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Federal Realty Investment Trust (FRT)

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Federal Realty Investment Trust Third Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note today's event is being recorded.

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

Jill Sawyer

Senior Vice President & Head-Investor Relations, Federal Realty Investment Trust

Thanks, Rocco. Good morning. Thank you for joining us today for Federal Realty's third quarter 2026 earnings conference call. Joining me on the call are Don Wood, Federal's Chief Executive Officer; Dan Guglielmone, Chief Financial Officer; Wendy Seher, Eastern Region President and Chief Operating Officer; and Jan Sweetnam, Chief Investment Officer, as well as other members of our executive team that are available to take your questions at the conclusion of our prepared remarks.

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

The earnings release and supplemental reporting package that we issued this morning, our annual report filed on Form 10-K and our other financial disclosure documents provide a more in-depth discussion of risk factors that may affect our financial condition and operational results. Given the number of participants on the call, we kindly ask that you limit yourself to one question during the Q&A portion. If you have additional questions, please requeue.

And with that, I'll turn the call over to Don Wood.

Donald C. Wood

President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

Thank you, Jill. Good morning, everybody. Really nice operating quarter for us with a reported $1.87 per share, beating our internal expectations and up nearly 6% from last year's call. Leasing remains strong, occupancy growth, same store cash POI growth was 4%. Just solid operating results top to bottom. We're confident that we'll close out the year on a similarly positive note. And accordingly, we've tightened and raised our guidance.

What we're most excited about has been our ability to build out a formidable central region in just 18 months, most recently highlighted by our acquisition of The Summit Birmingham, which closed on October 1. I'm excited to help investors and analysts fully understand the economic upside. This truly generational purchase of an 870,000 square foot, 100-acre irreplaceable asset that dominates the retail landscape for nearly 100 miles, the first time this asset has ever changed hands. I suspect that the real estate investor in each of you will be blown away.

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Basically, if you like Kansas City, Leawood, you're going to love The Summit. Press release and related information that we put out earlier this month covers a lot of facts about the site. The $508 million put to work contractually in the low sixes, near seven on a GAAP basis, with projected POI growth averaging more than 5% annually over the next five years, supported by strong tenant sales productivity, attractive occupancy cost ratios, and significant mark-to-market leasing upside means that we've added a material foundational asset to the fast-growing central region.

When you include our properties in Chicago along with Kansas City, Omaha and now Birmingham, we've created a portfolio of nearly 2.7 million square feet of best-in-market dominant assets with household annual incomes of $180,000 and on average, attract 4.7 million annual visits per center. These are really important and dominant assets.

A big part of our success in this geographic expansion comes from the retail tenancy of our properties like Santana Row, The Grove in Shrewsbury, and Bethesda Row, among others, strongly desiring seminally merchandised and operated assets in these dominant locations. Tenants like Free People Movement, Vuori, Cooper's Hawk, Alo, others who've had great success in our best properties on the coasts are coming with us to these central region properties.

The opposite is also true, whereby tenants new to us in the center of the country are interested in our well-known improving coastal properties. So, win-win given the quality of our portfolio now stretching from coast to coast and in between. This thesis is why we have embarked on a carefully chosen expanded geography. It's working even better than we had expected. Leawood and Omaha are leading the way with foot traffic up 8% year-to-date, and we expect them to keep outrunning our original plan. More on that shortly.

Previously closed asset sales, fast growing EBITDA, and free cash flow, along with timely debt refinances earlier this year put us in a position to act on The Summit and other accretive initiatives. Additional asset sales expected to close in the coming months will further strengthen our position.

In addition, and given the weakness in our share price over the past three months, we saw another great investment at the same time we were acquiring The Summit, and repurchased nearly 870,000 shares at an average price of less than $109 in September and October at an accretive yield. Just like The Summit, we believe that buying our own shares at these levels is one of the best uses of our capital that, of course, we do in balance. And we're in a position of strength to do it with a strong balance sheet, significant liquidity and a large pool of identified potential dispositions, we're well-positioned to take advantage of any dislocation in the market caused by higher rates. We feel great about our business plan despite a higher interest rate environment.

In terms of overall leasing and operations in our coastal markets, all I can say is consumer resilience is inspiring. Our fuel and other costs appear to be here to stay, and while not perfect, are best hedged by good paying jobs. If history is any indication, I believe it is, in real estate. High-quality dominant assets in affluent suburbs are the likeliest to continue to support a resilient consumer's mindset. On the retailer side, demand remains strong, new supply remains limited, and supports our pricing power and future growth.

Let me turn it over to Wendy to provide more color on that.

Wendy Seher

Executive Vice President, Eastern Region President & Chief Operating Officer, Federal Realty Investment Trust

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Thanks, Don. We closed the quarter with strong leasing momentum with a 14% cash rent spread on comparable deals. This represents 117 leases with an incremental $2.6 million of revenue. These deals pushed our leased rate to 96.5%, up 40 basis points from last quarter and up 110 basis points over last quarter.

Equally encouraging is the composition of this quarter's deal was led by the new leases over renewals, a clear signal of the demand for our centers. Anchor leasing, as we projected, continues to drive our leased rate growth of 60 basis points quarter-over-quarter, and we should continue to see that increase into the fourth quarter. Our overall leased rate is the highest we've seen since 2007 and that includes our small shop lease rate, which sits at 94.1%, up 20 basis points from last quarter and we're not done. Physical occupancy stands at 93.8%, which means roughly 270 basis points of signed-not-occupied leases are still to commence. As those stores open and start paying rent, they're built-in growth that bodes well for 2027.

Looking ahead, our leasing pipeline remains robust with over 130 deals, representing roughly 1.3 million square feet of leasing, driving future growth with rollover expected to be in the double-digit range.

The biggest highlight since we last spoke by far was our acquisition of The Summit, adding 870,000 square feet of new raw materials and 116 tenants to our portfolio. To give you a sense of the demand for this center, during underwriting, we connected with 40 retailers that told us that they wanted to be there. Since we closed, 35 additional retailers have called us directly inbound calls expressing strong interest in the property, and it's only been 30 days since we closed. Several of those retailers are new to our platform, which provides us kind of a unique opportunity to grow our network of retailer relationships to benefit the rest of our shopping centers.

Retailers who recently opened and are opening in short order includes such names as Brandy Melville, Reformation, LoveShackFancy and Garage, as well as Boden, Free People and L.L. Bean. This center represents a true example of best-in-class retailers with a long list of demand behind the current lineup. With roughly 30% of our leases rolling over the next five years at The Summit, we have the opportunity to capture mark-to-market leasing spreads in the mid to high teen range. Very exciting.

As Don mentioned, our recent acquisitions in Leawood, Kansas and Omaha continue to provide strong opportunities as well. The longer we own and operate these centers, the more confident we are. We now project our initial five-year CAGR at more than 5% at Leawood, which is up 50 basis points from our underwriting, and more than 6% in Omaha, up roughly 200 basis points. As you might imagine, we're excited to apply the same playbook at The Summit where we're currently forecasting over 5% CAGR.

Stepping back for a moment, we know that the headlines on higher gas prices and inflation have people questioning the strength of the consumer. What we see in our centers is different. Traffic is up 3% year-over-year. Our consumer is more affluent than most Americans, with a median household income in our submarkets, nearly 50% above the US median. That gives them more room to absorb higher costs, and they remain resilient. Retailers follow that consumer, and that's what's driving the demand we're seeing for our centers. From the long list of retailers lining up behind The Summit to the depth of our pipeline across the portfolio, durable real estate matters.

And now, let me turn it over to Dan to dive into the numbers.

Daniel Guglielmone

Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust

Thank you, Wendy, and hello, everyone. Our FFO per share of a $1.87 for the third quarter reflects roughly 6% growth versus last year and highlights another solid quarter operationally. This result exceeded the upper end of

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our guidance range coming in $0.03 above the midpoint, highlighting the earnings power and diversity of our multifaceted business plan. Drivers for the outperformance include $0.02 from higher rental income and recoveries, $0.01 from better parking revenues and incremental income initiatives, and $0.01 due to timing. These drivers were partially offset by $0.01 from the write-off of straight-line rent.

Adjusted comparable POI growth, our cash basis comparable growth metric, was 4%, 4.5% if you exclude term fees. This cash base as comparable figure stands at 4.4% year-to-date.

Our GAAP metric was 2.5% for 3Q modestly outperforming our low 2% expectations. Cash basis minimum rent increased 3.3% for the quarter. The office component of our mixed-use portfolio continues to shine with a leased rate of 99% with significant mark-to-market opportunities at both CocoWalk and Santana Row. Our residential portfolio continues to demonstrate resilience with the year-over-year POI growth at roughly 3.5% for the third quarter as our Northern California, Metro New York, and Metro Boston assets drive positive results for a very targeted portfolio.

Now, let's turn to the balance sheet. Our next debt maturity will not occur until mid 2027. At third quarter end, our annualized net debt to EBITDA stood at 5.5 times and our fixed charge coverage was 3.9 times. During the third quarter, we issued $460 million of 3.5% exchangeable notes with a maturity in 2031 and a GAAP interest cost of 4%. This compares to the 5.25% GAAP cost of a five-year unsecured note at that time.

We are very pleased with the execution and the timing given where interest rates have trended in the last 75 days. The transaction provided significant liquidity at compelling pricing and positioned us to not only purchase The Summit in Birmingham, a dominant generational retail asset, but also allowed us to be opportunistic repurchasing our stock inside of $109 per share at over a 7% FFO yield and an implied 6.8% cap rate.

Liquidity at quarter end was in excess of $1.5 billion with a fully available $1.4 billion revolver and over $100 million of cash. We sit, today, post Summit acquisition, and share buybacks with nearly $1 billion of liquidity after the $600 million plus of opportunistic capital allocation decisions.

With respect to asset sales, we're currently active with over $600 million of transactions in process. Targeted pricing is in the mid to upper 5% range, roughly 25 basis points to 50 basis points wider than our expectations in May, but still a meaningful spread to our targeted acquisition returns. No residential product is part of this current pool.

Now, onto guidance. As a result of another solid FFO beat for 3Q on the heels of a robust first half of the year, we are raising guidance for both Nareit and core FFO to $7.54 to $7.58 per share. At the midpoint, this $0.04 increase represents 7.1% growth for core FFO when compared to 2025 with the range being 6.8% and 7.4% at the low and high end, respectively.

We are increasing our outlook for adjusted comparable growth, our cash metric, by 25 basis points to 4.375% to 4.625% or 4.5% midpoint, while we are keeping our GAAP comparable midpoint unchanged at 3.5% with a tightened range of 3.375% to 3.625%. Drivers for the increase in guidance for FFO and cash comparable include $0.03 of permanent outperformance in the third quarter, roughly $0.03 of contribution in the fourth quarter from The Summit acquisition. But please note this accretion is inflated this quarter as we benefit short term from temporarily higher leverage in advance of completing our asset sales. More on that shortly. Plus, we had roughly [ph] $0.0067 (00:18:20) of accretion from the $95 million of share repurchases we executed.

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These increases are offset by $0.01 of timing and $1.5 million increase in our forecasted G&A as we continue to invest in business development initiatives with strong ROIs. None of our other guidance assumptions summarized on page 27 of our 8-K changes in any material fashion.

While this updated guidance reflects The Summit acquisition and the repurchase of our common shares, it does not reflect the $600 million plus of targeted dispositions, which will not likely occur until 2027. Please keep in mind that on a long-term basis, we are funding The Summit acquisition through capital recycling. We are targeting blended yields on dispositions in the mid to upper 5% range. For modeling purposes, I would use 5.5% to 5.7% on sales versus a 6.9% GAAP yield for The Summit. So, a spread of 120 basis points to 140 basis points or $0.07 to $0.08 on a long-term annualized basis.

As discussed on prior calls, our long forecasted fourth quarter spike in our overall occupied rate is still expected as we see the 93.8% quarter end level move into the mid-94% range to close out 2026, powered by already signed leases that are scheduled to commence this quarter, many which already have. With respect to our guide for FFO in the fourth quarter of 2026, we expect a range of $1.92 to $1.96.

Now, taking a look back at Federal's 2026 year-to-date FFO as we enter November, we have seen meaningful outperformance from where we started the year on our February call, with roughly 130 basis points of outperformance in FFO growth at the midpoint of guidance, which positions us to achieve over 7% FFO growth for the year.

And with that, Operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We ask that you please limit yourself to one question. If you have a follow-up, please requeue after your first question is addressed. At this time, we'll pause for just a moment to assemble our roster. And today's first question comes from Michael Griffin at Evercore ISI. Please go ahead.

Michael Griffin
Analyst, Evercore Group LLC

Q

Great. Thanks so much. Just curious if you could give a little bit more color on the going-in yield as it relates to The Summit acquisition? If I think back to Kansas City last October, I think that was at 6.7%. This one was at about 6.2%, and it seems like the funding costs have gone up. So, I'm just curious, are you seeing more increased competition for these kind of deals and that's decreasing kind of the relative accretion spread? And any other color there would be certainly helpful. Thank you.

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Thanks, Griff. Appreciate that. This is a real – I know how special Kansas City is, effectively, as a dominant asset. Birmingham is at a different level. This is 100 acres. This serves, literally, 100 miles. This is the only product of its type within that market. So, it's not just a city. It really is a region. We wanted this one really badly. The notion of where the underwriting came in on this has more to do with the size of the mark-to-market here than it does the going-in cap rates.

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The growth that we're looking at from this asset, which is it's totally set up to outperform for a significant period of time. And so, when we looked at that mark-to-market and it's why you see it in the IRR that we're talking about, it's why you see it in the CAGR, which, by the way, if we were underwriting this asset today, we would probably underwrite higher rents than we did on purchase based on what we've seen. I think Wendy talked about it a little bit. So, more than a macro comment about going-in cap rates, I think this has a lot more to do with the specific power of this asset and the mark-to-market of the cash flow that should exceed pretty much anything we've seen so far.

Operator: Thank you. Our next question today comes from Michael Goldsmith at UBS. Please go ahead.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Good morning. Thanks for taking the question. Maybe just to broaden out the capital allocation discussion a bit. You provided a multiyear outlook at the Santana Row Investor Day earlier this year. Given just what we've seen and the changes in both the transaction market and interest rates since then, how has your view of the longer-term earnings algorithm changed, if at all? Just has the components change may be related to capital allocation and then also the financing? Thanks.

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust

A

Yeah. It's a good question. Obviously, an obvious one. We're in the very early stages of our budgeting process. So, that was a way to get me to kind of divulge some outlook on guidance for 2027. Let me – just a value there.

But I would say that the framework, broadly, that we outlined back in May, it still holds up given the fundamental strength in our underlying business, albeit with the kind of the two areas that you mentioned. This is a very, very different interest rate outlook that we're dealing with here five months to six months later. The refinancing headwinds likely in terms of that framework, those outlook assumptions should move probably about 50 basis points, at least, on the wide end. And then I think that from a capital recycling perspective, maybe we're a little bit tighter, 25 basis points to 50 basis points from that perspective.

However, acquisition volumes feel like that we've seen recently. We're optimistic we should be able to keep that overall outlook in line. So, we bought $2.8 billion worth of assets in 23 separate transactions since COVID. And in just the last 20 months, $1.35 billion. And in the mid-sixes cash yields, GAAP yields in the low sevens, you could see us lean in even further towards capital recycling heading into 2027.

Operator: Thank you. And our next question today comes from Alexander Goldfarb at Piper Sandler. Please go ahead.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Hey. Good morning down there. Don, you talked a lot about getting these larger regional dominant assets and the rents are even better, the tenant perception is even better. But just curious on the ancillary income. You guys have made an effort with expanding partnership income using technology on paid parking. So, just sort of curious, as you've operated these larger regional centers, how has the ancillary income grown relative to what you guys originally underwrote as far as being adding additional revenue to these outside of just the NOI and rents?

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Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Yeah. No, I love the question, Alex. And you haven't seen it yet because of the timing of which we made these purchases in the last 12 months or 15 months, and obviously, a month for Summit. You're not seeing a lot of that impact yet at this point. The opportunity is huge and the opportunity is huge because of how we've leaned in on those things that you mentioned on our existing portfolio.

And so, what has happened at Santana Row, what has happened at Assembly, what has happened at Pike & Rose is certainly transferable to these types of assets that we're buying. It's one of the reasons we buy assets like this. It's one of the reasons that – we talk about visits. When you talk about 4.7 million visits a year, on average, to the stuff that we bought just in the central region, that – if you think about it, those eyeballs give you opportunities that a typical grocery anchored shopping center obviously does not give you with respect to ancillary income.

So, you should expect that to continue to grow. I think Wendy has given some numbers or somebody has with respect the progress that we've made company wide, but everything that we're buying, Alex, is brand new raw material to be able to keep that going and expand upon the success we've had on the coasts.

Operator: Thank you. Our next question today comes from Haendel St. Juste with Mizuho. Please go ahead.

Ravi Vaidya
Analyst, Mizuho Securities USA LLC

Q

Hi, there. Good morning. This is Ravi Vaidya on the line for Haendel. Hope you guys are doing well. Can you talk about your decision to buy back stock here? Is this something that was initially contemplated in your guide for the year? And how should we think about this as a capital deployment tool as part of your other acquisition priorities?

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Thank you, Ravi. Thanks for the question. I mean, look, the quickness by which this stock dropped and everybody's stock dropped in the 90 days, made it very clear to us that there was an opportunity there that we were oversold. And seeing that and coupled with the way we had set up the balance sheet knowing we were going to do The Summit also, we considered whether this was the appropriate time to effectively make the investment in our own shares. It was hard to ignore it.

And accordingly, we jumped. We will always use that tool in balance. It's about – every capital allocation decision, Ravi, that we make has to have an ROI that's in excess of our cost to capital significantly, obviously. And so, when you're down where we were trading at quickly, it seemed like a prudent thing to do for about $100 million or so.

We will always have that tool. It'll be balanced against what the other opportunities are to be able to acquire assets, which is always our preference. Our preference is to grow our business plan. Always number one. That's what we try. That's why we're in business. But there are times when it makes sense to use this other tool and we executed on.

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust

A

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Yeah. And Ravi, just to highlight the one piece to your question, that was not in our original guide and that was probably $0.005, $0.006 of the drive in our midpoint guide from $7.52 to $7.56.

Operator: Thank you. Our next question today comes from Floris van Dijkum with Ladenburg. Please go ahead.

Floris van Dijkum
Analyst, Ladenburg Thalmann & Co., Inc.

Q

Hey, guys. Thanks. Just I'd love the capital allocation here as well, the spread investing. But if you can talk a little bit about – I know the central region is getting a lot of hype here. Rightly so, I guess, you're allocating your $508 million to The Summit, which is a high-growth asset. And you talked about Leawood underwriting exceeding your original underwriting significantly. Maybe touch upon some of the acquisitions you've done in California in the past as well. And I'm thinking particularly of Grossmont and Del Monte. How have those investments panned out relative to your original underwriting and how has NOI growth trended there relative to what you originally thought when you bought those assets?

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Hey, Floris, Don. And we have Jeff Kreshek on the line, right? I just want him to answer this specifically. But what I love the question and that California represents 25% of the company or something like that. It has been our fastest growing region in 2026. Not only with the acquisitions that Jeff will talk about in a second, I hope, but also just generally when you look at Santana Row, when you look at what happened with the residential income stream of which we're building more out there. And when you look at all the capital that we've spent in California, the returns have been spectacular, frankly. 2026, 2027, 2028 with our expectations.

Specifically, with respect to those two assets, Jeff, anything else you want to add about California?

Jeffrey Kreshek
Executive Vice President, Western Region President & Chief Operating Officer, Federal Realty Investment Trust

A

Yeah. Happy to, Don. Hey, Floris. So, as Don mentioned, I mean, we're seeing really, really strong growth coming out of the California market. And it's really broad based. I mean it's across virtually every asset, and I'll get to the recent acquisitions in a second, but it's across every asset. And really, that supply-demand dynamic from leasing is really manifesting itself in both leasing volumes and spreads, which have been extremely strong.

When you look at something like Del Monte, which was really more of a re-merchandising play as opposed to a true redevelopment, our five-year CAGR there should be about 11%. We're ahead of plan on executing the remerchandising, feeling really, really good about the retailer demand that we're seeing, and it goes back to some of the comments that Don and Wendy made about Birmingham where when we buy an asset, we really start to see retailers come out of the woodworks and say, well, if Federal has got that, that's something we want to pay attention to.

Then you go to something like Grossmont, which is really much more of a redevelopment play, certainly being done over a couple of phases. But strong anchor growth there in the Walmart/Target deals, strong additions there and a five-year CAGR that's going to be around 10%.

But it's interesting. It's not just the recent acquisitions or redevelopment projects. Even we're seeing this in some of our legacy assets. So, take something like a Westgate that many of you toured when we were out for Investor

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Day in May. I mean, we've owned that asset for nearly two decades. We're still mining growth out of that project with a five-year CAGR of around 13% and some really exciting things happening there.

So, a lot to do on this portfolio still and a lot of runway. And yes, these projects take capital. But even on the capital we're deploying, we're seeing a double-digit return on costs on those. So, a lot of reasons to be really, really bullish about California right now.

Operator: Thank you. Our next question today comes from Samir Khanal with Bank of America. Please go ahead.

Samir Khanal
Analyst, BofA Securities, Inc.

Q

Good morning, everybody. I guess, Dan, one line that stood out was the higher recoveries in the quarter. I guess, how should we think about expense recoveries heading into 2027? It sounds like there's more room to go on occupancy. But are there any other factors that could provide some upside to recovery ratios here? Thanks.

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust

A

Yeah. Look, the biggest driver there is just we continue to see growth in occupancy. And I think that's probably the resiliency of our occupancy and the momentum that we're likely to see there would be the biggest driver. It's also a little bit of timing and timing of kind of recovery payments from tenants, particularly anchor tenants and so forth, real estate taxes coming in at a particular quarter. So, it's a quarter – I wouldn't look at it on a quarter-over-quarter basis. It's really over the course of the year. But we're seeing kind of our ability to kind of generate stronger recoveries as we're driving occupancy upwards is logical.

Operator: Thank you. Our next question today comes from Juan Sanabria with BMO Capital Markets. Please go ahead.

Juan C. Sanabria
Analyst, BMO Capital Markets Corp.

Q

Hi, good morning. A two-part question, I guess. First, maybe, Don, could you just speak a little bit about the densification opportunities at The Summit? And then just a second question on the funding. Could you just give a little bit more feel for the $600 million of assets that are up for sale for funding and kind of just the number of bidders and any price sensitivity that those bidders or buyers have expressed given the interest rate environment? If you could just expand on that, that'd be helpful. Thank you.

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

You bet, Juan. First of all, with respect to densification opportunities, nothing is underwritten. Everything that you've seen is really a remerchandising and mark-to-market opportunity. Having said that, you're looking at 100 acres. And the notion of something to add to that over time, I'd even call it probable, particularly when you look and you understand what the zoning is there at that specific asset. But again, I've got nothing for you, certainly, at this point that way.

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One thing you should think about, if you know the asset or have looked at the asset and understand what it is that we bought there, you know there's a vacant Saks box on one component of the shopping center. We're in the process of acquiring that box. And should be able to have that under our control a little bit, too.

So, that may provide other opportunities. It's likely to be a remerchandising with respect to that box. But again, what that opens up for that part of the shopping center is nothing that's been underwritten, all good stuff.

And financing, Dan, you want to take it?

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust
A

Yeah. Look, we're in process with over $600 million. It's across a number of assets. So far, the demand has been strong. Really has not been meaningfully impacted at all. I think we're happy with the direction we're going there. Most of that won't close until 2027. So, there'll be a little bit of – from a timing perspective, I would factor that in probably. For models, end of the first quarter, probably the best approach.

But in the mid to upper-fives, initial foregoing yields. IRRs, we still expect to be kind of inside a 7% unlevered 10-year and 5-year IRRs. There is no resi as part of that pool. And I think that we feel as though that pool is holding up very, very well with regards to kind of the more challenging interest rate backdrop.

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust
A

I know you didn't specifically ask it, but maybe because there has to be always questions, there should be questions on the ability for us to monetize the assets that we're trying to do so on, and Dan says we feel good about that. But let's just go to Jan for a minute and let Jan talk about the disposition portfolio first, then the overall acquisition portfolio.

Jan Sweetnam
Executive Vice President & Chief Investment Officer, Federal Realty Investment Trust
A

Yeah. Thanks, Don. And let me sort of start with what we're seeing in the transaction market and I'll duck into our disposition pool in a little bit, how we see 2027 going forward. But the good news, as we look at what's happened in the market in September and October, some 90% of the transactions have been moving forward and there have been some hiccups in repricing and assets.

But really, the assets that have little or no growth or the buyer pool really is a high loan-to-value capital stack, if you will. And in terms of assets, whether it's ours or other ones that are out in the marketplace that are calling for offers today, I think the hiccups are gone. But there's some repricing still on those flatter assets and higher LTV capital assets.

And so, as we think about our portfolio and we're trying to be opportunistic on what we're selling, we're trying to sell into the core markets for core buyers. So, we're trying to provide something that someone can buy into the fives. It's got some growth to it. They can't make a mistake. That continues to be our focus in terms of how we think about our dispositions there. And so, we feel like we're really outside of some of that disruption there.

As we think about our business plan, and we've talked about it on several calls. We've had a lot of discussion on our May Investor Day. We still see a material cap rate spread on these large, dominant assets compared to what we can do in a Birmingham or a Leawood or some other markets that we're looking now, compared to our coastal

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markets. I mean it's something with the CAGR, the growth profile and the dominance that Summit has would probably trade in the low-fives, maybe even the high fours in California or the East Coast or something.

So, it's just we still see that as has some legs to it on our business plan. We'll have to see what happens in the retail transaction market over the next several months. Don talked about a little bit. There's this dislocation in the market. Any time there's dislocation in the market, you might see more motivated sellers come into the market. And so, is that going to happen? We'll have to see.

Similarly, when cap rates stop going down and they've been going on for a while, but it looks like now they've stopped going down. So, with that dynamic, you probably also see some more motivated sellers come to the market. So, I think Dan's right. We've got some reason to be optimistic that there's going to be some opportunities for us in 2027.

Operator: Thank you. Our next question today comes from Greg McGinniss at Scotiabank. Please go ahead.

Greg McGinniss

Analyst, Scotia Capital (USA), Inc.

Q

Hey, good morning. Thanks for all the color on the transaction environment. But given the higher rate environment that we're in and the dispositions that are looking to fund acquisitions and buybacks now as well, which is great, how is the rate environment impacting your potential development pipeline underwriting? Are some of those longer-term opportunities becoming even more long-term at this point? Is multi-family development still pencil? Obviously, a lot is going to be rolling off on the development pipeline over the next year. So, just curious how you're thinking about new projects that could be added.

Donald C. Wood

President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Yeah. That's a great question, Greg. First of all, everything that we're talking about with respect to the change in rates and the environment, it's, as you know, amazingly fast. It's been 90 days with respect to where we are.

What I look at is, okay, let's say we've got a 5% or 5.25% 10-year going forward as we look at it. We have an advantage, certainly, in the fact that we don't have significant land cost and we do get a premium. Is it squeezed because of the higher debt cost? Of course, it is. And does that make it harder to effectively get new developments, the residential developments, particularly, to pencil? Of course, it does.

The question comes what has happened with respect to inflation? Where will inflation stop and how will that impact the rents over the next few years? So, it really is going to come down to the underwriting. I can tell you, as you know, we've got a bunch underway right now that will provide that additional income stream over the next few years. We've got Hoboken that'll start early next year. We'll have Lot 12 at Santana Row, which is a big one that'll go later in the year. We've got Willow Grove that has just started.

So, there is a pipeline here. And so, again, so if you look at the 90-day and you say okay, is it going to be harder if everything stays the way it is or worsens from here? Sure. If you take that point in time, of course, it will. But what won't stay the same is rents. And so, the notion of what will those rents be? We'll keep a close eye. And as we get into early 2027 and later into the year of 2027, I think I can give you a much more wholesome answer as to whether we'll be able to make anything pencil going forward.

Operator: Thank you. Our next question today comes from Jamie Feldman at Wells Fargo. Please go ahead.

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James Feldman
Analyst, Wells Fargo Securities LLC

Q

Great. Thank you. Maybe just shifting gears to the balance sheet. Can you just talk through the 2027 maturities, kind of what your latest thoughts are on refinancing? I know you did the converts in August. Is that something that you're still thinking about this round? And just kind of talk us through that $800 million or so. And maybe if there's a way to handicap the impact on earnings in 2027?

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust

A

Yeah. No, good question, Jamie. For one thing, we do have about $680 million that matures kind of right in the middle of the year in June, July, August, September. You'll probably see us come to the bond market and look to extend duration, something at the longer – up towards 7 years, 10 years is the most likely approach from that perspective. We're likely – we're in process of extending the Bethesda mortgage loan and we should get greater duration there and keep pricing kind of where it is or actually even improve it. We're hopeful.

So, I think that we'll rely upon – we have a really good standing in the unsecured market. We need to kind of issue there more frequently. I think, hopefully, we'll be well received, but you could see 2027 should be the year of going to the unsecured bond market to refinance that.

Operator: Thank you. Our next question today comes from Craig Mailman with Citi. Please go ahead.

Craig Mailman
Analyst, Citigroup Global Markets, Inc.

Q

Hey, good morning. Maybe just going to Wendy's commentary or Don, your commentary on The Summit and the level of calls you're getting from retailers and maybe underestimation of where rents could be. I mean, could you just talk a little bit about the nature of the tenants that are calling in? Are these apparel? Are these kind of food? Are they EVs? What are the tenants that are super active that want to be in this market that you guys hadn't thought about or are willing to pay rents well in excess of what you had underwritten? I'm just trying to get a sense of – you guys have been doing this a long time. How this is kind of that much better than what you guys have been underwriting?

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Yeah. No, Craig, it's really good question. Here's the way first, and I'm going to turn it over to Wendy in a second. But think about it this way. You know that, I don't know, 15, 18 of our assets are very well-known. You know the big four. You don't know things necessarily like The Grove at Shrewsbury or in Barracks Road in Charlottesville or some of the other assets that we have that really aim for an aspirational retailer effectively and that customer.

And those tenants generally, and we said this over and over, outperformed their other stores in our places on those coasts and those 15 to 18 great assets. What we've done by doing – we underestimate the power of that on those coasts to retailers, and when you go through them, who want to be in other parts of the country that we were not at. Now, they don't want to just be anywhere. They have to be in selected places. And so, hence, the tight buy box that effectively that we have that got us Omaha, that got us Kansas City, that got us Birmingham.

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But the notion of being able to finally be in a market, get into a market that they were either under-represented or likely not represented in with a landlord that they have had great experience with in these type of properties, aspirational properties, if you will, on the coast, exceeded our expectations. That's what's effectively happening.

And by the way, vice versa. From tenants at The Summit, I could name a couple, that effectively we're now going to put in Santana Row or Bethesda Row or The Grove at Shrewsbury because of the relationship that's being built by them. So, it's really reciprocal. And as I said in the comments, a win-win.

Wendy, the type of tenants that effectively we're talking about here, go through them.

Wendy Seher
Executive Vice President, Eastern Region President & Chief Operating Officer, Federal Realty Investment Trust
A

It's really these tenants that we're seeing in The Summit, as Don mentioned, we can aggregate the conversations between a Santana Row, a Bethesda Row, The Grove, The Summit, we are going to see much more opportunity to grow, as I had mentioned in my remarks, our relationships with retailers.

So, for example, I'm just making this up, if you're a Goop Kitchen, which we have not done business with before unless it's been on a pop-up, and you want to be in the State of Alabama, you are only going to want to be in The Summit. There is one opportunity, one major opportunity for a brand like that to be in the State of Alabama and that's The Summit. So, when we can aggregate these conversations, they are going to go both ways. And I think that's what we're most excited about, to have 30 people calling us, it's different apparels, food, service that want to be in The Summit, that is huge raw material for the rest of our conversations throughout our portfolio.

Donald C. Wood
President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust
A

And Craig, it is broad based. And Wendy went through a list of names in our comments, and I did a few of them, too. So, it is certainly some lifestyle based, but it's more than that. It's also grocery stores. It's also service providers. It's also health and fitness. This a based-based – these are big assets.

Wendy Seher
Executive Vice President, Eastern Region President & Chief Operating Officer, Federal Realty Investment Trust
A

I just want to – just one other conversation that we've had before that I want to maybe repeat again is when we were going into Kansas City, there were two tenants that wanted to be in Kansas City, but only in the Crossing, and that was the Vuori and Alo. They've just opened in the Town Center Plaza right next to each other on both end caps.

So, that conversation of I want to be in that market, I'm not ready to be in this particular location that you want me to be in, but now that Federal owns it, I'm more interested and I know what Federal's going to do and invest in these shopping centers and merchandise these shopping centers, and now we've had two just opened. So, that's an example of how those conversations have evolved.

Operator: Thank you. Our next question today comes from Sydnie Rhome with Barclays. Please go ahead.

Sydnie Rohme
Analyst, Barclays Capital, Inc.
Q

Hi. Good morning. Thank you so much for taking the question. I was wondering if you could give a little more color on the leased and occupied spread? With the leased rate now at 96.5% and occupancy at 93.8%, how should we

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think about the timing of that 270-basis-point gap converting into occupancy and rent commencement? And how much of a tailwind could that be into 2027?

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust
A

Good question. Good question. Look, we're expecting kind of that – we've had a nice gap out from 230 basis points to 270 basis points. That should shrink pretty quickly just given the occupancy growth that we'll see in terms of our occupied rate moving up into the mid 94% range. So, you'll see probably of the SNO, which, in total, is about including kind of what's in the not delivered pipeline, is probably about $42 million in total.

You'll probably see about 30% of that number commence in the fourth quarter with about probably 50% in 2027 commencing, and then the balance in 2028. And so, you'll see some good – it's probably 2027 so it's kind of more in the middle of the year in terms of commencement. But directionally, that's kind of, I think, how you could see that roll on. And it's a longer-term momentum that we'll see.

Operator: Thank you. [Operator Instructions] Our next question today comes from Mike Mueller at JPMorgan. Please go ahead.

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Thanks. Dan, in thinking about your CPOI outlook, what's the high level on how retail is performing in there versus resi and versus office within that overall outlook?

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust
A

Repeat the question? I didn't quite understand kind of what – what was the...

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Yeah. If we're looking at your CPOI outlook, the growth outlook, how is retail driving that versus office versus resi in terms of the relative components?

Daniel Guglielmone
Executive Vice President, Chief Financial Officer & Treasurer, Federal Realty Investment Trust
A

Yeah. Look, it's really retail driven. I mean, 80% of our portfolio is retail with, call it, 10% in the office and residential. Look, retail is going to be the primary driver there. I don't have the specific contribution to those components. Residential has been resilient. It continues to see strong growth. POI growth in the third quarter was 3.5%. So, it's contributing maybe not as much as the retail, but it's largely, largely retail driven with office and residential contributing. But the retail is – we're a retail company and that's going to be the primary driver.

Operator: Thank you. And our next question today comes from Paulina Rojas with Green Street. Please go ahead.

Paulina Alejandra Rojas Schmidt
Analyst, Green Street Advisors LLC
Q

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Good morning. At a prior conference, I think in September, CEOs were asked about 2027 same-store underlying expectations for the sector in general. And you were the only one I can remember pointing to a deceleration. So, understanding that this wasn't the context of a rapid-fire round or something of that sort, can you share more about your perspective? And are you seeing evidence, not necessarily in your own portfolio, but in the industry, that a pullback is already taking place? Or is this more of a long-term view anchored on the cycle and expected volatility or cyclicality, really, that we haven't had in recent years?

Donald C. Wood

President, Chief Executive Officer & Board Trustee, Federal Realty Investment Trust

A

Yeah. Paulina, good question. Look, we kind of look at those rapid-fire questions and we kind of answer them a little bit maybe more flippantly than we'd like to. I think the comment there was that maybe the growth would be slower, but not for us, which was the comment. I don't think it was meant to be a broad comment in terms of the direction of the sector.

We do expect our comparable growth to be strong in 2027, consistent with what we talked about in May. Particularly on a cash basis as our cash comparable numbers should exceed and will exceed as we convert straight-line rent, cash rent not only in the development pool but in the rest of the portfolio. So, we're feeling good about that heading into 2027. It was more of a flippant remark as opposed to a commentary on the direction of the cycle.

Operator: Thank you. And that concludes our question-and-answer session. I'd like to turn the conference back over to Jill Sawyer for any closing remarks.

Jill Sawyer

Senior Vice President & Head-Investor Relations, Federal Realty Investment Trust

Thanks for joining us today and we'll see many of you at Nareit soon.

Operator: Thank you. That concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

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