,000	25,725,000
FLORIDA RETAIL BUILDINGS (2)	5,206,000	1,667,000	6,873,000
FLOURTOWN (Pennsylvania)	1,345,000	7,280,000	8,625,000
FRESH MEADOWS (New York)	24,625,000	39,527,000	64,152,000
FRIENDSHIP CTR (District of Columbia)	12,696,000	20,807,000	33,503,000
GAITHERSBURG SQUARE (Maryland)	6,012,000	17,465,000	23,477,000
GARDEN MARKET (Illinois)	2,677,000	7,652,000	10,329,000
GOVERNOR PLAZA (Maryland)	2,068,000	15,075,000	17,143,000
GRATIOT PLAZA (Michigan)	525,000	16,118,000	16,643,000
GREENLAWN (New York)	2,294,000	8,265,000	10,559,000
HAMILTON (New Jersey)		7,580,000	7,580,000
HAUPPAUGE (New York)	8,791,000	17,339,000	26,130,000
HUNTINGTON (New York)		22,495,000	22,495,000
IDYLWOOD PLAZA (Virginia)	4,308,000	10,482,000	14,790,000
ILLINOIS RETAIL BUILDINGS (2)	1,291,000	2,970,000	4,261,000
KINGS COURT (California)		10,865,000	10,865,000
LANCASTER (Pennsylvania)		4,691,000	4,691,000
LANGHORNE SQUARE (Pennsylvania)	720,000	16,742,000	17,462,000
LAUREL (Maryland)	7,458,000	37,779,000	45,237,000
LAWRENCE PARK (Pennsylvania)	5,734,000	17,689,000	23,423,000
LEESBURG PLAZA (Virginia)	8,184,000	11,888,000	20,072,000
LOEHMANN'S PLAZA (Virginia)	1,248,000	23,690,000	24,938,000

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
Descriptions	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
ALLWOOD (New Jersey)	$ 1,653,000	1958	12/12/88	35 years
ANDORRA (Pennsylvania)	6,809,000	1953	01/12/88	35 years
ARIZONA BUILDINGS (2)	965,000	1995-1998	05/07/98	35 years
BALA CYNWYD (Pennsylvania)	4,990,000	1955	09/22/93	35 years
BARRACKS ROAD (Virginia)	17,800,000	1958	12/31/85	35 years
BETHESDA ROW (Maryland)	8,642,000	1945-2000	12/31/93	35 - 50 years
BLUESTAR (New Jersey)	13,151,000	1959	12/12/88	35 years
BRICK PLAZA (New Jersey)	16,595,000	1958	12/28/89	35 years
BRISTOL (Connecticut)	3,382,000	1959	9/22/95	35 years
BRUNSWICK (New Jersey)	6,024,000	1957	12/12/88	35 years
CALIFORNIA RETAIL BUILDINGS				
SANTA MONICA (9)	4,348,000	1888-2000	1996-2000	35 years
SAN DIEGO (4)	467,000	1888-1995	1996-1997	35 years
150 POST STREET (San Francisco)	1,694,000	1908	10/23/97	35 years
OTHER (7)	1,854,000	var	1996-1999	35 years
CLIFTON (New Jersey)	1,766,000	1959	12/12/88	35 years
CONGRESSIONAL PLAZA (Maryland)	16,099,000	1965	04/01/65	35 years
CONNECTICUT RETAIL BUILDINGS (13)	5,659,000	1900-1991	1994-1996	35 years
COURTHOUSE CENTER (Maryland)	238,000	1975	12/17/97	35 years
CROSSROADS (Illinois)	4,556,000	1959	07/19/93	35 years
DEDHAM PLAZA (Massachusetts)	3,880,000	1959	12/31/93	35 years
EASTGATE (North Carolina)	5,712,000	1963	12/18/86	35 years
ELLISBURG CIRCLE (New Jersey)	8,657,000	1959	10/16/92	35 years
ESCONDIDO PROMENADE (California)	1,903,000	1987	12/31/96	35 years
FALLS PLAZA (Virginia)	2,222,000	1962	09/30/67	22 3/4 years
FALLS PLAZA - East (Virginia)	2,574,000	1960	10/05/72	25 years
FEASTERVILLE (Pennsylvania)	4,619,000	1958	07/23/80	20 years
FEDERAL PLAZA (Maryland)	16,489,000	1970	06/29/89	35 years
FINLEY SQUARE (Illinois)	4,212,000	1974	04/27/95	35 years
FLORIDA RETAIL BUILDINGS (2)	284,000	1920	02/28/96	35 years
FLOURTOWN (Pennsylvania)	3,262,000	1957	04/25/80	35 years
FRESH MEADOWS (New York)	4,389,000	1946-1949	12/05/97	35 years
FRIENDSHIP CTR (District of Columbia)	197,000	1998	09/21/01	35 years
GAITHERSBURG SQUARE (Maryland)	5,637,000	1966	04/22/93	35 years
GARDEN MARKET (Illinois)	1,568,000	1958	07/28/94	35 years
GOVERNOR PLAZA (Maryland)	8,877,000	1963	10/01/85	35 years
GRATIOT PLAZA (Michigan)	4,138,000	1964	03/29/73	25 3/4 years
GREENLAWN (New York)	476,000	1975	01/05/00	35 years
HAMILTON (New Jersey)	3,530,000	1961	12/12/88	35 years
HAUPPAUGE (New York)	1,636,000	1963	08/06/98	35 years
HUNTINGTON (New York)	8,995,000	1962	12/12/88	35 years
IDYLWOOD PLAZA (Virginia)	2,408,000	1991	04/15/94	35 years
ILLINOIS RETAIL BUILDINGS (2)	606,000	1900-1927	1995-1997	35 years
KINGS COURT (California)	1,391,000	1960	08/24/98	26 years
LANCASTER (Pennsylvania)	3,980,000	1958	04/24/80	22 years
LANGHORNE SQUARE (Pennsylvania)	5,820,000	1966	01/31/85	35 years
LAUREL (Maryland)	17,396,000	1956	08/15/86	35 years
LAWRENCE PARK (Pennsylvania)	13,635,000	1972	07/23/80	22 years
LEESBURG PLAZA (Virginia)	1,142,000	1967	09/15/98	35 years
LOEHMANN'S PLAZA (Virginia)	2,016,000	1971	07/21/83	35 years

COLUMN A	COLUMN B	COLUMN C		COLUMN D
		Initial cost to company		
Descriptions	Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition
MAGRUDERS (Maryland)		4,554,000	4,859,000	588,000
MASSACHUSETTS RETAIL BLDG (1)		1,873,000	1,884,000	223,000
MID PIKE PLAZA (Maryland)	10,243,000		10,335,000	6,294,000
NEW JERSEY RETAIL BUILDING (1)		737,000	1,466,000	1,060,000
NEW YORK RETAIL BUILDINGS (3)		5,891,000	6,051,000	12,024,000
NORTHEAST (Pennsylvania)		1,152,000	10,596,000	9,434,000
NORTH LAKE COMMONS (Illinois)		2,782,000	8,604,000	1,556,000
OLD KEENE MILL (Virginia)		638,000	998,000	3,406,000
OLD TOWN CENTER (California)		3,420,000	2,765,000	26,660,000
PAN AM SHOPPING CENTER (Virginia)		8,694,000	12,929,000	2,777,000
PERRING PLAZA (Maryland)		2,800,000	6,461,000	14,655,000
PIKE 7 (Virginia)		9,709,000	22,799,000	775,000
QUEEN ANNE PLAZA (Massachusetts)		3,319,000	8,457,000	2,879,000
QUINCE ORCHARD PLAZA (Maryland)		3,197,000	7,949,000	7,248,000
ROLLINGWOOD APTS. (Maryland)		552,000	2,246,000	3,880,000
RUTGERS (New Jersey)	12,968,000		14,429,000	1,414,000
SAM'S PARK & SHOP (District of Columbia)		4,840,000	6,319,000	573,000
SAUGUS (Massachusetts)		4,383,000	8,291,000	394,000
SHIRLINGTON (Virginia)		9,761,000	14,808,000	6,772,000
TEXAS RETAIL BUILDINGS (9)	304,000	14,680,000	1,976,000	28,698,000
TOWER (Virginia)		7,170,000	10,518,000	180,000
TROY (New Jersey)		3,126,000	5,193,000	12,040,000
TYSONS STATION (Virginia)	6,967,000	388,000	453,000	2,416,000
UPTOWN (Oregon)		10,257,000	5,846,000	357,000
WILDWOOD (Maryland)	27,600,000	9,111,000	1,061,000	5,499,000
WILLOW GROVE (Pennsylvania)		1,499,000	6,643,000	17,575,000
WILLOW LAWN (Virginia)		3,192,000	7,723,000	50,620,000
WYNNEWOOD (Pennsylvania)	32,000,000	8,055,000	13,759,000	13,086,000
DEVELOPMENT PROJECTS:				
PENTAGON ROW (Virginia)			2,955,000	73,754,000
TANASBOURNE (Oregon)		8,200,000		7,705,000
SANTANA ROW (California)	62,004,000	41,969,000	1,161,000	186,242,000
TOTALS	$450,336,000	$441,578,000	$735,865,000	$926,861,000

COLUMN A	COLUMN E		
	Gross amount at which carried at close of period		
Descriptions	Land	Building and Improvements	Total
MAGRUDERS (Maryland)	4,554,000	5,447,000	10,001,000
MASSACHUSETTS RETAIL BLDG (1)	1,873,000	2,107,000	3,980,000
MID PIKE PLAZA (Maryland)		16,629,000	16,629,000
NEW JERSEY RETAIL BUILDING (1)	737,000	2,526,000	3,263,000
NEW YORK RETAIL BUILDINGS (3)	6,140,000	17,826,000	23,966,000
NORTHEAST (Pennsylvania)	1,153,000	20,029,000	21,182,000
NORTH LAKE COMMONS (Illinois)	2,782,000	10,160,000	12,942,000
OLD KEENE MILL (Virginia)	638,000	4,404,000	5,042,000
OLD TOWN CENTER (California)	3,420,000	29,425,000	32,845,000
PAN AM SHOPPING CENTER (Virginia)	8,694,000	15,706,000	24,400,000
PERRING PLAZA (Maryland)	2,800,000	21,116,000	23,916,000
PIKE 7 (Virginia)	9,709,000	23,574,000	33,283,000
QUEEN ANNE PLAZA (Massachusetts)	3,319,000	11,336,000	14,655,000
QUINCE ORCHARD PLAZA (Maryland)	2,928,000	15,466,000	18,394,000
ROLLINGWOOD APTS. (Maryland)	572,000	6,106,000	6,678,000
RUTGERS (New Jersey)		15,843,000	15,843,000
SAM'S PARK & SHOP (District of Columbia)	4,840,000	6,892,000	11,732,000
SAUGUS (Massachusetts)	4,383,000	8,685,000	13,068,000
SHIRLINGTON (Virginia)	9,816,000	21,525,000	31,341,000
TEXAS RETAIL BUILDINGS (9)	14,680,000	30,674,000	45,354,000
TOWER (Virginia)	7,129,000	10,739,000	17,868,000
TROY (New Jersey)	3,126,000	17,233,000	20,359,000
TYSONS STATION (Virginia)	475,000	2,782,000	3,257,000
UPTOWN (Oregon)	10,257,000	6,203,000	16,460,000
WILDWOOD (Maryland)	9,111,000	6,560,000	15,671,000
WILLOW GROVE (Pennsylvania)	1,499,000	24,218,000	25,717,000
WILLOW LAWN (Virginia)	7,790,000	53,745,000	61,535,000
WYNNEWOOD (Pennsylvania)	8,055,000	26,845,000	34,900,000
DEVELOPMENT PROJECTS:			
PENTAGON ROW (Virginia)		76,709,000	76,709,000
TANASBOURNE (Oregon)	15,905,000		15,905,000
SANTANA ROW (California)	41,969,000	187,403,000	229,372,000
TOTALS	$456,138,000	$1,648,166,000	$2,104,304,000

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
				Life on which

Descriptions	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	depreciation in latest income statements is computed
MAGRUDERS (Maryland)	660,000	1955	12/17/97	35 years
MASSACHUSETTS RETAIL BLDG (1)	457,000	1930	09/07/95	35 years
MID PIKE PLAZA (Maryland)	8,748,000	1963	05/18/82	50 years
NEW JERSEY RETAIL BUILDING (1)	555,000	1940	08/16/95	35 years
NEW YORK RETAIL BUILDINGS (3)	1,288,000	1937 - 1987	12/16/97	35 years
NORTHEAST (Pennsylvania)	9,960,000	1959	08/30/83	35 years
NORTH LAKE COMMONS (Illinois)	2,268,000	1989	04/27/94	35 years
OLD KEENE MILL (Virginia)	3,110,000	1968	06/15/76	33 1/3 years
OLD TOWN CENTER (California)	2,755,000	1997 - 1998	10/22/97	35 years
PAN AM SHOPPING CENTER (Virginia)	5,373,000	1979	02/05/93	35 years
PERRING PLAZA (Maryland)	10,156,000	1963	10/01/85	35 years
PIKE 7 (Virginia)	3,409,000	1968	03/31/97	35 years
QUEEN ANNE PLAZA (Massachusetts)	3,117,000	1967	12/23/94	35 years
QUINCE ORCHARD PLAZA (Maryland)	5,293,000	1975	04/22/93	35 years
ROLLINGWOOD APTS. (Maryland)	5,889,000	1960	01/15/71	25 years
RUTGERS (New Jersey)	5,908,000	1973	12/12/88	35 years
SAM'S PARK & SHOP (District of Columbia)	1,390,000	1930	12/01/95	35 years
SAUGUS (Massachusetts)	1,380,000	1976	10/01/96	35 years
SHIRLINGTON (Virginia)	3,363,000	1940	12/21/95	35 years
TEXAS RETAIL BUILDINGS (9)	380,000	var	1998-1999	35 years
TOWER (Virginia)	1,068,000	1953 - 1960	08/24/98	35 years
TROY (New Jersey)	10,675,000	1966	07/23/80	22 years
TYSONS STATION (Virginia)	2,282,000	1954	01/17/78	17 years
UPTOWN (Oregon)	842,000	1913- 1959	09/26/97	35 years
WILDWOOD (Maryland)	5,859,000	1958	05/05/69	33 1/3 years
WILLOW GROVE (Pennsylvania)	11,137,000	1953	11/20/84	35 years
WILLOW LAWN (Virginia)	24,354,000	1957	12/05/83	35 years
WYNNEWOOD (Pennsylvania)	3,978,000	1948	10/29/96	35 years
DEVELOPMENT PROJECTS:				
PENTAGON ROW (Virginia)	742,000		1998	
TANASBOURNE (Oregon)			2000	
SANTANA ROW (California)	1,028,000		03/05/97	
TOTALS	$395,767,000			

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION - CONTINUED
Three Years Ended December 31, 2001

Reconciliation of Total Cost

Balance, January 1, 1999	$1,642,136,000
Additions during period	
Acquisitions	26,355,000
Improvements	95,148,000
Deduction during period - disposition of property and miscellaneous retirements and impairments	(42,180,000)
Balance, December 31, 1999	1,721,459,000
Additions during period	
Acquisitions	26,794,000
Improvements	156,021,000
Deduction during period - disposition of property and miscellaneous retirements	(49,361,000)
Balance, December 31, 2000	1,854,913,000
Additions during period	
Acquisitions	52,820,000
Improvements	219,549,000
Deduction during period - disposition of property and miscellaneous retirements	(22,978,000)
Balance, December 31, 2001	$2,104,304,000

(A) For Federal tax purposes, the aggregate cost basis is approximately $1,898,190,000 as of December 31, 2001.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION - CONTINUED
Three Years Ended December 31, 2001

Reconciliation of Accumulated Depreciation and Amortization

Balance, January 1, 1999	$286,053,000
Additions during period	
Depreciation and amortization expense	46,133,000
Deductions during period - disposition of property and miscellaneous retirements	(14,265,000)
Balance, December 31, 1999	317,921,000
Additions during period	
Depreciation and amortization expense	49,176,000
Deductions during period - disposition of property, miscellaneous retirements and acquisition of minority interest	(15,839,000)
Balance, December 31, 2000	351,258,000
Additions during period	
Depreciation and amortization expense	55,048,000
Deductions during period - disposition of property, miscellaneous retirements and acquisition of minority interest	(10,539,000)
Balance, December 31, 2001	$395,767,000

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 2001

Column A Description of Lien	Column B Interest Rate	Column C Maturity Date	Column D Periodic Payment Terms	Column E Prior Liens
Leasehold mortgage on shopping center in New Jersey	10%	December 2003	Interest only monthly; $10,000,000 balloon paYment due at maturity	--
Mortgages on retail buildings in Pennsylvania	10%	January 2002	Interest only monthly; balloon payment due at maturity	--
Mortgage on retail buildings in Philadelphia	Greater of prime plus 2% or 10%	May 2021	Interest only monthly; balloon payment due at maturity	--
Mortgage on retail buildings in Philadelphia	10% plus participation	May 2021	Interest only; balloon payment due at maturity	--
Mortgage on land in Santa Monica, California	10% plus participation	July 2002	None. Balloon and accrued interest due at maturity	--
				--

Column A Description of Lien	Column F Face Amount of Mortgages	Column G Carrying Amount of Mortgages (1)
Leasehold mortgage on shopping center in New Jersey	$10,000,000	$10,000,000 (2)
Mortgages on retail buildings in Pennsylvania	1,152,000	1,152,000 (3)
Mortgage on retail buildings in Philadelphia	25,000,000	11,964,000 (4)
Mortgage on retail buildings in Philadelphia	9,250,000	9,250,000
Mortgage on land in Santa Monica, California	2,569,000 plus accrued interest and development cost	3,241,000
	$47,971,000	$35,607,000

1) For Federal tax purposes, the aggregate tax basis is approximately $35,607,000 as of December 31, 2001. No payments are delinquent on these mortgages.
2) This mortgage is extendable for up to 45 years with interest increasing to a maximum of 11%.
3) This mortgage balance was repaid on January 31, 2002.
4) This mortgage is available for up to $25,000,000.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE - CONTINUED
Three Years Ended December 31, 2001

Reconciliation of Carrying Amount

Balance, January 1, 1999	$51,154,000
Additions during period	
Issuance of loan	2,516,000
Deductions during period	
Collection of loan	(175,000)
Balance, December 31, 1999	53,495,000
Additions during period	
Issuance of loans	5,701,000
Deductions during period	
Collection and satisfaction of loans	(11,836,000)
Balance, December 31, 2000	47,360,000
Additions during period	
Issuance of loans	925,000
Deductions during period	
Collection and satisfaction of loans	(12,678,000)
Balance, December 31, 2001	$35,607,000

FEDERAL REALTY INVESTMENT TRUST
RESTRICTED SHARE AWARD AGREEMENT

February 15, 2000

The parties to this Restricted Share Award Agreement (this "Agreement") are Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Jeffrey S. Berkes, an individual employee of the Trust (the "Key Employee").

The Board of Trustees of the Trust (the "Board of Trustees") has authorized the award by the Trust to the Key Employee, under the Trust's Amended and Restated 1993 Long-Term Incentive Plan (the "Amended Plan") of a Restricted Share Award for a certain number of shares of beneficial interest, no par value, of the Trust (the "Shares"), subject to certain restrictions and covenants on the part of Key Employee. The parties hereto desire to set forth in this Agreement their respective rights and obligations with respect to such Shares.

Capitalized terms used in this Agreement, unless otherwise defined herein, have the respective meanings given to such terms in the Amended Plan. The terms of the Amended Plan are incorporated by reference as if set forth herein in their entirety. To the extent this Restricted Share Award Agreement is in any way inconsistent with the Amended Plan, the terms and provisions of the Amended Plan shall prevail.

In consideration of the covenants set forth in this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

1. <u>Award of Restricted Shares.</u>

(a) The Trust hereby confirms the grant to the Key Employee, as of February 15, 2000 (the "Award Date"), of Twenty Thousand (20,000) Shares (the "Restricted Shares"), subject to the restrictions and other terms and conditions set forth herein and in the Amended Plan.

(b) On or as soon as practicable after the Award Date, the Trust shall cause one or more stock certificates representing the Restricted Shares to be registered in the name of the Key Employee. Such stock certificate or certificates shall be subject to such stop-transfer orders and other restrictions as the Board of Trustees or any committee thereof may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are listed and any applicable federal or state securities law, and the Trust may cause a legend

or legends to be placed on such certificate or certificates to make appropriate reference to such restrictions.

The certificate or certificates representing the Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction Period (as hereinafter defined in Paragraph 3) with respect thereto shall have lapsed. Simultaneously with the execution and delivery of this Agreement, the Key Employee shall deliver to the Trust one or more undated stock powers endorsed in blank relating to the Restricted Shares. The Trust shall deliver or cause to be delivered to the Key Employee or, in the case of the Key Employee's death, to the Key Employee's Beneficiary, one or more stock certificates for the appropriate number of Shares, free of all such restrictions, as to which the restrictions shall have expired. Upon forfeiture, in accordance with Paragraph 4, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

2. Restrictions Applicable to Restricted Shares.

(a) Beginning on the Award Date, the Key Employee shall have all rights and privileges of a stockholder with respect to the Restricted Shares, except that the following restrictions shall apply:

(i) none of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or in the Committee's discretion, pursuant to a domestic relations order within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), pledged or sold, during the Restriction Period (as hereinafter defined in Paragraph 3);

(ii) all or a portion of the Restricted Shares may be forfeited in accordance with Paragraph 4; and

(iii) any Shares distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Shares and shall be represented by book entry and held in the same manner as the Restricted Shares with respect to which they were distributed.

(b) Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective. As the restrictions set forth in this Paragraph 2 hereof lapse in accordance with the terms of this Agreement as to all or a portion of the Restricted Shares, such shares shall no longer be considered Restricted Shares for purposes of this Agreement.

3. Restriction Period.

(a) The restrictions set forth in Paragraph 2 shall apply for a period (the "Restriction Period") from the Award Date until such Restriction Period lapses as follows:

(i) with respect to Four Thousand (4,000) Restricted Shares, the Restriction Period shall lapse on February 15 , 2001;

(ii) with respect to an additional Four Thousand (4,000) Restricted Shares, the Restriction Period shall lapse on February 15, 2002; and

(iii) with respect to an additional Four Thousand (4,000) Restricted Shares, the Restriction Period shall lapse on February 15, 2003; and

(iv) with respect to an additional Four Thousand (4,000) Restricted Shares, the Restriction Period shall lapse on February 15, 2004, and

(v) with respect to the remaining Four Thousand (4,000) Restricted Shares, the Restriction Period shall lapse on February 15, 2005;

provided, however, that the Restriction Period for any particular Restricted Shares shall not lapse on the date set forth above unless the Key Employee has tendered to the Trust, on or before that date, the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Restricted Shares on that date.

(b) Notwithstanding the foregoing, the Restriction Period shall lapse as to all Restricted Shares (i) in the event of the death or Disability of the Key Employee, or (ii) in the event that the Key Employee is discharged by the Trust without Cause as defined in the Amended Plan, provided in any case that the Key Employee shall have completed at least one year of employment after the Award Date, and provided further that the Key Employee or his legal representative shall first tender, within ninety (90) days after the death, Disability or discharge without Cause, the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Restricted Shares.

(c) Also notwithstanding the foregoing, the Restriction Period shall lapse as to all Restricted Shares upon the occurrence of a Change in Control, and in such event, the Trust shall deliver or cause to be delivered to the Key Employee within ten (10) business days after the Change in Control one or more stock certificates representing those Shares as to which the Restriction Period shall have lapsed, provided that the Key Employee shall first tender the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for

such Restricted Shares.

4. Forfeiture. Subject to Paragraph 3(c), if during the Restriction Period (i) the Key Employee is discharged by the Trust for Cause, (ii) the Key Employee resigns from employment with the Trust, or (iii) any of the events described in Paragraph 3(b) above occur prior to the completion by the Key Employee of one year of employment after the Award Date, then all rights of the Key Employee to any and all then-remaining Restricted Shares shall terminate and be forfeited. In addition, in the event the Key Employee or his legal representative fails to tender to the Trust any required tax withholding amount in accordance with Paragraphs 3(a), 3(b), or 3(c) above by the date specified therein, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

5. Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Key Employee and the assigns and successors of the Trust, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Key Employee.

6. Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and shall supersede all prior agreements and understandings, oral or written, between the parties with respect thereto. This Agreement may be amended at any time by written agreement of the parties hereto.

7. Governing Law. This Agreement and its validity, interpretation, performance and enforcement shall be governed by the laws of the State of Maryland other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

8. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

9. Continued Employment. This Agreement shall not confer upon the Key Employee any right with respect to continuance of employment by the Trust.

10. Certain References. References to the Key Employee in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the Key Employee's executors or the administrators, or the person or persons to

whom all or any portion of the Restricted Shares may be transferred by will or the laws of descent and distribution, shall be deemed to include such person or persons.

IN WITNESS WHEREOF, the Trust has caused this Agreement to be duly executed and the Key Employee has hereunto set his hand effective as of the day and year first above written.

FEDERAL REALTY INVESTMENT TRUST

By:____________________________

Name:__________________________

Title:_________________________

WITNESS:

____

KEY EMPLOYEE

____
Jeffrey S. Berkes

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 1st day of March, 2000 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and JEFFREY S. BERKES ("Employee").

WHEREAS, commencing on February 15, 2000, Employee will serve as Employer's Vice President - Strategic Transactions and Employer and Employee wish to set forth the terms of a Severance Agreement for Employee.

NOW THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. <u>Effective Date of Severance Agreement</u>. This Severance Agreement shall be effective as of the date first written above and shall continue and remain in full force and effect until terminated by the parties in writing.

2. <u>Termination Without Cause</u>. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 2(a) or 2(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 2; provided, however, in the event Employee's employment with Employer is terminated under any of the circumstances in Sections 2(a) or 2(b) under circumstances described in Section 7 below, Employee shall receive such payments and benefits as are set forth in Section 7 in lieu of the payments and benefits under this Section 2:

   (a) by Employer other than with Cause (as "Cause" is defined in Section 4 hereof);

   (b) by Employee within six (6) months following the occurrence of one or more of the following events:

      (i) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes an actual or constructive demotion of Employee; provided, however, that a change in the position(s) to whom Employee reports shall not by itself constitute a material modification of Employee's responsibilities unless Employee is assigned to report to a position below the level of executive officer; provided, further, that if Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off (as defined in Section 16) of that affiliate, the nature of Employee's duties and the scope of responsibilities and authority referred to above in this paragraph (i) shall mean those as in effect as of the first day of employment with the affiliate following the Spin-off and not those in effect with the Employer as of the date first written above;

(ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of Washington, D.C.;

(iii) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of (A) Employee's base salary for 2000, or (B) Employee's highest base salary during the three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years; and

(iv) this Severance Agreement is not expressly assumed by any successor (directly or indirectly, whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer.

(c) Decision by Employer to Terminate Without Cause. Employer's decision to terminate Employee's employment Without Cause shall be made by the Board of Trustees.

(d) Severance Payment Upon Termination Without Cause. In the event of Termination Without Cause other than under circumstances describedin Section 7 below, Employee will receive as severance pay an amount in cash equal to one (1) year's salary. For the purpose of calculating amounts payable pursuant to this Section 2(d), "salary" shall be an amount equal to (i) the greater of (A) Employee's highest annual base salary paid during the previous three (3) years or (B) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any cash and/or stock bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards). For purposes of the preceding sentence: (i) a stock bonus will be considered to have been paid in respect of a particular year if (A) in the case of a bonus paid under Employer's Incentive Bonus Plan (as the same may be amended from time or time, or any successor plan, the "Bonus Plan"), the stock bonus was awarded in respect of that year, even if it did not vest in that year, or (B) in the case of any other stock bonus, the shares vested in that year (other than as a result of the Termination Without Cause); and (ii) a stock bonus will be valued (A) in the case of a bonus paid under the Bonus Plan, at a figure equal to the number of shares awarded, multiplied by the per-share value (closing price) on the date on which the bonus was approved by the Compensation Committee of Employer's Board of Trustees, and (B) in the case of any other stock bonus, at a figure equal to the number of shares that vested, multiplied by the per-share value (closing price) on the date on which they vested. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination.

(e) Benefits. In the event of Termination Without Cause other than under circumstances described in Section 7 below, Employee shall receive "Full Benefits" for nine (9) months. Employer shall have satisfied its obligation to

provide Full Benefits to Employee if it (i) pays premiums due in connection with COBRA continuation coverage to continue Employee's medical and dental insurance coverage at not less than the levels of coverage immediately prior to termination of Employee's employment; (ii) maintains at not less than Employee's highest levels of coverage prior to Termination Without Cause individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith; (iii) to the extent that Employer maintained a long-term disability policy that provided coverage to Employee in excess of the coverage provided under Employer's group long-term disability policy, maintains at not less than Employee's highest levels of coverage prior to Termination Without Cause an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith, subject to the limitations of the policy; and (iv) pays the annual premiums associated with Employee's continued participation, at not less than Employee's highest levels of coverage prior to Termination Without Cause, under Employer's group long-term disability policy for a period of one (1) year following Termination Without Cause, subject to the limitations of the policy. Notwithstanding the foregoing, Employee shall be required to pay the premiums and any other costs of such Full Benefits in the same dollar amount that Employee was required to pay for such costs immediately prior to Termination Without Cause.

(f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any Termination Without Cause other than under circumstances described in Section 7 below, the vesting of options to purchase shares of Employer's common stock granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the twelve (12) months thereafter shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.

(g) Outplacement Services. In the event of Termination Without Cause other than under circumstances described in Section 7 below, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months from the date of Employee's termination.

(h) Provision of Telephone/Secretary. In the event of Termination Without Cause other than under circumstances described in Section 7 below, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer.

(i) Notice. If Employee terminates his or her employment pursuant to Section 2(b) hereof other than under circumstances described in Section 7 below and (i)

Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of such termination, or (ii) if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of such termination.

(j) Notwithstanding the foregoing provisions of this Agreement, it shall not be considered a Termination Without Cause in the event that the Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off of that affiliate if the Employer has assigned this Agreement to the affiliate as contemplated in Section 16 and the affiliate has assumed the obligations hereunder.

3. Voluntary Resignation. If Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer other than under circumstances described in Section 7 below; if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer other than under circumstances described in Section 7 below.

4. Severance Benefits Upon Termination With Cause. Employee shall be deemed to have been terminated with Cause in the event that the employment of Employee is terminated for any of the following reasons other than under circumstances described in Section 7 below:

(a) failure (other than failure due to disability) to substantially perform his or her duties with Employer or an affiliate thereof; which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Employee is diligently pursuing cure ("Failure to Perform");

(b) willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise;

(c) breach of fiduciary duty involving personal profit; or

(d) willful violation in the course of performing his or her duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses). No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.

(e) Decision by Employer to Terminate With Cause. The decision to terminate the employment of Employee with Cause shall be made by the Board of Trustees.

(f) Severance Payment Upon Termination with Cause. In the event of termination for Failure to Perform pursuant to Section 4(a), or termination for cause pursuant to Section 4(b), (c) or (d) above, the terms of the stock option agreements between

Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.

(i) For Cause Termination for Failure to Perform. In the event that Employee's employment is terminated with Cause pursuant to Section 4(a) above, Employee shall receive as severance pay an amount in cash equal to one (1) month's salary for every year of service to Employer in excess of five (5) years of service; such severance payment shall not exceed six (6) months' pay. The number of months for which such a payment is due shall determine the length of the for cause term ("For Cause Term"). For the purposes of this Section 4(f)(i) only, "salary" shall mean Employee's then current annual base salary and shall not include any bonus or other compensation. Payment shall also be made for accrued, but unused, vacation time. Employee shall also receive Full Benefits (as defined above) for the For Cause Term. In the event that, following Employee's termination for Failure to Perform, Employee becomes employed by or affiliated with, as a partner, consultant, contractor or otherwise, any entity which is substantially engaged in the business of property investment or management ("Competitor"), all payments specified in this Section 4(f)(i) shall cease upon the date Employee commences such employment or affiliation; provided, however, Employee shall continue to receive medical and dental care benefits from Employer until (i) Employee is eligible to receive medical and dental care benefits from the Competitor, or (ii) the date of expiration of Employee's For Cause Term, whichever comes first.

(ii) Other Cause Termination. In the event that Employee's employment is terminated with Cause pursuant to Section 4(b), (c) or (d), Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused vacation time.

5. Severance Benefits Upon Termination Upon Disability. Employer may terminate Employee upon thirty (30) days' prior written notice if (i) Employee's Disability has disabled Employee from rendering service to Employer for at least a six (6) month consecutive period during the term of Employee's employment, (ii) Employee's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Employee is covered under such policy. In the event of Employee's Termination Upon Disability, Employee shall be entitled to receive as severance pay each month for the year immediately following the date of termination an amount in cash equal to the difference, if any, between (i) the sum of (y) the amount of payments Employee receives or will receive during that month pursuant to the disability insurance policies maintained by Employer for Employee's benefit and (z) the adjustment described in the next sentence and (ii) Employee's base monthly salary on the date of termination due to Disability. The adjustment referred to in clause (z) of the preceding sentence is the amount by which any tax-exempt payments referred to in clause (y) would need to be increased if such payments were subject to tax in order to make the after-tax proceeds of such payments equal to the actual amount of such tax-exempt payments.

(a) Benefits. Employee shall receive Full Benefits (as defined above) for one (1) year following termination due to Disability.

(b) Stock Options. In the event that Employee's employment is terminated due to Disability, the terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of termination due to Disability and the exercise period for any vested option.

6. Severance Benefits Upon Termination Upon Death. If Employee dies, Employee's estate shall be entitled to receive an amount in cash equal to Employee's then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his or her death and the exercise period for any vested option.

7. Severance Benefits Upon Termination Upon Change in Control.

(a) Change in Control Defined. No benefits shall be payable under this Section 7 unless there shall have occurred a Change in Control of Employer, as defined below. For purposes of this Section 7, a "Change in Control" of Employer shall mean any of the following events:

(i) An acquisition in one or more transactions (other than directly from Employer or pursuant to options granted by Employer) of any voting securities of Employer (the "Voting Securities") by any "Person" (as the term is used for purposes of Section 13(d) or 14(d) of the Securities Act of 1934, as amended (the "Exchange Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of Employer's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (1) Employer or (2) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by Employer (a "Subsidiary"), (B) Employer or any Subsidiary, or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(ii) The individuals who, as of the date of this Severance Agreement, are members of the Board of Trustees (the "Incumbent Trustees"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by Employer's

shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this Severance Agreement, be considered as a member of the Incumbent Trustees; provided, further, however, that no individual shall be considered a member of the Incumbent Trustees if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Trustees (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Approval by shareholders of Employer of

(A) A merger, consolidation or reorganization involving Employer, unless:

(1) the shareholders of Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least a majority of the combined voting power of the outstanding voting securities of the Person resulting from such merger or consolidation or reorganization (the "Surviving Person") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

(2) the individuals who were members of the Incumbent Trustees immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Person,

(3) no Person (other than Employer or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by Employer, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities, and

(4) a transaction described in clauses (1) through (3) shall herein be referred to as a "Non-Control Transaction;"

(B) A complete liquidation or dissolution of Employer; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary).

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary ("Holding Company"), (2) causes the Holding Company to establish a wholly-owned subsidiary ("Merger Sub"), and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

(v) Notwithstanding anything contained in this Severance Agreement to the contrary, if Employee's employment is terminated while this Severance Agreement is in effect and Employee reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control and who effectuates a Change in Control (a "Third Party") or (B) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this Severance Agreement, the date of a Change in Control with respect to Employee shall mean the date immediately prior to the date of such termination of Employee's employment.

(b) Termination of Employment Following Change in Control.

If a Change in Control of Employer occurs, Employee shall be entitled to the benefits provided in this Section 7 upon the subsequent termination of Employee's employment with Employer for any reason, either voluntarily or involuntarily, within six (6) months of such Change of Control, unless such termination is because of Employee's death, Disability or retirement. The term "Retirement" shall mean termination of employment in accordance with (x) a qualified employee pension or profit-sharing plan maintained by Employer, or (y) Employer's retirement policy in effect immediately prior to the Change in Control. For purposes of this Section 7, Employee's employment shall be terminated by written notice

delivered by either Employer or Employee to the other party. The date of Employee's termination of employment shall be the earlier of the date of Employee's or Employer's written notice terminating Employee's employment with Employer, unless such notice shall specify an effective date of termination occurring later than the date of such notice, in which event such specified effective date shall govern ("Termination Date").

(c) Payment of Benefits upon Termination. If, after a Change in Control has occurred, Employee's employment with Employer is terminated in accordance with Section 7(b) above, then Employer shall pay to Employee and provide Employee, his or her beneficiaries and estate, the following:

(i) Employer shall pay to Employee a single cash payment equal to the amount described in Section 2(d) above (without giving effect to any accelerated vesting which may have occurred as a result of the Change in Control). If Employee's employment is terminated by Employee by a written notice which specifies a Termination Date at least five (5) business days later than the date of such notice, the payment shall be made on the Termination Date. If Employee gives less than five (5) business days notice, then such payment shall be made within five (5) business days of the date of such notice;

(ii) Employee shall receive Full Benefits for one (1) year following the Termination Date;

(iii) Employer, to the extent legally permissible, shall continue to provide to Employee all other officer perquisites, allowances, accommodations of employment, and benefits on the same terms and conditions as such are from time to time made available generally to the other officers of Employer but in no event less than the highest level of the perquisites, allowances, accommodations of employment and benefits that were available to Employee during the last twelve (12) months of Employee's employment prior to the Change in Control for a period of one (1) year following the Termination Date;

(iv) For the purposes of this Section 7(c), Employee's right to receive officer perquisites, allowances and accommodations of employment is intended to include (A) Employee's right to have Employer provide Employee for a period not to exceed six (6) months from Employee's Termination Date with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone; provided, however, such benefits described in this Section 7(c)(iv)(A) shall not include an office or physical access to Employer's offices and will cease upon the commencement by Employee of employment with another employer, and (B) Employee's right to have Employer make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employee for a period not to exceed six (6) months.

(v) Upon the occurrence of a Change in Control, all restrictions on the receipt of any option to acquire or grant of Voting Securities to Employee shall lapse and such option shall become immediately and fully exercisable. Notwithstanding any applicable restrictions or any agreement to the contrary, Employee may exercise any options to acquire Voting Securities as of the Change in Control by delivery to Employer of a written notice dated on or prior to the expiration of the stated term of the option.

(d) Redemption.

(i) Except as provided in subsection (ii) below, Employer shall within five (5) business days of receipt of written notice from Employee given at any time after the occurrence of a Change in Control but prior to the latest stated expiration date of any option held by Employee on the date of the Change in Control, redeem any Voting Securities held by Employee (whether acquired by exercise of any such option or grant or otherwise), at a price equal to the average closing price of Voting Securities as quoted on the New York Stock Exchange, or if such Voting Securities are not listed thereon, then the average of the closing "bid" and "ask" prices per share in the over-the-counter securities market for the fifteen (15) trading days prior to the date of such notice;

(ii) If, during the fifteen (15) day trading period, Voting Securities are not listed, quoted or reported on any publicly traded securities market for at least two-thirds (2/3) of the days included in such period, then the redemption price shall be determined as follows: (A) Employee shall designate in a written notice to Employer an appraiser to appraise the value of the Voting Securities to be redeemed; (B) within ten (10) business days of receipt of such notice Employer shall designate an appraiser to appraise the value of the Voting Securities to be redeemed, (C) such designated appraisers shall together designate, within ten (10) business days of the date the appraiser is designated by Employer, a third appraiser to appraise the value of such Voting Securities, (D) each appraiser shall value such Voting Securities within twenty (20) business days of the designation of the third appraiser using generally accepted appraisal methods for valuing such securities based upon the value of all of Employer's assets less all of its liabilities without giving effect for any costs of liquidation or distress sale, if otherwise applicable, and (E) the average of the three (3) values determined by the three (3) appraisers shall constitute the price at which Employer must redeem the Voting Securities covered by Employee's written notice within five (5) business days of the completion of this appraisal process. All costs and expenses associated with any appraisal prepared pursuant to this Section 7(d)(ii) shall be borne entirely by Employer.

(e) Excise Tax Payments.

(i) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that is provided for hereunder (other than the payment provided for in this Section 7(e)(i)) to be paid to or for the benefit of Employee (including, without limitation, the payments or benefits provided for under any provision of this Section 7) or payments or benefits under any other plan, agreements or arrangement between Employee and Employer (a "Payment" or "Payments"), be determined or alleged to be subject to an excise or similar purpose tax pursuant to Section 4999 of the Code or any successor or other comparable federal, state, or local tax laws or any interest or penalties incurred by Employee with respect to such excise or similar purpose tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax") Employer shall pay to Employee such additional compensation as is necessary (after taking into account all federal, state and local taxes (including any interest and penalties imposed with respect to such taxes), including any income or Excise Tax, payable by Employee as a result of the receipt of such additional compensation) (a "Gross-Up Payment") to place Employee in the same after-tax position (including federal, state and local taxes) Employee would have been in had no such Excise Tax been paid or incurred.

(ii) All mathematical determinations, and all determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), that are required to be made under this Section 7(e), including determinations as to whether a Gross-Up Payment is required, and the amount of such Gross-Up Payment, shall be made by an independent accounting firm selected by the Employee from among the six (6) largest accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to Employer and the Employee by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by Employer or the Employee (if the Employee reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall furnish the Employee and Employer with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Employee has substantial authority not to report any Excise Tax on her federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Employee within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to Employer by the Accounting Firm. The cost of obtaining the Determination shall be borne by Employer, any determination by the Accounting Firm shall be binding upon Employer and the Employee, absent manifest error. Without

limiting the obligation of Employer hereunder, Employee agrees, in the event that Employer makes a Gross-Up Payment to cover any Excise Tax, to negotiate with Employer in good faith with respect to procedures reasonably requested by Employer which would afford Employer the ability to contest the imposition of such Excise Tax; provided, however, that Employee will not be required to afford Employer any right to contest the applicability of any such Excise Tax to the extent that Employee reasonably determines (based upon the opinion of the Accounting Firm) that such contest is inconsistent with the overall tax interest of Employee.

(iii) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (A) upon notice (formal or informal) to Employee from any governmental taxing authority that Employee's tax liability (whether in respect of Employee's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which Employer has failed to make a sufficient Gross-Up Payment, (B) upon determination by a court, (C) by reason of determination by Employer (which shall include the position taken by Employer, together with its consolidated group, on its federal income tax return) or (D) upon the resolution of the Dispute to Employee's satisfaction. If an Underpayment occurs, Employee shall promptly notify Employer and Employer shall promptly, but in any event, at least five (5) days prior to the date on which the applicable governmental taxing authority has requested payment, pay to Employee an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of Employee's failure to file a timely tax return or pay taxes shown due on Employee's return where such failure is not due to Employer's actions or omissions) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments (or a portion thereof) with respect to which Employee had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Employee has received from the applicable governmental taxing authority a refund of taxes or other reduction in Employee's tax liability by reason of the Excess Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to Employee's applicable tax

return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by Employer to Employee and Employee shall pay to Employer on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Employee) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to Employee until date of repayment of the Excess Payment to Employer.

(iv) Notwithstanding anything contained in this Section 7 to the contrary, in the event that, according to the Final Determination, an Excise Tax will be imposed on any Payment or Payments, Employer shall pay to the applicable governmental taxing authorities as Excise Tax withholding, the amount of the Excise Tax that Employer has actually withheld from the Payment or Payments.

(f) No Set-Off. After a Change in Control, Employer shall have no right of set-off, reduction or counterclaim in respect of any debt or other obligation of Employee to Employer against any payment, benefit or other Employer obligation to Employee provided for in this Section 7 or pursuant to any other plan, agreement or policy.

(g) Interest on Amounts Payable. After a Change of Control, if any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to Employee under this Section 7 (or under any other plan, agreement, policy or arrangement with Employer) are not so paid promptly at the times provided herein or therein, such amounts shall accrue interest, compounded daily at the annual percentage rate which is three percentage points (3%) above the interest rate which is announced by The Riggs National Bank (Washington, D.C.) from time to time as its prime lending rate, from the date such amounts were required or determined to have been paid or payable or reimbursed or reimbursable to Employee until such amounts and any interest accrued thereon are finally and fully paid; provided, however, that in no event shall the amount of interest contracted for, charged or received hereunder exceed the maximum non-usurious amount of interest allowed by applicable law.

(h) Disputes; Payment of Expenses. At any time after a Change of Control, all costs and expenses (including legal, accounting and other advisory fees and expenses of investigation) incurred by Employee in connection with (i) any dispute as to the validity, interpretation or application of any term or condition of this Section 7, (ii) the determination in any tax year of the tax consequences to Employee of any amounts payable (or reimbursable) under this Section 7, or (iii) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Employee's personal income tax return for any year which is the subject of any such audit or an adverse determination, administrative proceeding or civil litigation arising therefrom that is occasioned by or related to an audit of the

Internal Revenue Service of Employer's income tax returns are, upon written demand by Employee, to be paid by Employer (and Employee shall be entitled, upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling Employer) promptly on a current basis (either directly or by reimbursing Employee). Under no circumstances shall Employee be obligated to pay or reimburse Employer for any attorneys' fees, costs or expenses incurred by Employer.

8. Confidentiality - Employer's Obligations. Unless Employee and Employer mutually agree on appropriate language for such purposes, in the event that Employee's employment is Terminated Without Cause pursuant to Section 2 above, With Cause pursuant to Section 4(a) above, or under circumstances described in Section 7, or Employee voluntarily resigns, Employer, except to the extent required by law, will not make or publish, without the express prior written consent of Employee, any written or oral statement concerning Employee's work related performance or the reasons or basis for the severing of Employee's employment relationship with Employer; provided, however, that the foregoing restriction is not applicable to information which was or became generally available to the public other than as a result of a disclosure by Employer.

9. Confidentiality - Employee's Obligations. Employee acknowledges and reaffirms that Employee will comply with the terms of the confidentiality letter executed by Employee upon commencement of Employee's employment with Employer.

10. Payments. In the event of the termination of Employee's employment under circumstances described in Section 7, the severance payment made pursuant to that section shall be made as a lump sum payment. In the event of Employee's voluntary resignation other than under circumstances described in Section 7, severance payments made pursuant to this Severance Agreement shall be made pro rata on a monthly basis. All other severance payments payable to Employee pursuant to the terms of this Severance Agreement may be made either as a lump sum payment or pro rata on a monthly basis, at Employee's option.

11. Tax Withholding. Employer may withhold from any benefits payable under this Severance Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes (other than any excise tax imposed under Section 4999 of the Code or any similar tax to which the indemnity provisions of Section 7(e) of this Severance Agreement shall apply) as shall be required pursuant to any law or governmental regulation or ruling.

12. Arbitration.

(a) Any controversy, claim or dispute arising out of or relating to this Severance Agreement or the breach thereof shall be settled by arbitration in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties irrevocably consent

to the jurisdiction of the federal and state courts located in Maryland for this purpose. Each such arbitration proceeding shall be located in Maryland.

(b) The arbitrator(s) may, in the course of the proceedings, order any provisional remedy or conservatory measure (including, without limitation, attachment, preliminary injunction or the eposit of specified security) that the arbitrator(s) consider to be necessary, just and equitable. The failure of a party to comply with such an interim order may, after due notice and opportunity to cure with such noncompliance, be treated by the arbitrator(s) as a default, and some or all of the claims or defenses of the defaulting party may be stricken and partial or final award entered against such party, or the arbitrator(s) may impose such lesser sanctions as the arbitrator(s) may deem appropriate. A request for interim or provisional relief by a party to a court shall not be deemed incompatible with the agreement to arbitrate or a waiver of that agreement.

(c) The parties acknowledge that any remedy at law for breach of this Severance Agreement may be inadequate, and that, in the event of a breach by Employee of Sections 9 or 15, any remedy at law would be inadequate in that such breach would cause irreparable competitive harm to Employer. Consequently, in addition to any other relief that may be available, the arbitrator(s) also may order permanent injunctive relief, including, without limitation, specific performance, without the necessity of the prevailing party proving actual damages and without regard to the adequacy of any remedy at law.

(d) In the event that Employee is the prevailing party in such arbitration, then Employee shall be entitled to reimbursement by Employer for all reasonable legal and other professional fees and expenses incurred by Employee in such arbitration or in enforcing the award, including reasonable attorney's fees.

(e) The parties agree that the results of any such arbitration proceeding shall be conclusive and binding upon them.

13. Continued Employment. This Severance Agreement shall not confer upon the Employee any right with respect to continuance of employment by Employer; provided, however, that Employer shall not, prior to February 15, 2001, (i) terminate Employee's employment other than with Cause (as "Cause" is defined in Section 4 hereof); or (ii) do any of the things described in Section 2(b)(i) or 2(b)(iii) which would entitle Employee to resign and receive a severance payment pursuant to Section 2(d) of this Agreement.

14. Mitigation. Employee shall not be required to mitigate the amount of any payment, benefit or other Employer obligation provided for in this Severance Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to Employee in any subsequent employment.

1.5 Restrictions on Competition; Solicitation; Hiring.

(a) During the term of his or her employment by or with Employer, and for one (1) year from the date of the termination of Employee's employment with Employer (the "Post Termination Period"), Employee shall not, without the prior written consent of Employer, for himself or herself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work on or participate in the acquisition, leasing, financing, pre-development or development of any project or property which was considered and actively pursued by Employer or its affiliates for acquisition, leasing, financing, pre-development or development within one year prior to the date of termination of Employee's employment.

(b) During the term of his or her employment by or with Employer, and thereafter during the Post Termination Period, Employee shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person:

(i) so that Employer may maintain an uninterrupted workforce, solicit and/or hire any Person who is at the time of termination of employment, or has been within six (6) months prior to the time of termination of Employee's employment, an employee of Employer or its affiliates, for the purpose or with the intent of enticing such employee away from or out of the employ of Employer or its affiliates, provided that Employee shall be permitted to call upon and hire any member of the Employee's immediate family;

(ii) in order to protect the confidential information and proprietary rights of Employer, solicit, induce or attempt to induce any Person who or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, an actual customer, client, business partner, property owner, developer or tenant or a prospective customer, client, business partner, property owner, developer or tenant (i.e. , a customer, client, business partner, property owner, developer or tenant who is party to a written proposal or letter of intent with Employer, in each case written less than six (6) months prior to termination of Employee's employment) of Employer, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates, or (B) in any way interfering with the relationship between such Person and Employer or its affiliates; or

(iii) solicit, induce or attempt to induce any Person who is or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, a tenant, supplier, licensee or consultant of, or provider of goods or services to Employer or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with

Employer or its affiliates or (B) in any way interfering with the relationship between such Person and Employer or its affiliates.

(c) The above notwithstanding, the restrictions contained in subsections (a) and (b) above shall not apply to Employee in the Post-Termination Period in the event that Employee has ceased to be employed by Employer under circumstances described in Section 7 of this Severance Agreement.

(d) Because of the difficulty of measuring economic losses to Employer as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to Employer for which it would have no other adequate remedy, Employee agrees that the foregoing covenants, in addition to and not in limitation of any other rights, remedies or damages available to Employer at law, in equity or under this Agreement, may be enforced by Employer in the event of the breach or threatened breach by Employee, by injunctions and/or restraining orders. If Employer is involved in court or other legal proceedings to enforce the covenants contained in this Section 15, then in the event Employer prevails in such proceedings, Employee shall be liable for the payment of reasonable attorneys' fees, costs and ancillary expenses incurred by Employer in enforcing its rights hereunder.

(e) It is agreed by the parties that the covenants contained in this Section 15 impose a fair and reasonable restraint on Employee in light of the activities and business of Employer on the date of the execution of this Agreement and the current plans of Employer; but it is also the intent of Employer and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of Employer and its affiliates throughout the term of these covenants.

(f) It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and enters into a business or pursues other activities that, at such time,are not in competition with Employer or its affiliates or with any business or activity which Employer or its affiliates contemplated pursuing, as of the date of termination of Employee's employment, within twelve (12) months from such date of termination, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 15 or any of Employee's obligations under this Section 15, Employee shall not be chargeable with a violation of this Section 15 if Employer or its affiliates subsequently enter the same (or a similar) competitive business, course of activities or location, as applicable.

(g) The covenants in this Section 15 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.

(h) All of the covenants in this Section 15 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against Employer whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by Employer of such covenants. It is specifically agreed that the Post Termination Period, during which the agreements and covenants of Employee made in this Section 15 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this Section 15.

(i) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Employee shall be prohibited from engaging in any competitive activity described in Section 15 hereof, the period of time for which Employee shall be prohibited pursuant to Section 15 hereof shall be the maximum time permitted by law.

16. No Assignment. Neither this Severance Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either Employer or Employee without the prior written consent of the other party; provided, however, that this provision shall not preclude Employee from designating one or more beneficiaries to receive any amount that may be payable after Employee's death and shall not preclude Employee's executor or administrator from assigning any right hereunder to the person or persons entitled thereto; provided, further, that in connection with a voluntary transfer, the Employer may assign this Severance Agreement (and its rights, remedies, obligations, and liabilities) to an affiliate of the Employer without the consent of the Employee in connection with a spin off of such affiliate (whether by a transfer of shares of beneficial ownership, assets, or other substantially similar transaction) to all or substantially all of the shareholders of the Employer (a "Spin-off") and, upon such assignment, the affiliate shall be deemed the Employer for all purposes of this Severance Agreement. This Severance Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of Employer, or by any merger or consolidation wherein Employer is not the surviving entity, or by any transfer of all or substantially all of Employer's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Severance Agreement shall be binding upon and shall inure to the benefit of the surviving entity or to the entity to which such assets shall be transferred.

17. Amendment. This Severance Agreement may be terminated, amended, modified or supplemented only by a written instrument executed by Employee and Employer.

18. Waiver. Either party hereto may by written notice to the other: (i) extend the time for performance of any of the obligations or other actions of the other party under this Severance Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Severance Agreement; (iii) waive or modify performance of any of the obligations of the other party under this Severance Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Severance Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with

any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Severance Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach. No failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights to exercise the same any subsequent time or times hereunder.

19. Severability. In case any one or more of the provisions of this Severance Agreement shall, for any reason, be held or found by determination of the arbitrator(s) pursuant to an arbitration held in accordance with Section 12 above to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Severance Agreement, (ii) this Severance Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and (iii) if the effect of a holding or finding that any such provision is either invalid, illegal or unenforceable is to modify to Employee's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Employee intended by Employer and Employee in entering into this Severance Agreement, Employer shall promptly negotiate and enter into an agreement with Employee containing alternative provisions (reasonably acceptable to Employee), that will restore to Employee (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Employee would have enjoyed had any such provision of this Severance Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Severance Agreement shall not be deemed a waiver of such provision or of any other provision of this Severance Agreement.

20. Governing Law. This Severance Agreement has been executed and delivered in the State of Maryland and its validity, interpretation, performance and enforcement shall be governed by the laws of said State; provided, however, that any arbitration under Section 12 hereof shall be conducted in accordance with the Federal Arbitration Act as then in force.

21. No Attachment. Except as required by law, no right to receive payments under this Severance Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or the execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

22. Source of Payments. All payments provided under this Severance Agreement shall be paid in cash from the general funds of Employer, and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment.

23. Headings. The section and other headings contained in this Severance Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Severance Agreement.

24. Notices. Any notice required or permitted to be given under this Severance Agreement shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to Employee's addresses set forth herein and the business address of Employer, unless a

party changes its address for receiving notices by giving notice in accordance with this Section, in which case, to the address specified in such notice.

25. Counterparts. This Severance Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

26. Entire Agreement. Except as may otherwise be provided herein, this Severance Agreement supersedes any and all prior written agreements existing between Employer and Employee with regard to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Severance Agreement to be effective as of the day and year indicated above.

Employee's Signature

Employee's Permanent Address:
2930 28th Street, N.W.
Washington, DC 20008

FEDERAL REALTY INVESTMENT TRUST

By:___________________________________

Name: ________________________________

Title:________________________________

Address: 1626 East Jefferson Street
Rockville, Maryland 20852

March 1, 2002

Mr. Ron D. Kaplan
7909 Greentree Road
Bethesda, Maryland 20817

Dear Ron:

This letter agreement will set forth the terms of the termination of your employment with Federal Realty Investment Trust (the "Trust"):

1. Your employment was terminated without cause pursuant to the Amended and Restated Severance Agreement dated March 6, 1998 between you and the Trust (the "Severance Agreement") effective March 1, 2002 (the "Termination Date"). You and the Trust acknowledge that you have been paid through the Termination Date and that the Trust owes you payment for all accrued unused vacation as of the Termination Date, plus an additional eleven vacation days.

2. The Trust will make a severance payment to you in the amount of $1,035,400 pursuant to Section 3(d) of your Severance Agreement. You agree that the above amount is the correct amount payable under that section of your Severance Agreement. Your severance payment will be payable in a lump sum on the date on which this letter agreement becomes effective and enforceable (i.e., the day after the expiration of the revocation period referred to in paragraph 15 below without your having revoked this letter agreement). You will also be entitled to all benefits and balances under your 401-K and Non-Qualified Deferred Compensation plans.

3. You will receive Full Benefits as described in Section 3(e) of the Severance Agreement for the periods specified in Section 3(e) plus an additional period of seven (7) months.

4. You will receive outplacement services as described in Section 3(h) for a period not to exceed six (6) months and beginning on any date elected by you in writing during the sixteen (16) month period commencing on the Termination Date.

5. You will receive the perquisites described in Section 3(i) of the Severance Agreement beginning September 30, 2002.

6. Effective as of the Termination Date, you will receive loan forgiveness described

in Section 3(f) of the Severance Agreement as well as loan forgiveness provided for upon termination of your employment without cause under the performance share award, restricted share award, share purchase plan and option agreements between you and the Trust. It is hereby acknowledged and agreed that the balance of your outstanding indebtedness to the Trust as of the Termination Date, after giving effect to the debt forgiveness triggered by your Termination Without Cause, is $1,729,988.50 ("Total Outstanding Debt") and this amount, and the debt forgiveness, is itemized on Exhibit A.

7. The Trust has agreed to modify and extend the terms of your obligation to repay the Total Outstanding Debt as follows: the Total Outstanding Debt will bear interest at a fixed annual rate of 5.85% and will have a maturity date of September 30, 2007, unless earlier forgiven or prepaid and will require interest-only quarterly payments of $25,301.08, which shall be due and payable on each January 15th, April 15th, July 15th and October 15th during the Term; the obligation will be recourse to you and you shall maintain collateral in the form of unencumbered Federal Realty stock or cash or any cash equivalent having a then current market value of not less than 110% of the outstanding loan balance. The sufficiency of Collateral will be evaluated as of March 1 of each year during the term of the loan. In the event that the value of the Collateral is less than 100% of the outstanding loan balance as of March 1, you will post additional Collateral as required in order to satisfy this requirement. In the event that the value of the Collateral exceeds 110% of the outstanding loan balance as of March 1, excess Collateral will be released at your request. If the Trust contemplates a change in control (as that term is defined in the Trust's 2001 Long-Term Incentive Plan) prior to September 30, 2007, the Trust may, but shall have no obligation to, engage you in connection with such transaction, and, if the Trust does so engage you pursuant to a written agreement signed by you and Steve Guttman or any Executive Officer on behalf of the Trust, the outstanding principal balance of the Total Outstanding Debt will be forgiven in full in the event that the change in control transaction is completed on or before September 30, 2007. In consideration for the modifications and extension provided herein and the cancellation of all existing promissory notes which previously evidenced the Total Outstanding Debt, you will execute, concurrently herewith, the Full Recourse Secured Promissory Note and Share Pledge Agreement in the forms attached hereto as Exhibit B, evidencing and securing your obligation with respect to the Total Outstanding Debt.

8. Effective as of the Termination Date, you will receive the accelerated vesting of stock options, performance shares and restricted shares, pursuant to Section 3(g) of your Severance Agreement and other agreements between you and the Trust, as itemized in Exhibit C hereto (and the options may be exercised for a period of seven months commencing on the date first set forth above, plus the period specified in such agreements).

9. It is acknowledged and agreed that the Split Dollar Life Insurance Agreement between you, the Trust and the Ronald D. Kaplan Family Trust shall remain in full force and effect in accordance with the Split Dollar Life Insurance Agreement.

10. The Trust may withhold from any amounts payable under this letter agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

11. You understand and acknowledge that the payments provided for in this letter agreement are the only payments to which you will be entitled and that they exceed the payments and benefits to which you were otherwise entitled. In consideration of these payments, you agree that you will not be entitled to collect unemployment compensation. You acknowledge and recognize that in agreeing to provide you with the payments provided under this letter agreement, the Trust in no way admits any wrongdoing or liability to you arising out of any basis, including but not limited to your employment and/or ending of employment with the Trust.

12. You acknowledge that the Trust's business reputation in the real estate industry and the morale of its employees are of great value to the Trust. Thus, in consideration of the payments provided under this letter agreement, you agree that (a) you will not disparage the Trust, its affiliates or its and their officers, directors, trustees or employees, and (b) you will comply with all the terms and conditions of the confidentiality letter you executed as a condition of employment with the Trust (a copy of which is attached to this letter agreement as Attachment A) and you will not divulge and will keep confidential all proprietary and private information regarding the Trust which was made known to you during your employment, other than any disclosure required by any law or regulation, court of competent jurisdiction, recognized subpoena power, or governmental agency or authority, or to the extent necessary for Kaplan to enforce Federal's obligations hereunder.

The Trust acknowledges your reputation and its great value to you. The Trust agrees that neither it nor its officers, directors, trustees, or agents will disparage your work performance or ethic or your integrity, or otherwise comment upon you unfavorably; and that neither it nor its officers, directors, trustees, or agents will make or publish, without your express prior written consent, any disparaging written or oral statement concerning you or your work performance or ethic or your integrity.

13. You agree to return to the Trust all items containing proprietary information or trade secrets and any other property belonging to the Trust on or before the last day of the Term of the Consulting Agreement between you and the Trust. Notwithstanding the foregoing, you may retain, as your personal property, the Compaq Armada M300 laptop computer and docking station that the Trust provided for your use ("Computer"), provided that you must present the Computer to Lisa Denson on or before the last day of the Term of the Consulting Agreement so that she may delete any proprietary or confidential information stored thereon.

14. In consideration of the mutual promises of the parties and of the payments and other benefits promised herein by the Trust, you agree to release the Trust, all affiliated companies, and all employees, representatives, officers, trustees and directors of those entities of any and all claims or causes of action which you could assert arising, directly or indirectly, out of, or in any way connected with, based upon, or related to your employment by the Trust or your retirement under all statutes, laws, and regulations, whether, federal, state or local by executing a Release (in the form attached to this letter agreement as Attachment A) simultaneously with the execution of this letter agreement, and the Release shall be attached to and form a part of this letter agreement.

15. You acknowledge that you have been given at least twenty-one (21) days to consider this letter agreement, that you have seven (7) days from the date you sign this letter

agreement in which to revoke it, and that this letter agreement will not be effective or enforceable until after the seven-day revocation period ends without your revocation of it. Revocation can be made by delivery of a written notice of revocation to Nancy Herman, Senior Vice President - General Counsel, on or before the seventh calendar day after you sign this letter agreement.

16. This letter agreement (i) supersedes all other agreements between you and the Trust with regard to the subject matter hereof, (ii) will be governed by and interpreted under the laws of Maryland, and (iii) will become final and binding on both parties only upon full execution by both parties, your execution of the Release and the passage of the seven-day revocation period without your revocation.

It has been an honor and a pleasure working with you, Ron. On behalf of myself, the other officers and employees of the Trust, and the Board of Trustees, I want to thank you for your many years of devoted and very professional service to the Trust. We wish you all the best in your future endeavors.

WITNESS: FEDERAL REALTY INVESTMENT TRUST

______________________________ By: ______________________________

Nancy J. Herman
Senior Vice President-General Counsel
and Secretary

WITNESS:

______________________________ ______________________________

Ron D. Kaplan
Date of Signature: ____________________

ATTACHMENT A

RELEASE

This Release, entered into and effective for all purposes as of this ____ day of March, 2002, between Ron D. Kaplan ("Employee") and Federal Realty Investment Trust ("Employer"),

KNOW ALL MEN BY THESE PRESENTS THAT:

A. In consideration of Employer's agreement to make the payments and to provide other benefits to Employee as set forth in a letter agreement dated March 1, 2002, the receipt and sufficiency of which are hereby acknowledged, Employee hereby irrevocably and unconditionally releases, remits, acquits, and discharges Employer and any affiliate of Employer and its present and former officers, Trustees, agents, employees, contractors, successors and assigns (separately and collectively "releasees"), jointly and individually, from any and all claims, known or unknown, which Employee, her heirs, successors or assigns have or may have against releasees and any and all liability which the releasees may have to her whether called claims, demands, causes of action, obligations, damages or liabilities arising from any and all basis, however called, including but not limited to claims of discrimination under any federal, state or local law, rule or regulation. This release relates to claims known or unknown arising prior to and during Employee's employment by Employer, whether those claims are past or present, whether they arise from common law, contract or statute, whether they arise from labor laws or discrimination laws, or any other law, rule or regulation, provided, however, that this release does not apply to any rights or claims that may arise after the date of this Release. Employee specifically acknowledges that this release is applicable to any claim under the CIVIL RIGHTS ACT OF 1964, as amended, the AGE DISCRIMINATION IN EMPLOYMENT ACT, as amended, and/or the AMERICANS WITH DISABILITIES ACT. This release is for any relief, no matter how called, including but not limited to reinstatement, wages, back pay, front pay, severance pay, compensatory damages, punitive damages or damages for pain or suffering, or attorney fees.

B. Subject to Paragraph D. below, Employer and its successors and assigns hereby irrevocably and unconditionally release, remit, acquit, and discharge Employee from any and all claims, known or unknown, which Employer has or may have against Employee and any and all liability which Employee may have to it whether called claims, demands, causes of action, obligations, damages or liabilities arising from any and all basis, however called. This release relates to claims known or unknown arising prior to and during Employee's employment by Employer, whether those claims are past or present, whether they arise from common law, contract or statute, whether they arise from labor laws or discrimination laws, or any other law, rule or regulation, provided, however, that this release does not apply to any rights or claims that relate to events occurring after the date of this Mutual Release. This release is for any relief, no matter how called, including but not limited to compensatory damages, punitive damages or damages for pain or suffering, or attorney fees.

C. Employee represents that he has not filed any administrative or judicial claim or complaint against releasees. Employer represents that it has filed no administrative or judicial claim or complaint against Employee.

D. This Release shall be and remain in effect despite any alleged breach of the letter agreement or the discovery or existence of any new or additional fact or any fact different from that which Employee or Employer or their counsel now know or believe to be true. Notwithstanding the foregoing, nothing in this Release shall be construed as or constitute a release of Employee's or Employer's rights to enforce the terms of the letter agreement, or to seek relief, including but not limited to any damages, for any breach of the letter agreement.

E. Employee acknowledges that he has read the foregoing Release; that he has had a right to consult an attorney, and has been encouraged by the Employer to review this Release with an attorney; that he has been given a period of not less than 21 days in which to consider this Release; that he understands it; and that he accepts and agrees to all the provisions contained herein. Employee understands that this Release sets forth the entire understanding of the parties, and he acknowledges that he has not relied upon any other representations or promises in entering into this Release.

Employee may revoke this Release at any time during the seven days immediately following his execution of the Release, after which time the Release shall be irrevocable and enforceable in any court of competent jurisdiction.

IN WITNESS WHEREOF, the parties have executed this Release as of the date first above written.

____
Ron D. Kaplan

FEDERAL REALTY INVESTMENT TRUST

By: ___________________________________
Title:

EXHIBIT A

TOTAL OUTSTANDING DEBT

	Existing Debt	Debt Forgiven On TWOC/1/	Total Outstanding Debt
Stock Option Loans	$1,104,988.50	$ 0	$1,104,988.50
Share Purchase Loans and Associated Tax Loans	$ 750,000.00	$125,000.00	$ 625,000.00
Tax Loans on Restricted Shares	$ 333,377.19	$333,377.19	$ 0
Tax Loans on Performance Shares	$ 398,656.25	$398,656.25	$ 0
Total	$2,587,021.94	$857,033.44	$1,729,988.50

	Newly Created Debt as a Result of TWOC	Debt Forgiven on TWOC
Tax Loans on Restricted Shares	$393,251	$393,251
Tax Loans on Performance Shares	$314,500	$314,500
Total	$707,751	$707,751

- ------------------

/1/ "TWOC" refers to Termination Without Cause, as defined in Section 3 of Ron Kaplan's Amended and Restated Severance Agreement.

EXHIBIT B

FORM OF FULL RECOURSE SECURED PROMISSORY NOTE AND STOCK PLEDGE AGREEMENT

EXHIBIT C
ACCELERATED VESTING

TYPE OF AWARD	ACCELERATION
Performance Share Award Agreements	Accelerated vesting of remaining 25,000 shares
Restricted Share Award Agreements (Service Awards)	Accelerated vesting of remaining 29,950 shares
Restricted Share Award Agreements (Bonus)	Accelerated vesting of 4,805 shares
Options	Accelerated vesting of 69,999 options; vested options are exercisable for 12 months

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made as of the _1st___ day of March, 2002, by and between Federal Realty Investment Trust, with an address of 1626 East Jefferson Street, Rockville, MD 20852 ("Federal") and Ron D. Kaplan, an individual with an address of 7909 Greentree Road, Bethesda, Maryland 20817 ("Kaplan ").

WHEREAS Federal desires to engage Kaplan to serve as a consultant to Federal and Kaplan desires to so serve as a consultant to Federal.

NOW THEREFORE, in consideration of the promises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. <u>Appointment as Independent Consultant</u>. Federal agrees to engage Kaplan as an independent consultant, for the purposes set forth in Paragraph 3 of this Agreement (the "Services"). The parties acknowledge and agree that Kaplan's employment with Federal was terminated effective March 1, 2002 and that nothing in this Agreement shall constitute or be construed as constituting, creating or extending an agency, partnership, master-servant or employer-employee relationship between Federal and Kaplan. Federal shall not be liable for any act or omission of Kaplan or for any obligation or debt incurred by Kaplan, unless the same shall have been authorized by any Executive Officer of Federal.

2. <u>Term</u>. The term of this Agreement shall commence on March 1, 2002, and shall continue through September 30, 2002 or the Termination Date ("Term"). Kaplan shall return to Federal any and all records, reports, documents and other materials relating to the Services that are in his possession or control, by overnight courier within twenty-four (24) hours after the first to occur of: (i) a request by Federal, or (ii) the Termination Date, or (iii) September 30, 2002. Federal shall promptly reimburse Kaplan for actual charges incurred to deliver such materials.

3. <u>Services</u>. Kaplan agrees to use reasonable best efforts to complete each and all of the following Services, to the reasonable satisfaction of Steven Guttman (or such other Federal designee as may be appointed by the Chief Executive Officer of Federal) on or before September 30, 2002. Kaplan shall devote the time required as determined in his reasonable discretion to complete the Services.

a. Transition all matters, projects and other business for which Kaplan was responsible during the term of his employment with Federal to Don Wood and Larry Finger and other designated employees.

b. Renegotiate the Santana Row construction loan on terms acceptable to Federal.

4. <u>Consulting Fees, Expenses and Support</u>.

a. Federal agrees to pay Kaplan a consulting fee of $27,100 per month for each

month of the Term, payable in equal installments on the 1st and 15th of each month in arrears, with the first payment due on March 15, 2002 ("Consulting Fee").

b. Kaplan will be eligible to receive a success fee ("Success Fee"), the target amount of which shall be $500,000, payable promptly after Kaplan procures on behalf of the Trust a restructured Santana Row construction loan on terms acceptable to the Trust, provided that Steve Guttman (or, in the event he is incapacitated his successor) recommends and the Compensation Committee approves the payment of the Success Fee.

c. During the Term of this Agreement, Federal will provide Kaplan with his current office space in Federal's Rockville, Maryland office, as well as administrative support (which may be shared), computer services (with a connection to Federal's network), a phone, fax and other items and services that Kaplan had available to him prior to February 28, 2002 and necessary to enable Kaplan to perform the Services. Notwithstanding anything to the contrary in the preceding sentence, Federal will not terminate Kaplan's existing administrative assistant, Karen Fox ("Fox") without cause prior to June 1, 2002, and she will continue to support Kaplan through June 1, 2002 (or earlier if she elects to terminate her employment or is terminated with cause). Federal agrees that in the event that Federal terminates Fox effective June 1, 2002, she will be notified of the termination on or about April 15, 2002 and will receive a severance payment equal to four (4) weeks' base salary in exchange for a release of claims.

d. Federal will reimburse Kaplan or pay directly in accordance with Federal's Travel and Entertainment Policy, all reasonable costs and expenses necessary in connection with the performance of the Services hereunder, such as out of town travel and related expenses, provided that any expenditures in excess of $5,000 per month must be expressly authorized by Federal in advance.

5. Confidentiality and Nondisclosure.

a. In connection with the performance of the Services, Kaplan acknowledges that he may have access to Federal's confidential information and other secret or confidential matters relating to the business of Federal or its affiliates. "Confidential Information" means any information, oral or written, that is not generally known outside of Federal and/or its affiliates. It is understood that all such information shall have been received by Kaplan in confidence and Kaplan specifically agrees to retain all such information in strict confidence, disclosing it to no third party (other than Federal) and making no use of that information for Kaplan's own benefit or for any purpose whatsoever (other than as contemplated herein), without express written authorization from Federal, other than any disclosure required by any law or regulation, court of competent jurisdiction, recognized subpoena power, or governmental agency or authority, or to the extent necessary for Kaplan to enforce Federal's obligations hereunder.

b. The terms of this Confidentiality and Nondisclosure agreement shall survive the termination of Kaplan's association with Federal, regardless of the manner of such

termination.

6. Ownership of Intellectual Property. Kaplan shall perform the Services solely for the benefit of Federal and it is the parties' intent that Federal shall own all title in all material and works created by Kaplan under this Agreement (the "Works"). Kaplan hereby assignees to Federal all of Kaplan's right, title and interest, including copyright, throughout the world, in and to all such Works, including the rights to bring suit or make any claim in Federal's name for prior or future infringement of rights in the Works. Kaplan further agrees, at the request and expense of Federal or its successor in interest, to do all lawful acts which may be required for obtaining and enforcing copyright rights in the Works and otherwise to aid Federal or its successor in enforcing rights in the Works.

7. Governing Law. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be governed by the laws of Maryland.

8. Assignability. It is understood that the Services provided hereunder are personal to Kaplan. Therefore, Kaplan may not assign, transfer or sell his rights under this Agreement, or delegate his duties hereunder unless as expressly provided herein or otherwise with the prior written consent of Federal. Any attempted assignments or delegation without such consent shall be void and without effect.

9. Termination. Federal may terminate this Agreement by written notice to Kaplan in the event that Kaplan engages in willful misconduct, bad faith or gross negligence in the performance of the Services which conduct results in actual injury to Federal, in which event Federal's obligation to pay, and Kaplan's right to receive, the Consulting Fee and the Success Fee shall terminate as of the date of termination. Kaplan may terminate this Agreement by written notice to Federal in the event that Federal engages in willful misconduct, bad faith or gross negligence in connection with this Agreement, which conduct results in actual injury to Kaplan, in which event Kaplan's obligation to provide the Services shall terminate and Federal shall promptly pay to Kaplan the balance of the Consulting Fee and the Success Fee. Kaplan may terminate this Agreement by written notice to Federal for any other reason, in which event Kaplan's obligation to provide the Services shall terminate and Federal's obligation to pay Kaplan the balance of the Consulting Fee and the Success Fee shall also terminate. The effective date of any termination pursuant to this provision shall herein be referred to as the "Termination Date". These rights shall be in addition to and not in lieu of any other right or remedy otherwise available for any breach of this Agreement.

10. Indemnification. Federal hereby agrees to indemnify and hold Kaplan harmless from and against all claims, liabilities, losses, damages and expenses incurred or arising out of Kaplan's performance of the Services pursuant to this Agreement to the fullest extent permitted under Maryland law, except for any claim, liability, loss, damage or expense that relates to or arises from any action or failure to act by Kaplan constituting willful misconduct, bad faith or gross negligence.

11. Limited Liability. The parties hereto agree that the obligations of Federal under

this Agreement are not binding upon any of the trustees, officers or shareholders of Federal individually. The parties to this Agreement agree that no trustee, officer or shareholder of Federal may be held personally liable or responsible for any obligations of Federal arising out of this Agreement.

12. Entire Agreement. This Agreement represents the entire agreement between the parties hereto with regard to the subject matter hereof. Any modifications, amendments or waivers of any of the provisions, herein shall be effective only if made in writing and duly signed by each party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

FEDERAL REALTY INVESTMENT TRUST

By: Nancy J. Herman
Its: Senior Vice President-General Counsel

Ron D. Kaplan

FULL RECOURSE SECURED PROMISSORY NOTE

$1,729,988.50 March 14, 2002

FOR VALUE RECEIVED, the undersigned, Ron D. Kaplan (the "Maker"), promises to pay to the order of Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust"), on the Maturity Date (as defined herein), the aggregate principal sum of One Million Seven Hundred Twenty-nine Thousand Nine Hundred Eighty-eight Dollars and Fifty Cents ($1,729,988.50).

1. Letter Agreement. This Note is the promissory note referred to in section 7 of the certain letter agreement dated as of March 1, 2002 by and between Maker and the Trust (the "Letter Agreement"). Maker is executing and delivering this Note as required pursuant to the terms of the Letter Agreement.

2. Interest. Interest on the outstanding principal amount of this Note shall be payable at the rate of 5.85% per annum. Interest shall be due and payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year for so long as any principal amount remains outstanding. All payments under this Note shall be made to the order of the Trust at the address listed in Section 9, or such other address as the Trust may designate in writing to the Maker.

3. Maturity Date. The principal balance of and all accrued and unpaid interest on this Note shall be paid in full on the earliest of: (a) September 30, 2007 or (b) the occurrence of any Event of Default (as defined herein) (the "Maturity Date").

4. Payment. This Note, as well as any accrued interest hereunder, may be prepaid at any time in full or from time to time in part, without premium or penalty. In the event of any prepayment, such prepayment shall be applied first toward accrued and unpaid interest hereon, and any balance shall then be applied to the unpaid principal balance hereof. In the event of any partial prepayment, the Trust shall prepare and attach a schedule to this Note which reflects the adjusted balance of the principal and accrued interest on this Note. Except as set forth in Section 5 of this Note, all payments of principal and interest on this Note shall be paid in the legal currency of the United States. The Maker, or his successors and assigns, waives diligence, presentment for payment, demand, protest, and notice of protest, dishonor and nonpayment of this Note and expressly agrees that this Note, or any payment hereunder, may be extended from time to time and that the holder hereof may accept security for this Note or release security for this Note, all without in any way affecting the liability of the Maker hereunder.

This Note will be forgiven in full, pursuant to section 7 of the Letter Agreement if the Trust engages the Maker pursuant to a written agreement signed by the Maker and Steve Guttman or any Executive Officer on behalf of the Trust in connection with a contemplated change in control (as that term is defined in the Trust's 2001 Long-Term Incentive Plan) prior to September 30, 2007 and the change in control transaction is completed on or before September 30, 2007.

5. Payment in Common Shares. In addition to payment pursuant to paragraph 4 above, this Note may also be paid in full or in part by the Maker at any time or from time to time by either (a) the surrender to the Trust for cancellation of a certificate or certificates registered in the name of the Maker (or his successors or assigns) representing the Trust's common shares of beneficial interest, par value $.01 per share ("Common Shares"), or (b) the delivery by the Maker to the Trust of a written instrument notifying the Trust of the Maker's intent to surrender for cancellation of a specified number of the Pledged Shares (as defined below) then held by the Trust pursuant to the terms of the Pledge Agreement (as defined below) for the purpose of making such payment. In either case, the aggregate amount of the accrued but unpaid interest and principal, if any, to be paid shall be calculated based on the aggregate Value (as defined below) of the Common Shares surrendered or to be surrendered for cancellation by the Trust. For purposes of this Note, "Value" shall mean the product of the number of Common Shares so delivered, multiplied by the Fair Market Value of a Common Share. "Fair Market Value" shall mean 100% of the closing sale price of the Trust's common shares of beneficial interest (as reported on The New York Stock Exchange's Composite Transactions Tape) for the trading day immediately preceding the day on which the Trust has taken delivery of the Common Shares or the Maker's written request for the application of Pledged Shares for such purpose, as the case may be, in connection with such payment.

6. Security. Payment of this Note shall be secured by a Share Pledge Agreement, in substantially the form attached hereto as Exhibit A (the "Pledge Agreement"), to be executed and delivered by the Maker and providing, among other things, for the pledge by the Maker of Common Shares having an aggregate Value (calculated as of March 1, 2002) of at least One Million Nine Hundred Two Thousand Nine Hundred Eighty-seven Dollars and Thirty-five Cents ($1,902,987.35) (such Common Shares, the "Pledged Shares"). Notwithstanding the foregoing, this Note is a "recourse" Note and the right of the Trust under the Pledge Agreement to foreclose upon and dispose of the Pledged Shares shall be in addition to, and shall not in any way limit, hinder or affect, any other rights and remedies that may be available to the Trust under applicable law.

7. Default. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

(a) Default in the payment of any installment of principal and/or interest on this Note when due and the continuation of such default for more than ten (10) days;

(b) The occurrence of any event of default under the Pledge Agreement securing this Note.

Upon the occurrence of any such Event of Default, the entire unpaid balance of principal on this Note, together with all accrued interest thereon, shall be due and payable either immediately or at any time during the continuance of such Event of Default, at the option of the Trust. Failure to exercise this option upon or during an Event of Default shall not constitute a waiver of the right to exercise the same upon the occurrence of any subsequent Event of Default. No delay or omission on the part of the Trust in exercising any rights hereunder shall operate as a waiver of such rights or of any other right under this Note. Without limiting the

generality of the foregoing, upon the occurrence of an Event of Default the rate at which interest shall accrue on the outstanding principal balance and other amounts due hereunder shall increase to 10% per annum until all such amounts have been paid in full.

8. Attorneys' Fees. If the Maker fails to pay any amounts due under this Note when due, the Maker shall pay to the holder hereof, in addition to such amounts due, all costs of collection, including reasonable attorneys' fees.

9. Notices. Any notice, request, demand, claim, or other communication under this Note shall be in writing and shall be either personally delivered, sent by facsimile or sent by reputable overnight courier service (charges prepaid) to the recipient at the following address:

If to the Trust:

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, MD 20852
Attn: Legal Department
Tel: (301) 998-8100
Fax: (301) 998-3814

If to the Maker:

Ron D. Kaplan
7909 Greentree Road
Bethesda, MD 20817
Tel: (301) 469-7834
Fax: (301) 469-6256

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement will be deemed to have been given hereunder when delivered personally or sent by facsimile, and one day after deposit with a respectable overnight courier service.

10. Governing Law. All issues concerning this Agreement shall be governed by and construed in accordance with the laws of the State of MARYLAND, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of MARYLAND or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of MARYLAND.

11. Jurisdiction; Venue; Jury Trial. The Maker hereby consents to the exclusive jurisdiction of the federal and state courts located in THE State of MARYLAND, and waives any

objections of improper venue and forum of such courts, in connection with any action hereunder. The Maker further consents to personal jurisdiction in the State of MARYLAND and agrees that service of process by certified mail, return receipt requested, shall constitute good and valid service (in addition to any other proper service). The Maker hereby waives any right to a jury trial in any such action.

12. Enforceability. If any one or more of the provisions of this Note is determined to be unenforceable, in whole or in part, for any reason, the remaining provisions shall remain fully operative. No renewal or extension of this Note, delay in enforcing any right of the Trust under this Note, or assignment by the Trust of this Note shall affect the liability of the Maker. All rights of the Trust under this Note are cumulative and may be exercised concurrently or consecutively at the Trust's option.

[Signature Page Follows]

IN WITNESS WHEREOF, the Maker has caused this Secured Promissory Note to be executed on its behalf as of the date first above written.

THE MAKER:

Ron D. Kaplan

Exhibit A: Share Pledge Agreement

SHARE PLEDGE AGREEMENT

THIS SHARE PLEDGE AGREEMENT (this "Agreement") is entered into as of March _14_, 2002, by and between Ron D. Kaplan, an individual having his principal residence in the State of Maryland ("Pledgor") and Federal Realty Investment Trust, a Maryland real estate investment trust (together with its successors and assigns, "Secured Party").

WHEREAS, Secured Party and Pledgor have entered into that certain letter agreement dated as of March 1, 2002 (the "Letter Agreement"), pursuant to which Secured Party has agreed to modify and extend the terms of Pledgor's obligation to repay Pledgor's outstanding indebtedness to Secured Party in aggregate principal amount of One Million Seven Hundred Twenty-nine Thousand Nine Hundred Eighty-eight Dollars and Fifty Cents ($1,729,988.50) (the "Total Outstanding Indebtedness"), upon the terms and subject to the conditions set forth in the Letter Agreement;

WHEREAS, pursuant to the Letter Agreement and in consideration of the cancellation of all promissory notes which previously evidenced the Total Outstanding Indebtedness, Pledgor has executed and delivered a Note of even date herewith (the "Note") evidencing and setting forth the terms and conditions governing Pledgor's obligations to repay the Total Outstanding Indebtedness;

WHEREAS, in accordance with the Letter Agreement and the Note, Pledgor is required to execute and deliver this Agreement and to pledge hereunder the Collateral (as hereinafter defined) as security for Pledgor's obligations under the Note; and

WHEREAS, all capitalized terms used herein which are not herein defined shall have the meanings ascribed to them in the Note;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS

For the purposes of this Agreement:

(a) "Business Day" means a day (other than a Saturday or a Sunday) on which banks generally are open for business in Washington, D.C.

(b) "Calculation Date" means, prior to the Maturity Date, each March 1 on which principal or accrued interest remains outstanding under the Note. If March 1 is not a Business Day, the Calculation Date shall be the next succeeding Business Day.

(c) "Collateral" means (i) 85,000 Common Shares, owned by Pledgor on the date hereof (and the certificates, copies of which are attached hereto, representing such Common

Shares); (ii) if the aggregate Value of the Collateral pledged pursuant to this Section 1(c) is less than the Minimum Collateral Level as calculated on any Calculation Date, that number of additional Common Shares that are required to raise the aggregate Value of the Collateral to the Required Collateral Level as calculated on such Calculation Date (and the certificates representing such shares), and (iii) any dividends, distributions in property, returns of capital or other distributions made on or with respect to any of the foregoing shares to the extent provided in Section 3(b) hereof. Notwithstanding the foregoing, Collateral shall not include that number of Common Shares that are required to lower the aggregate Value of the Collateral to the Required Collateral Level as calculated on any Calculation Date (and the certificates representing such shares) if the aggregate Value of the Collateral pledged pursuant to this Section 1(c) is more than the Required Collateral Level as calculated on any Calculation Date.

(d) "Event of Default" means: (i) the occurrence of any Event of Default under the Note and the continuance thereof beyond any applicable period of cure provided therein; or (ii) any breach by Pledgor of any covenant contained in Section 2 of this Agreement.

(e) "Minimum Collateral Level" means 100% of the outstanding principal balance, together with accrued but unpaid interest thereon, under the Note.

(f) "Required Collateral Level" means 110% of the outstanding principal balance, together with accrued but unpaid interest thereon, under the Note.

2. PLEDGE OF COLLATERAL

(a) As security for the due and punctual payment and performance by Pledgor of all of his obligations under the Note (the "Secured Obligations"), Pledgor hereby pledges and assigns to Secured Party all of the Collateral, and grants to Secured Party a first priority security interest in the Collateral and the proceeds thereof.

(b) Simultaneously with the execution of this Agreement, Pledgor shall deliver to Secured Party certificates representing the Collateral described in Section 1(c)(i) hereof, and will deliver to Secured Party the certificates for the shares of Collateral described in Section 1(c)(iii) hereof within five (5) days after Pledgor's acquisition of such shares. Pledgor further agrees that, if it is determined following any calculation performed on a Calculation Date that the aggregate Value of the Collateral pledged on such Calculation Date (the "Calculation Date Value") is less than the Minimum Collateral Level, he shall deliver to Secured Party within ten (10) business days following such Calculation Date a certificate or certificates representing that number of Common Shares having an aggregate Value equal to the difference between (x) the Required Collateral Level, less (y) such Calculation Date Value. Each such certificate shall be registered in the name of Pledgor, duly endorsed in blank or accompanied by a stock power duly executed by Pledgor in blank, in form and substance satisfactory to the Secured Party, with any documentary tax stamps and any other documents necessary to cause Secured Party to have a good, valid and perfected first pledge of, lien on and security interest in the Collateral, free and clear of any mortgage, pledge, lien, security interest, hypothecation, assignment, charge, right, encumbrance or restriction (individually, "Encumbrance" and collectively, "Encumbrances"). At any time following an Event of Default, any or all of the Collateral held by Secured Party

hereunder and having a value up to the Required Collateral Level as of that date may, at the option of Secured Party exercised in accordance with Section 3(d) hereof, be registered in the name of Secured Party or in the name of its nominee, and Pledgor hereby covenants that, upon demand therefor by Secured Party, Pledgor shall effect such registration.

(c) Secured Party hereby confirms receipt of the certificates representing the Collateral described in Section 1(c)(i) hereof and agrees to hold the Collateral in accordance with the terms of this Agreement.

3. VOTING RIGHTS, DIVIDENDS AND DISTRIBUTIONS

So long as no Event of Default shall have occurred:

(a) Pledgor shall be entitled to exercise any and all voting and/or consensual rights and powers relating or pertaining to the Collateral or any part thereof, subject to the terms hereof.

(b) Pledgor shall be entitled to receive and retain cash dividends payable on the Collateral; *provided, however*, that all other dividends (including, without limitation, stock and liquidating dividends), distributions in property, returns of capital and other distributions made on or in respect of the Collateral, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of Secured Party or received in exchange for the Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which Secured Party may be a party or otherwise, and any and all cash and other property received in exchange for or redemption of any of the Collateral, shall be retained by Secured Party, or, if delivered to Pledgor, shall be held in trust for the benefit of Secured Party and forthwith delivered to Secured Party and shall be considered as part of the Collateral for all purposes of this Agreement. Notwithstanding the above, if any dividend is retained by the Secured Party, it shall be deemed, at the option of either the Pledgor or Secured Party, to be a Calculation Date and any Collateral in excess of the Required Collateral Level shall be released to Pledgor and any deficiency in the Collateral below the Required Collateral Level shall be cured by Pledgor's delivery of additional Collateral pursuant to paragraph 2 (b) hereof.

(c) Secured Party shall execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies, powers of attorney, dividend orders, and other instruments as Pledgor may request for the purpose of enabling Pledgor to exercise the voting and/or consensual rights and powers which Pledgor is entitled to exercise pursuant to Section 3(a) above and/or to receive the dividends which Pledgor is authorized to receive and retain pursuant to Section 3(b) above; and Pledgor shall execute and deliver to Secured Party such instruments as may be required or may be requested by Secured Party to enable Secured Party to receive and retain the dividends, distributions in property, returns of capital and other distributions it is authorized to receive and retain pursuant to Section 3(b) above.

(d) Upon the occurrence of an Event of Default, all rights of Pledgor to exercise the voting and/or consensual rights and powers which Pledgor is entitled to exercise pursuant to Section 3(a) above and/or to receive the dividends which Pledgor is authorized to

receive and retain pursuant to Section 3(b) above shall cease, at the option of Secured Party, on not less than one (1) day's notice to Pledgor, and all such rights shall thereupon become vested in Secured Party. In such case Pledgor shall execute and deliver such documents as Secured Party may request. In addition, Secured Party is hereby appointed the attorney-in-fact of Pledgor, with full power of substitution, which appointment as attorney-in-fact is irrevocable and coupled with an interest, to take all such actions after the occurrence of an Event of Default, whether in the name of Secured Party or Pledgor, as Secured Party may consider necessary or desirable. Any and all money and other property paid over to or received by Secured Party pursuant to the provisions of this Section 3(d) shall be retained by Secured Party as part of the Collateral and shall be applied in accordance with the provisions hereof.

4. REMEDIES ON DEFAULT

(a) If at any time an Event of Default shall have occurred, then, in addition to having the right to exercise any right or remedy of a secured party upon default under the Uniform Commercial Code as then in effect in the jurisdiction in which the Collateral is held by Secured Party, Secured Party may, to the extent permitted by law, without being required to give any notice to Pledgor except as provided below:

(i) Apply any cash held by it hereunder in the manner provided in Section 4(h) below; and

(ii) If there shall be no such cash or if the cash so applied shall be insufficient to pay in full the items specified in Sections 4(h)(i) and (h)(ii) below, exercise any and all the rights, powers and remedies of any owner of the Collateral (including without limitation the right to vote the Common Shares and receive dividends and distributions with respect to such Common Shares and sell such Common Shares as described below). In the event of such default and without limiting the foregoing, Secured Party is authorized to retire or cancel (if allowable under applicable law and, if so, subject to the provisions set forth in the next succeeding two sentences) or sell, assign and deliver at its discretion, from time to time, all or any part of the Collateral upon five (5) business days prior written notice to Pledgor. Pledgor and Secured Party hereby agree and acknowledge that upon retirement or cancellation, the Secured Obligations shall be reduced by the aggregate Value of the Common Shares so retired or canceled. Secured Party further agrees that if elects to pursue the remedy of retirement or cancellation, Secured Party will retire or cancel only such number of Common Shares as have an aggregate Value equal to the sum of (x) the aggregate amount of the Secured Obligations then outstanding, with any remaining Collateral returned to Pledgor pursuant to the provisions of Section 8 hereof. Pledgor shall have no right to redeem the Collateral after any such sale, assignment, retirement or cancellation. In case of any sale or assignment of the Collateral, the proceeds shall be applied as provided in Section 4(h) below.

(b) Secured Party, instead of exercising the power of retirement, cancellation or sale of the Collateral herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose its lien or security interest arising from this Agreement and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(c) Upon the occurrence of an Event of Default, Secured Party or its nominee shall have the right, upon not less than five (5) business day's written notice to Pledgor, to exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any shares of the Collateral as if it were the absolute owner thereof, including, without limitation, the right to exchange, at its discretion, any or all of the Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of Secured Party, and, in connection therewith, to deposit and deliver any and all of the Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Secured Party may determine.

(d) On any sale of the Collateral, Secured Party is hereby authorized to comply with any limitation or restriction in connection with such sale that it may be advised by counsel is necessary in order to avoid any violation of applicable law or in order to obtain any required approval of the purchaser or purchasers by any governmental regulatory authority or officer or court.

(e) Compliance with the foregoing procedures shall result in such sale or disposition being considered or deemed to have been made in a commercially reasonable manner.

(f) Each of the rights, powers, and remedies provided herein, or now or hereafter existing at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein or therein or now or hereafter existing at law or in equity or by statute or otherwise. The exercise of any such right, power or remedy shall not preclude the simultaneous or later exercise of any or all other such rights, powers or remedies. No notice to or demand on Pledgor in any case shall entitle Pledgor to any other notice or demand in similar or other circumstances.

(g) The proceeds of any collection, recovery, receipt, appropriation, realization or sale as aforesaid shall be applied by Secured Party in the following order:

(i) First, to the payment of any amounts due under the Secured Obligations; (ii) Second, to the payment of all reasonable costs and expenses incurred by Secured Party as a result of any Event of Default; (iii) Finally, to the payment to Pledgor of any surplus then remaining from such proceeds, unless otherwise required by law or directed by a court of competent jurisdiction; provided that Pledgor shall be liable for any deficiency if such proceeds are insufficient to satisfy all of the Secured Obligations.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF PLEDGOR

(a) Pledgor represents, warrants and covenants that:

(i) Pledgor has all requisite capacity, power and authority, being under no legal restriction, limitation or disability, to own the Collateral and to execute, deliver and perform this Agreement.

(ii) This Agreement has been duly executed and delivered by Pledgor and constitutes a legal, valid, and binding obligation of Pledgor, enforceable in accordance with its terms.

(iii) Pledgor is or, with respect to the Collateral described in Sections 1(b)(ii) and (iii) hereof, not later than the time of delivery of certificates therefor will be, the direct record and beneficial owner of each share of the Collateral. Pledgor has and will have good, valid and marketable title thereto, free and clear of all Encumbrances other than the security interest created by this Agreement.

(iv) The Collateral is and will be duly and validly pledged to Secured Party in accordance with law, and Secured Party has a good, valid, and perfected first priority security interest in the Collateral and the proceeds thereof, and no filing or other action will be necessary to perfect or protect such security interest.

(v) The execution, delivery and performance by Pledgor of this Agreement does not and will not: (A) conflict with or result in a breach of or constitute a default or require any consent under, or result in or require the acceleration of any of indebtedness pursuant to, any agreement, indenture or other instrument to which Pledgor is a party or by which Pledgor or any of his property may be bound or affected; or (B) conflict with or violate any judgment, decree, order, law, statute, ordinance, license or other governmental rule or regulation applicable to Pledgor.

(vi) No approval, consent or other action by Pledgor, any governmental authority, or any other person or entity is or will be necessary to permit the valid execution, delivery or performance of this Agreement by Pledgor. Pledgor's spouse has waived any and all ownership, joint tenancy, community property or common law interest in, or other claim, whether in law or equity, that she may have to, the Collateral.

(vii) There is no action, claim, suit, proceeding or investigation pending, or to the knowledge of Pledgor, threatened or reasonably anticipated, against or affecting Pledgor, this Agreement, or the transactions contemplated hereby, before or by any court, arbitrator or governmental authority which might adversely affect Pledgor's ability to perform his obligations under this Agreement or might materially adversely affect the value of the Collateral.

(b) Until all Secured Obligations have been paid and performed in full or until all of the Collateral is returned to Pledgor pursuant to Section 6 hereof, whichever is earlier, Pledgor hereby covenants that, unless Secured Party otherwise consents in advance in writing:

(i) Pledgor shall: (A) at the request of Secured Party, execute, deliver, and file any and all financing statements, continuation statements, stock powers, instruments, and other documents, necessary or desirable, in Secured Party's opinion, to create, perfect, preserve, validate or otherwise protect the pledge of the Collateral to Secured Party and Secured Party's lien on and security interest in the Collateral and the first priority thereof; (B) maintain, or cause to be maintained, at all times, the pledge of the Collateral to Secured Party and Secured Party's lien on and security interest in the Collateral and the first priority thereof; and (C) defend the

Collateral and Secured Party's interest therein against all claims and demands of all persons at any time claiming the same or any interest therein adverse to Secured Party.

(ii) Pledgor shall not sell, transfer, pledge, assign or otherwise dispose of any of the Collateral or any interest therein, and Pledgor shall not create, incur, assume or suffer to exist any Encumbrance with respect to any of the Collateral or any interest therein (except pursuant hereto).

(iii) Pledgor shall pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon him or upon the Collateral before the same shall become past due.

(iv) Pledgor shall not take or permit to be taken any action in connection with the Collateral or otherwise which would impair the value of the interests or rights of Pledgor therein or which would impair the interests or rights of Secured Party therein or with respect thereto.

6. RETURN OF COLLATERAL

(a) When the Note has been paid in full and provided any Event of Default has been cured, this Agreement shall terminate and the Collateral held by Secured Party shall be returned within five (5) business days to Pledgor at the address of Pledgor set forth herein or at such other address as Pledgor may direct in writing. Secured Party shall not be deemed to have made any representation or warranty with respect to any Collateral so delivered, except that such Collateral is free and clear, on the date of delivery, of any and all liens, charges and encumbrances arising from its own acts.

(b) If, on any Calculation Date, the Calculation Date Value exceeds the Required Collateral Level, Secured Party shall within ten (10) business days return to Pledgor at the address of Pledgor set forth herein or at such other address as Pledgor may direct in writing a certificate or certificates representing a number of Common Shares with an aggregate Value equal to such excess over the Required Collateral Level. Notwithstanding anything to the contrary in this Agreement, provided that Pledgor is not in default of its obligations under the Note or this Agreement, Pledgor may, on no more that two (2) occasions during the term of this Agreement not counting Calculation Dates, request by written notice to the Secured Party, that Collateral in excess of the Required Collateral Level be returned to Pledgor, whereupon the Secured Party shall calculate the aggregate Value of the Collateral pledged on the date that the Secured Party receives such request and return to Pledgor a certificate or certificates representing a number of Common Shares with an aggregate Value equal to the excess over the Required Collateral Level. Secured Party shall not be deemed to have made any representation or warranty with respect to any Collateral so delivered, except that such Collateral is free and clear, on the date of delivery, of any and all liens, charges and encumbrances arising from its own acts.

7. ADDITIONAL ACTIONS AND DOCUMENTS

Pledgor hereby agrees to take or cause to be taken such further actions (including, without limitation, the delivery of certificates for all of the Collateral that may be required to be pledged following any Calculation Date), to execute, deliver and file or cause to be executed, delivered and filed such further documents and instruments, and to obtain such consents as may be necessary or desirable, in the opinion of Secured Party, in order to fully effectuate the purposes, terms and conditions of this Agreement, whether before, at or after the occurrence of an Event of Default.

8. SURVIVAL

It is the express intention and agreement of the parties hereto that all covenants, agreements, statements, representations, warranties and indemnities made by Pledgor herein shall survive the execution and delivery of this Agreement.

9. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein.

10. NOTICES

Any notice or request hereunder shall be given to the Pledgor or to the Secured Party at their respective addresses set forth below or at such other address as such Person may hereafter specify in a notice designated as a notice given in the manner required under this Section 12. Any notice or request hereunder shall be given by (a) hand delivery, (b) registered or certified mail, return receipt requested, (c) delivery by an internationally recognized overnight courier, or (d) facsimile to the number set forth below (or such other number as may hereafter be specified in a notice given in the manner required under this Section 12) with telephone communication to Pledgor or a duly authorized officer of Secured Party, as the case may be, confirming its receipt as subsequently confirmed by registered or certified mail. Notices and requests shall be deemed to have been given (x) in the case of those by mail, five (5) Business Days after being deposited in the mail at the addresses as provided in this Section 12, (y) in the case of those by overnight courier, one (1) day after deposit with such courier, and (z) in the case of those given by facsimile, upon receipt.

(i) If to the Secured Party:

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, MD 20852
Attention: Legal Department
Telephone: (301) 998-8100

FAX: (301) 998-3814

(ii) If to Pledgor:

Ron D. Kaplan
7909 Greentree Road
Bethesda, MD 20817
Telephone: (301) 469-7834
FAX: (301) 469-6256

11. AMENDMENT

No amendment, modification or supplement of or to this Agreement shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification or supplement is sought.

12. BENEFIT AND ASSIGNMENT

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned by Pledgor. In the event of a sale or assignment by Secured Party of all or any part of the interests in the Note, Secured Party may assign and transfer its rights and interests under this Agreement in whole or in part to the purchaser or purchasers of such interests in the Note, whereupon such purchaser or purchasers shall become vested with all of the powers and rights given to Secured Party hereunder, and shall be deemed to be a "Secured Party" for all purposes hereunder, and the predecessor Secured Party shall thereafter be forever released and fully discharged from any liability or responsibility hereunder with respect to the rights and interests so assigned.

13. WAIVER

No delay or failure on the part of Secured Party in exercising any right, power or privilege under this Agreement or under any other instruments given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against Secured Party unless made in writing and signed by Secured Party and then only to the extent expressly specified therein.

14. SEVERABILITY

If any part of any provision of this Agreement or any other agreement, document or writing given pursuant to or in connection with this Agreement shall be invalid or

unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

15. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without giving effect to its conflict of laws rules. Any judicial proceeding brought by or against the Pledgor with respect to any of the obligations, this Agreement or any related agreement may be brought in any federal or state court of competent jurisdiction located in the State of Maryland, and, by execution and delivery of this Agreement, Pledgor accepts for itself and in connection with its properties, generally and unconditionally the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Pledgor hereby waives personal service of process and consents that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with Section 12 hereof, and service so made shall be deemed completed on the third (3rd) Business Day after mailing. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of the Secured Party to bring proceedings against Pledgor in the courts of any other jurisdiction having jurisdiction over Pledgor. Pledgor waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Any judicial proceedings by Pledgor against the Secured Party involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the State of Maryland.

16. PRONOUNS

All pronouns and any variations thereof in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

17. HEADINGS

Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

18. EXECUTION

To facilitate execution, this Agreement may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart;

but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than that number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement, or has caused this Agreement to be duly executed on its behalf, as of the day and year first above written.

Federal Realty Investment Trust:

Nancy J. Herman
Senior Vice President - General
Counsel and Secretary

Ron D. Kaplan

Exhibit 21

Subsidiaries of the Registrant

NAME	STATE OF INCORPORATION	DOING BUSINESS AS NAME
Street Retail, Inc.	Maryland	Street Retail, Inc.

Exhibit 23

Consent of Independent Public Accountants
- --

As independent public accountants, we hereby consent to the incorporation of our report included in this From 10-K, into Federal Realty Investment Trust's previously filed Registration Statements File No. 333-63619, File No. 33-63687, File No. 33-63955, File No. 33-15264 and File No. 33-55111.

Arthur Andersen LLP
Vienna, Virginia
March 22, 2002

Exhibit 99

March 22, 2002

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Reference: Annual Report on Form 10-K for the year ended December 31, 2001 for Federal Realty Investment Trust

Commission File No. 52-0782497

Consistent with the Commission's release of March 18, 2002, please be advised that the Trust has obtained a letter from Arthur Andersen LLP, the Company's independent public accountants, dated March 22, 2002, containing the following representations regarding the audits performed on the Trust's consolidated balance sheets as of December 31, 2001 and 2000 and the related consolidated statements of operations, common shareholder's equity and cash flows for each of the years in the three year period ended December 31, 2001:

- the audits were subject to Arthur Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards;

- there was appropriate continuity of Arthur Andersen personnel working on the audits; and

- there was appropriate availability of national office consultation.

Representation relating to the availability of personnel at foreign affiliates of Arthur Andersen was not relevant to these audits.

Sincerely,

/s/ Donald C. Wood

Donald C. Wood
President and Chief Operating Officer