FEDERAL REALTY INVESTMENT TRUST
Form 10-Q
August 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO THE SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-07533
FEDERAL REALTY INVESTMENT TRUST
(Exact Name of Registrant as Specified in its Declaration of Trust)

| | |
|---|---|
| Maryland | 52-0782497 |
| (State of Organization) | (IRS Employer Identification No.) |

| | |
|---|---|
| 1626 East Jefferson Street, Rockville, Maryland | 20852 |
| (Address of Principal Executive Offices) | (Zip Code) |

(301) 998-8100
(Registrant's Telephone Number, Including Area Code)
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large Accelerated Filer ý | Accelerated Filer ¨ |
| Non-Accelerated Filer o (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
The number of Registrant's common shares outstanding on August 1, 2016 was 71,426,313.

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FEDERAL REALTY INVESTMENT TRUST
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED June 30, 2016

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following balance sheet as of December 31, 2015, which has been derived from audited financial statements, and unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been omitted pursuant to those rules and regulations, although Federal Realty Investment Trust (the "Trust") believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Trust’s latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year.

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Federal Realty Investment Trust
Consolidated Balance Sheets

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | (In thousands, except share and per share data) (Unaudited) | |
| ASSETS | | |
| Real estate, at cost | | |
| Operating (including $1,206,112 and $1,192,336 of consolidated variable interest entities, respectively) | $5,951,546 | $5,630,771 |
| Construction-in-progress | 506,843 | 433,635 |
| | 6,458,389 | 6,064,406 |
| Less accumulated depreciation and amortization (including $192,445 and $176,057 of consolidated variable interest entities, respectively) | (1,651,549) | (1,574,041) |
| Net real estate | 4,806,840 | 4,490,365 |
| Cash and cash equivalents | 18,622 | 21,046 |
| Accounts and notes receivable, net | 114,431 | 110,402 |
| Mortgage notes receivable, net | 41,618 | 41,618 |
| Investment in real estate partnerships | 9,807 | 41,546 |
| Prepaid expenses and other assets | 197,150 | 191,582 |
| TOTAL ASSETS | $5,188,468 | $4,896,559 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Mortgages payable (including $443,766 and $448,315 of consolidated variable interest entities, respectively) | $476,155 | $481,084 |
| Capital lease obligations | 71,605 | 71,620 |
| Notes payable | 383,582 | 341,961 |
| Senior notes and debentures | 1,733,611 | 1,732,551 |
| Accounts payable and accrued expenses | 171,982 | 146,532 |
| Dividends payable | 67,931 | 66,338 |
| Security deposits payable | 15,868 | 15,439 |
| Other liabilities and deferred credits | 118,646 | 121,787 |
| Total liabilities | 3,039,380 | 2,977,312 |
| Commitments and contingencies (Note 6) | | |
| Redeemable noncontrolling interests | 126,102 | 137,316 |
| Shareholders' equity | | |
| Preferred shares, authorized 15,000,000 shares, $.01 par: 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference $25 per share), 399,896 shares issued and outstanding | 9,997 | 9,997 |
| Common shares of beneficial interest, $.01 par, 100,000,000 shares authorized, 71,417,253 and 69,493,392 shares issued and outstanding, respectively | 716 | 696 |
| Additional paid-in capital | 2,645,984 | 2,381,867 |
| Accumulated dividends in excess of net income | (725,665) | (724,701) |
| Accumulated other comprehensive loss | (7,293) | (4,110) |
| Total shareholders' equity of the Trust | 1,923,739 | 1,663,749 |
| Noncontrolling interests | 99,247 | 118,182 |

| | | |
|---|---|---|
| Total shareholders' equity | 2,022,986 | 1,781,931 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $5,188,468 | $4,896,559 |

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

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Federal Realty Investment Trust
Consolidated Statements of Comprehensive Income
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands, except per share data) | | | |
| REVENUE | | | | |
| Rental income | $192,935 | $175,884 | $388,243 | $357,050 |
| Other property income | 3,488 | 4,420 | 5,800 | 6,885 |
| Mortgage interest income | 1,558 | 1,157 | 2,282 | 2,318 |
| Total revenue | 197,981 | 181,461 | 396,325 | 366,253 |
| EXPENSES | | | | |
| Rental expenses | 36,978 | 32,623 | 79,797 | 74,062 |
| Real estate taxes | 23,397 | 20,667 | 46,191 | 41,061 |
| General and administrative | 9,036 | 9,299 | 17,046 | 18,152 |
| Depreciation and amortization | 48,435 | 42,671 | 96,234 | 84,655 |
| Total operating expenses | 117,846 | 105,260 | 239,268 | 217,930 |
| OPERATING INCOME | 80,135 | 76,201 | 157,057 | 148,323 |
| Other interest income | 77 | 74 | 180 | 103 |
| Interest expense | (23,101) | (23,445) | (46,830) | (47,613) |
| Early extinguishment of debt | — | (19,072) | — | (19,072) |
| Income from real estate partnerships | — | 406 | 41 | 626 |
| INCOME FROM CONTINUING OPERATIONS | 57,111 | 34,164 | 110,448 | 82,367 |
| Gain on change in control of interests and sale of real estate | 1,787 | 11,509 | 27,513 | 11,509 |
| NET INCOME | 58,898 | 45,673 | 137,961 | 93,876 |
| Net income attributable to noncontrolling interests | (2,957) | (2,041) | (5,065) | (4,058) |
| NET INCOME ATTRIBUTABLE TO THE TRUST | 55,941 | 43,632 | 132,896 | 89,818 |
| Dividends on preferred shares | (135) | (135) | (271) | (271) |
| NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS | $55,806 | $43,497 | $132,625 | $89,547 |
| EARNINGS PER COMMON SHARE, BASIC | | | | |
| Continuing operations | $0.78 | $0.46 | $1.50 | $1.13 |
| Gain on change in control of interests and sale of real estate, net | 0.01 | 0.17 | 0.38 | 0.17 |
| | $0.79 | $0.63 | $1.88 | $1.30 |
| Weighted average number of common shares, basic | 70,797 | 68,531 | 70,270 | 68,449 |
| EARNINGS PER COMMON SHARE, DILUTED | | | | |
| Continuing operations | $0.77 | $0.46 | $1.50 | $1.13 |
| Gain on change in control of interest and sale of real estate, net | 0.01 | 0.17 | 0.38 | 0.17 |
| | $0.78 | $0.63 | $1.88 | $1.30 |
| Weighted average number of common shares, diluted | 70,974 | 68,713 | 70,451 | 68,638 |
| | | | | |
| COMPREHENSIVE INCOME | $58,490 | $46,740 | $134,778 | $92,482 |
| | | | | |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST | $55,533 | $44,699 | $129,713 | $88,424 |

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

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Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
For the Six Months Ended June 30, 2016
(Unaudited)

| | Shareholders' Equity of the Trust | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | | Common Shares | | | | | | |
| | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Accumulated Dividends in Excess of Net Income | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Shareholders' Equity |
| | (In thousands, except share data) | | | | | | | | |
| BALANCE AT DECEMBER 31, 2015 | 399,896 | $9,997 | 69,493,392 | $696 | $2,381,867 | $(724,701) | $(4,110) | $118,182 | $1,781,931 |
| Net income, excluding $1,411 attributable to redeemable noncontrolling interests | — | — | — | — | — | 132,896 | — | 3,654 | 136,550 |
| Other comprehensive loss - change in value of interest rate swaps | — | — | — | — | — | — | (3,183) | — | (3,183) |
| Dividends declared to common shareholders | — | — | — | — | — | (133,589) | — | — | (133,589) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (271) | — | — | (271) |
| Distributions declared to noncontrolling interests | — | — | — | — | — | — | — | (4,505) | (4,505) |
| Common shares issued | — | — | 1,603,685 | 16 | 240,820 | — | — | — | 240,836 |
| Exercise of stock options | — | — | 50,881 | — | 4,175 | — | — | — | 4,175 |
| Shares issued under dividend reinvestment plan | — | — | 8,331 | — | 1,257 | — | — | — | 1,257 |
| Share-based compensation expense, net of | — | — | 125,484 | 2 | 6,050 | — | — | — | 6,052 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| forfeitures | | | | | | | | | |
| Shares withheld for employee taxes | — | — | (30,160) | — | (4,371) | — | — | — | (4,371) |
| Conversion and redemption of OP units | — | — | 165,640 | 2 | 18,162 | — | — | (18,164) | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 80 | 80 |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | (1,976) | — | — | — | (1,976) |
| BALANCE AT JUNE 30, 2016 | 399,896 | $9,997 | 71,417,253 | $716 | $2,645,984 | $(725,665) | $(7,293) | $99,247 | $2,022,986 |

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

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Federal Realty Investment Trust
Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (In thousands) | |
| OPERATING ACTIVITIES | | |
| Net income | $137,961 | $93,876 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 96,234 | 84,655 |
| Gain on change in control of interests and sale of real estate | (27,513) | (11,509) |
| Early extinguishment of debt | — | 19,072 |
| Income from real estate partnerships | (41) | (626) |
| Other, net | 278 | 1,825 |
| Changes in assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Decrease (increase) in accounts receivable | 935 | (7,765) |
| (Increase) decrease in prepaid expenses and other assets | (1,075) | 3,724 |
| Decrease in accounts payable and accrued expenses | (3,939) | (12,620) |
| (Decrease) increase in security deposits and other liabilities | (3,604) | 3,016 |
| Net cash provided by operating activities | 199,236 | 173,648 |
| INVESTING ACTIVITIES | | |
| Acquisition of real estate | (129,770) | (108,919) |
| Capital expenditures - development and redevelopment | (142,091) | (124,916) |
| Capital expenditures - other | (23,594) | (20,745) |
| Proceeds from sale of real estate | — | 45,821 |
| Investment in real estate partnerships | (2,064) | (149) |
| Distribution from real estate partnership | 3,800 | — |
| Leasing costs | (7,188) | (8,045) |
| Repayment of mortgage and other notes receivable, net | 5 | 602 |
| Net cash used in investing activities | (300,902) | (216,351) |
| FINANCING ACTIVITIES | | |
| Net borrowings under revolving credit facility, net of costs | 41,500 | 106,500 |
| Issuance of senior notes, net of costs | — | 208,644 |
| Redemption and retirement of senior notes | — | (219,228) |
| Repayment of mortgages, capital leases and notes and other payables | (37,233) | (13,337) |
| Issuance of common shares, net of costs | 245,221 | 58,007 |
| Dividends paid to common and preferred shareholders | (131,076) | (118,721) |
| Distributions to and redemptions of noncontrolling interests | (6,147) | (4,938) |
| Redemption of redeemable noncontrolling interests | (13,023) | — |
| Net cash provided by financing activities | 99,242 | 16,927 |
| Decrease in cash and cash equivalents | (2,424) | (25,776) |
| Cash and cash equivalents at beginning of year | 21,046 | 47,951 |
| Cash and cash equivalents at end of period | $18,622 | $22,175 |

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

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Federal Realty Investment Trust
Notes to Consolidated Financial Statements
June 30, 2016
(Unaudited)

NOTE 1—BUSINESS AND ORGANIZATION

Federal Realty Investment Trust (the "Trust") is an equity real estate investment trust ("REIT") specializing in the ownership, management, and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, California, and South Florida. As of June 30, 2016, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 96 predominantly retail real estate projects.

We operate in a manner intended to enable us to qualify as a REIT for federal income tax purposes. A REIT that distributes at least 90% of its taxable income to its shareholders each year and meets certain other conditions is not taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, federal income taxes on our taxable income have been and are generally expected to be immaterial. We are obligated to pay state taxes, generally consisting of franchise or gross receipts taxes in certain states. Such state taxes also have not been material.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Our consolidated financial statements include the accounts of the Trust, its corporate subsidiaries, and all entities in which the Trust has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity ("VIE"). The equity interests of other investors are reflected as noncontrolling interests or redeemable noncontrolling interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures, which we do not control, using the equity method of accounting. Certain 2015 amounts have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for us in the first quarter of 2019, and we are currently assessing the impact of this standard to our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08 as an amendment to ASU 2014-09, "Revenue from Contracts with Customers." The amendment clarifies how to identify the unit of accounting for the principal versus agent evaluation, how to apply the control principle to certain types of arrangements, such as service transactions, and reframed the indicators in the guidance to focus on evidence that an entity is acting as a principal rather than as an agent. We are currently assessing the impact of this standard to our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation." ASU 2016-09 simplifies the accounting for share-based payment transactions, including a policy election option with respect to accounting for forfeitures either as they occur or estimating forfeitures (as is currently required), as well as increasing the amount an employer can withhold to cover income taxes on equity awards. ASU 2016-09 is effective for us in the first quarter of

2017, and we are currently assessing the impact of this standard to our consolidated financial statements.
In April 2016 and May 2016, the FASB issued ASU 2016-10 and ASU 2016-12, respectively, "Revenue from Contracts with Customers." ASU 2016-10 clarifies the existing guidance on identifying performance obligations and licensing implementation. ASU 2016-12 adds practical expedients related to the transition for contract modifications and further defines a completed

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contract, clarifies the objective of the collectability assessment and how revenue is recognized if collectability is not probable, and when non-cash considerations should be measured. We are currently assessing the impact of these standards to our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses." ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, requiring the use of an "expected credit loss" model and adding more disclosure requirements. ASU 2016-13 is effective for us in the first quarter of 2020, and we are currently assessing the impact of this standard to our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis." ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are variable or voting interest entities, eliminates the presumption that the general partner should consolidate a limited partnership, modifies the consolidation analysis for reporting entities that are involved in variable interest entities, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that operate as registered money market funds. We adopted the standard effective January 1, 2016, and as a result, partnerships controlling ten properties (previously consolidated as voting interest entities) are now considered to be variable interest entities. As we have the obligation to absorb losses and the right to receive benefits and control the activities that most significantly impact the economic performance of these entities, we are the primary beneficiary and we will continue to consolidate each of these entities. Net real estate assets of $566.1 million and mortgage payables of $194.9 million are included in our consolidated balance sheet at January 1, 2016 for these newly classified variable interest entities. In addition, our equity method investment in the Pike & Rose hotel joint venture is now considered a variable interest in a variable interest entity. As we do not control the activities that most significantly impact the economic performance of the joint venture, we are not the primary beneficiary and do not consolidate. Our investment in the joint venture was $6.6 million at January 1, 2016, and our maximum exposure to loss, which includes contributions to date and our remaining required contribution to complete construction of the hotel is approximately $13.5 million.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, rather than classified as an asset. Recognition and measurement of debt issuance costs are not affected. Subsequently, in August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which allows an entity to present the costs related to securing a line-of credit arrangement as an asset, regardless of whether there are any outstanding borrowings. We adopted the standards effective January 1, 2016 and have adjusted our balance sheet presentation in both periods to reflect the net debt issuance costs as a reduction of the respective liability. The adoption resulted in a $15.2 million decrease to total assets and liabilities at December 31, 2015, for this reclassification. Debt issuance costs related to our revolving credit facility continue to be classified as an asset and are included in "prepaids and other assets" in our consolidated balance sheet.

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Consolidated Statements of Cash Flows—Supplemental Disclosures
The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (In thousands) | |
| SUPPLEMENTAL DISCLOSURES: | | |
| Total interest costs incurred | $54,803 | $57,156 |
| Interest capitalized | (7,973) | (9,543) |
| Interest expense | $46,830 | $47,613 |
| Cash paid for interest, net of amounts capitalized (1) | $45,577 | $71,832 |
| Cash paid for income taxes | $250 | $222 |
| NON-CASH INVESTING AND FINANCING TRANSACTIONS: | | |
| Mortgage loans assumed with acquisition | $34,385 | $18,666 |
| DownREIT operating partnership units redeemed for common shares | $18,164 | $4,115 |
| DownREIT operating partnership units issued with acquisition | $— | $7,742 |
| Shares issued under dividend reinvestment plan | $1,047 | $983 |

(1) 2015 includes $19.2 million related to early extinguishment of debt.

NOTE 3—REAL ESTATE
As of December 31, 2015, we had a joint venture arrangement (the “Partnership”) with affiliates of a discretionary fund created and advised by Clarion Partners (“Clarion”). We owned 30% of the equity in the Partnership and Clarion owned 70%. The Partnership owned six retail real estate properties and we accounted for our interest in the Partnership using the equity method. On January 13, 2016, we acquired Clarion's 70% interest in the Partnership for $153.7 million, which included the payment of $130 million of cash and the assumption of mortgage loans totaling $34.4 million. As a result of the transaction, we gained control of the six underlying properties and, effective January 13, 2016, have consolidated the properties. We also recognized a gain on acquisition of the controlling interest of $25.7 million related to the difference between the carrying value and fair value of the previously held equity interest. Approximately $7.3 million and $4.9 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. We incurred $0.2 million of acquisition costs, of which $0.1 million were incurred in 2016 and included in "general and administrative expense" for the six months ended June 30, 2016.
On May 12, 2016, an unconsolidated joint venture that we hold an interest in sold a building in Coconut Grove, Florida. Our share of the gain, net of noncontrolling interests, was $0.7 million.

NOTE 4—DEBT
On January 13, 2016, in connection with the acquisition of our partner's 70% interest in our unconsolidated real estate partnership, we assumed interest only mortgage loans with a face amount of $34.4 million and a fair value of $34.7 million. These mortgage loans had a weighted average interest rate of 5.95% and were repaid at par on April 1, 2016.
On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. Under the amended credit facility, the spread over LIBOR is 82.5 basis points based on our credit rating as of April 20, 2016. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion.
During the three and six months ended June 30, 2016, the maximum amount of borrowings outstanding under our revolving credit facility was $171.0 million and $251.5 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 1.3% for both periods. During the three and six months ended June 30, 2016, the weighted average borrowings outstanding were $137.3 million and $150.3 million, respectively. At June 30, 2016, the

outstanding balance was $95.0 million. Our revolving credit facility, term loan and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholders' equity and debt coverage ratios and a maximum ratio of debt to net worth. As of June 30, 2016, we were in compliance with all debt covenants.

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NOTE 5—FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our mortgages payable, notes payable and senior notes and debentures is sensitive to fluctuations in interest rates. Quoted market prices (Level 1) were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our mortgages payable, notes payable and senior notes and debentures is as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | (In thousands) | | | |
| Mortgages and notes payable | $859,737 | $875,724 | $823,045 | $833,931 |
| Senior notes and debentures | $1,733,611 | $1,860,202 | $1,732,551 | $1,786,758 |

As of June 30, 2016, we have two interest rate swap agreements with a notional amount of $275.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the variable portion of our $275.0 million term loan at 1.72% through November 1, 2018. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Within the next 12 months, we expect to reclassify an estimated $3.4 million as an increase to interest expense. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness has not impacted earnings as of June 30, 2016, and we do not anticipate it will have a significant effect in the future.

The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at June 30, 2016 was a liability of $7.3 million and is included in "accounts payable and accrued expenses" on our consolidated balance sheet. For the three and six months ended June 30, 2016, the change in valuation on our interest rate swaps resulted in a $0.4 million and a $3.2 million increase in our derivative liability, respectively, (including $0.9 million and $1.8 million, respectively, reclassified from other comprehensive loss to interest expense). The change in valuation on our interest rate swaps is included in "accumulated other comprehensive loss."

A summary of our financial liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

| | June 30, 2016 | | | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (In thousands) | | | | | | | |
| Interest rate swaps | $— | $7,293 | $— | $7,293 | $— | $4,110 | $— | $4,110 |

NOTE 6—COMMITMENTS AND CONTINGENCIES

We are sometimes involved in lawsuits, warranty claims, and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed

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upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. A total of 768,765 downREIT operating partnership units are outstanding which have a total fair value of $127.3 million, based on our closing stock price on June 30, 2016.

On February 12, 2016, we acquired the 10% noncontrolling interest of a partnership which owns a project in southern California for $13.0 million, bringing our ownership interest to 100%.

NOTE 7—SHAREHOLDERS' EQUITY

The following table provides a summary of dividends declared and paid per share:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Declared | Paid | Declared | Paid |
| Common shares | $1.880 | $1.880 | $1.740 | $1.740 |
| 5.417% Series 1 Cumulative Convertible Preferred shares | $0.677 | $0.677 | $0.677 | $0.677 |

We have an at the market ("ATM") equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to $300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended June 30, 2016, we issued 383,053 common shares at a weighted average price per share of $156.24 for net cash proceeds of $59.2 million and paid $0.6 million in commissions and less than $0.1 million in additional offering expenses related to the sales of these common shares. For the six months ended June 30, 2016, we issued 603,616 common shares at a weighted average price per share of $153.24 for net cash proceeds of $91.5 million and paid $0.9 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2016, we had the capacity to issue up to $97.7 million in common shares under our ATM equity program.

On March 7, 2016, we issued 1.0 million common shares at $149.43 per share, in an underwritten public offering, for cash proceeds of $149.3 million, net of expenses.

NOTE 8—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2016 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | (In thousands) | |
| Minimum rents | | | | |
| Retail and commercial | $137,432 | $125,688 | $272,018 | $250,001 |
| Residential | 12,141 | 10,554 | 23,590 | 20,941 |
| Cost reimbursement | 36,637 | 33,535 | 78,439 | 74,422 |
| Percentage rent | 2,482 | 2,503 | 5,551 | 5,267 |
| Other | 4,243 | 3,604 | 8,645 | 6,419 |
| Total rental income | $192,935 | $175,884 | $388,243 | $357,050 |

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Minimum rents include the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In millions) | | (In millions) | |
| Straight-line rents | $2.7 | $1.8 | $4.7 | $3.1 |
| Amortization of above market leases | $(1.7) | $(1.0) | $(3.6) | $(1.9) |
| Amortization of below market leases | $2.1 | $1.6 | $4.3 | $3.2 |

NOTE 9—SHARE-BASED COMPENSATION PLANS

A summary of share-based compensation expense included in net income is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | |
| Grants of shares and options | $2,523 | $2,827 | $6,052 | $6,581 |
| Capitalized share-based compensation | (325) | (231) | (627) | (448) |
| Share-based compensation expense | $2,198 | $2,596 | $5,425 | $6,133 |

NOTE 10—EARNINGS PER SHARE

We have calculated earnings per share ("EPS") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating securities is calculated according to dividends declared and participation rights in undistributed earnings. For the three months ended June 30, 2016 and 2015, we had 0.2 million weighted average unvested shares outstanding, which are considered participating securities. For the six months ended June 30, 2016 and 2015, we had 0.2 million and 0.3 million weighted average unvested shares outstanding, respectively, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares; the portion of earnings allocated to the unvested shares is reflected as "earnings allocated to unvested shares" in the reconciliation below.

In the dilutive EPS calculation, dilutive stock options were calculated using the treasury stock method consistent with prior periods. There were no anti-dilutive stock options for the three and six months ended June 30, 2016 and 2015. The conversions of downREIT operating partnership units and 5.417% Series 1 Cumulative Convertible Preferred Shares are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands, except per share data) | | | |
| NUMERATOR | | | | |
| Income from continuing operations | $57,111 | $34,164 | $110,448 | $82,367 |
| Less: Preferred share dividends | (135) | (135) | (271) | (271) |
| Less: Net income attributable to noncontrolling interests | (1,871) | (2,041) | (3,979) | (4,058) |
| Less: Earnings allocated to unvested shares | (156) | (207) | (364) | (417) |
| Income from continuing operations available for common shareholders | 54,949 | 31,781 | 105,834 | 77,621 |
| Gain on change in control of interests and sale of real estate, net | 701 | 11,509 | 26,427 | 11,509 |
| Net income available for common shareholders, basic and diluted | $55,650 | $43,290 | $132,261 | $89,130 |
| DENOMINATOR | | | | |
| Weighted average common shares outstanding—basic | 70,797 | 68,531 | 70,270 | 68,449 |
| Stock options | 177 | 182 | 181 | 189 |
| Weighted average common shares outstanding—diluted | 70,974 | 68,713 | 70,451 | 68,638 |
| | | | | |
| EARNINGS PER COMMON SHARE, BASIC | | | | |
| Continuing operations | $0.78 | $0.46 | $1.50 | $1.13 |
| Gain on change in control of interests and sale of real estate, net | 0.01 | 0.17 | 0.38 | 0.17 |
| | $0.79 | $0.63 | $1.88 | $1.30 |
| EARNINGS PER COMMON SHARE, DILUTED | | | | |
| Continuing operations | $0.77 | $0.46 | $1.50 | $1.13 |
| Gain on change in control of interests and sale of real estate, net | 0.01 | 0.17 | 0.38 | 0.17 |
| | $0.78 | $0.63 | $1.88 | $1.30 |
| Income from continuing operations attributable to the Trust | $55,240 | $32,123 | $106,469 | $78,309 |

NOTE 11—SUBSEQUENT EVENTS

On July 12, 2016, we issued $250.0 million of fixed rate senior unsecured notes that mature on August 1, 2046 and bear interest at 3.625%. The notes were offered at 97.756% of the principal amount with a yield to maturity of 3.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were approximately $241.8 million.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission (the “SEC”) on February 9, 2016.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “believes,” “estimates,” “anticipates” and “continues.” Forward-looking statements are historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2015 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

We are an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. As of June 30, 2016, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 96 predominantly retail real estate projects comprising approximately 22.3 million square feet. In total, the real estate projects were 94.5% leased and 92.9% occupied at June 30, 2016.

2016 Significant Property Acquisitions and Disposition

On January 13, 2016, we acquired our partner's 70% interest in our joint venture arrangement (the "Partnership") with affiliates of a discretionary fund created and advised by Clarion Partners ("Clarion") for $153.7 million, which included the payment of $130 million of cash and the assumption of mortgage loans totaling $34.4 million. As a result of the transaction, we gained control of the six underlying properties, and effective January 13, 2016, have consolidated the properties. We also recognized a gain on acquisition of the controlling interest of $25.7 million related to the difference between the carrying value and fair value of the previously held equity interest. Approximately $7.3 million and $4.9 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively. We incurred $0.2 million of acquisition costs, of which $0.1 million were incurred in 2016 and included in "general and administrative expense" for the six months ended June 30, 2016.

On May 12, 2016, an unconsolidated joint venture that we hold an interest in sold a building in Coconut Grove, Florida. Our share of the gain, net of noncontrolling interests, was $0.7 million.

2016 Significant Debt and Equity Transactions

On January 13, 2016, in connection with the acquisition of our partner's 70% interest in our unconsolidated real estate partnership, we assumed three interest only mortgage loans with a face amount of $34.4 million and a fair value of $34.7 million. These mortgage loans have a weighted average interest rate of 5.95% and were repaid at par on April 1, 2016.

On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. Under the amended credit facility, the spread over LIBOR is 82.5 basis points based on our credit rating as of April 20, 2016. In addition, we have an

option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion.

On July 12, 2016, we issued $250.0 million of fixed rate senior notes that mature on August 1, 2046 and bear interest at 3.625%. The notes were offered at 97.756% of the principal amount with a yield to maturity of 3.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were approximately $241.8 million.

We have an at the market ("ATM") equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to $300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities,

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fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended June 30, 2016, we issued 383,053 common shares at a weighted average price per share of $156.24 for net cash proceeds of $59.2 million and paid $0.6 million in commissions and less than $0.1 million in additional offering expenses related to the sales of these common shares. For the six months ended June 30, 2016, we issued 603,616 common shares at a weighted average price per share of $153.24 for net cash proceeds of $91.5 million and paid $0.9 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2016, we had the capacity to issue up to $97.7 million in common shares under our ATM equity program.

On March 7, 2016, we issued 1.0 million common shares at $149.43 per share, in an underwritten public offering, for cash proceeds of $149.3 million, net of expenses.

Capitalized Costs

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalized certain external and internal costs related to both development and redevelopment activities of $160 million and $4 million, respectively, for the six months ended June 30, 2016, and $125 million and $3 million, respectively, for the six months ended June 30, 2015. We capitalized external and internal costs related to other property improvements of $21 million and $1 million, respectively, for the six months ended June 30, 2016, and $15 million and $1 million for the six months ended June 30, 2015. We capitalized external and internal costs related to leasing activities of $4 million and $3 million, respectively, for the six months ended June 30, 2016, and $5 million and $2 million, respectively, for the six months ended June 30, 2015. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $4 million, $1 million, and $3 million, respectively, for the six months ended June 30, 2016, and $3 million, $1 million, and $2 million, respectively, for the six months ended June 30, 2015. Total capitalized costs were $194 million and $152 million for the six months ended June 30, 2016 and 2015, respectively.

Recently Issued and Recently Adopted Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Outlook

We seek growth in earnings, funds from operations, and cash flows primarily through a combination of the following:

- growth in our same-center portfolio,
- growth in our portfolio from property development and redevelopments, and
- expansion of our portfolio through property acquisitions.

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, the infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain relatively high occupancy and increase rental rates. We continue to see strong levels of interest from prospective tenants for our retail spaces; however, the time it takes to complete new lease deals is longer, as tenants have become more selective and more deliberate in their decision-making process. We have also experienced extended periods of time for some government agencies to process permits and inspections further delaying rent commencement on newly leased spaces. Additionally, we have seen an overall decrease in the number of tenants available to fill anchor spaces. We believe the locations of our centers and diverse tenant base partially mitigates any potential negative changes in the economic environment. However, any significant reduction in our tenants' abilities to pay base rent, percentage rent or other charges will adversely affect our financial condition and results of operations. We seek to maintain a mix of strong national, regional, and local retailers. At June 30, 2016, no single tenant accounted for more than 3.2% of annualized base rent.

Our properties are located primarily in densely populated and/or affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. We currently have redevelopment projects underway with a projected cost of approximately $215 million that we expect to stabilize between 2016 and 2018.

We continue our ongoing redevelopment efforts at Santana Row, and are currently proceeding with our next phase of redevelopment which is a six story 234,500 square foot office building with 670 parking spaces. During the third quarter 2015, we executed a lease with Splunk Inc. for the entire building. The building is expected to cost between $110 and $115 million

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and stabilize in 2017. After current phases, we have approximately 9 acres remaining for further redevelopment and entitlements in place for an additional 395 residential units and 634,000 square feet of commercial space. Additionally, we control 12 acres of land adjacent to Santana Row.

We continue to invest in the development at Assembly Row which is a long-term multi-phased mixed-use development project we expect to be involved in over the coming years. The carrying value of this project at June 30, 2016 is approximately $444 million. The project currently has zoning entitlements to build 3.4 million square feet of commercial-use buildings, 1,843 residential units, and a 170 room hotel. The first phase consists of approximately 331,000 square feet of retail space and 98,000 square feet of office space (both owned by the Trust) and 445 residential units owned by AvalonBay Communities. The Massachusetts Bay Transit Authority (MBTA) constructed the new orange line T-Stop at the property, which opened in September 2014. The retail and office space in Phase I are fully delivered and are 100% leased. Total costs for Phase I of Assembly Row are $196 million.

We are also proceeding with development of Phase II of Assembly Row which will include 167,000 square feet of retail space, a 160 room boutique hotel and 447 residential units. The hotel will be owned and operated by a joint venture in which we are a partner. Total expected costs range from $270 million to $285 million and stabilization is expected in 2018/2019. Construction commenced on Phase II in July 2015. Phase II is also expected to include 134 for-sale condominium units with an expected total cost of $70 million to $75 million. Additionally, as part of the second phase, we entered into a ground lease agreement with Partners HealthCare to bring more than 700,000 square feet of office space to Assembly Row. The ground lease agreement includes a purchase option, which was exercised and is expected to close in 2017. Partners HealthCare commenced construction on this new building in September 2014 and during the second quarter of 2016, started relocating its employees to Assembly Row.

Including costs incurred in the first three months of 2016, we expect to invest between $130 million and $150 million in Assembly Row in 2016.

Our Pike & Rose project in North Bethesda, MD, a long-term multi-phased mixed-use development project, currently has zoning entitlements to build 1.6 million square feet of commercial-use buildings and 1,605 residential units. Phase I of Pike & Rose includes 493 residential units, 159,000 square feet of retail space and 80,000 square feet of office space. In late June 2014, our 174 unit residential building opened and achieved stabilized occupancy in the 1st quarter 2015. As of June 30, 2016, the retail space, office space, and the units in the second residential building in Phase I have been delivered. We expect Phase I to reach stabilized occupancy in 2016. Total expected costs for Phase I of Pike & Rose range from $265 million to $270 million of which $260 million has been incurred to date.

Additionally, we are proceeding with development of Phase II of Pike & Rose, for which building construction has commenced. Phase II will include approximately 190,000 square feet of retail space, a 177 room select-service hotel and 272 residential units, as well as a pre-leased auto dealership building. Total expected costs range from $200 million to $207 million and stabilization is expected in 2018/2019. The hotel will be owned and operated by a joint venture in which we are a partner. Phase II is also expected to include 104 for-sale condominium units with an expected cost of $53 million to $58 million.

Including costs incurred in the first three months of 2016, we expect to invest between $105 million and $130 million in Pike & Rose in 2016.

The development of future phases of Assembly Row, Pike & Rose and Santana Row will be pursued opportunistically based on, among other things, market conditions, tenant demand, and our evaluation of whether those phases will generate an appropriate financial return.

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Initially, some of our acquisitions do not contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition. Generally, our acquisitions are initially financed by available cash and/or borrowings under our revolving credit facility which may be repaid later with funds raised through the issuance of new equity or new long-term debt. We may also finance our acquisitions through the issuance of common

shares, preferred shares, or downREIT units as well as through new or assumed mortgages.

At June 30, 2016, the leasable square feet in our properties was 92.9% occupied and 94.5% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore,

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are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

Lease Rollovers

For the second quarter of 2016, we signed leases for a total of 467,000 square feet of retail space including 373,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 12% on a cash basis and 25% on a straight-line basis. New leases for comparable spaces were signed for 105,000 square feet at an average rental increase of 23% on a cash basis and 40% on a straight-line basis. Renewals for comparable spaces were signed for 267,000 square feet at an average rental increase of 7% on a cash basis and 19% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $68.71 per square foot for new leases and $3.23 per square foot for renewals for the three months ended June 30, 2016.

For the six months ended June 30, 2016, we signed leases for a total of 887,000 square feet of retail space including 772,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 12% on a cash basis and 25% on a straight-line basis. New leases for comparable spaces were signed for 259,000 square feet at an average rental increase of 22% on a cash basis and 37% on a straight-line basis. Renewals for comparable spaces were signed for 512,000 square feet at an average rental increase of 8% on a cash basis and 19% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $61.01 per square foot for new leases and $9.14 per square foot for renewals for the six months ended June 30, 2016.

The rental increases associated with comparable spaces generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and in some instances, projections of first lease year percentage rent, to be paid on the new lease. In atypical circumstances, management may exercise judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure. Tenant improvements and incentives include the total dollars committed for the improvement (fit out) of a space as it relates to a specific lease and, except for redevelopments, may also include base building costs (i.e. expansion, escalators or new entrances) which are required to make the space leasable. Incentives include amounts paid to tenants as inducement to sign a lease that do not represent building improvements.

The leases signed in 2016 generally become effective over the following two years though some may not become effective until 2019 and beyond. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, these increases do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

Historically, we have executed comparable space leases for 1.2 to 1.5 million square feet of retail space each year, and expect that volume for 2016 will be in line with our historical averages with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

Same-Center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations. For the three and six months ended June 30, 2016, all or a portion of 77 and 76 properties, respectively, were considered same-center and sixteen were considered redevelopment or expansion. For the six months ended June 30, 2016, one property was moved from same-center to redevelopment, compared to the designations as of December 31, 2015. For the three months ended June 30, 2016, one property was moved from acquisitions to same-center. While there is judgment surrounding changes in

designations, we typically move redevelopment properties to same-center once they have stabilized, which is typically considered 95% occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from same center when the redevelopment has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to same-center once we have owned the property for the entirety of comparable periods and the property is not under significant redevelopment or expansion.

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RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 | Change Dollars | % |
|---|---|---|---|---|
| | (Dollar amounts in thousands) | | | |
| Rental income | $192,935 | $175,884 | $17,051 | 9.7 % |
| Other property income | 3,488 | 4,420 | (932) | (21.1)% |
| Mortgage interest income | 1,558 | 1,157 | 401 | 34.7 % |
| Total property revenue | 197,981 | 181,461 | 16,520 | 9.1 % |
| Rental expenses | 36,978 | 32,623 | 4,355 | 13.3 % |
| Real estate taxes | 23,397 | 20,667 | 2,730 | 13.2 % |
| Total property expenses | 60,375 | 53,290 | 7,085 | 13.3 % |
| Property operating income | 137,606 | 128,171 | 9,435 | 7.4 % |
| Other interest income | 77 | 74 | 3 | 4.1 % |
| Income from real estate partnerships | — | 406 | (406) | (100.0)% |
| Interest expense | (23,101) | (23,445) | 344 | (1.5)% |
| Early extinguishment of debt | — | (19,072) | 19,072 | (100.0)% |
| General and administrative expense | (9,036) | (9,299) | 263 | (2.8)% |
| Depreciation and amortization | (48,435) | (42,671) | (5,764) | 13.5 % |
| Total other, net | (80,495) | (94,007) | 13,512 | (14.4)% |
| Income from continuing operations | 57,111 | 34,164 | 22,947 | 67.2 % |
| Gain on sale of real estate | 1,787 | 11,509 | (9,722) | (84.5)% |
| Net income | 58,898 | 45,673 | 13,225 | 29.0 % |
| Net income attributable to noncontrolling interests | (2,957) | (2,041) | (916) | 44.9 % |
| Net income attributable to the Trust | $55,941 | $43,632 | $12,309 | 28.2 % |

Property Revenues

Total property revenue increased $16.5 million, or 9.1%, to $198.0 million in the three months ended June 30, 2016 compared to $181.5 million in the three months ended June 30, 2015. The percentage occupied at our shopping centers decreased to 92.9% at June 30, 2016 compared to 94.9% at June 30, 2015. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $17.1 million, or 9.7%, to $192.9 million in the three months ended June 30, 2016 compared to $175.9 million in the three months ended June 30, 2015 due primarily to the following:

- an increase of $4.9 million attributable to properties acquired in 2015,
- an increase of $3.9 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $3.9 million at same-center properties due primarily to higher rental rates of approximately $4.7 million, partially offset by lower occupancy impacts of $0.9 million,
- an increase of $3.2 million from Assembly Row and Pike & Rose as portions of both projects opened throughout 2015, and
- an increase of $2.6 million at redevelopment properties due primarily to the lease-up of The Point at Plaza El Segundo, as well as three of our other retail redevelopments, partially offset by lower occupancy as we start redeveloping centers,

partially offset by

- a decrease of $1.2 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

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Other Property Income

Other property income decreased $0.9 million, or 21.1%, to $3.5 million in the three months ended June 30, 2016 compared to $4.4 million in the three months ended June 30, 2015. This decrease is due to lower lease termination fees at our same-center properties.

Property Expenses

Total property expenses increased $7.1 million, or 13.3%, to $60.4 million in the three months ended June 30, 2016 compared to $53.3 million in the three months ended June 30, 2015. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $4.4 million, or 13.3%, to $37.0 million in the three months ended June 30, 2016 compared to $32.6 million in the three months ended June 30, 2015. This increase is primarily due to the following:

- an increase of $1.8 million attributable to properties acquired in 2015,
- an increase of $1.1 million from redevelopment properties,
- an increase of $1.1 million from Assembly Row and Pike & Rose as portions of both projects opened throughout 2015, and
- an increase of $0.8 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,

partially offset by

- a decrease of $0.3 million at same-center properties primarily due to lower bad debt expense.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income increased to 18.8% in the three months ended June 30, 2016 from 18.1% in the three months ended June 30, 2015.

Real Estate Taxes

Real estate tax expense increased $2.7 million, or 13.2%, to $23.4 million in the three months ended June 30, 2016 compared to $20.7 million in the three months ended June 30, 2015 due primarily to:

- an increase of $0.8 million from properties acquired in 2015,
- an increase of $0.8 million due to higher assessments at same-center properties,
- an increase of $0.7 million related to Assembly Row and Pike & Rose, and
- an increase of $0.5 million due to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016.

Property Operating Income

Property operating income increased $9.4 million, or 7.4%, to $137.6 million in the three months ended June 30, 2016 compared to $128.2 million in the three months ended June 30, 2015. This increase is primarily due to growth in earnings at same-center properties, the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, properties acquired in 2015, Assembly Row and Pike & Rose, and redevelopment properties, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other

Income From Real Estate Partnerships

The decrease in income from real estate partnerships is the result of our obtaining control of the six Clarion joint venture properties on January 13, 2016 (see discussion in Note 3 to the consolidated financial statements). Prior to this transaction, the properties were accounted for under the equity method of accounting.

Interest Expense

Interest expense decreased $0.3 million, or 1.5%, to $23.1 million in the three months ended June 30, 2016 compared to $23.4 million in the three months ended June 30, 2015. This decrease is due primarily to the following:

- a decrease of $2.6 million due to a lower overall weighted average borrowing rate,

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partially offset by

- an increase of $1.6 million due to higher borrowings, and
- a decrease of $0.7 million in capitalized interest due primarily to the opening of Phase I of Pike & Rose during 2015.

Gross interest costs were $27.2 million and $28.3 million in the three months ended June 30, 2016 and 2015, respectively. Capitalized interest was $4.1 million and $4.8 million in the three months ended June 30, 2016 and 2015, respectively.

Early Extinguishment of Debt

The $19.1 million of early extinguishment of debt in the three months ended June 30, 2015 relates to the make-whole premium paid as part of the early redemption of our 6.20% senior notes, partially offset by the related write-off of unamortized premium and debt fees.

General and Administrative

General and administrative expense decreased $0.3 million, or 2.8%, to $9.0 million in the three months ended June 30, 2016 from $9.3 million in the three months ended June 30, 2015. The decrease is primarily due to lower transaction costs partially offset by higher personnel costs.

Depreciation and Amortization

Depreciation and amortization expense increased $5.8 million, or 13.5%, to $48.4 million in the three months ended June 30, 2016 from $42.7 million in the three months ended June 30, 2015. This increase is due primarily to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, Assembly Row and Pike & Rose, and properties acquired in 2015.

Gain on Sale of Real Estate

The $1.8 million gain for the three months ended June 30, 2016 is related to the May 2016 sale of a building in Coconut Grove, Florida, by an unconsolidated joint venture. Our share of the gain, net of noncontrolling interests, was $0.7 million.

The $11.5 million gain for the three months ended June 30, 2015 is due to the sale of our Houston Street property in April 2015.

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RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2016 AND 2015

| | | | Change | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | Dollars | % | |
| | (Dollar amounts in thousands) | | | | |
| Rental income | $388,243 | $357,050 | $31,193 | 8.7 | % |
| Other property income | 5,800 | 6,885 | (1,085) | (15.8) | % |
| Mortgage interest income | 2,282 | 2,318 | (36) | (1.6) | % |
| Total property revenue | 396,325 | 366,253 | 30,072 | 8.2 | % |
| Rental expenses | 79,797 | 74,062 | 5,735 | 7.7 | % |
| Real estate taxes | 46,191 | 41,061 | 5,130 | 12.5 | % |
| Total property expenses | 125,988 | 115,123 | 10,865 | 9.4 | % |
| Property operating income | 270,337 | 251,130 | 19,207 | 7.6 | % |
| Other interest income | 180 | 103 | 77 | 74.8 | % |
| Income from real estate partnerships | 41 | 626 | (585) | (93.5) | % |
| Interest expense | (46,830) | (47,613) | 783 | (1.6) | % |
| Early extinguishment of debt | — | (19,072) | 19,072 | (100.0) | % |
| General and administrative expense | (17,046) | (18,152) | 1,106 | (6.1) | % |
| Depreciation and amortization | (96,234) | (84,655) | (11,579) | 13.7 | % |
| Total other, net | (159,889) | (168,763) | 8,874 | (5.3) | % |
| Income from continuing operations | 110,448 | 82,367 | 28,081 | 34.1 | % |
| Gain on change in control of interests and sale of real estate | 27,513 | 11,509 | 16,004 | 139.1 | % |
| Net income | 137,961 | 93,876 | 44,085 | 47.0 | % |
| Net income attributable to noncontrolling interests | (5,065) | (4,058) | (1,007) | 24.8 | % |
| Net income attributable to the Trust | $132,896 | $89,818 | $43,078 | 48.0 | % |

Property Revenues

Total property revenue increased $30.1 million, or 8.2%, to $396.3 million in the six months ended June 30, 2016 compared to $366.3 million in the six months ended June 30, 2015. The percentage occupied at our shopping centers decreased to 92.9% at June 30, 2016 compared to 94.9% at June 30, 2015. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $31.2 million, or 8.7%, to $388.2 million in the six months ended June 30, 2016 compared to $357.1 million in the six months ended June 30, 2015 due primarily to the following:

- an increase of $11.8 million attributable to properties acquired in 2015,
- an increase of $7.3 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $6.3 million from Assembly Row and Pike & Rose as portions of both projects opened throughout 2015,
- an increase of $5.2 million at redevelopment properties due primarily to the lease-up of The Point at Plaza El Segundo, as well as three of our other retail redevelopments, partially offset by lower occupancy as we start redeveloping centers, and
- an increase of $4.4 million at same-center properties due primarily to higher rental rates of approximately $7.5 million, partially offset by lower recoveries of $0.4 million primarily the net result of lower snow expense and higher real estate tax expense, and lower occupancy of approximately $1.9 million,

partially offset by

- a decrease of $3.4 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

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Other Property Income

Other property income decreased $1.1 million, or 15.8%, to $5.8 million in the six months ended June 30, 2016 compared to $6.9 million in the six months ended June 30, 2015. This decrease is due to lower lease termination fees at our same-center properties.

Property Expenses

Total property expenses increased $10.9 million, or 9.4%, to $126.0 million in the six months ended June 30, 2016 compared to $115.1 million in the six months ended June 30, 2015. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $5.7 million, or 7.7%, to $79.8 million in the six months ended June 30, 2016 compared to $74.1 million in the six months ended June 30, 2015. This increase is primarily due to the following:

- an increase of $3.6 million attributable to properties acquired in 2015,
- an increase of $1.8 million from the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016,
- an increase of $1.7 million from Assembly Row and Pike & Rose as portions of both projects opened throughout 2015, and
- an increase of $1.2 million at redevelopment properties due primarily to the lease-up of several of our retail redevelopments,

partially offset by

- a decrease of $2.0 million at same-center properties primarily attributable to lower snow removal costs, and
- a decrease of $0.8 million due to the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased to 20.3% in the six months ended June 30, 2016 from 20.4% in the six months ended June 30, 2015.

Real Estate Taxes

Real estate tax expense increased $5.1 million, or 12.5%, to $46.2 million in the six months ended June 30, 2016 compared to $41.1 million in the six months ended June 30, 2015 due primarily to the following:

- an increase of $1.9 million from properties acquired in 2015,
- an increase of $1.4 million due to higher assessments at same-center properties,
- an increase of $1.0 million related to Assembly Row and Pike & Rose, and
- an increase of $0.9 million due to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016.

Property Operating Income

Property operating income increased $19.2 million, or 7.6%, to $270.3 million in the six months ended June 30, 2016 compared to $251.1 million in the six months ended June 30, 2015. This increase is primarily due to properties acquired in 2015, growth in earnings at same-center properties, the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, redevelopment properties, and portions of Assembly Row and Pike & Rose opening through 2015, partially offset by the sale of our Houston Street and Courtyard Shops properties in April 2015 and November 2015, respectively.

Other

Income From Real Estate Partnerships

The decrease in income from real estate partnerships is the result of our obtaining control of the six Clarion joint venture properties on January 13, 2016 (see discussion in Note 3 to the consolidated financial statements). Prior to this transaction, the properties were accounted for under the equity method of accounting.

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Interest Expense

Interest expense decreased $0.8 million, or 1.6%, to $46.8 million in the six months ended June 30, 2016 compared to $47.6 million in the six months ended June 30, 2015. This decrease is due primarily to the following:

- a decrease of $7.1 million due to a lower overall weighted average borrowing rate,

partially offset by

- an increase of $4.8 million due to higher borrowings, and
- a decrease of $1.6 million in capitalized interest due primarily to the opening of Phase I of Pike & Rose during 2015.

Gross interest costs were $54.8 million and $57.2 million in the six months ended June 30, 2016 and 2015, respectively. Capitalized interest was $8.0 million and $9.5 million in the six months ended June 30, 2016 and 2015, respectively.

Early Extinguishment of Debt

The $19.1 million of early extinguishment of debt in the six months ended June 30, 2015 relates to the make-whole premium paid as part of the early redemption of our 6.20% senior notes, partially offset by the related write-off of unamortized premium and debt fees.

General and Administrative Expense

General and administrative expenses decreased $1.1 million, or 6.1%, to $17.0 million for the six months ended June 30, 2016, compared to $18.2 million in the six months ended June 30, 2015. The decrease is primarily due to lower transaction costs, partially offset by higher personnel costs.

Depreciation and Amortization

Depreciation and amortization expense increased $11.6 million, or 13.7%, to $96.2 million in the six months ended June 30, 2016 from $84.7 million in the six months ended June 30, 2015. This increase is due primarily to the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, Assembly Row and Pike & Rose, and properties acquired in 2015.

Gain on Change in Control of Interests and Sale of Real Estate

The $27.5 million gain on change in control of interests and sale of real estate is primarily the result of our obtaining control of six properties when we acquired Clarion's 70% interest in the partnership that owned those properties (see discussion in Note 3 to the consolidated financial statements). The properties were previously accounted for under the equity method of accounting. We consolidated these assets effective January 13, 2016, and consequently recognized a gain of $25.7 million upon obtaining the controlling interest. The additional $1.8 million gain is related to the May 2016 sale of a building in Coconut Grove, Florida by an unconsolidated joint venture. Our share of the gain, net of noncontrolling interests, was $0.7 million.

The $11.5 million gain on sale of real estate for the six months ended June 30, 2015 is due to the sale of our Houston Street property in April 2015.

Liquidity and Capital Resources

Due to the nature of our business and strategy, we typically generate significant amounts of cash from operations. The cash generated from operations is primarily paid to our common and preferred shareholders in the form of dividends. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income.

Our short-term liquidity requirements consist primarily of normal recurring operating expenses, obligations under our capital and operating leases, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Our long-term capital requirements consist primarily of maturities under our long-term debt agreements, development and redevelopment costs and potential acquisitions.

We intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, joint venture relationships relating to existing properties or new acquisitions, and property dispositions that are consistent with this conservative structure.

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At June 30, 2016, we had cash and cash equivalents of $18.6 million and $95.0 million outstanding on our unsecured revolving credit facility. On April 20, 2016, we upsized our $600.0 million revolving credit facility to $800.0 million and extended the maturity date to April 20, 2020, subject to two six-month extensions at our option. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.5 billion. Our $275.0 million unsecured term loan, which matures on November 21, 2018, subject to a one-year extension at our option, also has an option (subject to bank approval) to increase the term loan through an accordion feature to $350.0 million. As of June 30, 2016, we had the capacity to issue up to $97.7 million in common shares under our ATM equity program.

For the six months ended June 30, 2016, the maximum amount of borrowings outstanding under our revolving credit facility was $251.5 million, the weighted average amount of borrowings outstanding was $150.3 million and the weighted average interest rate, before amortization of debt fees, was 1.3%. On March 7, 2016, we issued 1.0 million common shares at $149.43 per share, for net cash proceeds of $149.3 million. On July 12, 2016, we issued $250.0 million of fixed rate senior unsecured notes that mature on August 1, 2046 and bear interest at 3.625% for net proceeds after issuance discounts, underwriting fees, and other costs of approximately $241.8 million. For the remainder of 2016 we have only $9.4 million of debt maturing. We currently believe that cash flows from operations, cash on hand, our ATM program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements (including maturities) and capital expenditures.

Our overall capital requirements for the remainder of 2016 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Assembly Row, Pike & Rose and future phases of Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to continue to see higher levels of capital investments in our properties under development and redevelopment which is the result of construction on Phase II at both Assembly Row and Pike & Rose and construction of the 234,500 square foot office building at Santana Row. With respect to other capital investments related to our existing properties, we expect to incur levels consistent with prior years. Our capital investments will be funded on a short-term basis with cash flow from operations, cash on hand and/or our revolving credit facility, and on a long-term basis, with long-term debt or equity including shares issued under our ATM equity program. If necessary, we may access the debt or equity capital markets to finance significant acquisitions. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

In addition to conditions in the capital markets which could affect our ability to access those markets, the following factors could affect our ability to meet our liquidity requirements:

- restrictions in our debt instruments or preferred shares may limit us from incurring debt or issuing equity at all, or on acceptable terms under then-prevailing market conditions; and
- we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance.

Summary of Cash Flows

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (In thousands) | |
| Cash provided by operating activities | $199,236 | $173,648 |
| Cash used in investing activities | (300,902) | (216,351) |
| Cash provided by financing activities | 99,242 | 16,927 |
| Decrease in cash and cash equivalents | (2,424) | (25,776) |
| Cash and cash equivalents, beginning of year | 21,046 | 47,951 |
| Cash and cash equivalents, end of period | $18,622 | $22,175 |

Net cash provided by operating activities increased $25.6 million to $199.2 million during the six months ended June 30, 2016 from $173.6 million during the six months ended June 30, 2015. The increase was primarily attributable to higher net income before certain non-cash items, timing of interest payments, and timing of payments from tenants.
Net cash used in investing activities increased $84.6 million to $300.9 million during the six months ended June 30, 2016 from $216.4 million during the six months ended June 30, 2015. The increase was primarily attributable to:
- $45.8 million in proceeds from the sale of our Houston Street property in April 2015,

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- a $20.9 million increase in acquisitions of real estate due to the January 2016 acquisition of Clarion's 70% interest in our unconsolidated real estate partnership, partially offset by the 2015 acquisitions of San Antonio Center and Cocowalk, and
- a $19.2 million increase in capital investments and leasing costs.

Net cash provided by financing activities increased $82.3 million to $99.2 million during the six months ended June 30, 2016 from $16.9 million during the six months ended June 30, 2015. The increase was primarily attributable to:

- $219.2 million due to the redemption of $200 million of senior notes with a make-whole premium of $19.2 million in April 2015, and
- a $187.2 million increase in net proceeds from the issuance of common shares as we issued 1.0 million common shares at $149.43 per share in an underwritten public offering on March 7, 2016, and we sold 0.6 million common shares under our ATM equity program at a weighted average price of $153.24 during the six months ended June 30, 2016, compared to 0.4 million shares at a weighted average price of $134.12 in the six months ended June 30, 2015, partially offset by
- $208.6 million in net proceeds from the re-opening of the 4.50% senior notes in March 2015,
- a $65.0 million decrease in net borrowings on our revolving credit facility,
- a $23.9 million increase in repayment of mortgages, capital leases, and notes payable due to the payoff of $34.4 million of mortgage loans on April 1, 2016,
- $13.0 million acquisition of the 10% noncontrolling interest of a partnership which owns a project in Southern California, and
- a $12.4 million increase in dividends paid to shareholders due to an increase in the dividend rate and increased number of shares outstanding.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of June 30, 2016:

| Description of Debt | Original Debt Issued | Principal Balance as of June 30, 2016 | Stated Interest Rate as of June 30, 2016 | Maturity Date |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Mortgages payable | | | | |
| Secured fixed rate | | | | |
| Plaza El Segundo | Acquired | $175,000 | 6.33 % | August 5, 2017 |
| The Grove at Shrewsbury (East) | Acquired | 43,054 | 5.82 % | October 1, 2017 |
| The Grove at Shrewsbury (West) | Acquired | 10,910 | 6.38 % | March 1, 2018 |
| Rollingwood Apartments | 24,050 | 21,502 | 5.54 % | May 1, 2019 |
| The Shops at Sunset Place | Acquired | 69,602 | 5.62 % | September 1, 2020 |
| 29th Place | Acquired | 4,655 | 5.91 % | January 31, 2021 |
| The AVENUE at White Marsh | 52,705 | 52,705 | 3.35 % | January 1, 2022 |
| Montrose Crossing | 80,000 | 73,536 | 4.20 % | January 10, 2022 |
| Brook 35 | 11,500 | 11,500 | 4.65 % | July 1, 2029 |
| Chelsea | Acquired | 6,723 | 5.36 % | January 15, 2031 |
| Subtotal | | 469,187 | | |
| Net unamortized premium and debt issuance costs | | 6,968 | | |
| Total mortgages payable | | 476,155 | | |
| Notes payable | | | | |
| Unsecured fixed rate | | | | |
| Term loan (1) | 275,000 | 275,000 | LIBOR + 0.90% | November 21, 2018 |
| Various | 7,239 | 5,549 | 11.31% | Various through 2028 |
| Unsecured variable rate | | | | |
| Escondido (municipal bonds) (2) | 9,400 | 9,400 | 0.45% | October 1, 2016 |
| Revolving credit facility (3) | 800,000 | 95,000 | LIBOR + 0.825% | April 20, 2020 |
| Subtotal | | 384,949 | | |
| Net unamortized debt issuance costs | | (1,367) | | |
| Total notes payable | | 383,582 | | |
| | | | | |
| Senior notes and debentures | | | | |
| Unsecured fixed rate | | | | |
| 5.90% notes | 150,000 | 150,000 | 5.90 % | April 1, 2020 |
| 2.55% notes | 250,000 | 250,000 | 2.55 % | January 15, 2021 |
| 3.00% notes | 250,000 | 250,000 | 3.00 % | August 1, 2022 |
| 2.75% notes | 275,000 | 275,000 | 2.75 % | June 1, 2023 |
| 3.95% notes | 300,000 | 300,000 | 3.95 % | January 15, 2024 |
| 7.48% debentures | 50,000 | 29,200 | 7.48 % | August 15, 2026 |
| 6.82% medium term notes | 40,000 | 40,000 | 6.82 % | August 1, 2027 |
| 4.50% notes | 450,000 | 450,000 | 4.50 % | December 1, 2044 |
| Subtotal | | 1,744,200 | | |
| Net unamortized premium and debt issuance costs | | (10,589) | | |
| Total senior notes and debentures | | 1,733,611 | | |
| Capital lease obligations | | | | |

| | | | |
|---|---|---|---|
| Various | 71,605 | Various | Various through 2106 |
| Total debt and capital lease obligations | $2,664,953 | | |

1) We entered into two interest rate swap agreements that fix the LIBOR portion of the interest rate on the term loan at 1.72%. The spread on the term loan is 90 basis points resulting in a fixed rate of 2.62%.

2) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The Escondido Promenade property is not encumbered by a lien.

3) The maximum amount drawn under our revolving credit facility during the six months ended June 30, 2016 was $251.5 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 1.3%.

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Our revolving credit facility, term loan and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of June 30, 2016, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt covenants and did not cure the breach within an applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes, term loan and our revolving credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a default under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares. Our organizational documents do not limit the level or amount of debt that we may incur.
The following is a summary of our scheduled principal repayments as of June 30, 2016:

| | Unsecured | | Secured | Capital Lease | Total |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| 2016 | $9,661 | | $2,858 | $ 19 | $12,538 |
| 2017 | 457 | | 222,469 | 34 | 222,960 |
| 2018 | 275,507 | | 15,477 | 37 | $291,021 |
| 2019 | 561 | | 25,006 | 42 | 25,609 |
| 2020 | 245,623 | (1) | $64,687 | 46 | $310,356 |
| Thereafter | 1,597,340 | | 138,690 | 71,427 | 1,807,457 |
| | $2,129,149 | | $469,187 | $ 71,605 | $2,669,941 (2) |

1) As of June 30, 2016, there was $95.0 million outstanding under our $800.0 million revolving credit facility.

2) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium and debt issuance costs on mortgage loans, notes payable, and senior notes as of June 30, 2016.

Interest Rate Hedging

We may use derivative instruments to manage exposure to variable interest rate risk. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We enter into derivative instruments that qualify as cash flow hedges and do not enter into derivative instruments for speculative purposes.

The interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income/loss which is included in accumulated other comprehensive loss on our consolidated balance sheet and our consolidated statement of shareholders' equity. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty which includes reviewing debt ratings and financial performance. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

As of June 30, 2016, we are party to two interest rate swap agreements that effectively fixed the rate on the term loan at 2.62%. Both swaps were designated and qualified as cash flow hedges and were recorded at fair value. Hedge ineffectiveness has not impacted earnings as of June 30, 2016, and we do not anticipate it will have a significant effect in the future.

REIT Qualification

We intend to maintain our qualification as a REIT under Section 856(c) of the Code. As a REIT, we generally will not be subject to corporate federal income taxes on income we distribute to our shareholders as long as we satisfy certain technical requirements of the Code, including the requirement to distribute at least 90% of our taxable income to our

shareholders.

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Funds From Operations

Funds from operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with U.S. GAAP, plus real estate related depreciation and amortization and excluding extraordinary items, gains and losses on the sale of real estate, and impairment write-downs of depreciable real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

- does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income);
- should not be considered an alternative to net income as an indication of our performance; and
- is not necessarily indicative of cash flow as a measure of liquidity or ability to fund cash needs, including the payment of dividends.

We consider FFO available for common shareholders a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of the real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation. We use FFO primarily as one of several means of assessing our operating performance in comparison with other REITs. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis unless necessary for us to maintain REIT status. However, we must distribute at least 90% of our taxable income to remain qualified as a REIT. Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders although not necessarily on a proportionate basis.

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The reconciliation of net income to FFO available for common shareholders is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (In thousands, except per share data) | | | |
| Net income | $58,898 | $45,673 | $137,961 | $93,876 |
| Net income attributable to noncontrolling interests | (2,957) | (2,041) | (5,065) | (4,058) |
| Gain on change in control of interests and sale of real estate, net | (701) | (11,509) | (26,427) | (11,509) |
| Depreciation and amortization of real estate assets | 42,299 | 37,726 | 84,027 | 75,010 |
| Amortization of initial direct costs of leases | 4,265 | 3,676 | 8,469 | 7,116 |
| Funds from operations | 101,804 | 73,525 | 198,965 | 160,435 |
| Dividends on preferred shares | (135) | (135) | (271) | (271) |
| Income attributable to operating partnership units | 792 | 808 | 1,647 | 1,641 |
| Income attributable to unvested shares | (264) | (256) | (569) | (573) |
| Funds from operations available for common shareholders (1) | $102,197 | $73,942 | 199,772 | 161,232 |
| Weighted average number of common shares, diluted (2) | 71,816 | 69,647 | 71,327 | 69,581 |
| Funds from operations available for common shareholders, per diluted share (1) | $1.42 | $1.06 | $2.80 | $2.32 |

(1) If the $19.1 million early extinguishment of debt charge in 2015 was excluded, our FFO available for common shareholders for the three and six months ended June 30, 2015 would have been $92.9 million and $180.2 million, respectively, and FFO available for common shareholders, per diluted share would have been $1.33 and $2.59, respectively.

(2) The weighted average common shares used to compute FFO per diluted common share includes operating partnership units that were excluded from the computation of diluted EPS. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted common share but is anti-dilutive for the computation of diluted EPS for the periods presented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our use of financial instruments, such as debt instruments, subjects us to market risk which may affect our future earnings and cash flows, as well as the fair value of our assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to common and preferred shareholders, investments, capital expenditures and other cash requirements.

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. As of June 30, 2016, we were party to two interest rate swap agreements that effectively fixed the rate on the term loan at 2.62%.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Quoted market prices were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of

economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

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Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2044 or, with respect to capital lease obligations, through 2106) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At June 30, 2016, we had $2.5 billion of fixed-rate debt outstanding, including our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements; we also had $71.6 million of capital lease obligations. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2016 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $158.9 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2016 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $181.5 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At June 30, 2016, we had $104.4 million of variable rate debt outstanding which consisted of $95.0 million on our revolving credit facility and $9.4 million of municipal bonds. Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase by approximately $1.0 million, and our net income and cash flows for the year would decrease by approximately $1.0 million. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by approximately $1.0 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer, who since May 20, 2016, is also serving as our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2016. Based on this evaluation, our management, including our Chief Executive Officer, who since May 20, 2016, is also serving as our Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2016 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during quarterly period covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2015 filed with the SEC on February 9, 2016. These factors include, but are not limited to, the following:

- risks that our tenants will not pay rent, may vacate early or may file for bankruptcy or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that completion of anticipated or ongoing property redevelopment or renovation projects that we do pursue may cost more, take more time to complete or fail to perform as expected;
- risk that we are investing a significant amount in ground-up development projects that may be dependent on third parties to deliver critical aspects of certain projects, requires spending a substantial

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amount upfront in infrastructure, and assumes receipt of public funding which has been committed but not entirely funded;
- risks normally associated with the real estate industry, including risks that:
- occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,
- new acquisitions may fail to perform as expected,
- competition for acquisitions could result in increased prices for acquisitions,
- that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase,
- environmental issues may develop at our properties and result in unanticipated costs, and
- because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks associated with general economic conditions, including local economic conditions in our geographic markets;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and
- risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of common shares, at our option. During the three months ended June 30, 2016, we redeemed 133,603 downREIT operating partnership units for common shares.

The following information describes stock repurchases for the three months ended June 30, 2016:

| Period | Total number of shares purchased (1) | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number or approximate dollar amount of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| April 1, 2016 - April 30, 2016 | 53 | $155.48 | — | $ — |
| June 1, 2016 - June 30, 2016 | 68 | $155.70 | — | $ — |
| | 121 | $155.60 | — | $ — |

(1) Represents shares delivered in payment of withholding taxes in connection with restricted stock vesting by participants.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS
A list of exhibits to this Quarterly Report on Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

FEDERAL REALTY INVESTMENT TRUST

August 4, 2016 /s/ Donald C. Wood
Donald C. Wood,
President, Chief Executive Officer and Trustee
(Principal Financial and Executive Officer)

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EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 3.1 | Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2009 (previously filed as Exhibit 3.1 to the Trust's Registration Statement on Form S-3 (File No. 333-160009) and incorporated herein by reference) |
| 3.2 | Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004, February 17, 2006 and May 6, 2009 (previously filed as Exhibit 3.2 to the Trust's Registration Statement on Form S-3 (File No. 333-160009) and incorporated herein by reference) |
| 4.1 | Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) and incorporated herein by reference) |
| 4.2 | Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8-K filed on March 13, 2007, (File No. 1-07533) and incorporated herein by reference) |
| 4.3 | Indenture dated December 1, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference) |
| 4.4 | Indenture dated September 1, 1998 related to the Trust's 5.65% Notes due 2016; 6.20% Notes due 2017; 5.95% Notes due 2014 and the 5.90% Notes due 2020; 3.00% Notes due 2022; 2.75% Notes due 2023; 3.95% Notes due 2024; 4.50% Notes due 2044; 2.55% Notes due 2021; and 3.625% Notes due 2046 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference) |
| 10.1 | Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the "1999 1Q Form 10-Q") and incorporated herein by reference) |
| 10.2 | Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference) |
| 10.3 | Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the "2004 Form 10-K") and incorporated herein by reference) |
| 10.4 | 2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference) |

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|---|---|
| 10.5 | Health Coverage Continuation Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference) |
| 10.6 | Severance Agreement between the Trust and Dawn M. Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust’s 2005 2Q Form 10-Q and incorporated herein by reference) |
| 10.7 | Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference) |
| 10.8 | Form of Restricted Share Award Agreement for awards made under the Trust’s 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference) |
| 10.9 | Form of Restricted Share Award Agreement for long term vesting and retention awards for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-07533) (the "2010 Form 10-K") and incorporated herein by reference) |
| 10.10 | Form of Option Award Agreement for awards made under the Trust’s 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference) |

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EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 10.11 | Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-07533) and incorporated herein by reference) |
| 10.12 | Amendment to Severance Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-07533) ("the 2008 Form 10-K") and incorporated herein by reference) |
| 10.13 | Second Amendment to Executive Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.27 to the Trust's 2008 Form 10-K and incorporated herein by reference) |
| 10.14 | Amendment to Health Coverage Continuation Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.28 to the Trust's 2008 Form 10-K and incorporated herein by reference) |
| 10.15 | Second Amendment to Severance Agreement between the Trust and Dawn M. Becker dated January 1, 2009 (previously filed as Exhibit 10.30 to the Trust's 2008 Form 10-K and incorporated herein by reference) |
| 10.16 | 2010 Performance Incentive Plan (previously filed as Appendix A to the Trust's Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference) |
| 10.17 | Amendment to 2010 Performance Incentive Plan ("the 2010 Plan") (previously filed as Appendix A to the Trust's Proxy Supplement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference) |
| 10.18 | Restricted Share Award Agreement between the Trust and Donald C. Wood dated October 12, 2010 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 01-07533) and incorporated herein by reference) |
| 10.19 | Form of Restricted Share Award Agreement for awards made under the Trust's Long-Term Incentive Award Program and the Trust's Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.34 to the 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.20 | Form of Option Award Agreement for awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.21 | Form of Option Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.39 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.22 | Form of Option Award Agreement for basic options awarded out of the 2010 Plan (previously filed as Exhibit 10.40 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |

| | |
|---|---|
| 10.23 | Form of Restricted Share Award Agreement, dated as of February 10, 2011, between the Trust and Dawn M. Becker (previously filed as Exhibit 10.41 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.24 | Severance Agreement between the Trust and James M. Taylor dated July 30, 2012 (previously filed as Exhibit 10.35 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 1-07533) and incorporated herein by reference) |
| 10.25 | Credit Agreement dated as of July 7, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Wells Fargo Securities, LLC, as a Lead Arranger and Book Manager, and PNC Capital Markets LLC, as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 11, 2011 and incorporated herein by reference) |
| 10.26 | Term Loan Agreement dated as of November 22, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, PNC Bank, National Association, as Administrative Agent, Capital One, N.A., as Syndication Agent, PNC Capital Markets, LLC, as a Lead Arranger and Book Manager, and Capital One, N.A., as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on November 28, 2011 and incorporated herein by reference) |

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EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 10.27 | Revised Form of Restricted Share Award Agreement for front loaded awards made under the Trust’s Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-07533) (the "2012 Form 10-K") and incorporated herein by reference) |
| 10.28 | Revised Form of Restricted Share Award Agreement for long-term vesting and retention awards made under the Trust’s Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.36 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.29 | Revised Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as Exhibit 10.37 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.30 | Revised Form of Restricted Share Award Agreement for awards made under the Trust’s Long-Term Incentive Award Program and the Trust’s Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.31 | First Amendment to Credit Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2013 and incorporated herein by reference) |
| 10.32 | First Amendment to Term Loan Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.40 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 1-07533) and incorporated herein by reference) |
| 10.33 | Second Amendment to Term Loan Agreement, dated as of August 28, 2014, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on September 2, 2014 and incorporated herein by reference) |
| 10.34 | Second Amendment to Credit Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference) |
| 10.35 | Third Amendment to Term Loan Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference) |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith) |

| | |
|---|---|
| 32.1 | Section 1350 Certification of Chief Executive Officer (filed herewith) |
| 101 | The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Income, (3) the Consolidated Statement of Shareholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements that have been detail tagged. |