As filed with the Securities and Exchange Commission on April 19, 2007

Registration No. 333-

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

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

52-0782497
(I.R.S. Employer Identification No.)

1626 East Jefferson Street
Rockville, Maryland 20852
Telephone: (301) 998-8100
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Dawn M. Becker, Executive Vice President, General Counsel and Secretary
Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852
Telephone: (301) 998-8100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Thomas J. Plotz, Esq.
Pillsbury Winthrop Shaw Pittman LLP
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8000

Approximate date of commencement of proposed sale of the securities to the public: From time to time following the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☑

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Shares of Beneficial Interest, $0.01 par value (2)	1,165,065	$ 91.10	$106,137,421.50	3,258.42

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c), based upon the average of the high and low prices of the common shares as reported on the New York Stock Exchange on April 17, 2007.
(2) Includes associated rights to purchase common shares of beneficial interest of the registrant.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a)

of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

1,165,065 Common Shares of Beneficial Interest (par value $0.01 per share)

This prospectus relates to the offer and sale from time to time by the selling shareholders of up to 1,165,065 of our common shares of beneficial interest, par value $0.01 per share, which we refer to as our common shares, including common shares (i) issuable upon conversion of our 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest, par value $0.01 per share and liquidation preference $25 per share, which we refer to as our preferred shares, if and to the extent that selling shareholders tender preferred shares for conversion and offer or sell any of the common shares issued in respect thereof, and (ii) issuable upon redemption of units of limited liability company interest in NVI-Avenue, LLC, our consolidated subsidiary, which we refer to as downREIT units, if and to the extent that redeeming unitholders tender downREIT units for redemption, receive common shares for such redemption and offer or sell any of the common shares issued in respect thereof. We will not receive any proceeds from the sale of the offered shares by the selling shareholders.

On March 8, 2007, we acquired various real properties for aggregate consideration of approximately $189.0 million, part of which consideration consisted of the issuance of (i) 884,066 common shares, (ii) 399,896 preferred shares and (iii) 185,504 downREIT units.

Beginning on March 8, 2007, the holders of preferred shares may convert their outstanding preferred shares into a number of common shares determined by dividing (A) the product obtained by multiplying: (i) the number of preferred shares being converted by (ii) the liquidation price of $25.00 per preferred share; by (B) the optional conversion price (which conversion price is calculated as provided for in the Articles Supplementary) as in effect immediately prior to the close of business on the date of conversion. Holder conversions are subject to (a) limitations on real estate investment trust share ownership, (b) a minimum conversion amount, (c) conversion frequency limits and (d) black-out periods after public offerings of the registrant. At any time after March 8, 2007 at which the trailing 200 consecutive trading day average closing price of the common shares as reported on the New York Stock Exchange is greater than the mandatory conversion trigger price (which price is calculated as provided for in the Articles Supplementary), the registrant may convert all or any outstanding preferred shares into a number of fully paid and nonassessable common shares determined by dividing (A) the product obtained by multiplying: (i) the number of preferred shares being converted by (ii) the liquidation price of $25.00 per preferred share; by (B) the optional conversion price (which conversion price is calculated as provided for in the Articles Supplementary) as in effect immediately prior to the close of business on the conversion date set by the registrant in accordance with the Articles Supplementary.

The members of NVI-Avenue, LLC have the right to require NVI-Avenue, LLC to redeem their downREIT units for cash beginning on the earlier of March 8, 2008 or the date of an extraordinary transaction (as such term is defined in NVI-Avenue, LLC's constituent documents), by issuing a notice of redemption to NVI-Avenue, LLC; within 20 days after NVI-Avenue, LLC receives such a notice of redemption, the registrant may elect to acquire the tendered units in exchange for cash or common shares, at the registrant's election.

We are registering the common shares being offered by this prospectus pursuant to contractual obligations under a registration rights agreement in order to permit the selling shareholders or their permissible transferees to offer or sell such shares without restriction, in the open market or otherwise. However, the registration of such common shares does not necessarily mean that any of the preferred shares will be tendered for conversion, that any of the downREIT units will be tendered for redemption, that any common shares will be issued upon redemption of downREIT units, or that the selling shareholders or their permissible transferees will offer or sell any common shares.

We will pay all expenses incident to the registration of the 1,165,065 common shares offered herein (other than brokerage fees and sales commissions, fees and disbursements of the selling shareholders' counsel, accountants and other advisors and transfer taxes, if any, relating to the sale or disposition of the offered shares).

Our common shares are listed on the New York Stock Exchange under the symbol "FRT." On April 17, 2007, the last reported sales price of our common shares, as reported on the New York Stock Exchange, was $91.80 per share.

Please read this prospectus and the applicable supplement carefully before you invest. Investing in our common shares involves risks. See "Risk Factors" beginning on page 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which is incorporated herein by reference as provided on page 23 of this prospectus, for risks relating to an investment in our common shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is complete or accurate. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 19, 2007

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the "SEC") using a "shelf" registration process. Under this shelf process, selling shareholders may sell the securities described in this prospectus either separately or in units, in one or more offerings. Our prospectus provides you with a general description of these securities. This prospectus does not contain all of the information included in the registration statement. For further information, we refer you to the registration statement, including its exhibits. Statements contained in this prospectus about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC's rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read this prospectus together with any additional information you may need to make your investment decision. You should also read and carefully consider the information in the documents we have referred you to in "Where to Find Additional Information" below. Information incorporated by reference after the date of this prospectus may add, update or change information contained in this prospectus. Any information in such subsequent filings that is inconsistent with this prospectus will supersede the information in this prospectus or any earlier prospectus supplement.

References to "we," "us" or "our" refer to Federal Realty Investment Trust and its directly or indirectly owned subsidiaries, unless the context otherwise requires. References to "common shares" refer to our common shares of beneficial interest, par value $0.01 per share. References to "preferred shares" refer to our 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share. References to "downREIT units" refer to units of limited liability company interest in NVI-Avenue, LLC, our consolidated subsidiary. The term "you" refers to a prospective investor.

FORWARD-LOOKING INFORMATION

Before investing in our securities, you should be aware that there are various risks. Investors should carefully consider, among other factors, the factors discussed in this prospectus and the information incorporated by reference herein. This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Also, documents that we "incorporate by reference" into this prospectus, including documents that we subsequently file with the SEC, will contain forward-looking statements. When we refer to forward-looking statements or information, sometimes we use words such as "may," "will," "could," "should," "plans," "intends," "expects," "believes," "estimates," "anticipates" and "continues." The risk factors incorporated by reference in this prospectus describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Many things can happen that can cause actual results to be different from those we describe. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. We also make no promise to update any of the forward-looking statements, or to publicly release the results if we revise any of them.

THE TRUST

Federal Realty Investment Trust is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. As of December 31, 2006, we owned or had a majority interest in, or controlled, 111 community and neighborhood shopping centers and mixed-use properties comprising approximately 18.8 million square feet, located primarily in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States, as well as in California. A joint venture in which we own a 30% interest owned six neighborhood shopping centers totaling approximately 0.7 million square feet as of December 31, 2006.

We operate in a manner intended to qualify as a real estate investment trust pursuant to provisions of the Internal Revenue Code. Our offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852. Our telephone number is (301) 998-8100 or (800) 658-8980. Our website address is www.federalrealty.com. The information contained on our website is not a part of this prospectus.

RISK FACTORS

You should consider carefully the risks incorporated in this prospectus by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and the other information contained in this prospectus before deciding to invest in our common shares.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the offered shares by the selling shareholders. We will pay all costs and expenses incident to the registration of the offered shares, other than brokerage fees and sales commissions, fees and disbursements of the selling shareholders' counsel, accountants and other advisors, and share transfer and other taxes attributable the sale of the offered shares, which will be paid by the selling shareholders. See "Selling Shareholders."

SELLING SHAREHOLDERS

The selling shareholders hold an aggregate of 884,066 common shares, 399,896 preferred shares and 185,504 downREIT units, which they acquired on March 8, 2007 in exchange for their interests in certain entities owing real properties. We may issue certain of the offered common shares to the selling shareholders in exchange for (i) the preferred shares if and to the extent that the selling shareholders tender their preferred shares for conversion, and (ii) the downREIT units if and to the extent that the selling shareholders tender their downREIT units for redemption. The common shares offered by this prospectus may be offered from time to time by the selling shareholders named below and by any additional selling shareholders who may be named in a supplement to this prospectus. In addition, the common shares covered by this prospectus may be sold by any permissible transferees who receive common shares, preferred shares or downREIT units from the selling shareholders listed below. The following table sets forth the name of each selling shareholder and the number of our common shares that may be offered by each selling shareholder.

None of the selling shareholders has had any position, office or other material relationship with us, or any of our predecessors or affiliates, during the past three years, except that US Bank National Association holds the common shares listed below opposite its name as pledgee and in its capacity as escrow agent in connection with our recent acquisition of real properties. Since the selling shareholders may sell all, some or none of the offered common shares covered by this prospectus, no estimate can be made of the number of common shares that will be sold by the selling shareholders pursuant to this prospectus or that will be owned by the selling shareholders upon completion of the offering. As of March 7, 2007, none of the selling shareholders owned any of our common shares. The aggregate number of common shares set forth in the table below (which number assumes the conversion (upon the election of the preferred shareholders) of all outstanding preferred shares and the redemption (upon the election of the downREIT holders and the election of the registrant to acquire all tendered downREIT units in exchange for common shares) of all outstanding downREIT units owned by all of the selling shareholders as of the date hereof, at the conversion price and redemption price in effect as of the date hereof) represents approximately 2.069% of the total number of our common shares outstanding as of March 13, 2006.

Name of Selling Shareholder	Number of Common Shares Beneficially Owned Prior to Offering (1)	Number of Common Shares Being Offered	Number of Common Shares Beneficially Owned After the Offering (2)
A. Thomas Campbell	14,823(3)	14,823	0
Anne S. Campbell	11,121(4)	11,121	0
Bruce S. Campbell, III	50,605(5)	50,605	0
Bruce S. Campbell, IV	2,306(6)	2,306	0
Carol C. Haislip	14,823(7)	14,823	0
Caroline Campbell Hill	2,397(8)	2,397	0
Carolyn C. Beall	46,813(9)	46,813	0
Charles C. Campbell	42,954(10)	42,954	0
Charlton G. Campbell Hughes	52,659(11)	52,659	0
Douglas Franklin Campbell	18,745(12)	18,745	0

Gregg T. Campbell	55,811(13)	55,811	0
J. Tyler Campbell	42,954(14)	42,954	0
Judith F. Campbell	81,315(15)	81,315	0
Kathleen Campbell Ackerman	2,397(16)	2,397	0
Madeline C. Modica	47,160(17)	47,160	0
Marcie C. McHale	18,555(18)	18,555	0
Robert Bruce Campbell	19,712(19)	19,712	0
Russell Tyler Campbell	18,745(20)	18,745	0
S. James Campbell, Jr.	14,823(21)	14,823	0
Sarah T. Campbell	2,306(22)	2,306	0
Taber C. Hook	46,401(23)	46,401	0
Thomas M. Campbell	59,565(24)	59,565	0
Trustee of the Richard L. Campbell, Jr. Residuary Trust	31,834(25)	31,834	0
Trustees of the Generation Skipping Transfer Tax Exempt Trust u/w of S. James Campbell	66,765(26)	66,765	0
Trustees of the Laurence Thomsen Trust u/a 10/16/67	144,562(27)	144,562	0
Trustees of the Residuary Trust u/w S. James Campbell	32,678(28)	32,678	0
Trustees of Trust No. 2 u/w Michael T. Campbell	48,268(29)	48,268	0
Jamie N. Campbell	2,179(30)	2,179	0
Virginia T. Campbell	58,886(31)	58,886	0
Estate of William B. Campbell	26,321(32)	26,321	0
Brett Campbell Alcarese	1,756(33)	1,756	0
Dollenberg Family Limited Partnership	11,827(34)	11,827	0
Douglas F. Campbell, Custodian for Connor M. Campbell under OR-UGMA	386(35)	386	0
Douglas F. Campbell, Custodian for Mitchell W. Campbell under OR-UGMA	386(36)	386	0
Douglas F. Campbell, Custodian for Sarah A. Campbell under OR-UGMA	386(37)	386	0
E. Mills Dancy	348(38)	348	0
George Beall	174(39)	174	
James C. Alban, IV	348(40)	348	0
Jesse R. Modica	348(41)	348	0
Jessica C. Hughes	1,505(42)	1,505	0
Marcie C. McHale, Custodian for Claire J. McHale under WA-UGMA	386(43)	386	0
Marcie C. McHale, Custodian for Madeline C. McHale under WA-UGMA	386(44)	386	0
Marcie C. McHale, Custodian for Samuel H. McHale under WA-UGMA	386(45)	386	0
Meredith McLean Alcarese	1,756(46)	1,756	0
Mitchell W. Hook	348(47)	348	0
Natal Modica	348(48)	348	0
Nicholas G. Alban	348(49)	348	0
FR White Marsh, Inc.	20(50)	20	0
Richard E. Hook, IV	174(51)	174	0
Russell T. Campbell, Custodian for Jessica J. Campbell under OR-UGMA	290(52)	290	0
Russell T. Campbell, Custodian for Kelsey N. Campbell under OR-UGMA	290(53)	290	0
Russell T. Campbell, Custodian for Lindsey M. Campbell under OR-UGMA	290(54)	290	0
Russell T. Campbell, Custodian for Tyler W. Campbell under OR-UGMA	290(55)	290	0
Trustees of Trust u/w Michael T. Campbell f/b/o Jamie N. Campbell	8,991(56)	8,991	0
Trustees u/a dated 4/23/85 (Richard E. Hook, IV, Grantor)	348(57)	348	0
Taber A. Frederick	348(58)	348	0
NPI Liquidating Trust	54,114(59)	54,114	0
US Bank, National Association	54,114(60)	54,114	0

(1) Assuming (i) the conversion (upon the election of the preferred shareholders) as of the date hereof of all outstanding preferred shares, and (ii) the redemption (upon the election of the downREIT holders and the election of the registrant to acquire all tendered downREIT units in exchange for common shares) as of the date hereof of all outstanding downREIT units, at the conversion price and redemption price in effect as of the date hereof.

(2) Assuming the sale of all of the shares being offered under this registration statement.
(3) Represents 9,517 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 5,306 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(4) Represents 10,214 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 907 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(5) Represents 33,825 outstanding common shares, 9,757 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 7,023 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(6) Represents 1,281 outstanding common shares, 369 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 656 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(7) Represents 9,517 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 5,306 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(8) Represents 1,741 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 656 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(9) Represents 39,481 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 7,332 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(10) Represents 39,481 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 3,473 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(11) Represents 10,932 outstanding common shares, 33,585 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 8,142 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(12) Represents 12,725 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 6,020 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.
(13) Represents 19,296 outstanding common shares, 26,868 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 9,647 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(14) Represents 39,481 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 3,473 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(15) Represents 81,083 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 232 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(16) Represents 1,741 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 656 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(17) Represents 39,481 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 7,679 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(18) Represents 12,535 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 6,020 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(19) Represents 12,535 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 7,177 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(20) Represents 12,725 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 6,020 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(21) Represents 9,517 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 5,306 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(22) Represents 1,281 outstanding common shares, 369 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 656 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(23) Represents 37,394 outstanding common shares, 1,675 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 7,332 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(24) Represents 38,743 outstanding common shares, 11,175 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 9,647 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(25) Represents 29,268 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 2,566 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(26) Represents 57,215 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 9,550 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(27) Represents 119,095 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 25,467 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(28) Represents 32,678 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 0 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(29) Represents 37,462 outstanding common shares, 10,806 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 0 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(30) Represents 637 outstanding common shares, 886 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 656 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(31) Represents 52,750 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 6,136 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(32) Represents 26,321 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 0 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(33) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 1,756 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(34) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 11,827 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(35) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(36) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(37) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(38) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(39) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 174 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(40) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(41) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(42) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 1,505 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(43) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(44) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(45) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 386 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(46) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 1,756 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(47) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(48) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(49) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(50) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 20 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(51) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 174 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(52) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 290 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(53) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 290 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(54) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 290 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(55) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 290 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(56) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 8,991 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(57) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder.

(58) Represents 0 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 348 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder

(59) Represents 54,114 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 0 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder. These 54,114 common shares, or the escrow shares, are pledged by NPI Liquidating Trust to US Bank, National Association pursuant to the terms of an escrow agreement, and will be held by US Bank, National Association in its capacity as escrow agent during the term of the escrow agreement. During the term of the escrow agreement US Bank, National Association has sole authority to dispose of the escrow shares, and NPI Liquidating Trust retains all other rights associated with the escrow shares. Upon the termination of the escrow agreement, the pledge of the escrow shares will cease, and NPI Liquidating Trust will thereafter have all rights associated with the escrow shares, including the sole authority to dispose of the escrow shares.

(60) Represents 54,114 outstanding common shares, 0 common shares that are issuable to the selling shareholder upon conversion of all preferred shares owned by the selling shareholder, and 0 common shares that are issuable to the selling shareholder upon redemption of all of the downREIT units owned by the selling shareholder. These 54,114 common shares, or the escrow shares, are pledged by NPI Liquidating Trust to US Bank, National Association pursuant to the terms of an escrow agreement, and will be held by US Bank, National Association in its capacity as escrow agent during the term of the escrow agreement. During the term of the escrow agreement US Bank, National Association has sole authority to dispose of the escrow shares, and NPI Liquidating Trust retains all other rights associated with the escrow shares. Upon the termination of the escrow agreement, the pledge of the escrow shares will cease, and NPI Liquidating Trust will thereafter have all rights associated with the escrow shares, including the sole authority to dispose of the escrow shares.

The information set forth above has been prepared based solely upon information furnished to us by the selling shareholders listed above.

FEDERAL INCOME TAX CONSIDERATIONS

The following sections summarize the material federal income tax issues that you may consider relevant. Because this section is a summary, it does not address all of the tax issues that may be important to you. For example, this discussion addresses only shares held as capital assets. In addition, this section does not address the tax issues that may be important to certain types of shareholders that are subject to special treatment under the federal income tax laws, such as insurance companies, tax-exempt organizations (except to the extent discussed in "— Taxation of Tax — Exempt U.S. Shareholders" below), financial institutions and dealers or brokers in securities, non-U.S. individuals and foreign corporations (except to the extent discussed in "— Taxation of Non-U.S. Shareholders" below), and shareholders that hold their shares as part of a hedge, appreciated financial position, straddle or conversion transaction.

The statements in this section are based on the current federal income tax laws governing our qualification as a REIT. We cannot assure you that new laws, interpretations of laws or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate.

We urge you to consult your own tax advisor regarding the specific federal, state, local, foreign and other tax consequences to you of purchasing, owning and disposing of our securities, our election to be taxed as a REIT and the effect of potential changes in applicable tax laws.

Taxation of the Company

We elected to be taxed as a REIT under the federal income tax laws when we filed our 1962 tax return. We have operated in a manner intended to qualify as a REIT and we intend to continue to operate in that manner. This section discusses the laws governing the federal income tax treatment of a REIT and its shareholders. These laws are highly technical and complex.

In the opinion of our tax counsel, Pillsbury Winthrop Shaw Pittman LLP, (i) we qualified as a REIT under Sections 856 through 859 of the Code with respect to our taxable years through the year ended December 31, 2006; and (ii) we are organized in conformity with the requirements for qualification as a REIT under the Code and our current method of operation and ownership will enable us to meet the requirements for qualification and taxation as a REIT for the current taxable year and for future taxable years, provided that we have operated and continue to operate in accordance with various assumptions and factual representations made by us concerning our business, properties and operations. We may not, however, have met or continue to meet such requirements. You should be aware that opinions of counsel are not binding on the IRS or any court. Our qualification as a REIT depends on our ability to meet, on a continuing basis, certain qualification tests set forth in the federal tax laws. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that fall within certain categories, the diversity of the ownership of our shares, and the percentage of our earnings that we distribute. We describe the REIT qualification tests in more detail below. Pillsbury Winthrop Shaw Pittman LLP will not monitor our compliance with the requirements for REIT qualification on an ongoing basis. Accordingly, our actual operating results may not satisfy the qualification tests. For a discussion of the tax treatment of us and our shareholders if we fail to qualify as a REIT, see "— Requirements for REIT Qualification — Failure to Qualify."

As a REIT, we generally will not be subject to federal income tax on the taxable income that we distribute to our shareholders. The benefit of that tax treatment is that it avoids the "double taxation" (i.e., at both the corporate and shareholder levels) that generally results from owning shares in a corporation. However, we will be subject to federal tax in the following circumstances:

- we will pay federal income tax on taxable income (including net capital gain) that we do not distribute to our shareholders during, or within a specified time period after, the calendar year in which the income is earned;
- we may be subject to the " alternative minimum tax" on any items of tax preference that we do not distribute or allocate to our shareholders;
- we will pay income tax at the highest corporate rate on (i) net income from the sale or other disposition of property acquired through foreclosure that we hold primarily for sale to customers in the ordinary course of business and (ii) other non-qualifying income from foreclosure property;
- we will pay a 100% tax on net income from certain sales or other dispositions of property (other than foreclosure property) that we hold primarily for sale to customers in the ordinary course of business ("prohibited transactions");
- if we fail to satisfy the 75% gross income test or the 95% gross income test (as described below under "— Requirements for REIT Qualification — Income Tests"), but nonetheless continue to qualify as a REIT because we meet certain other requirements, we will pay a 100% tax on (i) the gross income attributable to the greater of the amount by which we fail, respectively, the 75% or 95% gross income test, multiplied, in either case, by (ii) a fraction intended to reflect our profitability;
- if we fail, in more than a de minimis fashion, to satisfy one or more of the asset tests for any quarter of a taxable year, but nonetheless continue to qualify as a REIT because we qualify under certain relief provisions, we may be required to pay a tax of the greater of $50,000 or a tax computed at the highest corporate rate on the amount of net income generated by the assets causing the failure from the date of failure until the assets are disposed of or we otherwise return to compliance with the asset test;

- if we fail to satisfy one or more of the requirements for REIT qualification (other than the income tests or the asset tests), we nevertheless may avoid termination of our REIT election in such year if the failure is due to reasonable cause and not due to willful neglect, but we would also be required to pay a penalty of $50,000 for each failure to satisfy the REIT qualification requirements;
- if we fail to distribute during a calendar year at least the sum of (i) 85% of our REIT ordinary income for such year, (ii) 95% of our REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, we will pay a 4% excise tax on the excess of such required distribution over the amount we actually distributed;
- we may elect to retain and pay income tax on our net long-term capital gain; or
- if we acquire any asset from a C corporation (i.e., a corporation generally subject to full corporate-level tax) in a merger or other transaction in which we acquire a "carryover" basis in the asset (i.e., basis determined by reference to the C corporation's basis in the asset (or another asset)), and we recognize gain on the sale or disposition of such asset during the 10-year period after we acquire such asset, we will pay tax at the highest regular corporate rate applicable on the lesser of (i) the amount of gain that we recognize at the time of the sale or disposition and (ii) the amount of gain that we would have recognized if we had sold the asset at the time we acquired the asset.

Requirements for REIT Qualification

To qualify as a REIT, we must meet the following requirements:

1. we are managed by one or more trustees or directors;
2. our beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest;
3. we would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;
4. we are neither a financial institution nor an insurance company subject to certain provisions of the Code;
5. at least 100 persons are beneficial owners of our shares or ownership certificates;
6. not more than 50% in value of our outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of any taxable year (the "5/50 Rule");
7. we elect to be a REIT (or have made such election for a previous taxable year) and satisfy all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
8. we use a calendar year for federal income tax purposes and comply with the record keeping requirements of the Code and the related regulations of the U.S. Department of Treasury ("Treasury"); and
9. we meet certain other qualification tests, described below, regarding the nature of our income and assets.

We must meet requirements 1 through 4 during our entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If we comply with all the requirements for ascertaining the ownership of our outstanding shares in a taxable year and have no reason to know that we violated the 5/50 Rule, we will be deemed to have satisfied the 5/50 Rule for such taxable year. For purposes of determining share ownership under the 5/50 Rule, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under Code Section 401(a), and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of the 5/50 Rule.

We believe we have issued sufficient common shares with sufficient diversity of ownership to satisfy requirements 5 and 6 set forth above. In addition, our declaration of trust restricts the ownership and transfer of the common shares so that we should continue to satisfy requirements 5 and 6. The provisions of our declaration of trust restricting the ownership and transfer of the common shares are described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 in "Risk Factors–To maintain our status as a REIT, we limit the amount of shares any one shareholder can own."

We currently have several direct corporate subsidiaries and may have additional corporate subsidiaries in the future. A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A qualified REIT subsidiary is a corporation, all of the capital stock of which is owned by the parent REIT, unless we and the subsidiary have jointly elected to have it treated as a "taxable REIT subsidiary," in which case it is treated separately from us and will be subject to federal corporate income taxation. Thus, in applying the requirements described herein, any qualified REIT subsidiary of ours will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction, and credit. We believe our direct corporate subsidiaries are qualified REIT subsidiaries, except for those which are taxable REIT subsidiaries. Accordingly, our qualified REIT subsidiaries are not subject to federal corporate income taxation, though they may be subject to state and local taxation.

A REIT is treated as owning its proportionate share of the assets of any partnership in which it is a partner and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, our proportionate share of the assets, liabilities and items of income of any partnership (or limited liability company treated as a partnership) in which we have acquired or will acquire an interest, directly or indirectly, are treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

Income Tests. We must satisfy two gross income tests annually to maintain our qualification as a REIT:

- At least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or temporary investment income (the "75% gross income test"). Qualifying income for purposes of the 75% gross income test includes "rents from real property," interest on debt secured by mortgages on real property or on interests in real property, and dividends or other distributions on and gain from the sale of shares in other REITs; and
- At least 95% of our gross income (excluding gross income from prohibited transactions and certain real estate liability hedges) for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, dividends, other types of interest, gain from the sale or disposition of stock or securities, or any combination of the foregoing (the "95% gross income test").

The following paragraphs discuss the specific application of these tests to us.

Rental Income. Our primary source of income derives from leasing properties. Rent that we receive from real property that we own and lease to tenants will qualify as "rents from real property" (which is qualifying income for purposes of the 75% and 95% gross income tests) only if several conditions are met under the REIT tax rules:

- The rent must not be based, in whole or in part, on the income or profits of any person although, generally, rent may be based on a fixed percentage or percentages of receipts or sales. We have not entered into any lease based in whole or part on the net income of any person and do not anticipate entering into such arrangements (except where we have determined that the rent received will not jeopardize our status as a REIT);
- Except in certain limited circumstances involving taxable REIT subsidiaries, neither we nor someone who owns 10% or more of our shares may own 10% or more of a tenant from whom we receive rent. Our ownership and the ownership of a tenant is determined based on direct, indirect and constructive ownership. The constructive ownership rules generally provide that if 10% or more in value of our shares are owned, directly or indirectly, by or for any person, we are considered as owning the shares owned, directly or indirectly, by or for such person. The applicable attribution rules, however, are highly complex and difficult to apply, and we may inadvertently enter into leases with tenants who, through application of such rules, will constitute "related party tenants." In such event, rent paid by the related party tenant will not qualify as "rents from real property," which may jeopardize our status as a REIT. We will use our best

efforts not to rent any property to a related party tenant (taking into account the applicable constructive ownership rules), unless we determine in our discretion that the rent received from such related party tenant is not material and will not jeopardize our status as a REIT. We believe that we have not leased property to any related party tenant, except where we have determined that the rent received from such related party tenant is not material and will not jeopardize our status as a REIT;

- In the case of certain rent from a taxable REIT subsidiary which would, but for this exception, be considered rent from a related party tenant, the space leased to the taxable REIT subsidiary must be part of a property at least 90 percent of which is rented to persons other than taxable REIT subsidiaries and related party tenants, and the amounts of rent paid to us by the taxable REIT subsidiary must be substantially comparable to the rents paid by such other persons for comparable space. All space currently leased to taxable REIT subsidiaries meets these conditions, and we intend to meet them in the future, unless we determine in our discretion that the rent received from a taxable REIT subsidiary is not material and will not jeopardize our status as a REIT;
- The rent attributable to any personal property leased in connection with a lease of property is no more than 15% of the total rent received under the lease. In general, we have not leased a significant amount of personal property under our current leases. If any incidental personal property has been leased, we believe that rent under each lease from the personal property would be less than 15% of total rent from that lease. If we lease personal property in connection with a future lease, we intend to satisfy the 15% test described above; and
- We generally must not operate or manage our property or furnish or render services to our tenants, other than through an "independent contractor" who is adequately compensated and from whom we do not derive revenue, or through a taxable REIT subsidiary. We may provide services directly, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant." In addition, we may render directly a de minimis amount of "non-customary" services to the tenants of a property without disqualifying the income as "rents from real property," as long as our income from the services does not exceed 1% of our income from the related property. We have not provided services to leased properties that have caused rents to be disqualified as rents from real property, and in the future, we intend that any services provided will not cause rents to be disqualified as rents from real property.

Based on the foregoing, we believe that rent from our leases should generally qualify as "rents from real property" for purposes of the 75% and 95% gross income tests, except in amounts that should not jeopardize our status as a REIT. As described above, however, the IRS may assert successfully a contrary position and, therefore, prevent us from qualifying as a REIT.

On an ongoing basis, we will use our best efforts not to:

- charge rent for any property that is based in whole or in part on the income or profits of any person (except by reason of being based on a percentage of receipts or sales, as described above);
- rent any property to a related party tenant (taking into account the applicable constructive ownership rules and the exception for taxable REIT subsidiaries), unless we determine in our discretion that the rent received from such related party tenant is not material and will not jeopardize our status as a REIT;
- derive rental income attributable to personal property (other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease); and
- perform services considered to be rendered to the occupant of the property that generate rents exceeding 1% of all amounts received or accrued during the taxable year with respect to such property, other than through an independent contractor from whom we derive no revenue, through a taxable REIT subsidiary, or if the provision of such services will not jeopardize our status as a REIT.

Because the Code provisions applicable to REITs are complex, however, we may fail to meet one or more of the foregoing.

Tax on Income From Property Acquired in Foreclosure. We will be subject to tax at the maximum corporate rate on any income from foreclosure property (other than income that would be qualifying income for purposes of the 75% gross income test), less expenses directly connected to the production of such income. "Foreclosure property" is any real property including interests in real property and any personal property incident to such real property:

- that is acquired by a REIT at a foreclosure sale, or having otherwise become the owner or in possession of the property by agreement or process of law, after a default (or imminent default) on a lease of such property or on an debt owed to the REIT secured by the property;
- for which the related loan was acquired by the REIT at a time when default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where it takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Generally, property acquired as described above ceases to be foreclosure property on the earlier of:

- the last day of the third taxable year following the taxable year in which the REIT acquired the property (or longer if an extension is granted by the Secretary of the Treasury);
- the first day on which a lease is entered into with respect to such property that, by its terms, will give rise to income that does not qualify under the 75% gross income test or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify under the 75% gross income test;
- the first day on which any construction takes place on such property (other than completion of a building, or any other improvement, where more than 10% of the construction of such building or other improvement was completed before default became imminent); or
- the first day that is more than 90 days after the day on which such property was acquired by the REIT and the property is used in a trade or business that is conducted by the REIT (other than through an independent contractor from whom the REIT itself does not derive or receive any income).

Tax on Prohibited Transactions. A REIT will incur a 100% tax on net income derived from any "prohibited transaction." A "prohibited transaction" generally is a sale or other disposition of property (other than foreclosure property) that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. The prohibited transaction rules do not apply to property held by a taxable REIT subsidiary of a REIT. Not taking into account properties held by our taxable REIT subsidiaries, we believe that none of the assets we are treated as holding are held for sale to customers and that a sale of any such asset would not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. Nevertheless, we will attempt to comply with the terms of safe-harbor provisions in the Code prescribing when an asset sale will not be characterized as a prohibited transaction. We may fail to comply with such safe-harbor provisions or may own property that could be characterized as property held "primarily for sale to customers in the ordinary course of a trade or business."

Tax and Deduction Limits on Certain Transactions with Taxable REIT Subsidiaries. A REIT will incur a 100% tax on certain transactions between a REIT and a taxable REIT subsidiary to the extent the transactions are not on an arms-length basis. In addition, under certain circumstances the interest paid by a taxable REIT subsidiary to the REIT may not be deductible by the taxable REIT subsidiary. We believe that none of the transactions we have had with our taxable REIT subsidiaries will give rise to the 100% tax and that none of our taxable REIT subsidiaries will be subject to the interest deduction limits.

Relief from Consequences of Failing to Meet Income Tests. If we fail to satisfy one or both of the 75% and 95% gross income tests for any taxable year, we nevertheless may qualify as a REIT for such year if we qualify for relief under certain provisions of the Code. Those relief provisions generally will be available if our failure to meet such tests is due to reasonable cause and not due to willful neglect, and we file a schedule of the sources of our income in accordance with regulations prescribed by the Treasury. We may not qualify for the relief provisions in all circumstances. In addition, as discussed above in " — Taxation of the Company," even if the relief provisions apply, we would incur a 100% tax on gross income to the extent we fail the 75% or 95% gross income test (whichever amount is greater), multiplied by a fraction intended to reflect our profitability.

Asset Tests. To maintain our qualification as a REIT, we also must satisfy the following asset tests at the close of each quarter of each taxable year:

- At least 75% of the value of our total assets must consist of cash or cash items (including certain receivables), government securities, "real estate assets," or qualifying temporary investments (the "75% asset test").
    - "Real estate assets" include interests in real property, interests in mortgages on real property and stock in other REITs. We believe that the properties qualify as real estate assets.
    - "Interests in real property" include an interest in mortgage loans or land and improvements thereon, such as buildings or other inherently permanent structures (including items that are structural components of such buildings or structures), a leasehold of real property, and an option to acquire real property (or a leasehold of real property).
    - Qualifying temporary investments are investments in stock or debt instruments during the one-year period following our receipt of new capital that we raise through equity or long-term (at least five-year) debt offerings.
- For investments not included in the 75% asset test, (A) the value of our interest in any one issuer's securities (which does not include our equity ownership of other REITs, any qualified REIT subsidiary, or any taxable REIT subsidiary) may not exceed 5% of the value of our total assets (the "5% asset test"), (B) we generally may not own more than 10% of the voting power or value of any one issuer's outstanding securities, which does not include our equity ownership in other REITs, any qualified REIT subsidiary, or any taxable REIT subsidiary (the "10% asset test"), and (C) the value of our securities in one or more taxable REIT subsidiaries may not exceed 20% of the value of our total assets. For purposes of the 10% asset test that relates to value, the following are not treated as securities: (i) loans to individuals and estates, (ii) securities issued by REITs, (iii) accrued obligations to pay rent; (iv) certain debt meeting the definition of "straight debt" if neither we nor a taxable REIT subsidiary that we control hold more than 1% of the issuer's securities that do not qualify as "straight debt," and (v) debt issued by a partnership if the partnership meets the 75% gross income test with respect to its own gross income.

We intend to select future investments so as to comply with the asset tests.

If we fail to satisfy the asset tests at the end of a calendar quarter, we would not lose our REIT status if (i) we satisfied the asset tests at the close of the preceding calendar quarter and (ii) the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets. If we did not satisfy the condition described in clause (ii) of the preceding sentence, we still could avoid disqualification as a REIT by eliminating any discrepancy within 30 days after the close of the calendar quarter in which the discrepancy arose.

Relief from Consequences of Failing to Meet Asset Tests. If we fail to satisfy one or more of the asset tests for any quarter of a taxable year, we nevertheless may qualify as a REIT for such year if we qualify for relief under certain provisions of the Code. Those relief provisions are available for failures of the 5% asset test and the 10% asset test if (i) the failure is due to the ownership of assets that do not exceed the lesser of 1% of our total assets or $10 million, and (ii) the failure is corrected or we otherwise return to compliance with the applicable asset test within 6 months following the quarter in which it was discovered. In addition, should we fail to satisfy any of the asset tests other than failures addressed in the previous sentence, we may nevertheless qualify as a REIT for such year if (i) the failure is due to reasonable cause and not due to willful neglect, (ii) we file a schedule with a description of each asset causing the failure in accordance with regulations prescribed by the Treasury, (iii) the failure is corrected or we otherwise return to compliance with the asset tests within 6 months following the quarter in which it was discovered, and (iv) we pay a tax consisting of the greater of $50,000 or a tax computed at the highest corporate rate on the amount of net income generated by the assets causing the failure from the date of failure until the assets are disposed of or we otherwise return to compliance with the asset tests. We may not qualify for the relief provisions in all circumstances.

Distribution Requirements. Each taxable year, we must distribute dividends (other than capital gain dividends and deemed distributions of retained capital gain) to our shareholders in an aggregate amount at least equal to (1) the sum of 90% of (A) our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain) and (B) our net income (after tax), if any, from foreclosure property, minus (2) certain items of non-cash income.

We generally must pay such distributions in the taxable year to which they relate, or in the following taxable year if we (i) declare a dividend in one of the last three months of the calendar year to which the dividend relates which is payable to shareholders of record as determined in one of such months, and pay the distribution during January of the following taxable year, or (ii) declare the distribution before we timely file our federal income tax return for such following taxable year and pay the distribution on or before the first regular dividend payment date after such declaration.

We will pay federal income tax at regular corporate rates on taxable income (including net capital gain) that we do not distribute to shareholders. Furthermore, we will incur a 4% nondeductible excise tax if we fail to distribute during a calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January following such calendar year) at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain income for such year, and (3) any undistributed taxable income from prior periods. The excise tax is on the excess of such required distribution over the amounts we actually distributed. We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. See "— Taxation of Taxable U.S. Shareholders." For purposes of the 4% excise tax, we will be treated as having distributed any such retained amount. We have made, and we intend to continue to make, timely distributions sufficient to satisfy the annual distribution requirements.

It is possible that, from time to time, we may experience timing differences between (1) the actual receipt of income and actual payment of deductible expenses and (2) the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our REIT taxable income. Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds or issue preferred shares or additional common shares.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying deficiency dividends to our shareholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest to the IRS based upon the amount of any deduction we take for deficiency dividends.

Record Keeping Requirements. We must maintain certain records to qualify as a REIT. In addition, to avoid a monetary penalty, we must request on an annual basis certain information from our shareholders designed to disclose the actual ownership of our outstanding shares. We have complied, and we intend to continue to comply, with such requirements.

Relief from Other Failures of the REIT Qualification Provisions. If we fail to satisfy one or more of the requirements for REIT qualification (other than the income tests or the asset tests), we nevertheless may avoid termination of our REIT election in such year if the failure is due to reasonable cause and not due to willful neglect and we pay a penalty of $50,000 for each failure to satisfy the REIT qualification requirements. We may not qualify for this relief provision in all circumstances.

Failure to Qualify. If we fail to qualify as a REIT in any taxable year, and no relief provision applied, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. In calculating our taxable income in a year in which we fail to qualify as a REIT, we would not be able to deduct amounts paid out to shareholders. In fact, we would not be required to distribute any amounts to shareholders in such year. In such event, to the extent of our earnings and profits, all distributions to shareholders would be taxable as ordinary income. Such distributions would, however, be "qualified dividend income," which is taxable at long-term capital gain rates for individual shareholders. Furthermore, subject to certain limitations of the Code, corporate shareholders might be eligible for the dividends received deduction. Unless we qualified for relief under specific statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. We cannot predict whether in all circumstances we would qualify for such statutory relief.

Taxation of Taxable U.S. Shareholders

As used herein, the term "taxable U.S. shareholder" means a taxable holder of common shares that for U.S. federal income tax purposes is

- a citizen or resident of the United States;
- a corporation, partnership, or other entity created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- any trust with respect to which (A) a U.S. court is able to exercise primary supervision over the administration of such trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in the Treasury regulations, some trusts in existence on August 20, 1996, and treated as United States persons prior to this date that elect to continue to be treated as United States persons, shall be considered taxable U.S. shareholders.

If a partnership, including an entity that is treated as a partnership for U.S. federal income tax purposes, is a beneficial owner of our shares, the treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

Dividends and Other Taxable U.S. Shareholder Distributions. As long as we qualify as a REIT, a taxable U.S. shareholder must take into account distributions on our common shares out of our current or accumulated earnings and profits (and that we do not designate as capital gain dividends or retained long-term capital gain) as ordinary income. Such distributions will not qualify for the dividends received deduction generally available to corporations.

In determining the extent to which a distribution constitutes a dividend for federal income tax purposes, our earnings and profits will be allocated first to distributions with respect to our preferred shares and then to distributions with respect to our common shares. If, for any taxable year, we elect to designate as capital gain dividends any portion of the distributions paid for the year to our shareholders, the portion of the amount so designated (not in excess of our net capital gain for the year) that will be allocable to the holders of each class or series of preferred shares will be the amount so designated, multiplied by a fraction, the numerator of which will be the total dividends (within the meaning of the Code) paid to the holders of such class or series of preferred shares for the year and the denominator of which will be the total dividends paid to the holders of all classes of our shares for the year. The remainder of the designated capital gain dividends will be allocable to holders of our common shares.

A taxable U.S. shareholder will recognize distributions that we designate as capital gain dividends as long-term capital gain (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the taxable U.S. shareholder has held its shares. Subject to certain limitations, we will designate whether our capital gain dividends are taxable at the usual capital gains rate or at the higher rate applicable to depreciation recapture. A corporate taxable U.S. shareholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, a taxable U.S. shareholder would be taxed on its proportionate share of our undistributed long-term capital gain. The taxable U.S. shareholder would receive a credit or refund for its proportionate share of the tax we paid. The taxable U.S. shareholder would increase the basis in its shares by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A taxable U.S. shareholder will not incur tax on a distribution to the extent it exceeds our current and accumulated earnings and profits if such distribution does not exceed the adjusted basis of the taxable U.S. shareholder's common shares. Instead, such distribution in excess of earnings and profits will reduce the adjusted basis of such common shares. To the extent a distribution exceeds both our current and accumulated earnings and

profits and the taxable U.S. shareholder's adjusted basis in its common shares, the taxable U.S. shareholder will recognize long-term capital gain (or short-term capital gain if the shares have been held for one year or less), assuming the shares are a capital asset in the hands of the taxable U.S. shareholder. In addition, if we declare a distribution in October, November, or December of any year that is payable to a taxable U.S. shareholder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the taxable U.S. shareholder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year. We will notify taxable U.S. shareholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income or capital gain dividends.

Taxation of Taxable U.S. Shareholders on the Disposition of Our Shares. In general, a taxable U.S. shareholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of the common shares as long-term capital gain or loss if the taxable U.S. shareholder has held its shares for more than one year and otherwise as short-term capital gain or loss. However, a taxable U.S. shareholder must treat any loss upon a sale or exchange of common shares held by such shareholder for six months or less (after applying certain holding period rules) as a long-term capital loss to the extent of capital gain dividends and other distributions from us that such taxable U.S. shareholder treats as long-term capital gain. All or a portion of any loss a taxable U.S. shareholder realizes upon a taxable disposition of the common shares may be disallowed if the taxable U.S. shareholder purchases substantially identical shares within the 61-day period beginning 30 days before and ending 30 days after the disposition.

Capital Gains and Losses. A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate on ordinary income exceeds the maximum tax rate on long-term capital gain applicable to non-corporate taxpayers. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property" (i.e., depreciable real property) is, to the extent that such gain would have been treated as ordinary income if the property were "Section 1245 property," higher than the maximum long- term capital gain rate otherwise applicable. With respect to distributions that we designate as capital gain dividends and any retained capital gain that is deemed to be distributed, we may designate (subject to certain limits) whether such a distribution is taxable to our non-corporate shareholders at the lower or higher rate. The tax rate differential between capital gain and ordinary income for non-corporate taxpayers is significant. A taxable U.S. shareholder required to include retained long-term capital gains in income will be deemed to have paid, in the taxable year of the inclusion, its proportionate share of the tax paid by us in respect of such undistributed net capital gains. Taxable U.S. shareholders subject to these rules will be allowed a credit or a refund, as the case may be, for the tax deemed to have been paid by such shareholders. Taxable U.S. shareholders will increase their basis in their shares by the difference between the amount of such includible gains and the tax deemed paid by the taxable U.S. shareholder in respect of such gains. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer generally may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer can deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Current Tax Rates. The maximum tax rate on the long-term capital gains of domestic non-corporate taxpayers is 15% for taxable years beginning on or before December 31, 2010. The tax rate on "qualified dividend income" is the same as the maximum capital gains rate, and is substantially lower than the maximum rate on ordinary income. Because, as a REIT, we are not generally subject to tax on the portion of our REIT taxable income or capital gains distributed to our shareholders, our distributions are not generally eligible for the tax rate on qualified dividend income. As a result, our ordinary REIT distributions are taxed at the higher tax rates applicable to ordinary income. However, the 15% rate does generally apply to:

- a shareholder's long-term capital gain, if any, recognized on the disposition of our shares;
- distributions we designate as long-term capital gain dividends (except to the extent attributable to real estate depreciation, in which case the 25% tax rate applies);
- distributions attributable to dividends we receive from non-REIT corporations (including our taxable REIT subsidiaries); and

- distributions to the extent attributable to income upon which we have paid corporate tax (for example, the tax we would pay if we distributed less than all of our taxable REIT income).

Without legislation, the maximum tax rate on long-term capital gains will increase to 20% in 2011, and qualified dividend income will no longer be taxed at a preferential rate compared to ordinary income.

Information Reporting and Backup Withholding. We will report to our shareholders and to the IRS the amount of dividends we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a shareholder may be subject to backup withholding (currently at the rate of 28%) with respect to dividends unless such holder (1) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (2) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A shareholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the U.S. shareholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their non-foreign status to us.

Taxation of Tax-Exempt U.S. Shareholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts and annuities ("exempt organizations"), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). While many investments in real estate generate UBTI, the IRS has issued a published ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that we distribute to exempt organizations generally should not constitute UBTI. However, if an exempt organization were to finance its acquisition of shares with debt, a portion of the income that they receive from us would constitute UBTI pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17), and (20), respectively, of Code Section 501(c) are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from us as UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. Finally, in certain circumstances, a qualified employee pension or profit sharing trust that owns more than 10% of our shares is required to treat a percentage of the dividends that it receives from us as UBTI (the "UBTI Percentage"). The UBTI Percentage is equal to the gross income we derive from an unrelated trade or business (determined as if we were a pension trust) divided by our total gross income for the year in which we pay the dividends. The UBTI rule applies to a pension trust holding more than 10% of our shares only if:

- the UBTI Percentage is at least 5%;
- we qualify as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding our shares in proportion to their actuarial interests in the pension trust; and
- we are a "pension-held REIT" (i.e., either (1) one pension trust owns more than 25% of the value of our shares or (2) a group of pension trusts individually holding more than 10% of the value of our shares collectively owns more than 50% of the value of our shares).

Tax-exempt entities will be subject to the rules described above, under the heading "— Taxation of Taxable U.S. Shareholders" concerning the inclusion of our designated undistributed net capital gains in the income of our shareholders. Thus, such entities will, after satisfying filing requirements, be allowed a credit or refund of the tax deemed paid by such entities in respect of such includible gains.

Taxation of Non-U.S. Shareholders

The rules governing U.S. federal income taxation of non-U.S. shareholders are complex. This section is only a summary of such rules. We urge non-U.S. shareholders to consult their own tax advisors to determine the impact

of federal, state, and local income tax laws on ownership of common shares, including any reporting requirements. As used herein, the term "non-U.S. shareholder" means any taxable beneficial owner of our shares (other than a partnership or entity that is treated as a partnership for U.S. federal income tax purposes) that is not a taxable U.S. shareholder.

Ordinary Dividends. A non-U.S. shareholder that receives a distribution that is not attributable to gain from our sale or exchange of U.S. real property interests (as defined below) and that we do not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that we pay such distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. However, if a distribution is treated as effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as taxable U.S. shareholders are taxed with respect to such distributions (and also may be subject to the 30% branch profits tax in the case of a non-U.S. shareholder that is a non-U.S. corporation). We plan to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. shareholder unless (i) a lower treaty rate applies and the non-U.S. shareholder (or beneficial owner in the case of shares owned through a pass-through entity that is not acting as a withholding foreign partnership or trust) provides IRS Form W-8BEN to us evidencing eligibility for that reduced rate, (ii) the non-U.S. shareholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income, or (iii) the non-U.S. shareholder holds shares through a "qualified intermediary" that has elected to perform any necessary withholding itself.

Return of Capital. A non-U.S. shareholder will not incur tax on a distribution to the extent it exceeds our current and accumulated earnings and profits if such distribution does not exceed the adjusted basis of its common shares. Instead, such distribution in excess of earnings and profits will reduce the adjusted basis of such shares. A non-U.S. shareholder will be subject to tax to the extent a distribution exceeds both our current and accumulated earnings and profits and the adjusted basis of its common shares, if the non-U.S. shareholder otherwise would be subject to tax on gain from the sale or disposition of its shares, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution just as we would withhold on a dividend. However, a non-U.S. shareholder may obtain a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

Capital Gain Dividends. Provided that a particular class of our shares is "regularly traded" on an established securities market in the United States, and the non-U.S. shareholder does not own more than 5% of the shares of such class at any time during the one-year period preceding the distribution, then amounts distributed with respect to those shares that are designated as capital gains from our sale or exchange of "U.S. real property interests" (defined below) are treated as an ordinary dividend taxable as described above under "— Ordinary Dividends."

If the foregoing exceptions do not apply, for example because the non-U.S. shareholder owns more than 5% of our shares, the non-U.S. shareholder incurs tax on distributions that are attributable to gain from our sale or exchange of "U.S. real property interests" under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). The term "U.S. real property interests" includes certain interests in real property and stock in corporations at least 50% of whose assets consists of interests in real property, but excludes mortgage loans and mortgage-backed securities. Under FIRPTA, a non-U.S. shareholder is taxed on distributions attributable to gain from sales of U.S. real property interests as if such gain were effectively connected with a U.S. business of the non-U.S. shareholder. A non-U.S. shareholder thus would be taxed on such a distribution at the normal capital gain rates applicable to taxable U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual). A corporate non-U.S. shareholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on distributions subject to FIRPTA. We must withhold 35% of any distribution that we could designate as a capital gain dividend. However, if we make a distribution and later designate it as a capital gain dividend, then (although such distribution may be taxable to a non-U.S. shareholder) it is not subject to withholding under FIRPTA. Instead, we must make-up the 35% FIRPTA withholding from distributions made after the designation, until the amount of distributions withheld at 35% equals the amount of the distribution designated as a capital gain dividend. A non-U.S. shareholder may receive a credit against its FIRPTA tax liability for the amount we withhold.

Distributions to a non-U.S. shareholder that we designate at the time of distribution as capital gain dividends which are not attributable to or treated as attributable to our disposition of a U.S. real property interest generally will not be subject to U.S. federal income taxation, except as described below under "— Sale of Shares."

Sale of Shares. A non-U.S. shareholder generally will not incur tax under FIRPTA on gain from the sale of its common shares as long as we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT in which at all times during a specified testing period non-U.S. persons held, directly or indirectly, less than 50% in value of our shares. We anticipate that we will continue to be a "domestically controlled REIT." In addition, a non-U.S. shareholder that owns, actually or constructively, 5% or less of a class of our outstanding shares at all times during a specified testing period will not incur tax under FIRPTA on a sale of such shares if the shares are "regularly traded" on an established securities market. If neither of these exceptions were to apply, the gain on the sale of the common shares would be taxed under FIRPTA, in which case a non-U.S. shareholder would be taxed in the same manner as taxable U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals), and the purchaser of the shares would be required to withhold and remit to the IRS 10% of the purchase price.

A non-U.S. shareholder will incur tax on gain not subject to FIRPTA if (1) the gain is effectively connected with the non-U.S. shareholder's U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as taxable U.S. shareholders with respect to such gain, or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year, in which case the non-U.S. shareholder will incur a 30% tax on his capital gains. Capital gains dividends not subject to FIRPTA will be subject to similar rules.

Information Reporting and Backup Withholding. We must report annually to the IRS and to each non-U.S. shareholder the amount of distributions paid to such holder and the tax withheld with respect to such distributions, regardless of whether withholding was required. Copies of the information returns reporting such distributions and withholding may also be made available to the tax authorities in the country in which the non-U.S. shareholder resides under the provisions of an applicable income tax treaty.

Backup withholding and additional information reporting will generally not apply to distributions to a non-U.S. shareholder provided that the non-U.S. shareholder certifies under penalty of perjury that the shareholder is a non-U.S. shareholder, or otherwise establishes an exemption. As a general matter, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of common shares effected at a foreign office of a foreign broker. Information reporting (but not backup withholding) will apply, however, to a payment of the proceeds of a sale of common shares by a foreign office of a broker that:

- is a U.S. person;
- derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the U.S.;
- is a "controlled foreign corporation" (a foreign corporation controlled by certain U.S. shareholders) for U.S. tax purposes; or
- that is a foreign partnership, if at any time during its tax year more than 50% of its income or capital interest are held by U.S. persons or if it is engaged in the conduct of a trade or business in the U.S.,

unless the broker has documentary evidence in its records that the holder or beneficial owner is a non-U.S. shareholder and certain other conditions are met, or the shareholder otherwise establishes an exemption.

Payment of the proceeds of a sale of common shares effected at a U.S. office of a broker is subject to both backup withholding and information reporting unless the shareholder certifies under penalty of perjury that the shareholder is a non-U.S. shareholder, or otherwise establishes an exemption. Backup withholding is not an additional tax. A non-U.S. shareholder may obtain a refund of excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

Other Tax Consequences

State and Local Taxes. We and/or you may be subject to state and local tax in various states and localities, including those states and localities in which we or you transact business, own property or reside. The state and local tax treatment in such jurisdictions may differ from the federal income tax treatment described above. Consequently, you should consult your own tax advisor regarding the effect of state and local tax laws upon an investment in our common shares.

PLAN OF DISTRIBUTION

We will not receive any of the proceeds from the sale of the common shares covered by this prospectus.

The sale or distribution of all or any portion of the common shares covered by this prospectus may be effected from time to time by the selling shareholders, or any of their permissible transferees. The sales may be made directly, indirectly through brokers or dealers, or in a distribution by one or more underwriters on a firm commitment or best efforts basis, in the over-the-counter market, on any national securities exchange or automated quotation system on which the common shares covered by this prospectus may be listed or traded, in privately negotiated transactions, to or through a market maker, or through any other legally available means. In addition, the sales may be made at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

The methods by which the common shares covered by this prospectus may be sold or distributed include:

- a block trade (which may involve crosses) in which the broker or dealer so engaged will attempt to sell the common shares covered by this prospectus as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- pro rata distributions as part of the liquidation and winding up of the affairs of the selling shareholders or successor in interest that is an entity;
- pledges to a lender as collateral to secure loans, credit or other financing arrangements and any subsequent foreclosure, if any, thereunder; or
- any other legally available means.

In effecting sales, brokers or dealers engaged by the selling shareholders may arrange for other brokers or dealers to participate. Any public offering price and any discount, concession or commission allowed or reallowed or paid to dealers may be changed from time to time and, as to any particular underwriter, broker, dealer or agent, may be in excess of those customary in the types of transactions involved.

The selling shareholders may from time to time sell all or a portion of the common shares covered by this prospectus short and deliver those securities to cover the short sale or sales, or may deliver the common shares covered by this prospectus upon the exercise, settlement or closing of a call equivalent position or a put equivalent position. The selling shareholders also may enter into hedging transactions with brokers, dealers or other financial institutions, which may in turn engage in short sales of the common shares covered by this prospectus in the course of hedging the positions they assume.

The selling shareholders and the brokers or dealers participating in the distribution of the common shares covered by this prospectus may be deemed “underwriters” within the meaning of the Securities Act. Any profit on the sale of the common shares covered by this prospectus by the selling shareholders and any discounts, concessions or commissions received by any such brokers or dealers may be regarded as underwriting commissions under the Securities Act.

In connection with the sale or distribution of the common shares covered by this prospectus, the rules of the Commission permit any underwriter to engage in certain transactions that stabilize the price of the common shares covered by this prospectus. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the common shares covered by this prospectus.

Underwriters, brokers, dealers or agents may be entitled, under agreements with us, to indemnification against the contribution toward certain civil liabilities, including liabilities under the Securities Act.

We will pay all expenses in connection with the registration of the common shares covered by this prospectus. The selling shareholders will pay for any brokerage or underwriting commissions and taxes of any kind (including, without limitation, transfer taxes) with respect to any disposition, sale or transfer of the common shares covered by this prospectus.

The common shares covered by this prospectus not sold pursuant to the registration statement on Form S-3 of which this prospectus is a part may be subject to certain restrictions under the Securities Act and could be sold, if at all, only pursuant to Rule 144 or another exemption from the registration requirements of the Securities Act. In general, under Rule 144, a person (or persons whose offered shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of the common shares covered by this prospectus which does not exceed the greater of one percent of our outstanding common shares or the average weekly reported trading volume of our common shares during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of the common shares covered by this prospectus by a person who is not an affiliate of ours and who has satisfied a two-year holding period without any volume limitation. Therefore, both during and after the effectiveness of the registration statement, the selling shareholders may sell the common shares covered by this prospectus pursuant to Rule 144.

LEGAL MATTERS

The validity of the offered common shares and the accuracy of the discussion under “Federal Income Tax Considerations” will be passed upon for us by Pillsbury Winthrop Shaw Pittman LLP, Washington D.C.

EXPERTS

Pursuant to the Securities Act of 1933 and the rules promulgated thereunder, we are required to, and have incorporated into this registration statement our Annual Report on Form 10-K for the year ended December 31, 2006. The financial statements, schedules and management’s assessment of the effectiveness of internal control over financial reporting included therein have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their reports with respect thereto (which report on the financial statements and schedules expressed an unqualified opinion and contains an explanatory paragraph related to the adoption of SFAS No. 123R, “Share-Based Payment,” effective January 1, 2006), and are included herein in reliance upon the authority of said firm as experts in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC’s website at *www.sec.gov*. You may also read and copy any document we file at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549.

Please call the SEC at 1-800-SEC-0330 for further information on the operating rules and procedures for the public reference room. Reports, proxy statements and other information concerning Federal Realty Investment Trust may also be inspected at the offices of the New York Stock Exchange, which are located at 20 Broad Street, New York, NY 10005.

The SEC allows us to “incorporate by reference” the information we file with them, which means we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of our prospectus, and all information that we will later file with the SEC will automatically update and supersede this information. Any statement contained in this prospectus or a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to have been modified or

superseded to the extent that a statement contained in this prospectus, or in any subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus, modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus. We incorporate by reference the documents listed below as well as any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act File No. 1-07533), made from the date of this prospectus until we sell all of the securities under this prospectus as supplemented.

- Annual Report on Form 10-K for the fiscal year ended December 31, 2006;
- Current Report on Form 8-K, filed February 16, 2007;
- Current Report on Form 8-K, filed March 13, 2007;
- Description of our common shares contained in the Registration Statement on Form 8-A/A, filed June 6, 2002; and
- Description of our Common Share Purchase Rights included in the Registration Statement on Form 8-A/A, filed March 11, 1999, and in the First Amendment to Amended and Restated Rights Agreement, dated as of November 2003 and filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2003, between us and American Stock Transfer & Trust Company.

Copies of these filings are available at no cost at our website, *www.federalrealty.com*. Amendments to these filings will be posted to our website as soon as reasonably practical after filing with the SEC. In addition, you may request a copy of these filings and any amendments thereto at no cost, by writing or telephoning us. Those copies will not include exhibits to those documents unless the exhibits are specifically incorporated by reference in the documents or unless you specifically request them. You may also request copies of any exhibits to the registration statement.

Please direct your request to:

Andrew P. Blocher
Senior Vice President, Capital Markets and Investor Relations
Federal Realty Investment Trust
1626 E. Jefferson Street
Rockville, Maryland 20852
(301) 998-8100 or (301) 658-8980

Our prospectus does not contain all of the information included in the registration statement. We have omitted certain parts of the registration statement in accordance with the rules and regulations of the SEC. For further information, we refer you to the registration statement, including its exhibits and schedules. Statements contained in our prospectus and any accompanying prospectus supplement about the provisions or contents of any contract, agreement or any other document referred to are not necessarily complete. Please refer to the actual exhibit for a more complete description of the matters involved. You may get copies of the exhibits by contacting the person named above.

You should rely only on the information in our prospectus, any prospectus supplement and the documents that are incorporated by reference. We have not authorized anyone else to provide you with different information. We are not offering these securities in any state where the offer is prohibited by law. You should not assume that the information in this prospectus, any prospectus supplement or any incorporated document is accurate as of any date other than the date of the document.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution***

Set forth below are the amounts of fees and expenses (other than underwriting discounts and commissions) we will pay in connection with the offering of our securities.

SEC Registration Fee	$ 3,258.42
Printing and Duplicating Costs	2,000.00*
Accounting Fees and Expenses	30,000.00*
Legal Fees and Expenses	250,000.00*
Miscellaneous	3,800.00*
Total	$289,058.42*

* Estimated

Item 15. ***Indemnification of Trustees and Officers***

The registrant's Declaration of Trust authorizes the registrant, to the maximum extent permitted by Maryland law, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (i) any individual who is a present or former shareholder, Trustee or officer of the registrant or (ii) any individual who, while a Trustee of the registrant and at the request of the registrant, serves or has served as a director, officer, partner, trustee, employee or agent of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her status. The registrant's Declaration of Trust also permits the registrant, with approval of the registrant's Board of Trustees, to indemnify and advance expenses to any person who served a predecessor of the registrant in any of the capacities described above and to any employee or agent of the registrant or a predecessor of the registrant.

The registrant's Bylaws obligate it, to the maximum extent permitted by Maryland law, to indemnify (a) any Trustee, officer or shareholder or any former Trustee, officer or shareholder, including any individual who, while a Trustee, officer or shareholder and at the express request of the registrant, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, manager, member, partner or trustee of such real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise, who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of service in such capacity, against reasonable expenses incurred by him in connection with the proceeding, (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he may become subject by reason of such status unless it is established that (i) his act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful and (c) each shareholder or former shareholder against any claim or liability to which he may become subject by reason of such status. In addition, the registrant will, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee, officer or shareholder or former Trustee, officer or shareholder made a party to a proceeding by reason of such status, provided that, in the case of a Trustee or officer, the registrant must have received (i) a written affirmation by the Trustee or officer of his

good faith belief that he has met the applicable standard of conduct necessary for indemnification by the registrant and (ii) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the registrant if it shall ultimately be determined that the applicable standard of conduct was not met. The registrant may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of expenses to any Trustee, officer or shareholder or any former Trustee, officer or shareholder who served a predecessor of the Trust and to any employee or agent of the registrant or a predecessor of the registrant. Any indemnification or payment or reimbursement of the expenses permitted by the registrant's Bylaws will be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the Maryland General Corporation Law (the "MGCL") for directors of Maryland corporations. The registrant may provide to Trustees, officers and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

Title 8 of the Corporations and Associations Code of the State of Maryland, as amended, provides that a shareholder or Trustee of a Maryland real estate investment trust is not personally liable for the obligations of the real estate investment trust, except that a Trustee will be liable in any case in which a Trustee otherwise would be liable and the Trustee's act constitutes bad faith, willful misfeasance, gross negligence or reckless disregard of the Trustee's duties. Title 8 further provides that a Maryland real estate investment trust may indemnify or advance expenses to trustees, officers, employees, and agents of the trust to the same extent as is permitted for directors, officers, employees, and agents of a Maryland corporation. Title 2 of the Corporations and Associations Code of the State of Maryland, as amended, permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or certain related capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify a director or officer in a suit by or in the right of the trust if such director or officer has been adjudged to be liable to the corporation.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Trustees, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 16. ***Exhibits***

The following exhibits, as noted, are filed herewith, previously have been filed, or will be filed by amendment.

Number	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (previously filed as Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 1-07533) and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-07533) and incorporated herein by reference)
4.1	Specimen Common Share certificate (filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference)
4.2	Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (filed as Exhibit 1 to the Trust's Registration Statement No. 1-07533 on Form 8-A/A filed on March 11, 1999, and incorporated herein by reference)

4.3	First Amendment to Amended and Restated Rights Agreement, dated as of November 2003, between the Trust and American Stock Transfer & Trust Company (filed as Exhibit 4.5 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, and incorporated herein by reference)
4.4	Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8-K filed on March 13, 2007 and incorporated herein by reference)
4.5	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.6	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009; 6 1/8% Notes due November 15, 2007; 4.50% Notes due 2011; 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; and 5.40% Notes due 2013 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
4.7	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
5.1	Opinion of Pillsbury Winthrop Shaw Pittman LLP regarding the validity of the securities being registered (filed herewith)
8.1	Opinion of Pillsbury Winthrop Shaw Pittman LLP regarding certain tax matters (filed herewith)
23.1	Consent of Grant Thornton LLP, independent registered public accounting firm (filed herewith)
23.2	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 5.1)
23.3	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 8.1)

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, *however*, that paragraphs (1) (i), (1) (ii) and (1) (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission

by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

6. That, for purposes of determining any liability under the Securities Act of 1933, each filing of registrant’s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan’s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934)

that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

7. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rockville, State of Maryland, on April 13, 2007.

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Donald C. Wood
Name: Donald C. Wood
Title: President, Chief Executive Officer and Trustee
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Donald C. Wood Donald C. Wood	President, Chief Executive Officer and Trustee (principal executive officer)	April 13, 2007
/s/ Larry E. Finger Larry E. Finger	Executive Vice President and Chief Financial Officer and Treasurer (principal financial and accounting officer)	April 3, 2007
/s/ Jon E. Bortz Jon E. Bortz	Trustee	April 13, 2007
/s/ David W. Faeder David W. Faeder	Trustee	April 6, 2007
/s/ Kristin Gamble Kristin Gamble	Trustee	April 2, 2007
/s/ Walter F. Loeb Walter F. Loeb	Trustee	April 13, 2007
/s/ Gail P. Steinel Gail P. Steinel	Trustee	April 13, 2007
/s/ Joseph S. Vassalluzzo Joseph S. Vassalluzzo	Trustee	April 4, 2007

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EXHIBIT INDEX

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23.1	Consent of Grant Thornton LLP, independent registered public accounting firm (filed herewith)
23.2	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 5.1)
23.3	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 8.1)

Exhibit 5.1

[PILLSBURY WINTHROP SHAW PITTMAN LLP LETTERHEAD]

April 19, 2007

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to Federal Realty Investment Trust, a Maryland real estate investment trust (the "Company"), in connection with a registration statement on Form S-3 (the "Registration Statement"), filed with the Securities and Exchange Commission the ("Commission") under Rule 462(e) under the Securities Act of 1933, as amended (the "Act"). The Registration Statement relates to the proposed offering and resale from time to time of up to 1,165,065 of the Company's common shares of beneficial interest, par value $.01 per share, including rights to acquire common shares that are attached to, or trade with, such common shares (the "Common Shares"), by the selling shareholders listed under "Selling Shareholders" in the prospectus included in the Registration Statement, as updated by any related prospectus supplements thereto (collectively, the "Prospectus"). The Common Shares include shares (a) already issued by the Company (the "Issued Shares"), and (b) issuable upon (i) the conversion of the Company's 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest, par value $0.01 per share (the "Preferred Shares"), or (ii) the redemption of units (the "DownREIT Units") of limited liability company interest in NVI-Avenue, LLC ("NVI-Avenue"), a consolidated subsidiary of the Company (all such Common Shares described in (b)(i) and (b)(ii) are the "Issuable Shares").

For the purposes of this opinion, we have examined the following documents (each a "Document" and together the "Documents"):

1. an executed copy of the Registration Statement;
2. the Prospectus;
3. the Declaration of Trust of the Company dated May 5, 1999, as amended by the Articles of Amendment of Declaration of Trust of the Company dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of the Company dated June 17, 2004 (the "Declaration of Trust"), as certified by the Maryland State Department of Assessments and Taxation (the "SDAT") on April 11, 2007 and as certified to us by the Secretary of the Company as being in effect as of the date hereof;
4. the Amended and Restated Bylaws of the Company dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (the "Bylaws"), as Federal Realty Investment Trust certified to us by the Secretary of the Company as being in effect as of the date hereof;

5. the Amended and Restated Rights Agreement, dated March 11, 1999, between the Company and American Stock Transfer & Trust Company, as amended by the First Amendment to Amended and Restated Rights Agreement, dated as of November 2003, between the Company and American Stock Transfer & Trust Company;
6. the Registration Rights Agreement, dated March 8, 2007, between the Company and J. Joseph Credit, as agent, pursuant to a power to a power of attorney on behalf of each of the Selling Shareholders (as defined therein);
7. the resolutions of the Board of Trustees of the Company adopted at a meeting held on November 22, 2006, and the resolutions of the Pricing Committee of the Company adopted by written consent dated March 8, 2007, as certified to us by the Secretary of the Company as being in effect as of the date hereof (together, the "Resolutions");
8. the Articles Supplementary, dated March 8, 2007, establishing and fixing the rights and preferences of the Preferred Shares (the "Articles Supplementary"), as certified by the SDAT on April 11, 2007 and as certified to us by the Secretary of the Company as being in effect as of the date hereof;
9. the Articles of Organization of NVI-Avenue, as certified by the SDAT on April 17, 2007 and as certified to us by the Secretary of FR White Marsh, Inc., the sole managing member of NVI-Avenue, as being in effect as of the date hereof;
10. the Amended and Restated Limited Liability Company Agreement of NVI-Avenue, dated as of March 8, 2007, entered into by and between Nottingham Properties, Inc. and J. Joseph Credit, as agent pursuant to a power of attorney for the persons whose names are set forth on Exhibit A attached thereto, as certified to us by the Secretary of FR White Marsh, Inc., the sole managing member of NVI-Avenue, as being in effect as of the date hereof (the "Operating Agreement");
11. a certificate of an officer of the Company dated as of the date hereof; and
12. a certificate of an officer of FR White Marsh, Inc. dated as of the date hereof.

For purposes of this opinion letter, we have not reviewed any documents other than the Documents. In particular, we have not reviewed any document (other than the Documents) that is referred to in or incorporated by reference into any Document reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein.

In connection with this opinion letter, we have considered such matters of law and fact as we, in our professional judgment, have deemed necessary or appropriate to render the opinions contained herein.

In our examination of the aforesaid documents, we have assumed without independent investigation (i) that each entity (other than the Company and NVI-Avenue) that is a party to any Document is, and has been at all times relevant to this opinion letter, duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which each is formed or organized; (ii) the due authorization, execution and delivery of each Document by each of the parties thereto (other than the Company and NVI-Avenue); and (iii) the legal capacity of all natural persons, the genuineness of all signatures, the completeness and authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified, telecopied, photostatic or reproduced copies. In connection with the opinions expressed below, we have assumed without independent investigation that, at and prior to the time of the sale and delivery of any Common Shares pursuant to the Registration Statement, (i) any contemplated or necessary additional actions shall have been taken and the authorization of the issuance of the Issuable Shares will not have been modified or rescinded, (ii) the Registration Statement will have been declared effective and no stop order suspending the effectiveness of the Registration Statement will have been issued and no proceedings with respect thereto will have been commenced or threatened, (iii) there will not have occurred any change in law materially and adversely affecting the validity of the Common Shares and (iv) none of the Common Shares will be transferred in violation of the provisions of the Declaration of Trust relating to restrictions on ownership and transfer of capital stock.

We have also assumed without independent investigation that the offer, sale and delivery of any Common Shares, and compliance by the Company with the rights, powers, privileges and preferences and other terms, if any, of such Common Shares will not at the time of such offering, sale and delivery violate or conflict with (i) the Declaration of Trust, as then amended, restated and supplemented, or the Bylaws, as then amended, restated or supplemented, (ii) any provision of any license, indenture, instrument, mortgage, contract, document or agreement to which the Company is then a party or by which the Company is then bound, or (iii) any law or regulation or any decree, judgment or order then applicable to the Company. We have further assumed that the number of Common Shares to be offered and sold pursuant to the Registration Statement will not at the time of such offering and sale exceed the amount of such class of capital shares authorized in the Declaration of Trust, as then amended, restated or supplemented, and unissued (and not otherwise reserved for issuance) at such time, and that the

consideration received or proposed to be received for the issuance and sale or reservation for issuance of any offering of the Issuable Shares as contemplated by each of the Registration Statement and the Prospectus is not less than the par value per share.

Based upon, subject to and limited by the foregoing, we are of the opinion that:

1. The Issued Shares are duly authorized, legally issued, fully paid and nonassessable.

2. Upon issuance and delivery of and payment in the manner contemplated by, and in accordance with, the Registration Statement, the Prospectus, the Resolutions, and either the Articles Supplementary or the Operating Agreement, as applicable, the Issuable Shares offered and sold pursuant to the Registration Statement will be legally issued, fully paid and nonassessable.

Our opinions in Paragraphs 1 and 2 above are subject to and limited by the effect of bankruptcy, insolvency, fraudulent conveyance and other similar laws affecting or relating to the rights of creditors generally, and are limited by general equitable principles.

This opinion letter is limited to the laws of the State of Maryland, excluding the securities laws, blue sky laws and the choice-of-law provisions thereof. We render no opinions with respect to the law of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to the laws and the rules, regulations and orders thereunder that are currently in effect.

The opinions set forth in this letter are limited to the matters expressly addressed herein and no opinion is to be implied or may be inferred beyond the opinions expressly stated in this letter.

We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion. This opinion has been prepared solely for your use in connection with the filing of the Registration Statement, and should not be quoted in whole or in part or otherwise be referred to, nor otherwise be filed with or furnished to, any governmental agency or other person or entity, without our express prior written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name therein under the caption “Legal Matters.” The giving of this consent, however, does not constitute an admission that we are “experts” within the meaning of Section 11 of the Act, or within the category of persons whose consent is required by Section 7 of the Act.

Very truly yours,

/s/ Pillsbury Winthrop Shaw Pittman LLP

PILLSBURY WINTHROP SHAW PITTMAN LLP

Exhibit 8.1

[PILLSBURY WINTHROP SHAW PITTMAN LLP LETTERHEAD]

April 19, 2007

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852

Ladies and Gentlemen:

You have requested certain opinions regarding the application of U.S. federal income tax laws to Federal Realty Investment Trust, a Maryland real estate investment trust (the "Company"), in connection with the filing of a registration statement on Form S-3 (the "Registration Statement," which term includes all documents incorporated and deemed to be incorporated by reference therein) with the Securities and Exchange Commission.

In rendering the following opinions, we have examined such statutes, regulations, records, certificates and other documents as we have considered necessary or appropriate as a basis for such opinions, including the following: (1) the Company's Registration Statement, (2) the Declaration of Trust of the Company, as amended, restated or supplemented, if applicable (the "Declaration of Trust") and the Amended and Restated Bylaws of the Company, (3) certain written representations of the Company contained in a letter to us dated as of the date hereof, a copy of which is attached as Schedule 1 hereto, (4) copies of the representative leases entered into by the Company as of the date hereof, and (5) such other documents or information as we have deemed necessary to render the opinions set forth in this letter. In our review, we have assumed, with your consent, that all of the representations and statements set forth in such documents as to factual matters (but not legal conclusions) are true and correct, and all of the obligations imposed by any such documents on the parties thereto, including obligations imposed under the Declaration of Trust, have been or will be performed or satisfied in accordance with their terms. We also have assumed the genuineness of all signatures, the proper execution of all documents, the authenticity of all documents submitted to us as originals, the conformity to originals of documents submitted to us as copies, and the authenticity of the originals from which any copies were made.

Unless facts material to the opinions expressed herein are specifically stated to have been independently established or verified by us, we have relied as to such facts solely upon the representations made by the Company. To the extent that the representations of the Company are with respect to matters set forth in the Internal Revenue Code of 1986, as amended (the "Code") or the regulations promulgated thereunder (the "Treasury Regulations"), we have reviewed with the individuals making

such representations the relevant provisions of the Code, the applicable Treasury Regulations and published administrative interpretations thereof. We assume that each representation made by the Company is and will be true, correct and complete, and that all representations that speak in the future, or to the intention, or to the best of belief and knowledge of any person(s) or party(ies) are and will be true, correct and complete as if made without such qualification. Nothing has come to our attention which would cause us to believe that any of such representations are untrue, incorrect or incomplete.

Based upon and subject to the foregoing and to the qualifications below, we are of the opinion that (i) the Company qualified as a real estate investment trust, or REIT, under the Code for each of its taxable years ending after December 31, 1986 and before January 1, 2007; and the Company qualified as a REIT under the Internal Revenue Code of 1954 for each of its taxable years ending before January 1, 1987, (ii) the Company is organized in conformity with the requirements for qualification as a REIT under the Code, and its current method of operation and ownership will enable it to meet the requirements for qualification as a REIT for the current (2007) taxable year and for future taxable years, and (iii) the discussions in (x) the Registration Statement under the caption "Federal Income Tax Considerations," and (y) the Company's Annual Report on Form 10-K for the year ended December 31, 2006 under the captions "Risk Factors–Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions," "Risk Factors–We may be required to incur additional debt to qualify as a REIT" and "Risk Factors–To maintain our status as a REIT, we limit the amount of shares any one shareholder can own," which is incorporated by reference into the Registration Statement, to the extent that they discuss matters of law or legal conclusions or purport to describe certain provisions of the federal tax laws, are correct summaries of the matters discussed therein, and the opinions of such counsel appearing in the Registration Statement under "Federal Income Tax Considerations" are hereby confirmed.

The opinions set forth in this letter are based on existing law as contained in the Code, Treasury Regulations (including any Temporary and Proposed Regulations), and interpretations of the foregoing by the Internal Revenue Service ("IRS") and by the courts in effect (or, in case of certain Proposed Regulations, proposed) as of the date hereof, all of which are subject to change, both retroactively or prospectively, and to possibly different interpretations. Moreover, the Company's ability to achieve and maintain qualification as a REIT depends upon its ability to achieve and maintain certain diversity of stock ownership requirements and, through actual annual operating results, certain requirements under the Code regarding its income, assets and distribution levels. No assurance can be given as to whether, for any given taxable year, the actual ownership of the Company's stock and its actual operating results and distributions satisfy the tests necessary to achieve and maintain its status as a REIT.

The foregoing opinions are limited to the specific matters covered thereby and should not be interpreted to imply the undersigned has offered its opinion on any other matter. We assume no obligation to update the opinions set forth in this letter after the date hereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. The giving of this consent, however, does not constitute an admission that we are "experts" within the meaning of Section 11 of the Securities Act of 1933, as amended (the "Act"), or within the category of persons whose consent is required by Section 7 of the Act.

Very truly yours,

/s/ Pillsbury Winthrop Shaw Pittman LLP

PILLSBURY WINTHROP SHAW PITTMAN LLP

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated February 26, 2007, accompanying the consolidated financial statements and schedules (which report expressed an unqualified opinion and contains an explanatory paragraph related to the adoption of SFAS No. 123R, "*Share-Based Payment*," effective January 1, 2006), and our report dated February 26, 2007 on management's assessment of the effectiveness of internal control over financial reporting, included in the Annual Report of Federal Realty Investment Trust on Form 10-K for the year ended December 31, 2006. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Federal Realty Investment Trust on Form S-3 filed on April 19, 2007, and to the use of our name as it appears under the caption "Experts."

/s/ Grant Thornton LLP

McLean, Virginia
April 19, 2007