



## **Federal Realty Investment Trust**

### **Third Quarter 2025 Earnings Conference Call**

**31 October 2025**

#### **C O R P O R A T E   P A R T I C I P A N T S**

**Jill Sawyer**, *Senior Vice President, Investor Relations*

**Jan Sweetnam**, *Executive Vice President and Chief Investment Officer*

**Wendy Seher**, *Executive Vice President, and Eastern Region President and Chief Operating Officer*

**Daniel Guglielmo**, *Executive Vice President, Chief Financial Officer and Treasurer*

**Stuart Biel**, *Senior Vice President of Regional Leasing*

#### **C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Juan Sanabria**, *BMO Capital Markets*

**Michael Goldsmith**, *UBS*

**Samir Khanal**, *Bank of America*

**Alexander Goldfarb**, *Piper Sandler*

**Michael Griffin**, *Evercore ISI*

**Simi Rome**, *Barclays*

**Floris van Dijkum**, *Ladenburg Thalmann*

**Cooper Clark**, *Wells Fargo Securities*

**Viktor Fediv**, *Scotiabank Global Banking*

**Ravi Vaidya** *Mizuho Securities USA*

**Sydney for Craig Mailman**, *Citi*

**Hong Zhang**, *JPMorgan Chase & Co.*

**Omotayo Okusanya**, *Deutsche Bank AG*

**Linda Tsai**, *Jefferies*

**Kenneth Billingsley**, *Compass Point Research & Trading*

**Paulina Rojas**, *Green Street Advisors*

## PRESENTATION

### Operator

Good day and welcome to the Federal Realty Investment Trust Third Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two.

Please note this event is being recorded.

I would now like to turn the conference over to Jill Sawyer, Senior Vice President of Investor Relations. Please go ahead.

### Jill Sawyer

Thank you, Megan. Good morning. Thank you for joining us today for Federal Realty's Third Quarter 2025 Earnings Conference Call.

Before we get started, a reminder that certain matters discussed on this call may be deemed to be forward-looking statements. Forward-looking statements include any annualized or projected information as well as statements referring to expected or anticipated events or results, including items. Although Federal Realty believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, Federal Realty's future operations and its actual performance may differ materially from the information in our forward-looking statements and we can give no assurance that these expectations can be attained.

The earnings release and supplemental reporting package that we issued this morning, our annual report filed on Form 10-K and our other financial disclosure documents provide a more in-depth discussion of risk factors that may affect our financial condition and operational results.

Before we begin our prepared remarks, I want to note that Don Wood, our Chief Executive Officer, is temporarily away due to a recent loss of an immediate family member. Our thoughts are with Don and his family during this very difficult time. In his absence, our Chief Investment Officer, Jan Sweetnam, will be reading Don's prepared remarks. In addition to Jan, joining me on the call today are Dan Guglielmone, Chief Financial Officer; Wendy Seher, Eastern Region President and Chief Operating Officer; as well as other members of our executive and senior leadership team, including Dawn Becker, Jeff Kreshek, Stu Biel and Melissa Solis that are available to take your questions at the conclusion of our prepared remarks.

With that, I will turn the call over to Jan Sweetnam. Jan, please begin.

### Jan Sweetnam

Thanks, Jill, and good morning everybody. Following are Don's prepared remarks.

Best leasing quarter we've ever had – ever – and that's saying something given the leasing strength over the past few years. Seven hundred and twenty-seven thousand feet of comparable space written at \$35.71, 28% more annual cash rent than the previous tenant. Two-thirds of that space was for renewals with de minimis capital required. Of the remaining one-third related to new tenants over half related to space that is currently occupied but for which a more productive tenant executed a lease a year or two or even three early in order to lock it up. There's no better evidence of the attractiveness of a shopping center to retailers than that, and it's one of the best ways in our business to assure an increasing stream of cash flows well into the future. Wendy will talk about core leasing a bit more in a few minutes.

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Strong comparable operating income growth of 4.4% in the quarter was equally encouraging and led to FFO per share of \$1.77, despite the absence of capitalized interest and operating costs at Santana West that negatively impacted FFO per share by \$0.04. That drag will begin to dissipate in this fourth quarter and in 2026 and 2027 as tenants in the 90% leased – soon to be 95% leased – building continue to occupy and work through free rent periods. Operationally, this was a really strong quarter and based on what we see thus far in October, should allow us to close out 2025 strong.

In terms of development and redevelopment, residential construction in Hoboken, New Jersey and Bala Cynwyd, Pennsylvania are moving along nicely on or under budget and on time with leasing to begin in early 2026 at Bala Cynwyd. During the third quarter, we broke ground on 258 new residential units on the last surface parking lot at Santana Row of committing capital of roughly \$145 million. Those three projects – Hoboken, Bala and Santana – will require roughly \$280 million of capital, all in fully amenitized and proven environments and should yield 6.5% to 7% unlevered. There's more to come in this component of our business in 2026.

Current conditions suggest market value should be 150 to 200 basis points inside those returns. We're committed to realizing that value over time as we've demonstrated with the sale of Lavare at Santana Row earlier this year, Palace at Pike & Rose which is currently under contract for sale and should close right around year-end, and the current marketing of Misora at Santana Row.

On the acquisition front, I really want to thank those of you that made the trip to Kansas City to join us for our investor tour of Town Center Crossing and Plaza in Leawood earlier this month. We're off to a great start there from a cash flow and value-enhancing perspective and I just want to reemphasize the two points that I think became apparent to investors and analysts on that trip.

First, that we are not sacrificing quality by expanding our geographical footprint. The growth prospects for these investments exceed both the retail and residential assets we're selling, and it is highly likely that the exit cap rates for the shopping centers we're pursuing will tighten considerably based upon our retenanting and redevelopment.

And second, that this is not a change in strategy for Federal. Our deep and experienced team is doing what it has always done: lease it better, both from a merchandising and strength of lease contract standpoint; create a more inviting physical space that lengthen stay times and increases spend; and intensify the land with more retail or residential GLA where and whenever economically feasible. Same business plan and strategy just on different land with the same characteristics. The affluent consumer is underserved, the centers are big and dominant and existing relevant tenants have proven that it's the place in the submarket to be.

You might have also seen that we closed on the acquisition of Annapolis Town Center in the A+ location off State Route 50, which heads into D.C. and Interstate 97, which takes you to Baltimore in Annapolis, Maryland. We bought the property for \$187 million at a 7% unlevered return. With an anchor and shadow anchor foundation grounded by very successful retailers, Whole Foods, Life Time Fitness and Target, we expect to be able to enhance the surrounding merchandising with better and more productive tenancy, enabling higher rents. We're very excited about this addition in our core market.

Next up is another large and dominant center and a growing Midwestern submarket that we expect to close in this fourth quarter. More to come on that one soon.

That's about it for my prepared remarks. Enhanced internal and external growth using all the tools at our disposal is the name of the game. Quarters like this third of 2025 increased my confidence in doing so.

Let me now turn it over to Wendy to expand on the leasing environment.

**Wendy Seher**

Thank you, Jan, and good morning, everybody.

Exceptional performance for the quarter, highlighted by record leasing volumes that build significant forward momentum as we conclude the year and look ahead to 2026. As reflected in Don's comments, we successfully recorded a record 123 comparable deals at impressive rent spreads of 28% over in-place prior rents. Our operational metrics are in top form, evidenced by strong occupancy, healthy margins and reduced controllable expenses, all underscoring a solid financial performance. Outstanding results overall for the quarter.

Occupancy in the comparable pool continue to show momentum as our occupied rate climbed 40 basis points last quarter and 20 basis points year-over-year to 94%. On an overall occupancy basis, including all of our shopping centers, we stand at 93.8% today. Keep in mind, our two recent acquisitions Leawood and Annapolis were roughly 91% and 85% occupied at closing, therefore impacting total overall occupancy as we head into the fourth quarter. We encourage investors to focus on our comparable occupancy metrics which more accurately reflects the continued strength and momentum across the core portfolio.

Turning to our leased rate, our comparable leased rate stands at a very healthy 95.7%. We expect the figure to grow and show positive momentum into year-end, driven by a strong pipeline including over 175,000 square feet of new leases currently in process for vacant space. This represents roughly 70 basis points of incremental leased rate opportunity.

While the third quarter saw record leasing volume, a significant portion of this activity was for space which currently was occupied. This is a testament to the durability of the centers and reinforces future stability in our occupancy metrics, providing embedded growth even if it doesn't immediately lift the recorded rate. By pre-leasing space, we effectively reduce downtime, we smooth out quarter-to-quarter revenue and strengthen occupancy over time. This proactive approach is a major focus across our operating teams.

We continue to see broad-based demand for our quality real estate with a variety of best-in-class names and categories such as Chopt, ALO, Burlington, Arhaus and Ross to name a few, and we continue to upgrade our retail lineup, including within our more recent acquisitions, Virginia Gateway, Pembroke and Leawood to be specific, with names such as Coach and LEGO, Warby Parker and Bluemercury. We were able to drive rents and earn a return on our capital there.

Merchandising and retail sales performance is our focus. LoveShackFancy just had their grand opening this past weekend at the Grove in Shrewsbury. Attracted by the addition of our small-format Bloomies concept, LoveShackFancy opened to a line out the door and had their best opening ever of their 25 locations. Merchandising matters in non-commodity centers.

Our acquisition of Annapolis Town Center this quarter is a prime example of our disciplined acquisition strategy. Four hundred and seventy-nine thousand square foot mixed-use retail property confirms our focus on acquiring high-quality dominant centers in affluent markets. With an 85% current occupancy rate, we expect the addition of Annapolis to provide meaningful growth with strong existing anchors like Whole Foods, Target and Life Time, and featuring popular retail brands such as Sephora, RH, Pottery Barn and Anthropologie, a perfect addition to our Maryland portfolio. Expect us to provide a number of tenant announcements for Annapolis on our next call.

With that, I'll turn it over to Dan.

**Daniel Guglielmono**

Thank you, Wendy, and hello everyone.

Our reported FFO per share for the third quarter of \$1.77, above consensus and at the top end of our guidance range of \$1.72 to \$1.77. Comparable POI growth for the quarter was 4.4% on a GAAP basis and

3.7% on a cash basis. Both metrics outperformed our expectations, primarily due to higher-than-forecasted revenues in retail, residential and parking. As a result, we will increase guidance for both 2025 FFO per share and comparable POI growth. More to come on that later in my prepared remarks, but first, an update on the balance sheet.

We continue to have significant liquidity of approximately \$1.3 billion at quarter end, comprised of availability on our \$1.25 billion unsecured credit facility and over \$100 million of cash at quarter end. Amid an active capital allocation program, our balance sheet remains strong.

Third quarter annualized net debt-to-EBITDA is solid and stands at 5.6x, reflecting the purchase of the Leawood assets and our fixed charge coverage stood at 3.9x. We continue to look to execute on our capital recycling program with \$400 million of assets at various stages in the asset sale process, with roughly \$200 million expected to close by year-end or shortly thereafter, and another \$200-plus million forecasted to close in the first half of 2026. Behind that, we have a pool of over \$1 billion of noncore assets under consideration to be brought to market in 2026 and beyond.

Of that total roughly \$1.5 billion pool, about a third is peripherally located residential with the other two thirds being noncore retail. With estimated blended yields targeted in the mid- to upper 5% cap rate range and blended unlevered IRRs inside of 7%, very attractively priced capital.

While leverage may fluctuate modestly from quarter-to-quarter, given the inherent timing differences between acquisition and sale transactions, we expect to maintain a long-term net debt-to-EBITDA ratio in the low to mid-5x range. From a flexibility perspective, with leverage metrics where they are and over \$1.5 billion of asset sales in process and under consideration, we are very well positioned to continue to be on offense with respect to capital deployment.

Now, on to guidance. As mentioned earlier, with a third consecutive beat and raise, we are raising our forecasted range for FFO per share, excluding the new market tax credit, more akin to a recurring FFO to \$7.05 to \$7.11. This represents about 4.6% growth on this recurring basis at the midpoint over 2024 and roughly 4% to 5% at the low and high end of range, respectively. Including the onetime new market tax credits in these figures, our NAREIT-defined FFO range increases to \$7.20 to \$7.26, which represents 6.8% growth at the midpoint over 2024. This increase is driven by \$0.01 of net operating outperformance during the quarter and roughly \$0.01 accretion from the Annapolis acquisition for the quarter, which translates to \$0.03 to \$0.04 on an annualized basis.

Given another strong result for 3Q, we are increasing our forecast for 2025 comparable POI growth to 3.5% to 4%, or 3.75% at the midpoint, and that's 4% when excluding prior period rent and term fees. We expect comparable occupied levels to be in the low 94s by year-end, given the deals signed to date and the continued robust pipeline of leasing activity, which continues to have momentum even after a record third quarter volumes. Retail tenant demand for our portfolio is showing no signs of abating to date.

We do have one other acquisition that we have under contract that should close before year-end of roughly \$150 million, although given the expected closing late in the quarter, we do not expect it to materially add to 2025 FFO.

One thing to keep in mind: the acquisitions we have completed so far this year, including the one currently under contract, will total over \$750 million at a blended initial cash yield of roughly 7%, a GAAP yield north of 7%, an initial blended occupied rate of just 88%. These are high-quality assets with clear leasing upside, which will enhance growth in 2026, '27 and beyond.

The implied FFO guidance for fourth quarter 2025 is \$1.82 to \$1.88 and represents 7% growth year-over-year at the mid-point. While we won't be providing formal 2026 guidance until our fourth quarter call in February, we do expect a strong year operationally. We're executing from a position of strength, we're investing strategically, maintaining balance sheet discipline and setting ourselves up for another year of meaningful growth ahead.

Before I hand the call back to the operator, given the number of participants on the call we kindly ask that you limit yourself to one question during this segment of the call. And please, no multipart questions. If you have additional questions, please re-queue.

And given the really tough news that Jill shared earlier, we completely understand that many of you may want to send a message of support to Don and his family. However, we respectfully ask that you refrain from expressing condolences on this call, so we can focus on the discussion on Federal Realty and its third quarter results and keep the Q&A segment of the call as efficient as possible. Thank you.

With that, Operator, please open the line for questions.

### **Operator**

We will now begin the question-and-answer session. To ask a question you may press star, then one on your telephone keypad. If you are using a speaker phone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. Please rejoin the queue for any follow-up questions. At this time we will pause momentarily to assemble our roster.

The first question comes from Juan Sanabria with BMO Capital Markets. Please go ahead.

### **Juan Sanabria**

Hi. Great. Thank you for the time. For the team, I guess, Dan, you talked about the dispositions in processing at kind of a blended cap rate, but just curious if you can give any color on how the two main buckets, retail versus resi compare, given kind of early feedback on what may be kind of out there in the marketplace to test pricing.

### **Daniel Guglielmono**

Sure, sure. Look, we've got, as we mentioned, \$400 million in the market now. That's probably a little bit more skewed towards residential. Overall, the \$1.5 billion the third of the peripheral residential, two thirds noncore retail, pricing is going to be kind of in and around 5, sub-5 for what we're selling on the residential, and it will be in and around 6, low 6s, 6, sometimes high 5s on a blended basis on the retail. And so blended, we should be in the mid to upper 5s overall. I think a nice positive spread to where we're deploying the capital in and around the high 6s, low 7s on a cash basis and GAAP yields above that.

### **Juan Sanabria**

Thank you.

### **Operator**

The next question comes from Michael Goldsmith with UBS. Please go ahead.

### **Michael Goldsmith**

Good morning. Thanks a lot for taking my question. Dan, you mentioned you're not going to issue formal 2026 guidance, but you did talk about some of the factors, right? Like Annapolis and the benefit that you'll see next year as well as the capitalized interest (inaudible). So can you outline kind of any sort of one-time or other topics that you've already talked about for 2026, just so that we can get a sense of where the puck is going, what's the trajectory of the company and what the earnings growth next year could look like based on what you've already said? Thanks.

**Daniel Guglielmono**

Yes. Good question. Thank you, Michael. With respect to one-timers, obviously, the big one-timer really is what's occurred in 2025 with the new market tax credit. We would encourage folks if you want to understand kind of the true operational growth underlying the business is to exclude that one-timer in 2025 and focus on the \$7.08 of kind of more of a recurring number.

In terms of looking forward, we don't have anything or expect to have any one-timers. One-timers, we consider as recurring numbers, term fees. We think that's recurring. It's a part of the business. It's unforecastable, but we do not expect any kind of material differences from our current guidance, which we increased a little bit this quarter in the \$5 million, \$5 million to \$6 million range, so it should be consistent with that.

With regards to capitalized interest, you brought up we had about \$13.5 million or expecting in the \$13 million to \$14 million range this year. We're not done. We don't have a precise number, but I think as a placeholder using kind of a \$10 million to \$11 million kind of level for capitalized interest is something you can use for now. We'll provide more precision on that in February.

With regards to growth, we don't have a precise number, but right now, our current guidance 2025, the recurring number is in the mid-4s, 4.6%. I would expect that, that feels like it should be somewhat consistent with where we'd expect things to be next year as well on a recurring basis. Keep in mind, that's with about 150 to 200 basis points of headwind from the refinancing of our bonds in February that we're expecting. And so that's, call it, 5.5% to 7% underlying growth in the core business, which I think we feel really, really good about. So that's kind of I think the big numbers I would point you to.

We do expect, you know, we only have \$3 million to \$5 million of incremental development POI contribution this year. That will be up higher next year into the double digits. We'll have a more precise number for you in terms of the 2026 incremental contribution on the following February.

**Operator**

Our next question comes from Samir Khanal with Bank of America. Please go ahead.

**Samir Khanal**

Good morning everybody. I guess, Jan or Wendy, the spreads in the quarter were impressive, right, 28% cash spreads. I guess if you take a step back, how much of that is sort of true market rent growth that you're seeing in your portfolio versus maybe just sort of mix or tenant upgrades. Trying to understand if these spreads are sustainable and if there is a sort of this inflection of market rents that are taking place for your type of assets. Thanks.

**Wendy Seher**

Sure, there's no question that the 28% is a strong number from us. The way I kind of look at it is more over a 12-month period, which is more we're seeing kind of in the mid-teens and continue to be aggressive. It makes sense, right, because our leased and occupied rate continue to increase, so we're able to drive rents at that rate. I think that it can be lumpy, so not every quarter will be 28%, but I think that we are definitely seeing some ability to drive rents. Like I said, that trailing 12 months should provide us in that mid-teens as the results will play out in the fourth quarter and into the first quarter.

**Operator**

Our next question comes from Alexander Goldfarb with Piper Sandler. Please go ahead.

**Alexander Goldfarb**

Hey, good morning down there. Dan, out at Santana West you had that office tenant that, whatever, didn't take the space this year, whatever the take space, making it ready that got delayed. Is that tenant looking to be on track for '26, meaning should we expect sort of early in '26 that that revenue would start flowing? Or could that be further delayed from a revenue recognition standpoint?

**Daniel Guglielmono**

Our expectation is in line with our revised guidance earlier in the year that this fourth quarter we will begin recognizing straight-line rent. We'll be recognizing on PwC, which is roughly the 40% anchor tenant in the building, we'll be recognizing straight-line rent. And that's why—that's one of the drivers of kind of the incremental POI that we'll see from our development pipeline, our development portfolio in 2026.

So, in line with our expectations and will be a driver of growth next year.

**Operator**

Our next question comes from Michael Griffin with Evercore ISI. Please go ahead.

**Michael Griffin**

Great. Thanks. Maybe one for Jan, just as it relates to sort of the investment pipeline and outlook. I know in Kansas City, you talked about the upside opportunity in some of these larger open air centers similar to Town Center versus maybe the premium the market is putting on more grocery anchor. Can you just talk about your thoughts on maybe the disconnect between those two types of properties? Is it expectations for higher foot traffic at grocery anchor center that's maybe driving down that cap rate? Or is there just a broader disconnect versus the types of assets like a Town Center or an Annapolis that you all are targeting? Thank you.

**Jan Sweetnam**

Thanks, Michael. Good question. Interesting time in the market. There has historically been for at least the last 10 years, strong demand for grocery-anchored centers and cap rates have gotten bid down to relatively low levels. It sort of feels like they've flattened out a little bit. There just has not been as much capital on the market. In fact, really recently, there's been very little capital in the market for larger transactions and so the few transactions that came to the market, there was good bidding for it, but the yields were higher because there wasn't that much competition for it.

So the second half of this year, I think what we've seen is there's a lot of large centers that have come to the market. There's more capital in the market chasing those. It still feels like there's a good supply/demand equilibrium there. But we still see that spread happening here simply because the larger centers are that they can be more complicated to execute, there's a lot more leasing that needs to be done there. I just think one of the reasons we're really interested in it is we think we get a great risk-adjusted yield in buying these assets that are a little bit more complicated. They're larger, they're harder to operate because we've just got a great leasing team. We've got such great relationships with the merchants, and we get so much intel on these things before we actually start bidding on though, let's put them under contract. And so we still think that spread is going to be there; it has not disappeared.

**Operator**

Our next question comes from Simi Rome (phon) with Barclays. Please go ahead.

**Simi Rome**

Hi. Thanks very much for taking the question. I was wondering if you could elaborate a bit on the debt maturity schedule and particularly the \$200 million Bethesda Row mortgage returning December. I saw there's two one-year extension options there, so I was just wondering what the plan is. Thanks.

**Daniel Guglielmono**

Yes. With regard specifically to Bethesda Row, and I'll talk a little bit more broadly about our maturity schedule going forward. But Bethesda Row, we will be extending that for another year. Exercising the first of those two options will take us to the end of 2026. We have the flexibility to push it out to the end of 2027. It's a low leverage. It certainly is imminently financeable at the end as well, so really no concerns there.

We did refinance our Azalea, a loan which has a maturity of tomorrow. And so that's been refinanced at very attractive rates in the kind of – on a swap-to-fixed basis it will end up in kind of in the low 4s.

Then with regards to the maturity we have in February of our \$400 million of bonds with a 1.25%, we've got options, and it's good to have options. Whether it be in the bond market, whether it be in the bank term loan market, whether it be in the convertible market, to have those options is really kind of what being Federal and having our high investment-grade rating kind of allows us to do to be able to be opportunistic and nimble with regard to how we plan to refinance that, and we'll look to optimize it. More to come on that. Obviously, in February, there will be more color on exactly how we execute it.

**Operator**

Our next question comes from Floris Van Dijkum with Ladenburg. Please go ahead.

**Floris Van Dijkum**

Thanks. A question on your physical occupancy. I note you're still about 160 basis points, I believe, below peak levels. Maybe, Wendy, if you can give some sort of update on how quickly you see that trending and is there a chance that we could surpass that level over the next 18 months or so?

**Wendy Seher**

Thanks, Floris. I think what we're seeing is in terms of our ability to drive that occupancy rate up, I'm feeling good about the anchor side of it I think is where we have more room to push that number. And I think you're going to see that, as I mentioned in my comments, with that 175,000 square feet of space that we have really finalizing and signing leases in the next quarter for spaces that are currently vacant. So you're going to see that push up towards the end of the quarter.

I think on the small shop side, we're over 93% leased right now, so I think we're going to use that as an opportunity to continue to drive rents. It could go up a little bit, but we like a little bit of that frictional vacancy, as I call it, that we can drive rents. But I think you're going to see it more increase on the anchor side which will overall increase our occupancy.

**Operator**

Your next question comes from Cooper Clark with Wells Fargo. Please go ahead.

**Cooper Clark**

Great. Thanks for taking the question. Curious how Annapolis is funded and how that ties into the \$0.01 accretion for 4Q and \$0.03 to \$0.04 for the full year. Wondering if that \$0.01 accretion is combined with the \$200 million of sales to fund or just trying to figure out how that \$0.01 is inclusive of sales to close by year-end or not?

**Daniel Guglielmono**

Yes. Look, it's somewhat fungible. And look, we have a big balance sheet that allows us the flexibility to fund. Ultimately, we've got capacity on our credit facilities, on our term loans. Temporarily we fund it on that basis, cash on hand. Ultimately, on a long-term basis, it will be on a permanent basis be funded with the asset sales. So the \$0.01 accretion is really the spread between kind of the long term, basically yield or the initial yield Day 1 and the next 12 months relative to—if we're selling stuff in the initial yields in the mid- to high 5s and we're, on a GAAP basis in the 7s, that's how you get to the \$0.01 accretion on a quarterly basis for the fourth quarter and \$0.03 to \$0.04 on an annualized basis for the full year.

Hopefully, that answers your question. It's a good one, Cooper. Hopefully, that answers it.

**Operator**

Our next question comes from Greg McGinniss with Scotiabank. Please go ahead.

**Viktor Fediv**

Hello. This is Viktor Fediv on for Greg McGinniss. As you are now in an active expand and growth mode, could you share some details on current competition for the assets you target and how it is impacting cap rates overall? Just trying to understand whether the pool of assets that check all the boxes for Federal are shrinking or not.

**Daniel Guglielmono**

Jan, do you want to take that one?

**Jan Sweetnam**

Yes, I'm not sure I totally heard the full question. Is the question in terms of what does the pool of future potential acquisitions look like? Was that the question?

**Viktor Fediv**

Yes. Yes, as a result of (inaudible) and competition for the assets. Yes, just trying to understand the size of the pool, yes.

**Jan Sweetnam**

Yes, yes. Got it. It sort of feels like we're in continued equilibrium and what I mean by that is, go back 12 months or 9 months ago, there weren't a lot of large transactions that we're interested in that were on the market and there weren't a lot of people chasing those type of assets. So it felt like it sort of was an equilibrium. And today, there was a lot of large transactions that came on the market in April, May, June that were also matched by more capital coming in, looking at those acquisitions and those possibilities.

And so it feels like while there's more competition out there, I think it's more work for the sellers trying to understand who's real in the bid sheet and of the ones that are real, who are the ones that really stand out as being able to work through issues and be at the closing at the end. And as we think through, we think we compete very well on that basis.

So, just from a competitive standpoint, it feels like we're sort of in the same position from an equilibrium standpoint. We'll have to see what happens in '26 and beyond that, but we would expect to continue to see more large transactions coming to the market later this year, beginning of next year, and we think we're in a pretty good competitive position to make a play for.

**Daniel Guglielmono**

Yes. And look, I think that another thing that is not kind of I think fully appreciated—and yes, is the skill set that we have at Federal Realty, whether it be in our leasing capability, our relationships with tenants, our ability add place-making and other things that enhance the operations and productivity of the assets that we buy.

A lot of these assets are undermanaged and they're not—it's not easy. It's not low-hanging fruit and you need a really, really good operator to drive those kind of results. I think that's a competitive advantage we have over much of the capital that we're competing with. We can do things that others can't in terms of driving POI upside and NOI upside at these potential acquisitions.

**Operator**

Our next question comes from Craig Mailman with Citi. Please go ahead.

You may be muted.

**Daniel Guglielmono**

Craig, we don't hear you. You're on mute?

We'll go to the next question. Next, Operator?

**Operator**

Okay. The next question is from Ravi Vaidya with Mizuho. Please go ahead.

**Ravi Vaidya**

Hi there. Good morning. Can we discuss the SNO pipeline? How much do we have in total rent that's embedded in that pipeline and what's the projected timeline for this to come online? Do you think it will compress from here on out, or is there room for this to expand further as occupancy grows? Thanks.

**Daniel Guglielmono**

Great question, Ravi. And Craig, re-queue. We'll get to your question for whatever the technical difficulty, we didn't hear you. But please, re-queue so we can—we want to hear from you.

Ravi, great question. SNO is going to be about \$20 million in the comparable portfolio and another \$18 million in kind of the to-be-delivered portfolio. So \$38 million in total. In terms of about a quarter of that will come online or on an annualized basis begin and commence in the fourth quarter. About, call it, 60% should be in 2026 and the remaining 15% should occur, call it in 2027 for the most part.

Probably of the 60% next year, roughly probably three-quarters of it is going to be—call it 70% to 75% should be in the first half of the year.

Obviously, SNO has become—is helpful for you guys from a modeling perspective. It only tells half the story. I mean when you look at SNO, you have to look at the other side of that's filling the top of the bucket, SNO. What is the leaks in the bottom of the bucket? What is your credit reserve? What's the credit profile of your tenancy? I think that, that needs to be looked at in tandem. So I would encourage you guys to the extent that SNO is important to you that you look at both sides of that.

With regards to RSNO, given what Wendy had indicated, we expect our leased rate to grow into the fourth quarter and into the beginning of 2026. That should grow our spread between our leased rate/occupied

rate. Both of them should trend upwards, which is what you want. I think that's more important, the direction of your occupancy metrics than necessarily what the spread is between the two.

We will look to—it may increase up towards 200 basis points, but our objective is to tighten that as much as we can and get into kind of historical levels in the low hundreds. One hundred to 150 basis points, that's obviously kind of where we'd like to be. That shows efficiency in getting tenants open and it was also an indication about credit quality of your tenancy, if you kind of can maintain a very, very tight SNO, as everyone likes to say.

#### **Operator**

Our next question comes from Craig Mailman with Citi. Please go ahead.

#### **Sydney McEntee**

Hey guys, this is Sydney McEntee on for Craig. I think he was having some technical difficulties.

Wendy, you mentioned that tenants are vying for currently occupied space, two to three quarters and years ahead of expirations now? Is this a significant trend that you're seeing or is this more anecdotal? And how much of this activity actually drive the cash spreads on new leases during the quarter?

#### **Wendy Seher**

Yes. Thank you for the question, Sydney. When I look at what we've been doing over the last several quarters, you can see that our rate of new deals that are being basically signed up for space that's already occupied has continued to tick up. Maybe it's more in the—if you look kind of coming out of COVID, we had more vacancy. We were leasing space that was occupied in the 30%, 40% range. Now we're out to 50%, 60% and this quarter was 70% of what we're leasing is already for occupied space. So I think that will continue as our occupancy and lease rates go up, and I think it's showing a healthy ability to reduce downtime and to level out our revenues quarter-to-quarter, and that's really what we're focused on.

#### **Operator**

Our next question comes from Hongliang Zhang with JPMorgan. Please go ahead.

#### **Hong Zhang**

Hey Dan, I guess a quick question for clarification. I think you talked about FFO growth being kind of in the mid-4s on a recurring basis going forward. Is that just for the current portfolio, or does that also layer on potential future acquisition and disposition activity too?

#### **Daniel Guglielmono**

Yes. No, that's just kind of with what's in place for the most part. It reflects kind of expectations with Annapolis but it does not assume any incremental acquisitions or speculative acquisitions in 2026 that would be additive. Given our objective of doing acquisitions that are accretive from Day 1, obviously the mid-4s is kind of the baseline and acquisitions will enhance that figure kind of going forward. There's no embedded assumptions on speculative acquisitions or dispositions in that number.

#### **Operator**

Our next question comes from Omotayo Okusanya with Deutsche Bank. Please go ahead.

#### **Omotayo Okusanya**

Yes, good morning. Could you talk a little bit about the \$150 million acquisition assuming to happen by year-end? If you could just kind of give us a general sense of kind of what it is, where it is.

**Daniel Guglielmono**

Yes. Jan, you can add on. I'll just get it—look, we'll announce that when we close on it. We are expecting—we're under contract. It's roughly \$150 million. As Don alluded to, it's kind of in what will be a similar market to a Leawood, Kansas type of location. We'll announce that when it closes, as is our policy and kind of what we do on a normal basis.

Jan, I don't know—with regards to returns, it's going to be consistent with the returns that we've been achieving on the assets to date. Jan, I don't know if there's any other color, but I think that's what we're probably prepared to give you today, Tayo.

**Jan Sweetnam**

Yes. I think you nailed it, Dan. I think the only thing I would just add or reemphasize is, it's going to be—it's a great city. It's a great MSA. It fits unbelievably well in the affluent submarket and the affluent customer there is underserved, and there's pent-up demand in the marketplace. I think that we will be able to demonstrate that and talk about it once we close it. That's what I would add here.

**Daniel Guglielmono**

Yes. And I'd add another thing that this is an off-market transaction, something that was sourced off-market. And it fits perfectly within kind of the new Federal playbook in terms of top metros with a dynamic employment, dominant assets with a meaningful size and significant trade area, affluence, unmet retail demand and proven hits and checks all of those boxes. We're excited about it and stay tuned.

**Operator**

Our next question comes from Linda Tsai with Jefferies. Please go ahead.

**Linda Tsai**

Hi. Thanks for taking my question. It sounds like including what you have under contract to sell 200 closing by year-end and another 200 closing in 2026, you can be selling up to the \$1.5 billion you've identified. Is it feasible to replenish with another \$1.5 billion and recycle that as well? Just wondering about the length of runway for unlocking of value creation.

**Daniel Guglielmono**

Yes. Look, it's a great question, Linda, and thanks. I think that gives us runway probably into '27 in that the existing \$1 billion gives us a runway. These are identified. We think that they'll attract interest from the market and so forth.

Do we have more behind that? Is there—yes. I mean we could kind of delve in. I think this is the near term, the next 18-, 24-, 36-month pool that we're considering. Is there more behind it? Yes.

We need to be thoughtful. A lot of what we own in our portfolio has significant gains because we've created significant amounts of value in these assets and so we need got it to be thoughtful with regards to managing that. Ideally, we'd like to do that through 1031 exchanges. That also is kind of a governor, but to the extent we need to accelerate because we see more opportunities in the market to deploy capital on the acquisition front or in redevelopments and so forth, we have that ability to accelerate and move up some of the pool to the forefront of activity in our asset sale process.

**Operator**

Our next question comes from Kenneth Billingsley with Compass Point. Please go ahead.

**Kenneth Billingsley**

Hi. Good morning. Thanks for taking my question. I just want to follow up. I think you made some comment on the leasing side, but looking at renewal rates of up 29%, GLA was the highest in the last 12 months. Can you maybe just discuss—there weren't a lot of TIs in there. Could you just maybe discuss what formulated such a high increase on a renewal basis?

**Daniel Guglielmono**

Look, we were able to push rents on renewal. Timing of renewals, it ebbs and flows. We happen to have a significant opportunity this quarter and those deals got done. There were some really strong renewal rates that we were able to achieve.

In terms of the volume of renewals, that happens. That will ebb and flow over time. I think there were a number of deals that we were able to get renewals at rates that were kind of above average. I would not expect us to maintain, continue to be driving renewal rates. I would look also on a trailing 12-month basis maybe a little bit lower, just because renewals tend to be a little bit lower. But I would look at kind of a more normalized number is looking at the trailing 12, which is in our supplement on the leasing page there.

**Operator**

Our next question comes from Paulina Rojas-Schmidt with Green Street. Please go ahead.

**Paulina Rojas**

Good morning. This is a more big picture question. You have highlighted that the recently acquired centers have a very clear, significant operational upside. Do you think these acquisitions along with the broader market focus are turning points for the company in terms of expected growth, or you are more maintaining a growth trajectory, essentially replacing more mature centers for others and will drive the next stage of growth? I hope my question is clear.

**Daniel Guglielmono**

Yes, I think I understand and it's a good question, Paulina. Look, we are seeing kind of the opportunity to buy assets that are more raw material to kind of put into kind of the Federal business model where we can really drive merchandising, leasing, rents, invest capital on a disciplined basis to really drive and enhance returns for those assets. I think that, that is something that is additive. It's no different. Look, we are able to do that on our existing portfolio as well, but I think we see the opportunity to sell some of the assets that maybe have done a really, really good job of harvesting the opportunity in the near term and see that as an attractive source of capital to redeploy into assets that can enhance our growth rate.

But I don't see it as a turning point. I think it's more a continuation of what we do well. I think we're seeing an opportunity to harvest gains in our portfolio and redeploy them and really to enhance our growth rate. But it's really just a continuation and an expansion of what Federal has always done.

**Operator**

Again, if you have a question, please press star, then one.

We have a follow up question from Alexander Goldfarb with Piper Sandler. Please go ahead.

**Alexander Goldfarb**

Hey, thank you for taking the follow-up. As you guys look at some of the expansion markets, that you're—obviously Leawood and then whatever the next city is, do you see that perhaps retailers or rents haven't been pushed as much as they have in those markets? I'm just trying to understand like, obviously, everyone knows like the infill markets like Philly area or New York Metro or D.C. Metro and retailers know that, hey, you have to pay big rents, there's big incomes. But just wondering, as you go to some of these next—some of the Midwest markets and maybe just different legacy of ownership, do you find that the rents have been pushed in the same way? Or is that part of the opportunity? I'm just trying to understand if it's more just, “Hey, new area for growth,” versus actually the way the markets have worked, they maybe haven't been as efficient because of just different types of ownership that may have existed there versus in the coastal markets.

**Daniel Guglielmono**

Yes. I'm going to let Stu Biel answer that one. You guys all met Stu on our Leawood trip. Stu, you're probably at the forefront of that.

**Stuart Biel**

Sure. Hey Alex, thanks for the question. I think the short answer is there is a lot of runway on the rents here. They have not been pushed as hard. The properties haven't been invested in the right way to push them as hard. At the end of the day, this is all a fraction of the function of the volume the tenants believe they can do here. I think we showed you guys when we were at Leawood the volumes that were coming out of that property before they had been kind of run in the way that we would run them. So I do think that's a big part of this push is there is a lot of runway to continue to upgrade the merchandising, push the sales, invest in the properties and push those rents to get closer to what they're used to paying in other places in the country.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Jill Sawyer for any closing remarks.

**Jill Sawyer**

Thanks for joining us today. Have a nice weekend everyone.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.