

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED DECEMBER 13, 1993)

840,000 SHARES

[LOGO OF FEDERAL REALTY INVESTMENT TRUST APPEARS HERE]

COMMON SHARES

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Founded in 1962, Federal Realty Investment Trust (the "Trust") is an owner, operator and redeveloper of community and neighborhood shopping centers. At February 28, 1994, the Trust owned 47 community and neighborhood shopping centers, one enclosed mall and one apartment complex. The Trust is offering 840,000 common shares of beneficial interest, no par or stated value (the "Shares") to an institutional investor. The Trust's Shares are listed on the New York Stock Exchange under the symbol "FRT." The last reported sale price for the Shares on March 29, 1994 was \$26.

Concurrently with the delivery of the Shares offered hereby, the Trust will deliver to certain underwriters 2,500,000 Shares in a public offering.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

|                | PRICE TO<br>INVESTOR | UNDERWRITING<br>DISCOUNT | PROCEEDS TO<br>TRUST |
|----------------|----------------------|--------------------------|----------------------|
| Per Share..... | \$25.875             | \$0                      | \$25.875             |
| Total.....     | \$21,735,000         | \$0                      | \$21,735,000         |

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THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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The date of this Prospectus Supplement is March 29, 1994.

(Graphics appear here)

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SHARES OF THE TRUST AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the detailed information and consolidated financial information appearing elsewhere in this Prospectus Supplement and the accompanying Prospectus or incorporated herein and therein by reference. As used herein, the term "offering" refers to the Shares to be offered and sold through certain underwriters in a public offering and the term "concurrent offering" refers to the Shares to be offered and sold to an institutional investor in this offering.

THE TRUST

Federal Realty Investment Trust is an owner, operator and redeveloper of community and neighborhood shopping centers. Founded in 1962, the Trust is a self-administered real estate investment trust ("REIT") that manages, leases and supervises renovation of its properties. At February 28, 1994, the Trust owned 47 community and neighborhood shopping centers and one enclosed mall that together had approximately 10.6 million rentable square feet and 1,500 tenants. As of December 31, 1993, the shopping center portfolio had an occupancy rate of 95%.

An important part of the Trust's investment strategy is to acquire older, well-located centers and to enhance their operating performance through a program of renovation, expansion, re-configuration, re-leasing and re-merchandising. The Trust's properties are located in twelve states with approximately 77% of the Trust's rental income for the year ended December 31, 1993 generated by the properties located in three major metropolitan areas: New York/New Jersey, Philadelphia and Baltimore/Washington, D.C. The Trust's strategy is to acquire centers located in well-established, densely populated communities with attractive retailing demographics and limited opportunities for new competing developments. The typical Trust property is located on a major traffic artery, with good visibility and access.

The Trust has made 125 consecutive quarterly distributions and has increased its distribution rate for each of the last 26 years. This is the longest record of annual distribution increases in the REIT industry. The current annual indicated distribution rate is \$1.56 per Share.

THE OFFERINGS(1)

Shares Offered..... 840,000 Shares in this concurrent offering and 2,500,000 in the offering

Shares to be Outstanding After the Offerings. 31,450,118 Shares

Use of Proceeds..... Principally to repay debt

New York Stock Exchange Symbol.... FRT

SUMMARY FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

|   | YEAR ENDED DECEMBER 31, |          |          |           |           |
|---|-------------------------|----------|----------|-----------|-----------|
|   | 1989                    | 1990     | 1991     | 1992      | 1993      |
| <b>OPERATING DATA</b>                             |                         |          |          |           |           |
| Revenues.....                                     | \$82,852                | \$90,949 | \$97,652 | \$100,197 | \$115,337 |
| Net income.....                                   | 11,997                  | 5,841    | 4,800    | 9,430     | 18,130    |
| Net cash provided by operating activities(2)..... | 18,696                  | 23,484   | 26,111   | 28,236    | 35,183    |
| Distributions made.....                           | 19,174                  | 23,688   | 25,426   | 33,319    | 40,611    |
| Distributions made per share.....                 | 1.36                    | 1.42     | 1.49     | 1.525     | 1.545     |
| <b>OTHER DATA</b>                                 |                         |          |          |           |           |
| Funds from operations(3).....                     | 20,956                  | 23,985   | 26,246   | 30,020    | 41,489    |

DECEMBER 31, 1993 AS ADJUSTED(1) (4)

| <b>BALANCE SHEET DATA</b>        |           |           |
|----------------------------------|-----------|-----------|
| Real estate assets, at cost..... | \$758,088 | \$758,088 |
| Notes payable.....               | 30,519    | 30,519    |

|                           |         |         |
|---------------------------|---------|---------|
| Long-term debt.....       | 333,712 | 293,545 |
| Shareholders' equity..... | 284,199 | 367,159 |

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- (1) Assumes no exercise of Underwriters' over-allotment option.
- (2) Determined in accordance with Financial Accounting Standards Board Statement No. 95.
- (3) Defined as income before depreciation and amortization and extraordinary items less gain on sale of real estate. Funds from operations differs from net cash provided by operating activities primarily because funds from operations does not include changes in operating assets and liabilities. Funds from operations is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion.
- (4) Adjusted to give effect to the offerings and the application of approximately \$40.2 million of the net proceeds to repay debt. See "Use of Proceeds."

## THE TRUST

Federal Realty Investment Trust is an owner, operator and redeveloper of community and neighborhood shopping centers. Founded in 1962, the Trust is a self-administered real estate investment trust that manages, leases and supervises renovation of its properties. At February 28, 1994, the Trust owned 47 community and neighborhood shopping centers, one enclosed mall, and one apartment complex. The shopping center portfolio has approximately 10.6 million rentable square feet and 1,500 tenants. At December 31, 1993, the occupancy rate of the shopping centers, excluding centers acquired in the previous twelve months, was 96%. Including all shopping centers owned at December 31, 1993, the occupancy rate was 95%.

An important part of the Trust's strategy is to acquire older, well-located centers and to enhance their operating performance through a program of renovation, expansion, re-configuration, re-leasing and re-merchandising. The Trust has focused primarily on community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. The Trust's shopping center leases typically are structured to include minimum rents and percentage rents based on tenants' sales volumes and reimbursement of operating and real estate tax expenses.

The Trust continually evaluates its properties for renovation, re-tenanting and expansion opportunities. Similarly, the Trust regularly reviews its portfolio and from time to time considers selling certain of its properties. The Trust's operating results are affected by general economic and real estate conditions, including conditions specific to the markets where the Trust's properties are located.

The Trust's management believes that now is an opportune time to expand the Trust's portfolio of properties. In its view, many property owners are in the market to sell properties, often as a result of the owners' financial distress or pressure from their real estate lenders. Consequently, in 1993 the Trust raised equity and partially restructured its debt in order to position itself to acquire additional properties.

The Trust, a District of Columbia business trust of unlimited duration, maintains its offices at 4800 Hampden Lane, Bethesda, Maryland 20814 (telephone 301/652-3360).

### ACQUISITIONS AND REDEVELOPMENT UPDATE

In 1993 the Trust acquired seven shopping centers totalling 1.5 million square feet. The Trust spent \$101.8 million to acquire six of the centers and \$6.2 million was incurred in connection with the long-term lease of the seventh shopping center. The average occupancy rate of the properties at the time of their purchase was 94%. The centers are pictured on the inside front cover of this Prospectus Supplement and include Pan Am Shopping Center in Fairfax, Virginia; Gaithersburg Square and Quince Orchard Plaza in Gaithersburg, Maryland; Crossroads Shopping Center in Highland Park, Illinois; Bala Cynwyd Shopping Center in suburban Philadelphia, Pennsylvania; Dedham Plaza in suburban Boston, Massachusetts; and Bethesda Row in Bethesda, Maryland.

During 1993 the Trust spent \$34.3 million for improvements to its properties. These improvements included \$6.5 million to purchase and renovate a department store building at the Shops at Willow Lawn in Richmond, Virginia, \$4.6 million to begin renovation and retenanting of Ellisburg Circle in Cherry Hill, New Jersey, \$1.5 million for the first phase of the redevelopment at Huntington Shopping Center in Huntington, New York, and \$2.3 million to begin the renovation and retenanting at Troy Shopping Center in Troy, New Jersey.

The Trust intends to continue its acquisition and redevelopment activities in 1994. Acquisitions are targeted for the Trust's core major metropolitan markets of New York/New Jersey, Philadelphia

and Baltimore/Washington, D.C. as well as the Chicago, Illinois and Boston, Massachusetts markets. In addition, the Trust is targeting for acquisition newer centers in its core markets which meet the Trust's demographic and credit-quality criteria. The Trust is also exploring site acquisitions in its core markets to permit the Trust to develop new shopping centers.

Planned redevelopment and re-merchandising activities in 1994 include the renovation and redevelopment of Congressional Plaza in Rockville, Maryland, the first phase of redevelopment of Brick Plaza in Brick, New Jersey, the renovation and re-merchandising of Gaithersburg Square as well as the completion of the Ellisburg Circle Shopping Center and Huntington Shopping Center renovations begun in 1993. In total, capital improvements planned for the Trust's properties in 1994 are budgeted at \$49.0 million.

#### FINANCING UPDATE

In 1993 the Trust sought to strengthen its capital structure, reduce its cost of funds and improve its access to capital. The Trust accomplished these objectives through a combination of key financial transactions which are described below.

In April 1993 the Trust sold 2.8 million Shares in a public offering, raising net proceeds of \$72.8 million. In May 1993 \$50.5 million of the proceeds were used to redeem the Trust's 8.65% Senior Notes.

In 1993 the Trust purchased \$3.7 million of its 5 1/4% convertible subordinated debentures due 2002 (the "Debentures"), so that at December 31, 1993 there was \$40.2 million of the original \$100 million outstanding. At the debenture holders' request, the Debentures are required to be redeemed by the Trust on April 30, 1994 at 120% of their principal amount. To record the premium, the Trust has recorded interest at 7.53% on the Debentures. A portion of the proceeds of this concurrent offering and the offering are expected to be used to meet this obligation.

In October 1993 the Trust took advantage of favorable financing rates and issued in Europe \$75.0 million of 5 1/4% convertible subordinated debentures, realizing cash proceeds of approximately \$73.0 million. The debentures, which mature in 2003, are convertible into Shares at \$36 per Share. The debentures are redeemable by the Trust, in whole, at any time after October 28, 1998 at 100% of the principal amount plus accrued interest.

During 1993 the Trust prepaid \$34.9 million of mortgage obligations which had a weighted average interest rate of 9.6%.

To further position itself to acquire additional properties, during 1993 the Trust arranged \$70.0 million of unsecured medium-term revolving credit facilities with three banks. The Trust uses these facilities to fund acquisitions and other cash requirements until conditions are favorable for issuing equity or long-term debt. The weighted average interest rate on borrowings during 1993 on these facilities was 4.2%.

Reflecting the successful results of the Trust's efforts to restructure its debt and increase its equity, in June 1993 Standard and Poor's raised the ratings on the Trust's convertible subordinated debentures from BBB- to BBB. In September 1993 Moody's Investors Service also upgraded the Trust's subordinated debt, from Ba1 to Baa2.

The Trust is continuing its debt restructuring program in 1994. In February 1994 the Trust borrowed \$22.5 million, which was used to pay down the December 1993 balance on the revolving credit facilities. The loan, which is secured by Northeast Plaza Shopping Center, bears interest at 150 basis points over the London Interbank Offered Rate (currently 5.25%) and replaces a loan, prepaid

in 1993, which was secured by this property and as of January 1994 would have borne interest at 9.75%.

In addition, the Trust obtained an additional unsecured revolving credit facility of \$15.0 million in February 1994, bringing its total availability to \$85.0 million.

#### USE OF PROCEEDS

The net proceeds to the Trust from the sale of the Shares offered hereby and in the public offering are approximately \$82,960,000 (\$92,192,500 if the underwriters' over-allotment option is exercised in full). The Trust intends to use the majority of the proceeds of these offerings to repay debt, principally to meet the potential \$48.2 million refinancing requirement of the Debentures (the Trust's 5 1/4% convertible subordinated debentures due 2002 which have an effective interest rate of 7.53%) and to repay the Trust's revolving credit facilities. The remaining net proceeds from these offerings are expected to be used for property acquisitions and improvements.

#### PRICE RANGE OF THE SHARES AND DISTRIBUTIONS

The Trust's Shares are listed on the New York Stock Exchange under the symbol FRT. The following table sets forth the high and low sale prices of the Shares for the periods indicated and the distributions made per Share in such periods.

|  | HIGH     | LOW      | DISTRIBUTIONS<br>MADE |
|--|----------|----------|-----------------------|
|  | ----     | ----     | -----                 |
| 1992   |          |          |                       |
| 1st Quarter.....                             | \$22 1/2 | \$18 3/4 | \$ .380               |
| 2nd Quarter.....                             | 21 3/4   | 20       | .380                  |
| 3rd Quarter.....                             | 25       | 21 3/8   | .380                  |
| 4th Quarter.....                             | 25 1/4   | 22       | .385                  |
|  |          |          | -----                 |
|  |          |          | 1.525                 |
| 1993   |          |          |                       |
| 1st Quarter.....                             | 29       | 23 7/8   | .385                  |
| 2nd Quarter.....                             | 28 7/8   | 24 3/4   | .385                  |
| 3rd Quarter.....                             | 30 1/4   | 25 1/2   | .385                  |
| 4th Quarter.....                             | 29 7/8   | 24 1/8   | .390                  |
|  |          |          | -----                 |
|  |          |          | 1.545                 |
| 1994   |          |          |                       |
| 1st Quarter (through<br>March 29, 1994)..... | 29 1/2   | 23       | .390                  |

The last reported sale price of the Shares on the New York Stock Exchange on March 29, 1994 was \$26 per Share. As of December 31, 1993, there were 4,564 registered holders of Shares.

The Trust has made 125 consecutive quarterly distributions and has increased its distribution rate every year for each of the last 26 years. The current indicated annual distribution rate is \$1.56 per Share. On March 3, 1994 the Trust declared a cash dividend of \$.39 per Share, payable on April 15, 1994 to shareholders of record on March 25, 1994. The Trust's ability to make distributions depends on a number of factors, including its net cash provided by operating activities, capital commitments and debt repayment schedules.

For federal income tax purposes, distributions made to shareholders may consist of ordinary income, capital gains distributions, non-taxable return of capital or a combination thereof.

Distributions that exceed the Trust's current and accumulated earnings and profits constitute a return of capital and reduce the shareholder's basis in his Shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the shareholder's basis in his Shares, it will generally be treated as gain from the sale or exchange of that shareholder's Shares. If the Trust designates certain distributions as capital gains distributions in accordance with Section 857(b)(3)(B) and (C) of the Internal Revenue Code of 1986, as amended (the "Code"), such distributions will be taxable as long-term capital gains to the shareholder, regardless of the length of time the shareholder has held his Shares. Under Section 291 of the Code, however, a corporate shareholder may be required to treat up to 20% of a capital gains distribution as ordinary income. Any loss upon the sale or exchange of Shares held for six months or less will be treated as long-term capital loss to the extent of any capital gains distributions received by the shareholder. The Trust annually notifies shareholders as to the taxability of distributions made during the preceding year. Since 1989, cash distributions per Share made to shareholders have been taxable as set forth below.

|                               | 1989   | 1990   | 1991   | 1992    | 1993    |
|-------------------------------|--------|--------|--------|---------|---------|
|                               | -----  | -----  | -----  | -----   | -----   |
| Ordinary income.....          | \$1.03 | \$1.05 | \$ .83 | \$ .610 | \$1.095 |
| Capital gains.....            | --     | .06    | --     | --      | --      |
| Return of capital.....        | .33    | .31    | .66    | .915    | .450    |
|                               | -----  | -----  | -----  | -----   | -----   |
| Total distributions made..... | \$1.36 | \$1.42 | \$1.49 | \$1.525 | \$1.545 |
|                               | =====  | =====  | =====  | =====   | =====   |

The Trust offers a dividend reinvestment plan which allows its shareholders to automatically reinvest distributions, as well as make voluntary cash payments towards the purchase of additional Shares.



SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the Trust and should be read in conjunction with the Consolidated Financial Statements and Notes incorporated by reference herein.

|   | YEAR ENDED DECEMBER 31, |           |           |           |           |
|---|-------------------------|-----------|-----------|-----------|-----------|
|   | 1989                    | 1990      | 1991      | 1992      | 1993      |
| (IN THOUSANDS, EXCEPT PER SHARE DATA)   |                         |           |           |           |           |
| <b>OPERATING DATA</b>   |                         |           |           |           |           |
| Revenues  |                         |           |           |           |           |
| Rental income.....  | \$ 72,771               | \$ 80,698 | \$ 88,350 | \$ 89,971 | \$105,948 |
| Interest.....   | 6,588                   | 6,545     | 4,675     | 5,514     | 3,894     |
| Other property income.....  | 3,493                   | 3,706     | 4,627     | 4,712     | 5,495     |
|   | -----                   | -----     | -----     | -----     | -----     |
|   | 82,852                  | 90,949    | 97,652    | 100,197   | 115,337   |
| Expenses  |                         |           |           |           |           |
| Interest.....   | 33,129                  | 34,709    | 38,147    | 35,201    | 31,550    |
| Depreciation and amortization.....  | 16,174                  | 19,091    | 21,922    | 23,033    | 25,375    |
| Property expenses.....  | 24,817                  | 26,751    | 29,254    | 29,795    | 36,843    |
| General and administrative.....   | 3,569                   | 5,005     | 3,364     | 4,744     | 4,675     |
|   | -----                   | -----     | -----     | -----     | -----     |
|   | 77,689                  | 85,556    | 92,687    | 92,773    | 98,443    |
| Income before investors' share of operations, gain on sale of real estate and extraordinary item..... |                         |           |           |           |           |
|   | 5,163                   | 5,393     | 4,965     | 7,424     | 16,894    |
| Investors' share of operations.....   |                         |           |           |           |           |
|   | (381)                   | (499)     | (641)     | (437)     | (780)     |
| Income before gain on sale of real estate and extraordinary item.....                                 |                         |           |           |           |           |
|   | 4,782                   | 4,894     | 4,324     | 6,987     | 16,114    |
| Gain on sale of real estate.....  |                         |           |           |           |           |
|   | 7,215                   | 947       | 61        | 2,501     | --        |
| Income before extraordinary item.....   |                         |           |           |           |           |
|   | 11,997                  | 5,841     | 4,385     | 9,488     | 16,114    |
| Extraordinary item.....   |                         |           |           |           |           |
|   | --                      | --        | 415       | (58)      | 2,016     |
| Net income.....   |                         |           |           |           |           |
|   | =====                   | =====     | =====     | =====     | =====     |
|   | \$11,997                | \$ 5,841  | \$ 4,800  | \$ 9,430  | \$ 18,130 |
| <b>Earnings per share</b>   |                         |           |           |           |           |
| Income before gain on sale of real estate and extraordinary item.....                                 |                         |           |           |           |           |
|   | \$ .33                  | \$ .29    | \$ .25    | \$ .30    | \$ .60    |
| Gain on sale of real estate.....  |                         |           |           |           |           |
|   | .49                     | .06       | --        | .11       | --        |
| Extraordinary item.....   |                         |           |           |           |           |
|   | --                      | --        | .03       | --        | .07       |
| Net income.....   |                         |           |           |           |           |
|   | =====                   | =====     | =====     | =====     | =====     |
|   | \$ .82                  | \$ .35    | \$ .28    | \$ .41    | \$ .67    |
| Weighted average outstanding shares.....  |                         |           |           |           |           |
|   | 14,672                  | 16,695    | 17,304    | 22,767    | 27,009    |
| Net cash provided by operating activities(1).....   |                         |           |           |           |           |
|   | \$ 18,696               | \$ 23,484 | \$ 26,111 | \$ 28,236 | \$ 35,183 |
| Distributions made.....   |                         |           |           |           |           |
|   | 19,174                  | 23,688    | 25,426    | 33,319    | 40,611    |
| Distributions made per share.....   |                         |           |           |           |           |
|   | 1.36                    | 1.42      | 1.49      | 1.525     | 1.545     |
| <b>OTHER DATA</b>   |                         |           |           |           |           |
| Funds from operations(2).....   |                         |           |           |           |           |
|   | 20,956                  | 23,985    | 26,246    | 30,020    | 41,489    |
| <b>BALANCE SHEET DATA</b>   |                         |           |           |           |           |
| Cash and investments.....   |                         |           |           |           |           |
|   | 65,107                  | 33,792    | 51,631    | 71,910    | 13,643    |
| Real estate assets, at cost.....  |                         |           |           |           |           |
|   | 514,552                 | 555,879   | 566,056   | 598,867   | 758,088   |
| Total assets.....   |                         |           |           |           |           |
|   | 565,779                 | 553,396   | 566,062   | 603,811   | 690,943   |
| Mortgages and capital lease obligations.....  |                         |           |           |           |           |
|   | 204,616                 | 203,287   | 225,859   | 245,694   | 218,545   |
| Notes payable.....  |                         |           |           |           |           |
|   | 29,357                  | 31,222    | 11,665    | 6,117     | 30,519    |
| Senior notes.....   |                         |           |           |           |           |
|   | 50,000                  | 50,000    | 50,000    | 50,000    | --        |
| 8 3/4% Convertible subordinated debentures...   |                         |           |           |           |           |
|   | 5,630                   | 4,576     | 4,338     | 2,371     | --        |
| 5 1/4% Convertible subordinated debentures due 2002.....  |                         |           |           |           |           |
|   | 100,000                 | 100,000   | 87,665    | 43,847    | 40,167    |
| 5 1/4% Convertible subordinated debentures  |                         |           |           |           |           |

|                          |         |         |         |         |         |
|--------------------------|---------|---------|---------|---------|---------|
| due 2003.....            | --      | --      | --      | --      | 75,000  |
| Total liabilities.....   | 419,665 | 424,050 | 414,582 | 380,933 | 406,744 |
| Shareholders' equity.... | 146,114 | 129,346 | 151,480 | 222,878 | 284,199 |

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- (1) Determined in accordance with Financial Accounting Standards Board Statement No. 95.
- (2) Defined as income before depreciation and amortization and extraordinary items less gain on sale of real estate. Funds from operations differs from net cash provided by operating activities primarily because funds from operations does not include changes in operating assets and liabilities. Funds from operations is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Trust meets its liquidity requirements through net cash provided by operating activities, long-term borrowing through debt offerings and mortgages, medium and short-term borrowing under lines of credit, and equity offerings. Because all or a significant portion of the Trust's net cash provided by operating activities is distributed to shareholders, capital outlays for property acquisitions, renovation projects and debt repayments require funding from borrowing or equity offerings.

In order to improve its capital structure and to finance and expand its real estate portfolio, the Trust raised equity and debt during 1992 and 1993. The Trust took advantage of the favorable interest rate environment by replacing higher rate debt with lower rate debt and replaced near term maturing debt with longer term debt. Equity has increased to \$284.2 million at December 1993, while total debt was \$364.2 million at December 31, 1993. The Trust's debt to equity ratio has consequently dropped from 2.5 to 1 at December 31, 1991 to 1.28 to 1 at December 31, 1993.

In June 1992 the Trust sold 3.4 million Shares in a public offering, raising net proceeds of \$66.5 million. In April 1993 another 2.8 million Shares were issued in a public offering, netting proceeds of \$72.8 million. In December 1993 another 220,000 Shares were issued for \$5.4 million in a private placement in connection with the long-term lease of a property.

In March 1992 the Trust exchanged \$22.6 million principal amount of its 5 1/4% convertible subordinated debentures due 2002 for 1.3 million Shares. Another \$21.2 million principal amount of these debentures were retired in 1992 when they were repurchased by the Trust with proceeds from the public offerings. The Trust purchased an additional \$3.7 million of these debentures in 1993, so that at December 31, 1993 there were \$40.2 million of the original \$100.0 million outstanding.

The Trust called its 8 3/4% convertible subordinated debentures and its 8.65% Senior Notes for redemption in 1993. The Trust redeemed \$173,000 principal amount of the 8 3/4% debentures at a price of \$1017.50 per debenture on March 15; the balance of the debentures that had been outstanding or \$2.2 million were converted into Shares. The Senior Notes were redeemed on May 14, at a price of \$1010 per note for a total redemption price of \$50.5 million.

In October 1993 the Trust took advantage of favorable financing rates and issued in Europe \$75.0 million of 5 1/4% convertible subordinated debentures, realizing cash proceeds of approximately \$73.0 million. The debentures, which mature in 2003, are convertible into Shares at \$36 per Share. The debentures are redeemable by the Trust, in whole, at any time after October 28, 1998 at 100% of the principal amount plus accrued interest.

The Trust placed a \$30.0 million mortgage on Federal Plaza in 1992; the mortgage bears interest beginning at 8 1/4%, resetting every three years, and matures in 2001. During 1992 the Trust prepaid \$6.3 million of mortgage obligations and then in 1993 the Trust prepaid another \$34.9 million of mortgage obligations; the interest rates on these mortgages were higher than current rates.

At December 31, 1993 the Trust had \$70.0 million of unsecured, medium-term revolving credit facilities with three banks. All three facilities require fees and have covenants requiring a minimum shareholders' equity and a maximum ratio of debt to net worth. The Trust uses these facilities to fund acquisitions and other cash requirements until conditions are favorable for issuing equity or long-term debt. The maximum drawn under these facilities during 1993 was \$64.1 million; at December 31, 1993 the Trust had \$24.4 million outstanding under these facilities. The average weighted interest

rate on borrowings during 1993 on these facilities was 4.2%. These medium-term facilities replace a \$20.0 million unsecured line of credit which was available at December 1992. The increase in the Trust's revolving credit facilities is indicative of the improvement since 1991 in the credit environment. The Trust obtained an additional unsecured revolving credit facility of \$15.0 million in February 1994, bringing its total availability to \$85.0 million.

In February 1994 the Trust borrowed \$22.5 million, which was used to pay down the December 1993 balances on the revolving credit facilities. The loan, which is secured by the Northeast Plaza Shopping Center, bears interest at 150 basis points over LIBOR, the London Interbank Offered Rate, and is due on January 31, 1995.

In June 1993 Standard and Poor's raised the ratings on the Trust's convertible subordinated debentures from BBB- to BBB, reflecting the successful results of the Trust's restructuring of its debt and increasing of its equity. In September 1993 Moody's Investors Service also upgraded the Trust's subordinated debt, from Ba1 to Baa2.

The Trust's long-term debt has varying maturity dates and in a number of instances includes balloon payments or other contractual provisions that could require significant repayments during a particular period. The earliest balloon repayment is in April 1994, when the holders of the Trust's 5 1/4% convertible subordinated debentures due 2002 may require the Trust to redeem the debentures for \$48.2 million (120% of the principal amount). The next balloon repayment is in 1998 when approximately \$41.3 million of mortgages are due.

Major expenditures of capital by the Trust during 1993 included the following: (1) \$101.8 million to acquire six shopping centers; (2) \$6.2 million incurred in connection with the long-term lease of a seventh shopping center; (3) \$32.5 million to prepay mortgages; (4) \$50.5 million to redeem the Senior Notes; (5) \$4.6 million to redeem portions of the convertible subordinated debt; and (6) \$34.3 million in improvements to properties. These improvements included \$6.5 million to purchase and renovate a department store building at The Shops at Willow Lawn, \$4.6 million to begin renovation and retenanting of Ellisburg Circle Shopping Center, \$1.5 million for the first phase of the redevelopment at Huntington Shopping Center, \$2.3 million to begin the renovation and retenanting at Troy Shopping Center and \$9.5 million in tenant work. Cash requirements for these expenditures were met by the net proceeds of the recent equity and debt offerings and from borrowings on the revolving credit facilities.

Major expenditures of capital by the Trust during 1992 included the following: (1) \$15.3 million to purchase Ellisburg Circle Shopping Center; (2) \$9.1 million to purchase the land underlying Wildwood Shopping Center which had been subject to a long-term ground lease; (3) \$8.5 million to repay short-term borrowings; (4) \$23.6 million to repurchase 5 1/4% convertible subordinated debentures due 2002; (5) \$8.0 million to prepay mortgages; and (6) \$15.2 million in improvements to properties. Cash requirements for these expenditures were met by the net proceeds from the sale of Sargent Road and 25th Street Shopping Centers, the net proceeds from the mortgage on Federal Plaza and the proceeds of public offerings.

The Trust has budgeted \$49.0 million for capital improvements to its properties in 1994. These improvements include: (1) \$14.0 million to begin the renovation and redevelopment of Congressional Plaza; (2) \$4.0 million to begin renovation at Brick Plaza; (3) \$6.0 million to begin renovation of Gaithersburg Square; and (4) approximately \$9.0 million for tenant work. In addition the Trust has budgeted \$48.2 million to redeem the 5 1/4% convertible subordinated debentures due 2002, which the holders may require the Trust to redeem in April 1994, and \$4.1 million to exercise an option to purchase the land at Northeast Shopping Center in December 1994. These expenditures will be paid from proceeds from borrowings under its medium-term revolving credit facilities and from the proceeds of this concurrent offering and the offering.

The State of New Jersey Division of Taxation has assessed the Trust \$364,000 in taxes, penalty and interest for the years 1985 through 1990, since the State has disallowed the dividends paid deduction in computing New Jersey taxable income. The Trust has filed a complaint in the Tax Court of New Jersey contesting the assessment since the Trust believes that it is entitled to the deduction. At this time, the outcome of this matter is unknown.

The North Carolina Department of the Environment, Health and Natural Resources issued a Notice of Violation ("NOV") against a dry cleaner tenant at Eastgate Shopping Center in Chapel Hill, North Carolina concerning a spill at the shopping center. As owner of the shopping center, the Trust was named in and received a copy of the NOV. Estimates to remediate the spill range from \$300,000 to \$500,000. An agreement is being drawn with two previous owners of the shopping center to share the costs to remediate. The Trust has recorded a liability of \$120,000 as its estimated share of the cleanup costs.

Contaminants at levels in excess of New Jersey cleanup standards were identified at a shopping center in New Jersey. The Trust has retained an environmental consultant to investigate the contamination. The Trust is also evaluating whether it has insurance coverage for this matter. At this time, the Trust is unable to determine what the range of remediation costs might be. The Trust has also identified chlorinated solvent contamination at two other properties. In each case, the contamination appears to be linked to the current and/or previous dry cleaner. The Trust intends to look to the responsible parties for any remediation effort. Evaluation of these situations is preliminary and it is impossible to estimate the range of remediation costs, if any.

The Trust reserved at closing \$2.25 million for environmental issues principally associated with the recently acquired Gaithersburg Square. Pursuant to an indemnity agreement entered into with the seller at closing, the Trust agreed to take certain actions with respect to identified chlorinated solvent contamination. The seller indemnified the Trust for certain third party claims and government requirements related to contamination at adjacent properties.

Management believes that the combination of cash available at December 31, 1993, the revolving credit facilities, and the unencumbered value of the Trust's properties provide the Trust with adequate capital resources and liquidity for operating purposes in the near future. The Trust, however, continues to renovate its existing centers and seeks to acquire more shopping centers. The Trust will need to raise additional equity or issue additional debt in order to fund its planned renovations in 1994 and to purchase any additional shopping centers. The Trust believes that it has the ability to raise this needed capital through the offering of equity and debt securities so that it may pursue its growth plans as well as to meet its longer term capital and debt financing needs, including scheduled loan payments and contractual repayment obligations.

#### RESULTS OF OPERATIONS

Funds from operations is defined as income before depreciation and amortization and extraordinary items less gains on sale of real estate. Management believes that funds from operations is an appropriate supplemental measure of the Trust's operating performance because it believes that reductions for depreciation and amortization charges are not meaningful in evaluating income-producing real estate, which have historically been appreciating assets. The Trust acquires, evaluates and sells income-producing properties based upon operating income without taking into account property depreciation and amortization charges and utilizes funds from operations, together with

other factors, in setting shareholder distribution levels. Gains on sale of real estate and extraordinary items are also excluded from this supplemental measure of performance because such amounts are not part of the ongoing operations of the Trust's portfolio. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity.

Funds from operations increased 38% in 1993 to \$41.5 million from \$30.0 million in 1992. Funds from operations increased 14% in 1992 to \$30.0 million from \$26.2 million in 1991.

The Trust's shopping center leases generally provide for minimum rents, with periodic increases. Most shopping center tenants pay a majority of on-site operating expenses. Many leases also contain a percentage rent clause which calls for additional rents based on tenant sales, so that at a given sales volume if prices increase, so does rental income. These features in the Trust leases reduce the Trust's exposure to higher costs caused by inflation, although inflation has not been significant in recent years.

Rental income, which consists of minimum rent, percentage rent, and cost recoveries, increased from \$90.0 million in 1992 to \$105.9 million in 1993. If centers acquired and sold in 1992 and 1993 are excluded, rental income increased 8.8% from \$88.5 million in 1992 to \$96.3 million in 1993. Perring Plaza, whose redevelopment was completed late in 1992, and Huntington Shopping Center, whose first phase of retenanting and redevelopment was completed in 1993, contributed 39% of this increase. Rental income increased from \$88.4 million in 1991 to \$90.0 million in 1992; if centers acquired and sold in 1992 and 1991 are excluded, rental income increased 3.5% from \$85.5 million to \$88.8 million.

Minimum rents increased from \$66.9 million in 1991 to \$68.8 million in 1992 to \$81.3 million in 1993. If centers acquired and sold during these years are excluded, minimum rents increased from \$64.7 million in 1991 to \$67.8 million in 1992 to \$73.6 million in 1993. Forty-eight percent of the increase from 1992 to 1993 was contributed by Perring Plaza and Huntington Shopping Center. Of the 1992 increase, \$400,000 was contributed by Perring Plaza and \$1.2 million was contributed by Federal Plaza which was under redevelopment until May 1991.

Cost reimbursements, which generally increase as expenses increase, rose from \$14.7 million in 1991 to \$14.9 million in 1992 to \$18.2 million in 1993. Excluding centers acquired and sold during the three-year period, cost reimbursements increased from \$14.3 million in 1991 to \$14.6 million in 1992 to \$16.4 million in 1993. The increase in 1993 recoveries relates to a corresponding increase in expense in 1993 as discussed below, while the small increase in 1992 from 1991 relates to the corresponding slight increase in expense in 1992 as compared to 1991.

Percentage rents are a fluctuating source of revenue based on tenant sales volume and lease rollovers. When leases are renewed the Trust seeks to set minimum rent at levels that include the past year's percentage rents. Percentage rents have decreased from \$4.6 million in 1991 to \$4.2 million in 1992 to \$4.1 million in 1993. Excluding centers sold and acquired during the three-year period, percentage rents have decreased from \$4.3 million in 1991 to \$4.0 million in 1992 to \$3.9 million in 1993. The decreases resulted primarily from rolling percentage rent into minimum rents as leases renew and from the expiration of certain leases.

Other property income, which includes items which tend to fluctuate from period to period, such as utility reimbursements, telephone income, merchant association dues, lease termination fees and temporary occupant income, has risen from \$4.6 million in 1991 to \$4.7 million in 1992 to \$5.5 million in 1993. Excluding centers bought and sold during the three-year period, other property income increased from \$4.4 million in 1991 to \$4.6 million in 1992 to \$4.8 million in 1993. The increase in 1993 was due primarily to an increase in lease termination fees.

Rental expenses have increased from year-to-year in dollar amount, especially in 1993 where \$2.1 million of the increase is due to newly acquired centers. However, rental expenses have remained fairly stable as a percentage of property income (rental income plus other income); 21.9% in 1991, 22.1% in 1992 and 23.8% in 1993. Of the expenses included in rental expense, the greatest changes have been in repairs and maintenance and other operating expenses. Snow removal expense is the primary reason for the increase in repairs and maintenance. Other operating expenses have increased due to an increase in bad debt, environmental expense and marketing expenses for the centers. Real estate taxes have remained stable as a percentage of property income, at approximately 9.3%.

Depreciation and amortization charges have increased from \$21.9 million in 1991 to \$23.0 million in 1992 to \$25.4 million in 1993. The increase in 1993 is due to depreciation on the recent acquisitions and renovations, while in 1992 the increase was primarily due to increased depreciation on Federal Plaza, depreciation on renovations and increased amortization of lease costs.

Interest income decreased from \$5.5 million in 1992 to \$3.9 million in 1993 due primarily to lower cash balances, as cash was used for acquisitions, renovations, and debt repayments. Interest income increased from \$4.7 million in 1991 to \$5.5 million in 1992, despite lower interest rates in 1992 since average cash balances were higher in 1992 due to the temporary investment of the proceeds of public offerings.

Interest expense has decreased from \$35.2 million in 1992 to \$31.6 million in 1993, reflecting the redemption of the Senior Notes and the 8 3/4% convertible subordinated debentures, the reduction in the 5 1/4% convertible subordinated debentures due 2002 and the prepayment of various mortgages, partially offset by interest expense of the revolving credit facilities and interest on the 5 1/4% convertible subordinated debentures due 2003. Interest expense decreased from \$38.1 million in 1991 to \$35.2 million in 1992 due primarily to the exchange and repurchase of \$56.2 million of the Trust's 5 1/4% convertible subordinated debentures due 2002 in 1991 and 1992.

Administrative expenses have ranged from 3.6% of property income (rental income plus other income) in 1991 to 4.3% in 1992 to 4.2% in 1993. During the worst of the recession in 1991 the Trust reduced overhead expenses by reducing the number of employees and freezing or reducing many salaries. Employment practices have now returned to normal.

Other charges of \$682,000 in 1992 is comprised of two items. One is the \$960,000 writedown of an investment in Olympia and York notes, partially offset by the recovery of \$278,000 of a legal settlement.

Income before gain on sale of real estate and extraordinary item increased \$9.1 million from 1992 to 1993, primarily because of increased revenues from recent acquisitions and redevelopments and because of the decrease in interest expense. Income before gain on sale of real estate and extraordinary item increased \$2.7 million in 1992 from 1991 due to an increase in revenue coupled with a decrease in interest expense partially offset by higher depreciation and amortization, administrative expense and net other charges.

Gain on sale of real estate is dependent on the extent and timing of sales. The 1992 gain was primarily due to the sale of Sargent Road and 25th Street Shopping Centers. The 1991 gain was on the sale of Lawrence Village Shopping Center.

In 1993 the Trust had a net gain of \$2.0 million on the early extinguishment of debt, resulting from a \$3.1 million gain on the extinguishment of the mortgage at Northeast Plaza, offset by losses on the redemption of the Senior Notes, convertible subordinated debentures and two mortgages. In 1992 the Trust had a net loss of \$58,000 on the early extinguishment of debt, resulting from the prepayment of two mortgages and the exchange and repurchase of its 5 1/4% convertible subordinated debentures due 2002. In 1991 the Trust had a net gain of \$415,000 on the early extinguishment of debt, consisting of a gain on the repurchase of the Trust's 5 1/4% convertible subordinated debentures due 2002 partially offset by \$587,000 in prepayment fees on the early extinguishment of three mortgages.

As a result of the foregoing items, net income was \$18.1 million in 1993, \$9.4 million in 1992 and \$5.8 million in 1991.

IMPACT OF NEW ACCOUNTING STANDARDS

In May 1993 the Financial Accounting Standards Board (FASB) issued FASB No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard will be effective for 1994 financial statements and requires the classification of debt and equity investments into one of three categories: held-to-maturity, trading or available-for-sale. The Trust does not believe that the implementation of the standard in 1994 will have a material effect on the Trust's financial statements since the Trust's current accounting for debt and equity investments does not differ materially from the standard.

PROPERTIES

The Trust currently owns or has leasehold interests in 47 neighborhood and community shopping centers, one enclosed mall (Willow Lawn) and one apartment complex. The following table sets forth information concerning the Trust's properties as of December 31, 1993.

|  | YEAR<br>ACQUIRED | RENTABLE<br>SQUARE FEET | ACQUISITION<br>COST | CAPITAL<br>IMPROVEMENTS<br>SINCE<br>ACQUISITION | TOTAL<br>COST | PERCENT<br>LEASED AT<br>DECEMBER 31,<br>1993 | PRINCIPAL<br>TENANTS                           |
|--|------------------|-------------------------|---------------------|---|---------------|--|--|
| SHOPPING CENTERS                         |                  |                         |                     |   |               |  |  |
| Allwood<br>Clifton, N.J.(1)              | 1988             | 52,000                  | \$ 3,920,000        | \$ 94,000                                       | \$ 4,014,000  | 97%  | Grand Union<br>Mandee Shop                     |
| Andorra<br>Philadelphia, Pa.             | 1988             | 252,000                 | 14,778,000          | 1,235,000                                       | 16,013,000    | 98   | Clover<br>Andorra Theater<br>Acme Markets      |
| Bala Cynwyd<br>Bala Cynwyd, Pa.          | 1993             | 228,000                 | 16,986,000          | 298,000   | 17,284,000    | 94   | Lord & Taylor<br>Olive Garden                  |
| Barracks Road<br>Charlottesville, Va.    | 1985             | 450,000                 | 20,822,000          | 8,121,000                                       | 28,943,000    | 99   | Rose's<br>Safeway<br>The Grocery Store         |
| Bethesda Row<br>Bethesda, Md.(1)         | 1993             | 223,000                 | 18,823,000          | --  | 18,823,000    | 94   | Giant Food<br>Giant Pharmacy                   |
| Blue Star<br>Watchung, N.J.(1)           | 1988             | 398,000                 | 29,922,000          | 680,000   | 30,602,000    | 100  | Caldor<br>Shop Rite<br>Toys R Us               |
| Brainerd Village<br>Chattanooga, Tn.     | 1987             | 216,000                 | 9,926,000           | 1,707,000                                       | 11,633,000    | 68   | Office Depot<br>50 Off                         |
| Brick Plaza<br>Brick Township, N.J.(1)   | 1989             | 314,000                 | 24,715,000          | 2,459,000                                       | 27,174,000    | 100  | A&P Supermarkets<br>Steinbach's                |
| Brunswick<br>New Brunswick, N.J.(1)      | 1988             | 261,000                 | 12,456,000          | 529,000   | 12,985,000    | 100  | Caldor<br>Grand Union                          |
| Clifton<br>Clifton, N.J.(1)              | 1988             | 80,000                  | 3,646,000           | 69,000  | 3,715,000     | 100  | Acme Markets<br>Channel Home                   |
| Congressional Plaza<br>Rockville, Md.(2) | 1965             | 247,000                 | 10,217,000          | 2,857,000                                       | 13,074,000    | 72   | Fresh Fields<br>Tower Records                  |
| Crossroads<br>Highland Park, Il.         | 1993             | 197,000                 | 16,246,000          | 187,000   | 16,433,000    | 97   | Gold Standard Liquors<br>TJ Maxx               |
| Dedham Plaza<br>Dedham, Ma.              | 1993             | 255,000                 | 25,287,000          | --  | 25,287,000    | 99   | Ames<br>Workout Plus                           |
| Eastgate<br>Chapel Hill, N.C.            | 1986             | 159,000                 | 7,383,000           | 4,040,000                                       | 11,423,000    | 98   | Southern Season<br>Food Lion                   |
| Ellisburg Circle<br>Cherry Hill, N.J.    | 1992             | 255,000                 | 15,337,000          | 5,021,000                                       | 20,358,000    | 98   | Shop Rite<br>Ross Dress for Less               |
| Falls Plaza<br>Falls Church, Va.         | 1967             | 67,000                  | 1,265,000           | 1,179,000                                       | 2,444,000     | 100  | Giant Food<br>Peoples Drug                     |
| Feasterville<br>Feasterville, Pa.(1)     | 1980             | 98,000                  | 1,600,000           | 2,144,000                                       | 3,744,000     | 96   | Genuardi Markets<br>Eric Theater<br>Office Max |
| Federal Plaza<br>Rockville, Md.          | 1989             | 243,000                 | 28,111,000          | 31,046,000                                      | 59,157,000    | 98   | Bed, Bath & Beyond<br>CompUSA<br>T.J. Maxx     |
| Flourtown<br>Flourtown, Pa.              | 1980             | 106,000                 | 2,153,000           | 788,000   | 2,941,000     | 98   | Channel Home<br>Genuardi Markets               |
| Gaithersburg Square<br>Gaithersburg, Md. | 1993             | 162,000                 | 12,972,000          | 219,000   | 13,191,000    | 88   | Peoples Drug<br>Superfresh Food Markets        |
| Governor Plaza<br>Glen Burnie, Md.       | 1985             | 269,000                 | 6,973,000           | 9,817,000                                       | 16,790,000    | 97   | Office Depot<br>Frank's Nursery<br>Syms        |
| Hamilton<br>Hamilton, N.J.(1)            | 1988             | 180,000                 | 5,405,000           | 1,105,000                                       | 6,510,000     | 100  | Steven's Furniture<br>Shop Rite                |



|  | YEAR<br>ACQUIRED | RENTABLE<br>SQUARE FEET | ACQUISITION<br>COST | CAPITAL<br>IMPROVEMENTS<br>SINCE<br>ACQUISITION | TOTAL<br>COST | PERCENT<br>LEASED AT<br>DECEMBER 31,<br>1993 | PRINCIPAL<br>TENANTS  |
|--|------------------|-------------------------|---------------------|---|---------------|--|---|
| <b>SHOPPING CENTERS</b>                      |                  |                         |                     |   |               |  |   |
| Huntington<br>Huntington, N.Y.(1)            | 1988             | 275,000                 | \$ 16,008,000       | \$ 2,871,000                                    | \$ 18,879,000 | 100%   | Service Merchandise<br>Bed, Bath & Beyond<br>Toys R Us<br>Giant Eagle   |
| Lancaster<br>Lancaster, Pa.(1)               | 1980             | 106,000                 | 2,103,000           | 1,850,000                                       | 3,953,000     | 93   | Marshalls<br>Luxury Linens<br>Giant Food<br>Marshalls<br>Toys R Us<br>Best Products<br>Acme Markets<br>Rickel Home Center   |
| Langhorne Square<br>Langhorne, Pa.           | 1985             | 189,000                 | 3,694,000           | 8,060,000                                       | 11,754,000    | 98   | Marshalls<br>Luxury Linens<br>Giant Food<br>Marshalls<br>Toys R Us<br>Best Products<br>Acme Markets<br>Rickel Home Center   |
| Laurel Centre<br>Laurel, Md.                 | 1986             | 379,000                 | 29,983,000          | 10,248,000                                      | 40,231,000    | 95   | Marshalls<br>Luxury Linens<br>Giant Food<br>Marshalls<br>Toys R Us<br>Best Products<br>Acme Markets<br>Rickel Home Center   |
| Lawrence Park<br>Broomall, Pa.(1)            | 1980             | 334,000                 | 7,160,000           | 4,534,000                                       | 11,694,000    | 98   | Best Products<br>Acme Markets<br>Rickel Home Center<br>Holiday Spa<br>Linens N Things<br>Syms<br>Toys R Us<br>Kmart<br>Joseph's Supermarket<br>Burlington Coat Factory<br>Marshalls<br>Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples |
| Loehmann's Plaza<br>Fairfax, Va.(3)          | 1983             | 245,000                 | 16,333,000          | 4,099,000                                       | 20,432,000    | 95   | Holiday Spa<br>Linens N Things<br>Syms<br>Toys R Us<br>Kmart<br>Joseph's Supermarket<br>Burlington Coat Factory<br>Marshalls<br>Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Mid-Pike Plaza<br>Rockville, Md.(1)          | 1982             | 301,000                 | 10,335,000          | 4,670,000                                       | 15,005,000    | 100  | Syms<br>Toys R Us<br>Kmart<br>Joseph's Supermarket<br>Burlington Coat Factory<br>Marshalls<br>Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| North City Plaza<br>New Castle, Pa.(4)       | 1987             | 111,000                 | 2,500,000           | 455,000   | 2,955,000     | 92   | Toys R Us<br>Kmart<br>Joseph's Supermarket<br>Burlington Coat Factory<br>Marshalls<br>Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Northeast<br>Philadelphia, Pa.               | 1983             | 303,000                 | 11,748,000          | 6,710,000                                       | 18,458,000    | 96   | Burlington Coat Factory<br>Marshalls<br>Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Northeast Plaza<br>Atlanta, Ga.              | 1986             | 446,000                 | 33,166,000          | 5,085,000                                       | 38,251,000    | 92   | Levitz Furniture<br>Sportstown<br>Publix<br>Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Old Keene Mill<br>Springfield, Va.           | 1976             | 92,000                  | 1,636,000           | 1,806,000                                       | 3,442,000     | 95   | Fresh Fields<br>Sassafras<br>Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Pan Am<br>Fairfax, Va.                       | 1993             | 218,000                 | 21,623,000          | 1,051,000                                       | 22,674,000    | 91   | Micro Center<br>Safeway<br>Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples   |
| Perring Plaza<br>Baltimore, Md.              | 1985             | 413,000                 | 9,261,000           | 13,583,000                                      | 22,844,000    | 96   | Metro Foods<br>Home Depot<br>Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Quince Orchard Plaza<br>Gaithersburg, Md.    | 1993             | 241,000                 | 11,146,000          | 644,000   | 11,790,000    | 91   | Circuit City<br>MJ Design<br>U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples   |
| Roseville<br>Roseville, Mi.                  | 1973             | 140,000                 | 2,126,000           | 1,958,000                                       | 4,084,000     | 100  | U.S. Dept. of Energy<br>F&M Distributors<br>Handy Andy<br>Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Rutgers<br>Franklin, N.J.(1)                 | 1988             | 217,000                 | 14,429,000          | 95,000  | 14,524,000    | 100  | Foodtown<br>Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Shillington<br>Shillington, Pa.(1)           | 1980             | 74,000                  | 1,387,000           | 1,566,000                                       | 2,953,000     | 81   | Kmart<br>Rite Aid<br>Homestyle Buffet<br>Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples  |
| Town & Country Plaza<br>Hammond, La.(5)      | 1990             | 214,000                 | 4,766,000           | 506,000   | 5,272,000     | 81   | Winn-Dixie<br>Weiner's Department<br>Store<br>Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples   |
| Town & Country<br>Springfield, Il.           | 1973             | 236,000                 | 3,387,000           | 4,913,000                                       | 8,300,000     | 100  | Burlington Coat Factory<br>National Supermarkets<br>Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples   |
| Troy<br>Parsippany-Troy,<br>N.J.(1)          | 1980             | 205,000                 | 5,193,000           | 4,506,000                                       | 9,699,000     | 97   | Kmart<br>Pathmark<br>CompUSA<br>Sassafras<br>Linens N Things<br>Staples   |
| Tyson's Station<br>Falls Church, Va.         | 1978             | 50,000                  | 841,000             | 2,237,000                                       | 3,078,000     | 100  | Sassafras<br>Linens N Things<br>Staples   |
| Westfalls<br>Falls Church, Va.               | 1972             | 60,000                  | 1,073,000           | 1,781,000                                       | 2,854,000     | 100  | Staples   |
| Wildwood<br>Bethesda, Md.                    | 1969             | 84,000                  | 10,196,000          | 4,669,000                                       | 14,865,000    | 100  | Sutton Place Gourmet<br>Peoples Drug<br>Rose's<br>Pebbles<br>Food Lion<br>Toys R Us<br>Marshalls<br>Leggett Stores<br>J.C. Penney   |
| Williamsburg<br>Williamsburg, Va.            | 1986             | 239,000                 | 9,918,000           | 1,935,000                                       | 11,853,000    | 96   | Peoples Drug<br>Rose's<br>Pebbles<br>Food Lion<br>Toys R Us<br>Marshalls<br>Leggett Stores<br>J.C. Penney   |
| Willow Grove<br>Willow Grove, Pa.            | 1984             | 220,000                 | 8,243,000           | 15,127,000                                      | 23,370,000    | 100  | Toys R Us<br>Marshalls<br>Leggett Stores<br>J.C. Penney   |
| Willow Lawn<br>Richmond, Va.(5)              | 1983             | 451,000                 | 10,915,000          | 35,641,000                                      | 46,556,000    | 95   | Leggett Stores<br>J.C. Penney   |
| Total or Average                             |                  | 10,555,000              | \$538,113,000       | \$214,195,000                                   | \$752,308,000 | 96%(6)                                       |   |
| <b>APARTMENT COMPLEX</b>                     |                  |                         |                     |   |               |  |   |
| Rollingwood Apartments<br>Silver Spring, Md. | 1971             | 282 units               | \$ 2,798,000        | \$ 2,982,000                                    | \$ 5,780,000  | 95%  |   |

(1) The Trust has a leasehold interest in this center.

(2) The Trust owns a 49% equity interest in this center.

(3) The Trust owns a 1% general partnership interest and manages the partnership.

(4) The Trust owns an 88% general partnership interest in this center.

(5) The Trust owns this center subject to a ground lease.

(6) Does not include shopping centers acquired during the past 12 months.

MANAGEMENT

The Trustees and Officers of the Trust are as follows:

| NAME                        | AGE | PRINCIPAL OCCUPATION AND<br>OTHER DIRECTORSHIPS  |
|-----------------------------|-----|--|
| Dennis L. Berman.....       | 43  | Trustee; General Partner, GDR Partnerships and Vingarden Associates, builders/developers, Berman Enterprises   |
| A. Cornet de Ways Ruart.... | 60  | Trustee; Director, SIPEF S.A., an international holding company principally of agricultural interests; Director of Interbrew S.A.  |
| Samuel J. Gorlitz.....      | 76  | Trustee and Founder; President, Gorlitz Associates, real estate developers   |
| Steven J. Guttman.....      | 47  | Trustee; President and Chief Executive Officer; Trustee, International Council of Shopping Centers   |
| Ron D. Kaplan.....          | 31  | Vice President, Capital Markets  |
| Arnold M. Kronstadt.....    | 74  | Trustee; Founding Partner, Collins & Kronstadt-Leahy Hogan Collins Draper, architects and planners; Director, Carl M. Freeman Associates, Inc., real estate builders-developers  |
| Morton S. Lerner.....       | 66  | Trustee; Retired President and Chief Executive Officer of Lerner Shoes, Inc.; Director, Wachovia Bank  |
| Walter F. Loeb.....         | 69  | Trustee; President, Loeb Associates, management consulting firm; Publisher, Loeb Retail Letter; Director, Intertan, Inc., a holding company for foreign retailers; Director, Color Tile, Inc., a retailer; Retired Principal and Senior Retail Analyst, Morgan Stanley & Co., Inc. |
| Catherine R. Mack.....      | 49  | Vice President, General Counsel; Secretary   |
| Donald H. Misner.....       | 59  | Trustee; Employee of the Trust   |
| Mary Jane Morrow.....       | 41  | Senior Vice President, Finance; Treasurer  |
| George L. Perry.....        | 60  | Trustee; Senior Fellow, Brookings Institution; Director, State Farm Insurance Company and various mutual funds managed by the Dreyfus Corporation  |
| Hal A. Vasvari.....         | 50  | Executive Vice President, Management   |
| Robert S. Wennett.....      | 33  | Senior Vice President, Acquisitions  |

The Trustees and Officers as a group beneficially own approximately 5.6% of the outstanding Shares of the Trust.

[GRAPHIC APPEARS HERE]

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TRUST OR THE UNDERWRITERS. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SHARES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS OR IN THE AFFAIRS OF THE TRUST SINCE THE DATE HEREOF.

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840,000 SHARES

[LOGO OF FEDERAL REALTY INVESTMENT TRUST APPEARS HERE]

COMMON SHARES

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PROSPECTUS SUPPLEMENT  
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MARCH 29, 1994

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GRAPHICS APPENDIX LIST

PAGE WHERE  
GRAPHIC  
APPEARS

DESCRIPTION OF GRAPHIC OR CROSS REFERENCE

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TX2

Above Typeset Language:

In two columns of four boxes each-The upper left-hand corner box reads "1993 Property Acquisitions" - other seven boxes are actual photos of the acquired properties. Each property is identified.  
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IBC

A map of the USA from Mississippi River east w/ dots to indicate Federal Realty property locations. 3-Areas are magnified to the right of the USA map. They are:  
-- New York/New Jersey Metropolitan Area  
-- Philadelphia Metropolitan Area  
-- Washington D.C./Baltimore Metropolitan Area  
In each magnified area there are dots to indicate property locations.