

FEDERAL REALTY INVESTMENT TRUST

Form 10-K

February 13, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO THE SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest, \$.01 par value per share, with associated Common Share Purchase Rights	New York Stock Exchange
Depository Shares, each representing 1/1000 of a share of 5.00% Series C Cumulative Redeemable Preferred Stock, \$.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically 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 such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒ 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 ☒ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

The aggregate market value of the Registrant's common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2018 was \$9.3 billion.

The number of Registrant's common shares outstanding on February 8, 2019 was 74,365,801.

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FEDERAL REALTY INVESTMENT TRUST
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2018

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission for the Registrant's 2018 annual meeting of shareholders to be held in May 2019 will be incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

References to “we,” “us,” “our” or the “Trust” refer to Federal Realty Investment Trust and our business and operations conducted through our directly or indirectly owned subsidiaries.

General

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, as well as in California and South Florida. As of December 31, 2018, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 24.1 million square feet. In total, the real estate projects were 94.6% leased and 93.6% occupied at December 31, 2018. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 51 consecutive years.

We were founded in 1962 as a REIT under the laws of the District of Columbia and re-formed as a REIT in the state of Maryland in 1999. We operate in a manner intended to qualify as a REIT for tax purposes pursuant to provisions of the Internal Revenue Code of 1986, as amended (the “Code”). Our principal executive offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852. Our telephone number is (301) 998-8100. Our website address is www.federalrealty.com. The information contained on our website is not a part of this report and is not incorporated herein by reference.

Business Objectives and Strategies

Our primary business objective is to own, manage, acquire and redevelop a portfolio of high quality retail focused properties that will:

- provide increasing cash flow for distribution to shareholders;
- generate higher internal growth than the shopping center industry over the long term;
- provide potential for capital appreciation; and
- protect investor capital.

Our portfolio includes, and we continue to acquire and redevelop, high quality retail in many formats ranging from regional, community and neighborhood shopping centers that often are anchored by grocery stores to mixed-use properties that are typically centered around a retail component but also include office, residential and/or hotel components.

Operating Strategies

Our core operating strategy is to actively manage our properties to maximize rents and maintain occupancy levels by attracting and retaining a strong and diverse base of tenants and replacing less relevant, weaker, underperforming tenants with stronger ones. Our properties are generally located in some of the most densely populated and affluent areas of the country. These strong demographics help our tenants generate higher sales, which has enabled us to maintain higher occupancy rates, charge higher rental rates, and maintain steady rent growth, all of which increase the value of our portfolio. Our operating strategies also include:

- increasing rental rates through the renewal of expiring leases or the leasing of space to new tenants at higher rental rates while limiting vacancy and down-time;
- maintaining a diversified tenant base, thereby limiting exposure to any one tenant’s financial or operating difficulties;
- monitoring the merchandising mix of our tenant base to achieve a balance of strong national and regional tenants with local specialty tenants;
- minimizing overhead and operating costs;
- monitoring the physical appearance of our properties and the construction quality, condition and design of the buildings and other improvements located on our properties to maximize our ability to attract customers and thereby

generate higher rents and occupancy rates;

• developing local and regional market expertise in order to capitalize on market and retailing trends;

• leveraging the contacts and experience of our management team to build and maintain long-term relationships with tenants;

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providing exceptional customer service; and
creating an experience at many of our properties that is identifiable, unique and serves the surrounding communities to help insulate these properties and the tenants at these properties from the impact of on-line retailing.

Investing Strategies

Our investment strategy is to deploy capital at risk-adjusted rates of return that exceed our long-term weighted average cost of capital in projects that have potential for future income growth and increased value. Our investments primarily fall into one of the following four categories:

renovating, expanding, reconfiguring and/or retenancing our existing properties to take advantage of under-utilized land or existing square footage to increase revenue;

renovating or expanding tenant spaces for tenants capable of producing higher sales, and therefore, paying higher rents;

acquiring quality retail and mixed-use properties located in densely populated and/or affluent areas where barriers to entry for further development are high, and that have possibilities for enhancing operating performance and creating value through renovation, expansion, reconfiguration and/or retenancing; and

developing the retail portions of mixed-use properties and developing or otherwise investing in non-retail portions of mixed-use properties we already own in order to capitalize on the overall value created in these properties.

Investment Criteria

When we evaluate potential redevelopment, retenancing, expansion, acquisition and development opportunities, we consider such factors as:

the expected returns in relation to our short and long-term cost of capital as well as the anticipated risk we will face in achieving the expected returns;

the anticipated growth rate of operating income generated by the property;

the ability to increase the long-term value of the property through redevelopment and retenancing;

the tenant mix at the property, tenant sales performance and the creditworthiness of those tenants;

the geographic area in which the property is located, including the population density, household incomes, education levels, as well as the population and income trends in that geographic area;

competitive conditions in the vicinity of the property, including gross leasable area (GLA) per capita, competition for tenants and the ability of others to create competing properties through redevelopment, new construction or renovation;

access to and visibility of the property from existing roadways and the potential for new, widened or realigned, roadways within the property's trade area, which may affect access and commuting and shopping patterns;

the level and success of our existing investments in the market area;

the current market value of the land, buildings and other improvements and the potential for increasing those market values; and

the physical condition of the land, buildings and other improvements, including the structural and environmental condition.

Financing Strategies

Our financing strategies are designed to enable us to maintain an investment grade balance sheet while retaining sufficient flexibility to fund our operating and investing activities in the most cost-efficient way possible. Our financing strategies include:

maintaining a prudent level of overall leverage and an appropriate pool of unencumbered properties that is sufficient to support our unsecured borrowings;

managing our exposure to variable-rate debt;

maintaining an available line of credit to fund operating and investing needs on a short-term basis;

taking advantage of market opportunities to refinance existing debt, reduce interest costs and manage our debt maturity schedule so that a significant portion of our debt relative to our size does not mature in any one year;

selling properties that have limited growth potential or are not a strategic fit within our overall portfolio and

redeploying the proceeds to redevelop, renovate, retenant and/or expand our existing properties, acquire new properties or reduce debt; and

utilizing the most advantageous long-term source of capital available to us to finance redevelopment and acquisition opportunities, which may include:

the sale of our equity or debt securities through public offerings, including our at-the-market ("ATM") equity program in which we may from time to time offer and sell common shares, or private placements,
the incurrence of indebtedness through unsecured or secured borrowings,

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the issuance of operating partnership units in a new or existing “downREIT partnership” that is controlled and consolidated by us (generally operating partnership units in a “downREIT” partnership are issued in exchange for a tax deferred contribution of property; these units typically receive the same distributions as our common shares and the holders of these units have the right to exchange their units for cash or common shares, at our option), or the use of joint venture arrangements.

Employees

At February 8, 2019, we had 298 full-time employees and 5 part-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We elected to be taxed as a REIT under the federal income tax laws when we filed our 1962 tax return. As a REIT, we are generally not subject to federal income tax on taxable income that we distribute to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income each year. We will be subject to federal income tax on our taxable income (including, for our taxable years ending on or prior to December 31, 2017, any applicable alternative minimum tax) at regular corporate rates if we fail to qualify as a REIT for tax purposes in any taxable year, or to the extent we distribute less than 100% of our taxable income. We will also generally not qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed taxable income.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Code. A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws, including without limitation:

- the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, which we refer to as CERCLA;
- the Resource Conservation & Recovery Act;
- the Federal Clean Water Act;
- the Federal Clean Air Act;
- the Toxic Substances Control Act;
- the Occupational Safety & Health Act; and
- the Americans with Disabilities Act.

The application of these laws to a specific property that we own depends on a variety of property-specific circumstances, including the current and former uses of the property, the building materials used at the property and the physical layout of the property. Under certain environmental laws, principally CERCLA, we, as the owner or operator of properties currently or previously owned, may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at the property. We may also be held liable to a governmental entity or third parties for property damage and for investigation and clean up costs incurred in connection with the contamination, whether or not we knew of, or were responsible for, such contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. As the owner or operator of real estate, we also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the real estate. Such costs or liabilities could exceed the value of the affected real estate. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results of operations, and management does not believe

they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental, health, safety and similar laws and we carry environmental insurance which covers a number of environmental risks for most of our properties.

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Competition

Numerous commercial developers and real estate companies compete with us with respect to the leasing and the acquisition of properties. Some of these competitors may possess greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market. This competition may:

- reduce the number of properties available for acquisition;
- increase the cost of properties available for acquisition;
- interfere with our ability to attract and retain tenants, leading to increased vacancy rates and/or reduced rents; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs, superstores, and other forms of sales and marketing of goods and services, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) are available free of charge through the Investors section of our website at www.federalrealty.com as soon as reasonably practicable after we electronically file the material with, or furnish the material to, the Securities and Exchange Commission, or the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics applicable to our Chief Executive Officer and senior financial officers, Whistleblower Policy, organizational documents and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investors section of our website.

Amendments to the Code of Ethics or Code of Business Conduct or waivers that apply to any of our executive officers or our senior financial officers will be disclosed in that section of our website as well.

You may obtain a printed copy of any of the foregoing materials from us by writing to us at Investor Relations, Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, Maryland 20852.

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ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Also, documents that we “incorporate by reference” into this Annual Report on Form 10-K, including documents that we subsequently file with the SEC will contain forward-looking statements. When we refer to forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “estimates,” “anticipates” and “continues.” In particular, the below risk factors describe forward-looking information. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Many things can happen that can cause actual results to be different from those we describe. These factors include, but are not limited to the following:

Revenue from our properties may be reduced or limited if the retail operations of our tenants are not successful. Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants and generally provide for reimbursement of real estate taxes and expenses of operating the property. Economic, legal, and/or competitive conditions may impact the success of our tenants’ retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. Any reduction in our tenants’ abilities to pay base rent, percentage rent, or other charges on a timely basis, including the filing by any of our tenants for bankruptcy protection, will adversely affect our financial condition and results of operations. In the event of default by a tenant, we may experience delays and unexpected costs in enforcing our rights as landlord under lease terms, which may also adversely affect our financial condition and results of operations.

Our net income depends on the success and continued presence of our “anchor” tenants.

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. We continue to see higher levels of anchor turnover and closings in some markets, which has caused an oversupply of larger retail spaces. Therefore, tenant demand for certain of our anchor spaces may decrease and as a result, we may see an increase in vacancy and/or a decrease in rents for those spaces that could have a negative impact to our net income. As of December 31, 2018, our anchor tenant space is 97.6% leased and 96.9% occupied.

We may be unable to collect balances due from tenants that file for bankruptcy protection.

If a tenant or lease guarantor files for bankruptcy, we may not be able to collect all pre-petition amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate our lease in which event we would have a general unsecured claim that would likely be for less than the full amount owed to us for the remainder of the lease term, which could adversely affect our financial condition and results of operations.

We may experience difficulty or delay in renewing leases or re-leasing space.

We derive most of our revenue directly or indirectly from rent received from our tenants. We are subject to the risks that, upon expiration or termination of leases, whether by their terms, as a result of a tenant bankruptcy, general economic conditions or otherwise, leases for space in our properties may not be renewed, space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms and may include decreases in rental rates. As a result, our net income could be reduced.

The amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition.

As of December 31, 2018, we had approximately \$3.2 billion of debt outstanding. Of that outstanding debt, approximately \$475.3 million was secured by all or a portion of 13 of our real estate projects and approximately \$71.5 million represented capital lease obligations on four of our properties. As of December 31, 2018, 91.5% of our debt is

fixed rate, which includes all of our property secured debt, our unsecured senior notes, and our capital lease obligations. Our organizational documents do not limit the level or amount of debt that we may incur. The amount of our debt outstanding from time to time could have important consequences to our shareholders. For example, it could:

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require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, property acquisitions, redevelopments and other appropriate business opportunities that may arise in the future;

- limit our ability to make distributions on our outstanding common shares and preferred shares;
- make it difficult to satisfy our debt service requirements;
- require us to dedicate increased amounts of our cash flow from operations to payments on debt upon refinancing or on our variable rate, unhedged debt, if interest rates rise;
- limit our flexibility in planning for, or reacting to, changes in our business and the factors that affect the profitability of our business;
- limit our ability to obtain any additional debt or equity financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, redevelopments or other general corporate purposes or to obtain such financing on favorable terms; and/or
- limit our flexibility in conducting our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

Our ability to make scheduled principal payments of, to pay interest on, or to refinance our indebtedness will depend primarily on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt or meet our other cash needs. If we are unable to generate this cash flow from our business, we may be required to refinance all or a portion of our existing debt, sell assets or obtain additional financing to meet our debt obligations and other cash needs, including the payment of dividends required to maintain our status as a real estate investment trust. We cannot assure you that any such refinancing, sale of assets or additional financing would be possible on terms that we would find acceptable.

We are obligated to comply with financial and other covenants pursuant to our debt obligations that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate payment under our debt agreements.

Our revolving credit facility, term loan and certain series of notes include financial covenants that may limit our operating activities in the future. We are also required to comply with additional covenants that include, among other things, provisions:

- relating to the maintenance of property securing a mortgage;
 - restricting our ability to pledge assets or create liens;
- restricting our ability to incur additional debt;
- restricting our ability to amend or modify existing leases at properties securing a mortgage;
- restricting our ability to enter into transactions with affiliates; and
- restricting our ability to consolidate, merge or sell all or substantially all of our assets.

As of December 31, 2018, we were in compliance with all of our default related financial covenants. If we were to breach any of our default related debt covenants, including the covenants listed above, and did not cure the breach within any 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.

Adverse changes in our credit rating could affect our borrowing capacity and borrowing terms

Our credit worthiness is rated by nationally recognized credit rating agencies. The credit ratings assigned are based on our operating performance, liquidity and leverage ratios, financial condition and prospects, and other factors viewed by the credit rating agencies as relevant to our industry and the economic outlook in general. Our credit rating can affect the amount of capital we access, as well as the terms of certain existing and future financing we obtain. Since

we depend on debt financing to fund the growth of our business, an adverse change in our credit rating, including actual changes in outlook, or even the initiation of review of our credit rating that could result in an adverse change, could have a material adverse effect on us.

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Our development activities have inherent risks.

The ground-up development of improvements on real property, as opposed to the renovation and redevelopment of existing improvements, presents substantial risks. We generally do not look to acquire raw land for future development; however, we do intend to complete the development and construction of future phases of projects we already own. We may undertake development of these and other projects on our own or bring in third parties if it is justifiable on a risk-adjusted return basis. We may also choose to delay completion of a project if market conditions do not allow an appropriate return. If conditions arise and we are not able or decide not to complete a project or if the expected cash flows of our project do not exceed the book value, an impairment of the project may be required. If additional phases of any of our existing projects or if any new projects are not successful, it may adversely affect our financial condition and results of operations.

During 2018, construction continued on the development of Phase II at both Assembly Row and Pike & Rose, with portions of both projects opening during 2018. Additionally, we commenced construction on Phase III at both projects, and we continued our on-going redevelopment efforts at Santana Row. A further discussion of these projects, expected costs, and current status can be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the "Outlook" subsection.

In addition to the risks associated with real estate investment in general, as described elsewhere and the specific risks above, the risks associated with our remaining development activities include:

- contractor changes may delay the completion of development projects and increase overall costs;
- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy;
- delivery of residential product (both rental units and for sale condominium units) into uncertain residential environments may result in lower rents or sale prices than underwritten or longer time periods to reach economic stabilization;
- substantial amount of our investment is related to infrastructure and the overall value of the project may be negatively impacted if we do not complete subsequent phases;
- failure or inability to obtain construction or permanent financing on favorable terms;
- failure or inability to obtain public funding from governmental agencies to fund infrastructure projects, including public funding in connection with our development at Assembly Row;
- expenditure of money and time on projects that may never be completed;
- difficulty securing key anchor or other tenants may impact occupancy rates and projected revenue;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher than estimated construction or operating costs, including labor and material costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of high quality, retail focused properties in densely populated areas with high average household incomes and significant barriers to adding competitive retail supply. The redevelopment and acquisition of properties entail risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- our estimate of the costs to improve, reposition or redevelop a property may prove to be too low, or the time we estimate to complete the improvement, repositioning or redevelopment may be too short. As a result, the property may fail to achieve the returns we have projected, either temporarily or for a longer time;
- we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- we may not be able to integrate an acquisition into our existing operations successfully;
- properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected;

our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and
our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

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Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition of additional properties. We believe that it will be difficult to fund our expected growth with cash from operating activities because, in addition to other requirements, we are generally required to distribute to our shareholders at least 90% of our taxable income each year to continue to qualify as a REIT for federal income tax purposes. As a result, we must rely primarily upon the availability of debt or equity capital, which may or may not be available on favorable terms or at all. Debt could include the sale of debt securities and mortgage loans from third parties. If economic conditions and conditions in the capital markets are not favorable at the time we need to raise capital, we may need to obtain capital on less favorable terms. Additionally, we cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential and risk profile, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors as well as the impact of the economic environment, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

Rising interest rates could adversely affect our cash flow and the market price of our outstanding debt and preferred shares.

Of our approximately \$3.2 billion of debt outstanding as of December 31, 2018, approximately \$275.0 million bears interest at a variable rate of LIBOR plus 90.0 basis points. We also have an \$800.0 million revolving credit facility, on which no balance was outstanding at December 31, 2018, that bears interest at LIBOR plus 82.5 basis points. We may borrow additional funds at variable interest rates in the future. Increases in interest rates would increase the interest expense on our variable rate debt and reduce our cash flow, which could adversely affect our ability to service our debt and meet our other obligations and also could reduce the amount we are able to distribute to our shareholders. We may enter into hedging arrangements or other transactions for all or a portion of our variable rate debt to limit our exposure to rising interest rates. However, the amounts we are required to pay under variable rate debt to which hedging or similar arrangements relate may increase in the event of non-performance by the counterparties to any such hedging arrangements. In addition, an increase in market interest rates may lead purchasers of our debt securities and preferred shares to demand a higher annual yield, which could adversely affect the market price of our outstanding debt securities and preferred shares and the cost and/or timing of refinancing or issuing additional debt securities or preferred shares.

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our debt and equity securities depends on various factors, which may change from time to time and/or may be unrelated to our financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors include, among others:

- general economic and financial market conditions;
- level and trend of interest rates;
- our ability to access the capital markets to raise additional capital;
- the issuance of additional equity or debt securities;
- changes in our funds from operations ("FFO") or earnings estimates;
- changes in our debt or analyst ratings;
- our financial condition and performance;
- market perception of our business compared to other REITs; and
- market perception of REITs, in general, compared to other investment alternatives.

Loss of our key management could adversely affect performance and the value of our common shares.

We are dependent on the efforts of our key management. Although we believe qualified replacements could be found for any departures of key executives, the loss of their services could adversely affect our performance and the value of our common shares.

Our performance and value are subject to general risks associated with the real estate industry.

Our economic performance and the value of our real estate assets, and, consequently, the value of our investments, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. As a real estate company, we are susceptible to the following real estate industry risks:

- economic downturns in general, or in the areas where our properties are located;
- adverse changes in local real estate market conditions, such as an oversupply or reduction in demand;

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• changes in tenant preferences that reduce the attractiveness of our properties to tenants;
• zoning or regulatory restrictions;
• decreases in market rental rates;
• weather conditions that may increase or decrease energy costs and other weather-related expenses;
• costs associated with the need to periodically repair, renovate and re-lease space; and
• increases in the cost of adequate maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur even when circumstances such as market factors and competition cause a reduction in revenues from one or more properties, although real estate taxes typically do not increase upon a reduction in such revenues.

Each of these risks could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect our financial condition and results of operation.

Many real estate costs are fixed, even if income from our properties decreases.

Our financial results depend primarily on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. Additionally, new properties that we may acquire or redevelop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with such new properties until they are fully occupied.

Competition may limit our ability to purchase new properties and generate sufficient income from tenants.

Numerous commercial developers and real estate companies compete with us in seeking tenants for our existing properties and properties for acquisition. This competition may:

- reduce properties available for acquisition;
- increase the cost of properties available for acquisition;
- reduce rents payable to us;
- interfere with our ability to attract and retain tenants;
- lead to increased vacancy rates at our properties; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs and other forms of sales and marketing of goods, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants. If we are unable to continue to attract appropriate retail tenants to our properties, or to purchase new properties in our geographic markets, it could materially affect our ability to generate net income, service our debt and make distributions to our shareholders.

We may be unable to sell properties when appropriate because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. In addition, there are some limitations under federal income tax laws applicable to real estate and to REITs in particular that may limit our ability to sell our assets. We may not be able to alter our portfolio promptly in response to changes in economic or other conditions including being unable to sell a property at a return we believe is appropriate due to the economic environment. Our inability to respond quickly to adverse changes in the performance of our investments could have an adverse effect on our ability to meet our obligations and make distributions to our shareholders.

Our insurance coverage on our properties may be inadequate.

We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire, flood, earthquake, environmental matters, rental loss and acts of terrorism. All of these policies contain coverage limitations. We believe these coverages are of the types and amounts customarily obtained for or by an owner of similar types of real property assets located in the areas where our properties are located. We intend to obtain similar insurance coverage on subsequently acquired properties.

The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry and other factors outside our control. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no

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longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Further, we may be unable to collect insurance proceeds if our insurers are unable to pay or contest a claim. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our shareholders.

We may have limited flexibility in dealing with our jointly owned investments.

Our organizational documents do not limit the amount of funds that we may invest in properties and assets owned jointly with other persons or entities. As of December 31, 2018, we held 17 predominantly retail real estate projects jointly with other persons in addition to properties owned in a “downREIT” structure. Additionally, we have entered into joint venture agreements related to the hotel component of Phase II of our Pike & Rose and Assembly Row development projects. We may make additional joint investments in the future. Our existing and future joint investments may subject us to special risks, including the possibility that our partners or co-investors might become bankrupt, that those partners or co-investors might have economic or other business interests or goals which are unlike or incompatible with our business interests or goals, that those partners or co-investors might be in a position to take action contrary to our suggestions or instructions, or in opposition to our policies or objectives, and that disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration or some other form of dispute resolution. Although as of December 31, 2018, we held the controlling interests in all of our existing co-investments (except the hotel investments discussed above and the investment in the La Alameda shopping center acquired in 2017), we generally must obtain the consent of the co-investor or meet defined criteria to sell or to finance these properties. Joint ownership gives a third party the opportunity to influence the return we can achieve on some of our investments and may adversely affect our ability to make distributions to our shareholders. We may also be liable for the actions of our co-investors.

Environmental laws and regulations could reduce the value or profitability of our properties.

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Under various federal, state and local laws, ordinances and regulations, we and our tenants may be required to investigate and clean up certain hazardous or toxic substances released on or in properties we own or operate, and also may be required to pay other costs relating to hazardous or toxic substances. This liability may be imposed without regard to whether we or our tenants knew about the release of these types of substances or were responsible for their release. The presence of contamination or the failure to properly remediate contamination at any of our properties may adversely affect our ability to sell or lease those properties or to borrow funds by using those properties as collateral. The costs or liabilities could exceed the value of the affected real estate. We are not aware of any environmental condition with respect to any of our properties that management believes would have a material adverse effect on our business, assets or results of operations taken as a whole. The uses of any of our properties prior to our acquisition of the property and the building materials used at the property are among the property-specific factors that will affect how the environmental laws are applied to our properties. If we are subject to any material environmental liabilities, the liabilities could adversely affect our results of operations and our ability to meet our obligations.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. Our tenants, like many of their competitors, have incurred, and

will continue to incur, capital and operating expenditures and other costs associated with complying with these laws and regulations, which will adversely affect their potential profitability.

Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a lease does not require compliance or if a tenant fails to or cannot comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

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The Americans with Disabilities Act of 1990 could require us to take remedial steps with respect to existing or newly acquired properties.

Our existing properties, as well as properties we may acquire, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990. Investigation of a property may reveal non-compliance with this Act. The requirements of this Act, or of other federal, state or local laws or regulations, also may change in the future and restrict further renovations of our properties with respect to access for disabled persons. Future compliance with this Act may require expensive changes to the properties.

The revenues generated by our tenants could be negatively affected by various federal, state and local laws to which they are subject.

We and our tenants are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and state and local fire, life-safety and similar requirements that affect the use of the properties. The leases typically require that each tenant comply with all laws and regulations. Failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties. Non-compliance of this sort could reduce our revenues from a tenant, could require us to pay penalties or fines relating to any non-compliance, and could adversely affect our ability to sell or lease a property.

Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions.

We believe that we are organized and qualified as a REIT for federal income tax purposes and currently intend to operate in a manner that will allow us to continue to qualify as a REIT under the Code. However, we cannot assure you that we will remain qualified as such in the future.

Qualification as a REIT involves the application of highly technical and complex Code provisions and applicable income tax regulations that have been issued under the Code. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying rents and certain other income. Satisfying this requirement could be difficult, for example, if defaults by tenants were to reduce the amount of income from qualifying rents. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. In addition, new legislation, new regulations, new administrative interpretations or new court decisions may significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. Any modification in the tax treatment of REITs could have a significant adverse impact to our net income.

If we fail to qualify as a REIT:

- we would not be allowed a deduction for distributions to shareholders in computing taxable income;
- we would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax for our taxable years ending on or prior to December 31, 2017;
- unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified;
- we could be required to pay significant income taxes, which would substantially reduce the funds available for investment or for distribution to our shareholders for each year in which we failed or were not permitted to qualify; and
- we would no longer be required by law to make any distributions to our shareholders.

We may be required to incur additional debt to qualify as a REIT.

As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. We are subject to income tax on amounts of undistributed taxable income and net capital gain. In addition, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and aggregate undistributed income from prior years. We intend to make distributions to shareholders to comply with the Code's distribution provisions and to avoid federal income and excise tax. We may need to borrow funds to meet our distribution requirements because:

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our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and
• non-deductible capital expenditures, creation of reserves, or debt service requirements may reduce available cash but not taxable income.

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In these circumstances, we might have to borrow funds on terms we might otherwise find unfavorable and we may have to borrow funds even if our management believes the market conditions make borrowing financially unattractive. Current tax law also allows us to pay a portion of our distributions in shares instead of cash.

To maintain our status as a REIT, we limit the amount of shares any one shareholder can own.

The Code imposes certain limitations on the ownership of the stock of a REIT. For example, not more than 50% in value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of any taxable year. To protect our REIT status, our declaration of trust prohibits any one shareholder from owning (actually or constructively) more than 9.8% in value of the outstanding common shares or of any class or series of outstanding preferred shares. The constructive ownership rules are complex. Shares of our capital stock owned, actually or constructively, by a group of related individuals and/or entities may be treated as constructively owned by one of those individuals or entities. As a result, the acquisition of less than 9.8% in value of the outstanding common shares and/or a class or series of preferred shares (or the acquisition of an interest in an entity that owns common shares or preferred shares) by an individual or entity could cause that individual or entity (or another) to own constructively more than 9.8% in value of the outstanding capital stock. If that happened, either the transfer of ownership would be void or the shares would be transferred to a charitable trust and then sold to someone who can own those shares without violating the 9.8% ownership limit.

The Board of Trustees may waive these restrictions on a case-by-case basis. In addition, the Board of Trustees and two-thirds of our shareholders eligible to vote at a shareholder meeting may remove these restrictions if they determine it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The 9.8% ownership restrictions may delay, defer or prevent a transaction or a change of our control that might involve a premium price for the common shares or otherwise be in the shareholders' best interest.

U.S. federal tax reform legislation now and in the future could affect REITs, both positively and negatively, in ways that are difficult to anticipate.

The Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"), signed into law on December 22, 2017, represents sweeping tax reform legislation that makes significant changes to corporate and individual tax rates and the calculation of taxes. While we currently do not expect the 2017 Tax Act will have a significant direct impact on us, it may impact us indirectly as our tenants and the jurisdictions in which we do business as well as the overall investment thesis for REITs may be impacted both positively and negatively in ways that are difficult to predict. Additionally, the overall impact of the 2017 Tax Act depends on future interpretations and regulations that may be issued by federal tax authorities, as well as changes in state and local taxation in response to the 2017 Tax Act, and it is possible that such future interpretations, regulations and other changes could adversely impact us.

We cannot assure you we will continue to pay dividends at historical rates.

Our ability to continue to pay dividends on our common shares at historical rates or to increase our common share dividend rate, and our ability to pay preferred share dividends and service our debt securities, will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend on our common shares, it could have an adverse effect on the market price of our common shares and other securities. Any preferred shares we may offer in the future may have a fixed dividend rate that would not increase with any increases in the dividend rate of our common shares. Conversely, payment of dividends on our common shares may be subject to payment in full of the dividends on any preferred shares and payment of interest on any debt securities we may offer.

Certain tax and anti-takeover provisions of our declaration of trust and bylaws may inhibit a change of our control. Certain provisions contained in our declaration of trust and bylaws and the Maryland General Corporation Law, as applicable to Maryland REITs, may discourage a third party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also may delay or prevent the shareholders from receiving a premium for their common shares over

then-prevailing market prices. These provisions include:
the REIT ownership limit described above;

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authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by the Board of Trustees;

special meetings of our shareholders may be called only by the chairman of the board, the chief executive officer, the president, by one-third of the trustees or by shareholders possessing no less than 25% of all the votes entitled to be cast at the meeting;

the Board of Trustees, without a shareholder vote, can classify or reclassify unissued shares of beneficial interest, including the reclassification of common shares into preferred shares and vice-versa;

a two-thirds shareholder vote is required to approve some amendments to the declaration of trust; and

advance-notice requirements for proposals to be presented at shareholder meetings.

In addition, if we elect to be governed by it in the future, the Maryland Control Share Acquisition Law could delay or prevent a change in control. Under Maryland law, unless a REIT elects not to be subject to this law, “control shares” acquired in a “control share acquisition” have no voting rights except to the extent approved by shareholders by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer and by officers or trustees who are employees of the REIT. “Control shares” are voting shares that would entitle the acquirer to exercise voting power in electing trustees within specified ranges of voting power. A “control share acquisition” means the acquisition of control shares, with some exceptions.

Our bylaws state that the Maryland control share acquisition law will not apply to any acquisition by any person of our common shares. This bylaw provision may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares, by a vote of a majority of the shareholders entitled to vote, and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

We may amend or revise our business policies without your approval.

Our Board of Trustees may amend or revise our operating policies without shareholder approval. Our investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, are determined by the Board of Trustees. The Board of Trustees may amend or revise these policies at any time and from time to time at its discretion. A change in these policies could adversely affect our financial condition and results of operations, and the market price of our securities.

The current business plan adopted by our Board of Trustees focuses on our investment in high quality retail based properties that are typically neighborhood and community shopping centers or mixed-use properties, principally through redevelopments and acquisitions. If this business plan is not successful, it could have a material adverse effect on our financial condition and results of operations.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Annual Report on Form 10-K. 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 above risks and the risk factors.

Natural disasters and severe weather conditions could have an adverse impact on our cash flow and operating results. Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters and severe weather conditions and created additional uncertainty as to future trends and exposures. Our operations are located in areas that are subject to natural disasters and severe weather conditions such as hurricanes, earthquakes, droughts, snow storms, floods and fires. The occurrence of natural disasters or severe weather conditions can delay new development projects, increase investment costs to repair or replace damaged properties, increase operation costs, increase future property insurance costs, and negatively impact the tenant demand for lease space. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from these events, our earnings, liquidity or capital resources could be adversely affected.

We face risks relating to cyber attacks that could cause loss of confidential information and other business disruptions. We rely extensively on computer systems to process transactions and manage our business, and our business is at risk from and may be impacted by cyber attacks. These could include attempts to gain unauthorized access to our data and computer systems. Attacks can be both individual and/or highly organized attempts by very sophisticated hacking organizations. We employ a number of measures to prevent, detect and mitigate these threats, which include password

encryption, frequent password change events, firewall detection systems, anti-virus software in-place, frequent backups, a redundant data system for core applications and annual penetration testing; however, there is no guarantee such efforts will be successful in preventing a cyber attack. A cyber attack could compromise the confidential information of our employees, tenants and vendors. A successful attack could disrupt and otherwise adversely affect our business operations.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

As of December 31, 2018, we owned or had a majority ownership interest in community and neighborhood shopping centers and mixed-used properties which are operated as 104 predominantly retail real estate projects comprising approximately 24.1 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. No single commercial or residential property accounted for over 10% of our 2018 total revenue. We believe that our properties are adequately covered by commercial general liability, fire, flood, earthquake, terrorism and business interruption insurance provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

Tenant Diversification

As of December 31, 2018, we had approximately 3,000 commercial leases and 2,600 residential leases, with tenants ranging from sole proprietors to major national and international retailers. No one tenant or affiliated group of tenants accounted for more than 2.7% of our annualized base rent as of December 31, 2018. As a result of our tenant diversification, we believe our exposure to any one bankruptcy filing in the retail sector has not been and will not be significant, however, multiple filings by a number of retailers could have a significant impact.

Geographic Diversification

Our 104 real estate projects are located in 12 states and the District of Columbia. The following table shows the number of projects, the gross leasable area (“GLA”) of commercial space and the percentage of total portfolio gross leasable area of commercial space in each state as of December 31, 2018.

State	Number of Projects	Gross Leasable Area (In square feet)	Percentage of Gross Leasable Area	
California	22	5,471,000	22.7	%
Maryland	21	4,610,000	19.1	%
Virginia	16	3,651,000	15.1	%
Pennsylvania(1)	10	2,321,000	9.6	%
Massachusetts	8	2,053,000	8.5	%
New Jersey	6	1,726,000	7.2	%
Florida	4	1,310,000	5.4	%
New York	6	1,246,000	5.2	%
Illinois	4	797,000	3.3	%
Connecticut	3	397,000	1.6	%
Michigan	1	217,000	0.9	%
District of Columbia	2	169,000	0.7	%
North Carolina	1	159,000	0.7	%
Total	104	24,127,000	100.0	%

(1) Additionally, we own two participating mortgages totaling approximately \$30.4 million secured by multiple buildings in Manayunk, Pennsylvania.

Leases, Lease Terms and Lease Expirations

Our leases are classified as operating leases and typically are structured to require the monthly payment of minimum rents in advance, subject to periodic increases during the term of the lease, percentage rents based on the level of sales achieved by tenants, and reimbursement of a majority of on-site operating expenses and real estate taxes. These

features in our leases generally reduce our exposure to higher costs and allow us to participate in improved tenant sales.

Commercial property leases generally range from three to ten years; however, certain leases, primarily with anchor tenants, may be longer. Many of our leases contain tenant options that enable the tenant to extend the term of the lease at expiration at

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pre-established rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. Leases on residential units are generally for a period of one year or less and, in 2018, represented approximately 8.5% of total rental income.

The following table sets forth the schedule of lease expirations for our commercial leases in place as of December 31, 2018 for each of the 10 years beginning with 2019 and after 2028 in the aggregate assuming that none of the tenants exercise future renewal options. Annualized base rents reflect in-place contractual rents as of December 31, 2018.

Year of Lease Expiration	Leased Square Footage Expiring	Percentage of Leased Square Footage Expiring	Annualized Base Rent Represented by Expiring Leases	Percentage of Annualized Base Rent Represented by Expiring Leases
2019	1,693,000	8 %	\$ 44,352,000	7 %
2020	2,223,000	10 %	59,515,000	9 %
2021	2,557,000	11 %	76,611,000	12 %
2022	3,036,000	14 %	78,507,000	13 %
2023	2,620,000	12 %	75,880,000	12 %
2024	2,895,000	13 %	69,640,000	11 %
2025	1,417,000	6 %	41,728,000	7 %
2026	942,000	4 %	31,996,000	5 %
2027	1,234,000	5 %	49,308,000	8 %
2028	1,132,000	5 %	36,245,000	6 %
Thereafter	2,761,000	12 %	61,278,000	10 %
Total	22,510,000	100 %	\$ 625,060,000	100 %

During 2018, we signed leases for a total of 1,972,000 square feet of retail space including 1,874,000 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 23% on a straight-line basis. New leases for comparable spaces were signed for 796,000 square feet at an average rental increase of 25% on a cash basis and 38% on a straight-line basis. Renewals for comparable spaces were signed for 1,078,000 square feet at an average rental increase of 4% on a cash basis and 13% on a straight-line basis. Tenant improvements and incentives for comparable spaces were \$27.09 per square foot, of which, \$61.02 per square foot was for new leases and \$2.02 per square foot was for renewals in 2018.

During 2017, we signed leases for a total of 1,793,000 square feet of retail space including 1,622,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 13% on a cash basis and 26% on a straight-line basis. New leases for comparable spaces were signed for 773,000 square feet at an average rental increase of 19% on a cash basis and 32% on a straight-line basis. Renewals for comparable spaces were signed for 848,000 square feet at an average rental increase of 9% on a cash basis and 21% on a straight-line basis. Tenant improvements and incentives for comparable spaces were \$36.00 per square foot, of which, \$62.11 per square foot was for new leases and \$12.18 was for renewal leases in 2017.

The rental increases associated with comparable spaces generally include all leases signed for retail space 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.

The leases signed in 2018 generally become effective over the following two years though some may not become effective until 2021 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 1.7 million square feet of retail space each year and expect the volume for 2019 will be in line with our historical averages with overall positive increases in rental income. However,

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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.

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Retail and Residential Properties

The following table sets forth information concerning all real estate projects in which we owned an equity interest, had a leasehold interest, or otherwise controlled and are consolidated as of December 31, 2018. Except as otherwise noted, we are the sole owner of our real estate projects. Principal tenants are the largest tenants in the project based on square feet leased or are tenants important to a project's success due to their ability to attract retail customers.

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
California						
Azalea South Gate, CA 90280(5)(9)	2014	2017	223,000	\$27.95	100%	Marshalls Ross Dress for Less Ulta CVS Food4Less
Bell Gardens Bell Gardens, CA 90201(4)(5)(9)	1990, 2003, 2006	2017/2018	330,000	\$22.02	93%	Marshalls Ross Dress for Less Bob's Discount Furniture
Colorado Blvd Pasadena, CA 91103(4)	1905-1988	1996/1998	62,000 12 Units	\$46.85 N/A	100% 100%	Pottery Barn Banana Republic
Crow Canyon Commons San Ramon, CA 94583	1980, 1998, 2006	2005/2007	241,000	\$28.48	97%	Sprouts Rite Aid Total Wine & More
East Bay Bridge Emeryville & Oakland, CA 94608	1994-2001, 2011, 2012	2012	441,000	\$18.59	100%	Pak-N-Save Home Depot Target Nordstrom Rack TJ Maxx Dick's Sporting Goods
Escondido Promenade Escondido, CA 92029(5)	1987	1996/2010	298,000	\$29.62	99%	Ross Dress For Less
Fourth Street Berkeley, CA 94710(5)	1948, 1975	2017	71,000	\$28.98	55%	CB2 Ingram Book Group
Hastings Ranch Plaza Pasadena, CA 91107(4)	1958, 1984, 2006, 2007	2017	273,000	\$7.22	99%	Marshalls HomeGoods CVS Sears
Hermosa Avenue Hermosa Beach, CA 90254	1922	1997	23,000	\$49.82	81%	
Hollywood Blvd Hollywood, CA 90028	1929, 1991	1999	179,000	\$34.06	73%	Marshalls L.A. Fitness La La Land
	N/A	2018	N/A	N/A	N/A	

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Jordan Downs Plaza Los Angeles County, CA 90002(4)(5)(6) Kings Court Los Gatos, CA 95032(4)(7)	1960	1998	80,000	\$40.29	100%	Lunardi's CVS
La Alameda Walnut Park, CA 90255(4)(8)(9)	2008	2017	245,000	\$23.39	88%	Marshalls Ross Dress For Less CVS Petco
Old Town Center Los Gatos, CA 95030	1962, 1998	1997	98,000	\$41.98	86%	Anthropologie Banana Republic GAP
Olivo at Mission Hills Mission Hills, CA 91345(5)	2018	2017	136,000	\$30.71	91%	Target 24 Hour Fitness Ross Dress for Less
Plaza Del Sol South El Monte, CA 91733(5)(9)	2009	2017	48,000	\$23.32	100%	Marshalls
Plaza El Segundo / The Point El Segundo, CA 90245(5)(9)	2006-2007, 2016	2011/2013	495,000	\$45.49	94%	Whole Foods Anthropologie HomeGoods Dick's Sporting Goods Multiple Restaurants
Plaza Pacoima Pacoima, CA 91331(5)	2010	2017	204,000	\$14.36	100%	Costco Best Buy
San Antonio Center Mountain View, CA 94040(4)(7)	1958, 1964-1965, 1974-1975, 1995-1997	2015	376,000	\$14.74	97%	Trader Joe's Walmart Kohl's 24 Hour Fitness Crate & Barrel H&M Container Store
Santana Row San Jose, CA 95128(4)	2002, 2009, 2016	1997	884,000	\$53.64	98%	Splunk Multiple Restaurants

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Santana Row Residential San Jose, CA 95128	2003-2006, 2011, 2014	1997/2012	662 units	N/A	95%	
Sylmar Towne Center Sylmar, CA 91342(5)(9)	1973	2017	148,000	\$15.29	89%	Food4Less CVS
Third Street Promenade Santa Monica, CA 90401	1888-2000	1996-2000	209,000	\$87.34	100%	Adidas Banana Republic Old Navy J. Crew Walmart Neighborhood Market Target Nordstrom Rack Nike Factory TJ Maxx
Westgate Center San Jose, CA 95129	1960-1966	2004	652,000	\$19.34	99%	
Connecticut Bristol Plaza Bristol, CT 06010	1959	1995	266,000	\$13.93	95%	Stop & Shop TJ Maxx
Darien Darien, CT 06820	1920-2009	2013/2018	95,000	\$30.46	97%	Stop & Shop
Greenwich Avenue Greenwich Avenue, CT 06830	1968	1995	36,000	\$70.15	100%	Equinox Walgreens
District of Columbia						
Friendship Center Washington, DC 20015	1998	2001	119,000	\$30.13	100%	Marshalls Nordstrom Rack DSW Maggiano's
Sam's Park & Shop Washington, DC 20008	1930	1995	50,000	\$39.79	89%	
Florida CocoWalk Coconut Grove, FL 33133(5)(12)	1990/1994, 1922-1973	2015-2017	170,000	\$26.48	74%	Gap Cinepolis Theaters Youfit Health Club
Del Mar Village Boca Raton, FL 33433	1982, 1994 & 2007	2008/2014	191,000	\$18.53	91%	Winn Dixie CVS L.A. Fitness

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The Shops at Sunset Place South Miami, FL 33143(5)(9)	1999	2015	523,000	\$18.74	74%	AMC L.A. Fitness Barnes & Noble Restoration Hardware Outlet Trader Joe's TJ Maxx
Tower Shops Davie, FL 33324	1989, 2017	2011/2014	426,000	\$24.21	99%	Ross Dress for Less Best Buy Ulta
Illinois						
Crossroads Highland Park, IL 60035	1959	1993	168,000	\$22.13	90%	L.A. Fitness Ulta Binny's Ferguson's Bath, Kitchen, & Lighting Gallery
Finley Square Downers Grove, IL 60515	1974	1995	278,000	\$15.52	98%	Bed, Bath & Beyond Buy Buy Baby Petsmart Portillo's
Garden Market Western Springs, IL 60558	1958	1994	140,000	\$13.81	99%	Mariano's Fresh Market Walgreens
Riverpoint Center Chicago, IL 60614	1989, 2012	2017	211,000	\$21.07	93%	Jewel Osco Marshalls Old Navy
Maryland						
Bethesda Row Bethesda, MD 20814(4)	1945-1991 2001, 2008	1993-2006/ 2008/2010	536,000	\$52.99	95%	Giant Food Apple Equinox Anthropologie Multiple Restaurants
Bethesda Row Residential Bethesda, MD 20814	2008	1993	180 units	N/A	95%	

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Congressional Plaza Rockville, MD 20852(5)	1965	1965	325,000	\$40.63	95%	The Fresh Market Buy Buy Baby Saks Fifth Avenue Off 5th Container Store Ulta
Congressional Plaza Residential Rockville, MD 20852(5)	2003, 2016	1965	194 units	N/A	96%	
Courthouse Center Rockville, MD 20852	1975	1997	38,000	\$23.86	70%	
Federal Plaza Rockville, MD 20852	1970	1989	250,000	\$36.67	97%	Trader Joe's TJ Maxx Micro Center Ross Dress for Less Giant Food TJ Maxx Ross Dress For Less Office Depot Bed, Bath & Beyond Ross Dress For Less Ashley Furniture HomeStore Aldi
Free State Shopping Center Bowie, MD 20715	1970	2007	264,000	\$19.38	97%	Dick's Sporting Goods A.C. Moore Giant Food Marshalls L.A. Fitness
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	208,000	\$28.30	95%	Giant Food Marshalls Old Navy
Governor Plaza Glen Burnie, MD 21961	1963	1985	243,000	\$19.90	98%	
Laurel Laurel, MD 20707	1956	1986	389,000	\$22.84	89%	
Montrose Crossing Rockville, MD 20852(5)(9)	1960-1979, 1996, 2011	2011/2013	367,000	\$31.55	90%	

Perring Plaza Baltimore, MD 21134	1963	1985	396,000	\$15.30	100%	Barnes & Noble Bob's Discount Furniture Shoppers Food Warehouse Home Depot Micro Center Burlington iPic Theater Porsche Uniqlo REI Pinstripes Multiple Restaurants
Pike & Rose North Bethesda, MD 20852(11)	1963, 2014, 2018	1982/2007/ 2012	441,000	\$39.67	100%	
Pike & Rose Residential North Bethesda, MD 20852(11)	2014, 2016, 2018	1982/2007	765 units	N/A	96%	
Plaza Del Mercado Silver Spring, MD 20906	1969	2004	117,000	\$30.74	94%	Aldi CVS L.A. Fitness Aldi HomeGoods L.A. Fitness Staples Dawson's Market CVS Gold's Gym Multiple Restaurants
Quince Orchard Gaithersburg, MD 20877(4)	1975	1993	267,000	\$24.13	95%	
Rockville Town Square Rockville, MD 20852(4)	2006-2007	2006/2007	186,000	\$30.82	87%	
Rollingwood Apartments Silver Spring, MD 20910(9)	1960	1971	282 units	N/A	96%	
THE AVENUE at White Marsh Baltimore, MD 21236(7)(9)	1997	2007	314,000	\$25.51	99%	AMC Ulta Old Navy Barnes & Noble
The Shoppes at Nottingham Square Baltimore, MD 21236	2005-2006	2007	32,000	\$48.16	87%	
Towson Residential (Flats @703)	2017	2007	4,000 105 units	\$71.41 N/A	100% 96%	

Baltimore, MD 21236 White Marsh Other						
Baltimore, MD 21236 White Marsh Plaza	1985	2007	70,000	\$30.82	97%	
Baltimore, MD 21236	1987	2007	80,000	\$23.66	100%	Giant Food
Wildwood Bethesda, MD 20814	1958	1969	83,000	\$103.39	95%	Balducci's CVS Multiple Restaurants

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Massachusetts						
Assembly Row/ Assembly Square Marketplace Somerville, MA 02145(11)	2005, 2014, 2018	2005-2011/ 2013	881,000	\$28.07	98%	Trader Joe's TJ Maxx AMC LEGOLAND Discovery Center Multiple Restaurants & Outlets
Assembly Row Residential Somerville, MA 02145(11)	2018	2005-2011	447 units	N/A	96%	
Campus Plaza Bridgewater, MA 02324	1970	2004	116,000	\$16.06	97%	Roche Bros. Burlington
Chelsea Commons Chelsea, MA 02150(9)	1962-1969, 2008	2006-2008	222,000	\$12.71	91%	Home Depot Planet Fitness
Dedham Plaza Dedham, MA 02026	1959	1993/2016	245,000	\$16.81	91%	Star Market Planet Fitness
Linden Square Wellesley, MA 02481	1960, 2008	2006	223,000	\$48.75	99%	Roche Bros. CVS
			7 Units	N/A	100%	
North Dartmouth North Dartmouth, MA 02747	2004	2006	48,000	\$15.31	100%	Stop & Shop
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	\$17.82	100%	Big Y Foods TJ Maxx HomeGoods
Saugus Plaza Saugus, MA 01906	1976	1996	169,000	\$16.77	98%	Super Stop & Shop
Michigan						
Gratiot Plaza Roseville, MI 48066	1964	1973	217,000	\$12.32	100%	Kroger Bed, Bath & Beyond Best Buy DSW
New Jersey						
Brick Plaza Brick Township, NJ 08723(4)	1958	1989	406,000	\$22.73	78%	AMC HomeGoods Ulta L.A. Fitness Banana Republic
Brook 35 Sea Grit, NJ 08750(5)(7)(9)	1986, 2004	2014	99,000	\$36.72	97%	Gap Williams-Sonoma
Ellisburg Cherry Hill, NJ	1959	1992	268,000	\$16.00	89%	Whole Foods Buy Buy Baby

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08034							Stein Mart
							Shop Rite
Mercer Mall							Ross Dress for Less
Lawrenceville, NJ	1975	2003/2017	550,000	\$24.53	97%		Nordstrom Rack
08648(4)							Bed, Bath & Beyond
							REI
The Grove at							Lululemon
Shrewsbury	1988, 1993						Anthropologie
Shrewsbury, NJ	& 2007	2014	192,000	\$46.88	98%		Pottery Barn
07702(5)(7)(9)							Williams-Sonoma
Troy Hills							Target
Parsippany-Troy, NJ	1966	1980	211,000	\$22.48	100%		L.A. Fitness
07054							Michaels
New York							
							Island of Gold
Fresh Meadows							AMC
Queens, NY 11365	1949	1997	404,000	\$34.47	100%		Kohl's
							Michaels
Greenlawn Plaza							Greenlawn Farms
Greenlawn, NY	1975, 2004	2006	106,000	\$18.87	99%		Tuesday Morning
11743							
Hauppauge							Shop Rite
Hauppauge, NY	1963	1998	134,000	\$30.40	98%		A.C. Moore
11788							
Huntington							Nordstrom Rack
Huntington, NY	1962	1988/2007/ 2015	277,000	\$24.35	98%		Buy Buy Baby
11746							Michaels
							Petsmart
Huntington Square							
East Northport, NY	1980, 2007	2010	74,000	\$28.07	93%		Barnes & Noble
11731(4)							

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Melville Mall Huntington, NY 11747(4)	1974	2006	251,000	\$26.23	95%	Uncle Giuseppe's Marketplace Marshalls Dick's Sporting Goods Field & Stream Macy's Backstage
North Carolina						
Eastgate Crossing Chapel Hill, NC 27514	1963	1986	159,000	\$27.38	91%	Trader Joe's Ulta Stein Mart Petco
Pennsylvania						
Andorra Philadelphia, PA 19128	1953	1988	265,000	\$14.38	85%	Acme Markets Kohl's L.A. Fitness Staples Acme Markets
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	294,000	\$25.02	100%	Lord & Taylor Michaels L.A. Fitness
Flourtown Flourtown, PA 19031	1957	1980	156,000	\$22.15	99%	Giant Food Movie Tavern
Lancaster Lancaster, PA 17601(4)	1958	1980	127,000	\$18.58	98%	Giant Food
Langhorne Square Levittown, PA 19056	1966	1985	227,000	\$17.12	98%	Redner's Warehouse Mkts. Marshalls Planet Fitness Acme Markets
Lawrence Park Broomall, PA 19008	1972	1980/2017	374,000	\$21.60	86%	TJ Maxx HomeGoods Barnes & Noble Marshalls
Northeast Philadelphia, PA 19114	1959	1983	292,000	\$15.18	85%	Burlington Ulta A.C. Moore
Town Center of New Britain New Britain, PA 18901	1969	2006	124,000	\$10.04	88%	Giant Food Rite Aid Dollar Tree
Willow Grove Willow Grove, PA 19090	1953	1984	211,000	\$18.80	95%	Marshalls HomeGoods Barnes & Noble

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Wynnewood Wynnewood, PA 19096	1948	1996	251,000	\$28.14	100%	Giant Food Bed, Bath & Beyond Old Navy DSW
Virginia			9 Units	N/A	67%	
29th Place Charlottesville, VA 22091(9)	1975-2001	2007	169,000	\$18.71	97%	HomeGoods DSW Stein Mart Staples
Barcoft Plaza Falls Church, VA 22041	1963, 1972, 1990, & 2000	2006/2007/ 2016	115,000	\$24.39	96%	Harris Teeter
Barracks Road Charlottesville, VA 22905	1958	1985	498,000	\$27.86	97%	Harris Teeter Kroger Anthropologie Nike Bed, Bath & Beyond Old Navy Giant Food
Falls Plaza Falls Church, VA 22046	1960-1962	1967/1972	144,000	\$34.70	92%	CVS Staples
Graham Park Plaza Fairfax, VA 22042	1971	1983	177,000	\$31.22	94%	Giant Food CVS
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	\$48.32	98%	Whole Foods
Leesburg Plaza Leesburg, VA 20176	1967	1998	236,000	\$23.39	92%	Giant Food Petsmart Gold's Gym Office Depot

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Base Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Mount Vernon/South Valley/ 7770 Richmond Hwy Alexandria, VA 22306(4)(7)	1966, 1972,1987 & 2001	2003/2006	570,000	\$18.41	97%	Shoppers Food Warehouse TJ Maxx Home Depot Bed, Bath & Beyond Results Fitness Whole Foods Walgreens Planet Fitness Safeway Micro Center CVS Michaels Harris Teeter TJ Maxx Bed, Bath & Beyond DSW TJ Maxx DSW Crunch Fitness Staples L.A. Mart Talbots Total Wine & More
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	\$40.69	100%	Planet Fitness Safeway Micro Center CVS Michaels Harris Teeter TJ Maxx Bed, Bath & Beyond DSW TJ Maxx DSW Crunch Fitness Staples L.A. Mart Talbots Total Wine & More
Pan Am Fairfax, VA 22031	1979	1993	226,000	\$25.99	100%	Trader Joe's Harris Teeter AMC Carlyle Grand Café Kroger Old Navy Ross Dress
Pentagon Row Arlington, VA 22202	2001-2002	1998/2010	298,000	\$36.37	96%	
Pike 7 Plaza Vienna, VA 22180	1968	1997/2015	168,000	\$47.82	98%	
Tower Shopping Center Springfield, VA 22150	1960	1998	112,000	\$26.21	87%	
Tyson's Station Falls Church, VA 22043	1954	1978	50,000	\$46.40	92%	
Village at Shirlington Arlington, VA 22206(4)	1940, 2006-2009	1995	260,000	\$38.58	90%	
Willow Lawn Richmond, VA 23230	1957	1983	463,000	\$19.36	99%	

For Less
Gold's Gym
DSW

Total All Regions—Retail(10)	24,127,000	\$27.77	95%
Total All Regions—Residential	2,669 units		96%

(1) Represents the GLA of the commercial portion of the property. Some of our properties include office space which is included in this square footage.

Average base rent is calculated as the aggregate, annualized in-place contractual (defined as cash basis excluding (2) rent abatements) minimum rent for all occupied spaces divided by the aggregate GLA of all occupied spaces.

Average base rent is for commercial spaces only.

(3) Percentage leased is expressed as a percentage of rentable commercial square feet occupied or subject to a lease.

Residential percentage leased is expressed as a percentage of units occupied or subject to a lease.

(4) All or a portion of this property is owned pursuant to a ground lease.

(5) We own the controlling interest in this property.

On June 15, 2018, we formed a new joint venture to develop Jordan Downs Plaza, which when completed, will be (6) an approximately 113,000 square foot grocery anchored shopping center. See Note 3 to the Consolidated Financial Statements for further discussion.

(7) We own all or a portion of this property in a “downREIT” partnership, of which a wholly owned subsidiary of the Trust is the sole general partner, with third party partners holding operating partnership units.

(8) We own a noncontrolling interest in this property.

(9) All or a portion of this property is encumbered by a mortgage loan.

(10) Aggregate information is calculated on a GLA weighted-average basis, excluding our La Alameda property, which is unconsolidated.

(11) Portion of property is currently under development. See further discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(12) This property includes partial interests in five buildings in addition to our initial acquisition.

ITEM 3. LEGAL PROCEEDINGS

In November 2016, we were included as a defendant in a class action lawsuit, in the circuit court for Montgomery County, Maryland, related to predatory towing by a third party company we had retained to provide towing services at several of our properties in Montgomery County, Maryland. Given the costs and risks of continuing litigation on this matter, we elected to participate in a settlement for which our share was approximately \$0.4 million, and was reimbursed by insurance. The settlement did not cover liability for certain tows that were included in the lawsuit that the defendant class believes cannot be pursued because of the statute of limitations. Accordingly, we do not believe we should have any additional liability for these remaining tows; however, if we are unsuccessful in dismissing these tows from the litigation, our liability would be less than \$0.1 million.

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ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares trade on the New York Stock Exchange under the symbol “FRT.” Listed below are the high and low sales prices of our common shares as reported on the New York Stock Exchange and the dividends declared for each of the periods indicated.

	Price Per Share		Dividends
	High	Low	Declared Per Share
2018			
Fourth quarter	\$135.68	\$115.22	\$ 1.020
Third quarter	\$131.72	\$120.00	\$ 1.020
Second quarter	\$128.00	\$110.66	\$ 1.000
First quarter	\$134.20	\$106.41	\$ 1.000
2017			
Fourth quarter	\$134.52	\$119.37	\$ 1.000
Third quarter	\$135.59	\$122.60	\$ 1.000
Second quarter	\$138.12	\$120.50	\$ 0.980
First quarter	\$145.80	\$126.02	\$ 0.980

On February 8, 2019, there were 2,492 holders of record of our common shares.

Our ongoing operations generally will not be subject to federal income taxes as long as we maintain our REIT status and distribute to shareholders at least 100% of our taxable income. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income.

Future distributions will be at the discretion of our Board of Trustees and will depend on our actual net income available for common shareholders, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our regular annual dividend rate for 51 consecutive years.

Our total annual dividends paid per common share for 2018 and 2017 were \$4.02 per share and \$3.94 per share, respectively. The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares. No assurances can be given regarding what portion, if any, of distributions in 2019 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Section 857(b)(3) of the Code to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, then the capital gain dividends are generally taxable to the shareholder as long-term capital gains. The following table reflects the income tax status of distributions per share paid to common shareholders:

	Year Ended December 31,	
	2018	2017
Ordinary dividend	\$3.859	\$3.940
Ordinary dividend eligible for 15% rate	0.161	—

\$4.020 \$3.940

Distributions on our 5.417% Series 1 Cumulative Convertible Preferred Shares were paid at the rate of \$1.354 per share per annum commencing on the issuance date of March 8, 2007. Distributions on our 5.0% Series C Cumulative Redeemable

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Preferred Shares (which were issued September 29, 2017) were declared at the rate of \$1.25 per depositary share per annum, and the first payment date was January 16, 2018. In 2018, dividends paid per depositary share were \$1.306 due to the timing of issuance. We do not believe that the preferential rights available to the holders of interest in our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Total Stockholder Return Performance

The following performance graph compares the cumulative total shareholder return on Federal Realty's common shares with the S&P 500 Index and the index of equity real estate investment trusts prepared by the National Association of Real Estate Investment Trusts ("NAREIT") for the five fiscal years commencing December 31, 2013, and ending December 31, 2018, assuming an investment of \$100 and the reinvestment of all dividends into additional common shares during the holding period. Equity real estate investment trusts are defined as those that derive more than 75% of their income from equity investments in real estate assets. The FTSE NAREIT Equity REIT Total Return Index includes all tax qualified real estate investment trusts listed on the NYSE, NYSE MKT, or the NASDAQ National Market. Stock performance for the past five years is not necessarily indicative of future results.

Recent Sales of Unregistered Shares

Under the terms of various operating 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 our common shares, at our option. During the three months ended December 31, 2018, we issued 864 common shares in connection with the redemption of operating partnership units. Any other equity securities sold by us during 2018 that were not registered have been previously reported in a Quarterly Report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2018, 46,391 restricted common shares were forfeited by former employees.

From time to time, we could be deemed to have repurchased shares as a result of shares withheld for tax purposes upon a stock compensation related vesting event.

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ITEM 6. SELECTED FINANCIAL DATA

The following table includes certain financial information on a consolidated historical basis. You should read this section in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data.”

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data and ratios)				
Operating Data:					
Rental income	\$895,698	\$841,461	\$786,583	\$727,812	\$666,322
Property operating income(1)	\$627,566	\$584,619	\$547,979	\$510,595	\$474,167
Operating income	\$349,721	\$332,288	\$320,995	\$300,154	\$271,037
Income from continuing operations	\$237,111	\$219,948	\$226,425	\$190,094	\$167,888
Gain on sale of real estate and change in control of interests, net	\$11,915	\$77,922	\$32,458	\$28,330	\$4,401
Net income	\$249,026	\$297,870	\$258,883	\$218,424	\$172,289
Net income available for common shareholders	\$233,865	\$287,456	\$249,369	\$209,678	\$163,994
Net cash provided by operating activities	\$516,688	\$458,828	\$427,672	\$371,808	\$349,415
Net cash used in investing activities	\$(192,247)	\$(837,922)	\$(590,221)	\$(355,353)	\$(410,225)
Net cash (used in) provided by financing activities	\$(241,309)	\$369,445	\$168,838	\$(42,188)	\$5,699
Earnings per common share, basic:					
Net income available to common shareholders	\$3.18	\$3.97	\$3.51	\$3.04	\$2.42
Weighted average number of common shares, basic	73,274	72,117	70,877	68,797	67,322
Earnings per common share, diluted:					
Net income available to common shareholders	\$3.18	\$3.97	\$3.50	\$3.03	\$2.41
Weighted average number of common shares, diluted	73,302	72,233	71,049	68,981	67,492
Dividends declared per common share	\$4.04	\$3.96	\$3.84	\$3.62	\$3.30
Other Data:					
Funds from operations available to common shareholders(2)	\$461,777	\$419,977	\$406,359	\$352,857	\$327,597
EBITDA(3)	\$595,558	\$549,107	\$515,151	\$478,734	\$445,888
Ratio of EBITDA to combined fixed charges and preferred share dividends(3)(4)	4.2x	3.9x	4.5x	3.6x	3.5x
	As of December 31,				
	2018	2017	2016	2015	2014
	(In thousands)				
Balance Sheet Data:					
Real estate, at cost	\$7,819,472	\$7,635,061	\$6,759,073	\$6,064,406	\$5,608,998
Total assets	\$6,289,644	\$6,275,755	\$5,423,279	\$4,896,559	\$4,534,237
Total debt	\$3,229,204	\$3,284,766	\$2,798,452	\$2,627,216	\$2,397,043
Total shareholders’ equity	\$2,467,330	\$2,391,514	\$2,075,835	\$1,781,931	\$1,692,556
Number of common shares outstanding	74,250	73,091	71,996	69,493	68,606

(1) Property operating income is a non-GAAP measure that consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income

should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP.

The reconciliation of operating income to property operating income is as follows:

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	2018	2017	2016	2015	2014
	(In thousands)				
Operating income	\$349,721	\$332,288	\$320,995	\$300,154	\$271,037
General and administrative	33,600	36,281	33,399	35,645	32,316
Depreciation and amortization	244,245	216,050	193,585	174,796	170,814
Property operating income	\$627,566	\$584,619	\$547,979	\$510,595	\$474,167

Funds from operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with GAAP, plus real estate related depreciation and amortization and excluding (2) extraordinary items and gains on the sale of 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.

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. Additional information regarding our calculation of FFO is contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

	2018	2017	2016	2015	2014
	(In thousands)				
Net income	\$249,026	\$297,870	\$258,883	\$218,424	\$172,289
Net income attributable to noncontrolling interests	(7,119)	(7,956)	(8,973)	(8,205)	(7,754)
Gain on sale of real estate and change in control of interests, net	(11,915)	(77,632)	(31,133)	(28,330)	(4,401)
Depreciation and amortization of real estate assets	213,098	188,719	169,198	154,232	154,060
Amortization of initial direct costs of leases	24,603	19,124	16,875	15,026	12,391
Funds from operations	467,693	420,125	404,850	351,147	326,585
Dividends on preferred shares	(7,500)	(1,917)	(541)	(541)	(541)
Income attributable to operating partnership units	3,053	3,143	3,145	3,398	3,027
Income attributable to unvested shares	(1,469)	(1,374)	(1,095)	(1,147)	(1,474)
Funds from operations available for common shareholders	\$461,777	\$419,977	\$406,359	\$352,857	\$327,597

(3) EBITDA for Real Estate ("EBITDAre") is a non-GAAP measure that NAREIT defines as: net income computed in accordance with GAAP plus net interest expense, income tax expense, depreciation and amortization, gain or loss on sale of real estate, impairments of real estate, and adjustments to reflect the entity's share of EBITDAre of unconsolidated affiliates. We calculate EBITDAre consistent with the NAREIT definition. As EBITDA is a widely known and understood measure of performance, management believes EBITDAre represents an additional non-GAAP performance measure, independent of a company's capital structure that will provide investors with a uniform basis to measure the enterprise value of a company. EBITDAre also approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP.

The reconciliation of net income to EBITDAre for the periods presented is as follows:

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	2018	2017	2016	2015	2014
	(In thousands)				
Net income	\$249,026	\$297,870	\$258,883	\$218,424	\$172,289
Interest expense	110,154	100,125	94,994	92,553	93,941
Other interest income	(942)	(475)	(374)	(149)	(94)
Early extinguishment of debt	—	12,273	—	19,072	10,545
Provision for income tax	1,521	1,813	—	—	—
Depreciation and amortization	244,245	216,050	193,585	174,796	170,814
Gain on sale of real estate and change in control of interests	(13,560)	(79,345)	(32,458)	(28,330)	(4,401)
Adjustments of EBITDAre of unconsolidated affiliates	5,114	796	521	2,368	2,794
EBITDAre	\$595,558	\$549,107	\$515,151	\$478,734	\$445,888

(4) Fixed charges consist of interest on borrowed funds (including capitalized interest), amortization of debt discount/premiums and debt costs, costs related to the early extinguishment of debt, and the portion of rent expense representing an interest factor. Excluding the \$12.3 million, \$19.1 million, \$10.5 million early extinguishment of debt charge from fixed charges in 2017, 2015, and 2014, respectively, the ratio of EBITDAre to combined fixed charges and preferred share dividends is 4.2x, 4.3x, and 3.8x, for 2017, 2015, and 2014, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements in this section or elsewhere in this report may be deemed “forward-looking statements”. See “Item 1A. Risk Factors” in this report for important information regarding these forward-looking statements and certain risk and uncertainties that may affect us. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in “Item 8. Financial Statements and Supplementary Data” of this report.

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 December 31, 2018, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 24.1 million square feet. In total, the real estate projects were 94.6% leased and 93.6% occupied at December 31, 2018. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 51 consecutive years.

Critical Accounting Policies

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 and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in “Item 1A. Risk Factors” of this report. Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in Note 2 to the consolidated financial statements; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

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Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous factors including current economic conditions, bankruptcies, and the ability of the tenant to perform under the terms of their lease agreement. While we make estimates of potentially uncollectible amounts and provide an allowance for them through bad debt expense, actual collectability could differ from those estimates which could affect our net income. With respect to the allowance for current uncollectible tenant receivables, we assess the collectability of outstanding receivables by evaluating such factors as nature and age of the receivable, past history and current financial condition of the specific tenant including our assessment of the tenant's ability to meet its contractual lease obligations, and the status of any pending disputes or lease negotiations with the tenant. At December 31, 2018 and 2017, our allowance for doubtful accounts was \$12.7 million and \$11.8 million, respectively. Historically, we have recognized bad debt expense between 0.3% and 1.3% of rental income and it was 0.5% in 2018. A change in the estimate of collectability of a receivable would result in a change to our allowance for doubtful accounts and correspondingly bad debt expense and net income. For example, in the event our estimates were not accurate and we were required to increase our allowance by 1% of rental income, our bad debt expense would have increased and our net income would have decreased by \$9.0 million.

Due to the nature of the accounts receivable from straight-line rents, the collection period of these amounts typically extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2018 and 2017, accounts receivable includes approximately \$97.4 million and \$93.1 million, respectively, related to straight-line rents. Correspondingly, these estimates of collectability have a direct impact on our net income.

We completed construction on 221 condominium units at our Assembly Row and Pike & Rose properties. Beginning on January 1, 2018, with the adoption of ASU 2014-09, "Revenue from Contracts with Customers," (see "Recent Accounting Pronouncements" for discussion of change in timing of revenue recognition), gains or losses on the sale of these condominium units are recognized as the condominium units are legally sold. However, in 2017, we accounted for contracted condominium sales under the percentage-of completion method, based on an evaluation of the criteria specified in ASC Topic 360-20, "Property, Plant and Equipment – Real Estate Sales," including: the legal commitment of

the purchaser in the real estate contract, whether the construction of the project was beyond a preliminary phase, whether sufficient units had been contracted to ensure the project would not revert to a rental project, the ability to reasonably estimate the aggregate project sale proceeds and aggregate project costs, and the determination that the buyer had made an adequate initial and continuing cash investment under the contract. When the percentage-of-completion criteria had not been met, no profit was recognized. The application of these criteria can be complex and required us to make assumptions.

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Real Estate

The nature of our business as an owner, redeveloper and operator of retail shopping centers and mixed-use properties means that we invest significant amounts of capital. Depreciation and maintenance costs relating to our properties constitute substantial costs for us as well as the industry as a whole. We capitalize real estate investments and depreciate them on a straight-line basis in accordance with GAAP and consistent with industry standards based on our best estimates of the assets' physical and economic useful lives. We periodically review the estimated lives of our assets and implement changes, as necessary, to these estimates and, therefore, to our depreciation rates. These reviews may take into account such factors as the historical retirement and replacement of our assets, expected redevelopments, and general economic and real estate factors. Certain events, such as unforeseen competition or changes in customer shopping habits, could substantially alter our assumptions regarding our ability to realize the expected return on investment in the property and therefore reduce the economic life of the asset and affect the amount of depreciation expense to be charged against both the current and future revenues. These assessments have a direct impact on our net income. The longer the economic useful life, the lower the depreciation expense will be for that asset in a fiscal period, which in turn will increase our net income. Similarly, having a shorter economic useful life would increase the depreciation for a fiscal period and decrease our net income.

Land, buildings and real estate under development are recorded at cost. We calculate depreciation using the straight-line method with useful lives ranging generally from 35 years to a maximum of 50 years on buildings and major improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements, which improve or extend the life of the asset, are capitalized and depreciated over the life of the lease or the estimated useful life of the improvements, whichever is shorter. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years.

Capitalized costs associated with leases are depreciated or amortized over the base term of the lease. Unamortized leasing costs are charged to expense if the applicable tenant vacates before the expiration of its lease. Undepreciated tenant work is written-off if the applicable tenant vacates and the tenant work is replaced or has no future value. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the redevelopment is no longer probable of completion, we immediately expense all capitalized costs which are not recoverable.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements, but no later than one year from completion of major construction activity. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period.

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 external and internal costs related to both development and redevelopment activities of \$274 million and \$8 million, respectively, for 2018 and \$410 million and \$8 million, respectively, for 2017. We capitalized external and internal costs related to other property improvements of \$62 million and \$3 million, respectively, for 2018 and \$74 million and \$3 million, respectively, for 2017. We capitalized external and internal costs related to leasing activities of \$20 million and \$6 million, respectively, for 2018 and \$11 million and \$6 million, respectively, for 2017. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$7 million, \$3 million, and \$6 million, for both 2018 and 2017. Total capitalized costs were \$373 million and \$512 million for 2018 and 2017, respectively.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the

interest rate to be used in determining whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

Real Estate Acquisitions

Upon acquisition of operating real estate properties, we estimate the fair value of assets and liabilities acquired including land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, and current assets and liabilities, if any. Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the statement of operations. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and

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include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Long-Lived Assets and Impairment

There are estimates and assumptions made by management in preparing the consolidated financial statements for which the actual results will be determined over long periods of time. This includes the recoverability of long-lived assets, including our properties that have been acquired or redeveloped and our investment in certain joint ventures. Management's evaluation of impairment includes review for possible indicators of impairment as well as, in certain circumstances, undiscounted and discounted cash flow analysis. Since most of our investments in real estate are wholly-owned or controlled assets which are held for use, a property with impairment indicators is first tested for impairment by comparing the undiscounted cash flows, including residual value, to the current net book value of the property. If the undiscounted cash flows are less than the net book value, the property is written down to expected fair value.

The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Because our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because recording an impairment charge results in a negative adjustment to net income.

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 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. Any difference between our estimate of a potential loss and the actual outcome would result in an increase or decrease to net income.

Self-Insurance

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims projected to be incurred but not yet reported. Management considers a number of factors, including third-party actuarial analysis, previous experience in our portfolio, and future increases in costs of claims, when making these determinations. If our liability costs differ from these accruals, it will increase or decrease our net income.

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

2018 Property Acquisitions and Dispositions

On June 15, 2018, we formed a new joint venture to develop Jordan Downs Plaza which, when completed, will be an approximately 113,000 square foot grocery anchored shopping center located in Los Angeles County, California. We initially invested \$34.4 million as a result of a pre-funding requirement for equity to be advanced prior to the start of construction. We own approximately 91% of the venture, and control the 9.4 acre land parcel on which the shopping center will be constructed under a long-term ground lease that expires June 15, 2093 (including two 10-year option periods which may be exercised at our option). The Jordan Downs Plaza development is expected to generate income tax credits under the New Market Tax Credit Program ("NMTC") which was provided for in the Community Renewal Tax Relief Act of 2000 ("the Act") and is intended to induce investment in underserved areas of the United States. The Act permits taxpayers to claim credits against their Federal income taxes for qualified investments. A third party bank

contributed \$13.9 million to the development, and is entitled to the related tax credit benefits, but they do not have an interest in the underlying economics of the property. The transaction also includes a put/call provision whereby we may be obligated or entitled to purchase the third party bank's interest. We believe the put will be exercised at its \$1,000 strike price. Based on our assessment of control, we concluded that the project and certain

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other transaction related entities should be consolidated. The \$13.9 million in proceeds received in exchange for the transfer of the tax credits has been deferred and will be recognized when the tax benefits are delivered to the third party bank without risk of recapture. Direct and incremental costs of \$1.6 million incurred in structuring the NMTC transaction have also been deferred. The Trust anticipates recognizing the net cash received as revenue upon completion of the seven-year NMTC compliance period. Cash in escrow at December 31, 2018 of \$32.2 million reflects cash that will ultimately be used for the development of the shopping center, and is included in "prepaid expenses and other assets" on our consolidated balance sheet. The cash is held in escrow pursuant to the new market tax credit transaction documents and will be released as qualified development expenditures are incurred.

In August 2018, we contributed hotel related assets valued at \$44.0 million to our Assembly Row hotel joint venture, and received a cash distribution of \$38.0 million. At December 31, 2018, our investment in the venture was \$5.6 million. The joint venture is considered a variable interest entity controlled by our partner, and as a result, we are using the equity method to account for our investment.

On August 16, 2018, we sold the residential building at our Chelsea Commons property in Chelsea, Massachusetts for a sales price of \$15.0 million, resulting in a gain of \$3.1 million.

On November 9, 2018, we sold our Atlantic Plaza property in North Reading, Massachusetts for a sales price of \$27.2 million, resulting in a gain of \$1.6 million.

On November 29, 2018, we acquired a 40,000 square foot building adjacent to our Bell Gardens property for \$9.6 million.

During the year ended December 31, 2018, we closed on the sale of 176 condominium units at our Assembly Row and Pike & Rose properties (combined) and received proceeds net of closing costs of \$133.5 million. For the year ended December 31, 2018, we recognized a gain of \$7.2 million, net of \$1.6 million of income taxes. The cost basis for remaining condominium units that are ready for their intended use as of December 31, 2018 is \$16.6 million, and is included in "assets held for sale" on our consolidated balance sheets.

2018 and 2019 Significant Debt and Equity Transactions

On March 1, 2018, we repaid the \$10.5 million mortgage loan on The Grove at Shrewsbury (West) at par.

On August 10, 2018, we exercised our option to extend the maturity date of our \$275.0 million unsecured term loan by one year to November 21, 2019.

On May 7, 2018, we replaced our existing at-the-market ("ATM") equity program with a new ATM program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$400.0 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 December 31, 2018, we sold 374,725 common shares at a weighted average price per share of \$131.36 for net cash proceeds of \$48.7 million and paid \$0.5 million in commissions and less than \$0.1 million in additional offering expenses related to the sales of these common shares. For the year ended December 31, 2018, we issued 987,383 common shares at a weighted average price per share of \$129.19 for net cash proceeds of \$126.1 million and paid \$1.3 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2018, we had the capacity to issue up to \$272.4 million in common shares under our ATM equity program.

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

Outlook

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

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

Our comparable property growth is primarily driven by increases in rental rates on new leases and lease renewals, changes in portfolio occupancy, and the redevelopment of those assets. 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 generally 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

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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, and have seen an uptick in the number of retail tenants closing early and/or filing for bankruptcy. We believe the locations and nature 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 December 31, 2018, no single tenant accounted for more than 2.7% 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 retensing. 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 \$210 million that we expect to stabilize in the next several years.

We continue our ongoing redevelopment efforts at Santana Row and are under construction on an eight story 301,000 square foot office building which will include an additional 18,000 square feet of retail space and 1,300 parking spaces. The building is expected to cost between \$205 and \$215 million, to be delivered in 2019, and the office portion is 100% pre-leased. After current phases, we have approximately 4 acres remaining for further redevelopment and entitlements in place for an additional 395 residential units and 321,000 square feet of commercial space.

Additionally, we control 12 acres of land across from Santana Row, which has approximately 1 million square feet of commercial space entitlements.

Construction continues on Phase II of Assembly Row which includes approximately 161,000 square feet of retail space, 447 residential units, and a 158 room boutique hotel (owned and operated by a joint venture in which we are a partner). Total expected costs range from \$290 million to \$305 million and remaining delivery is expected in 2019. As of December 31, 2018, approximately 120,000 square feet of retail space and the 158 room hotel have opened, and all of the residential units have been completed. Phase II also includes 122 for-sale condominium units, of which 107 have closed as of December 31, 2018. The remaining 15 units are expected to close in 2019. The condominium units have an expected total cost of \$81 million. Additionally, Partners HealthCare built a 741,500 square foot office building as part of Phase II.

Additionally, we commenced construction on Phase III of Assembly Row, which will include 277,000 square feet of office space (of which, 150,000 square feet is pre-leased), 56,000 square feet of retail space, 500 residential units, and over 800 additional parking spaces. The expected costs for Phase III are between \$465 million and \$485 million and is projected to open beginning in 2022.

Construction also continues on Phase II of Pike & Rose which includes approximately 216,000 square feet of retail space, 272 residential units, and a 177 room boutique hotel (owned and operated by a joint venture in which we are a partner). As of December 31, 2018, approximately 190,000 square feet of retail space and the 177 room hotel have opened, and all of the residential units have been completed. Total expected costs range from \$200 million to \$207 million and remaining delivery is expected in 2019. As of December 31, 2018, we closed on the sale of 69 of the 99 for-sale condominium units in Phase II. The condominiums have an expected total cost of \$62 million.

Additionally, at Pike & Rose, we commenced construction on a 212,000 square foot office building (which includes 4,000 square feet of ground floor retail space), and will include over 600 additional parking spaces. The building is expected to cost between \$128 million and \$135 million and is projected to open beginning in 2021.

We invested \$82 million in Assembly Row and Pike & Rose in 2018 and expect to invest between \$175 million and \$200 million in Assembly Row and Pike & Rose in 2019.

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

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acquisitions through the issuance of common shares, preferred shares, or downREIT units as well as through assumed mortgages and property sales.

At December 31, 2018, the leasable square feet in our properties was 94.6% leased and 93.6% occupied. 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, 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 closings and bankruptcies.

Comparable Properties

Throughout this section, we have provided certain information on a “comparable property” basis. Information provided on a comparable property basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties that are currently under development or are being repositioned for significant redevelopment and investment. For the year ended December 31, 2018 and the comparison of 2018 and 2017, all or a portion of 90 properties were considered comparable properties and eight properties were considered non-comparable properties. For the year ended December 31, 2018, five properties were moved from acquisitions to comparable properties, one portion of a property was removed from comparable properties as it was sold during 2018, one portion of a property was moved from comparable properties to non-comparable properties, and one portion of a property was moved from non-comparable properties to comparable properties, compared to the designations as of December 31, 2017. For the year ended December 31, 2017 and the comparison of 2017 and 2016, all or a portion of 85 properties were considered comparable properties and 7 properties were considered non-comparable properties. For the year ended December 31, 2017, one property was moved from acquisitions to comparable properties and two properties were removed from comparable properties as they were sold during 2017, compared to the designations as of December 31, 2016. While there is judgment surrounding changes in designations, we typically move non-comparable properties to comparable properties once they have stabilized, which is typically considered 90% physical occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from comparable properties when the repositioning of the asset has commenced and has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to comparable properties once we have owned the property for the entirety of comparable periods and the property is not under development or being repositioned for significant redevelopment and investment. Comparable property information replaces our previous same center designations.

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YEAR ENDED DECEMBER 31, 2018 COMPARED TO YEAR ENDED DECEMBER 31, 2017

	2018	2017	Change Dollars	%	
	(Dollar amounts in thousands)				
Rental income	\$895,698	\$841,461	\$54,237	6.4	%
Other property income	16,589	12,825	3,764	29.3	%
Mortgage interest income	3,149	3,062	87	2.8	%
Total property revenue	915,436	857,348	58,088	6.8	%
Rental expenses	173,094	164,890	8,204	5.0	%
Real estate taxes	114,776	107,839	6,937	6.4	%
Total property expenses	287,870	272,729	15,141	5.6	%
Property operating income (1)	627,566	584,619	42,947	7.3	%
General and administrative expense	(33,600)	(36,281)	2,681	(7.4)	%
Depreciation and amortization	(244,245)	(216,050)	(28,195)	13.1	%
Operating income	349,721	332,288	17,433	5.2	%
Other interest income	942	475	467	98.3	%
Interest expense	(110,154)	(100,125)	(10,029)	10.0	%
Early extinguishment of debt	—	(12,273)	12,273	(100.0)	%
Loss from real estate partnerships	(3,398)	(417)	(2,981)	714.9	%
Total other, net	(112,610)	(112,340)	(270)	0.2	%
Income from continuing operations	237,111	219,948	17,163	7.8	%
Gain on sale of real estate, net	11,915	77,922	(66,007)	(84.7)	%
Net income	249,026	297,870	(48,844)	(16.4)	%
Net income attributable to noncontrolling interests	(7,119)	(7,956)	837	(10.5)	%
Net income attributable to the Trust	\$241,907	\$289,914	\$(48,007)	(16.6)	%

(1) Property operating income is a non-GAAP financial measure. See Item 6. Selected Financial Data for further discussion.

Property Revenues

Total property revenue increased \$58.1 million, or 6.8%, to \$915.4 million in 2018 compared to \$857.3 million in 2017. The percentage occupied at our shopping centers was 93.6% at December 31, 2018 compared to 93.9% at December 31, 2017. 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 \$54.2 million, or 6.4%, to \$895.7 million in 2018 compared to \$841.5 million in 2017 due primarily to the following:

- an increase of \$25.0 million from acquisitions, primarily related to the six shopping centers acquired in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017,
- an increase of \$20.2 million at non-comparable properties due primarily to the opening of Phase II at Assembly Row and Pike & Rose during the second half of 2017 into 2018 and the lease-up of two other redevelopments, partially offset by lower occupancy at two of our Florida properties in the beginning stages of redevelopment, and
- an increase of \$15.3 million at comparable properties due primarily to higher rental rates of approximately \$10.2 million and higher average occupancy of approximately \$4.7 million, partially offset by
- a decrease of \$5.8 million from property sales.

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Other Property Income

Other property income increased \$3.8 million, or 29.3%, to \$16.6 million in 2018 compared to \$12.8 million in 2017. Included in other property income are items, which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily related to higher lease termination fees.

Property Expenses

Total property expenses increased \$15.1 million, or 5.6%, to \$287.9 million in 2018 compared to \$272.7 million in 2017. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$8.2 million, or 5.0%, to \$173.1 million in 2018 compared to \$164.9 million in 2017. This increase is primarily due to the following:

- an increase of \$6.5 million from acquisitions, primarily related to our acquisition of six shopping centers in Los Angeles County, California in August 2017,
- an increase of \$2.7 million from non-comparable properties, due primarily to the opening of Phase II at Assembly Row and Pike & Rose during the second half of 2017 into 2018, partially offset by lower expenses at two of our Florida properties in the beginning stages of redevelopment, and
- an increase of \$0.9 million from comparable properties, primarily related to higher bad debt expense partially offset by lower operating costs, partially offset by
- a decrease of \$1.3 million from property sales.

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 19.0% for the year ended December 31, 2018 from 19.3% for the year ended December 31, 2017.

Real Estate Taxes

Real estate tax expense increased \$6.9 million, or 6.4% to \$114.8 million in 2018 compared to \$107.8 million in 2017 due primarily to the following:

- an increase of \$3.9 million from acquisitions, primarily related to our acquisition of six shopping centers in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017,
- an increase of \$3.1 million at non-comparable properties due primarily to increases in assessments as a result of our redevelopment activities,
- an increase of \$1.0 million at comparable properties primarily due to higher assessments, partially offset by
- a decrease of \$1.1 million from property sales.

Property Operating Income

Property operating income increased \$42.9 million, or 7.3%, to \$627.6 million in 2018 compared to \$584.6 million in 2017. This increase is primarily due to growth in earnings at comparable properties, our acquisition of six shopping centers in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017, and the opening of Phase II at Assembly Row and Pike & Rose, partially offset by property sales.

Other Operating Expenses

General and Administrative Expense

General and administrative expense decreased \$2.7 million, or 7.4%, to \$33.6 million in 2018 from \$36.3 million in 2017. The decrease is primarily due to lower costs from acquisitions and other transactions.

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Depreciation and Amortization

Depreciation and amortization expense increased \$28.2 million, or 13.1%, to \$244.2 million in 2018 from \$216.1 million in 2017. This increase is primarily due to our investment in comparable properties, Phase II of Assembly Row and Pike & Rose being placed in service, our acquisition of six shopping centers in Los Angeles County, California in August 2017, and accelerated depreciation related to tenants who vacated in advance of their lease expiration.

Operating Income

Operating income increased \$17.4 million, or 5.2%, to \$349.7 million in 2018 compared to \$332.3 million in 2017. This increase is primarily due to the opening of Phase II at Assembly Row and Pike & Rose, higher lease termination fees, lower general and administrative costs, our acquisition of six shopping centers in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017, and growth in earnings at comparable properties, partially offset by property sales.

Other

Interest Expense

Interest expense increased \$10.0 million, or 10.0%, to \$110.2 million in 2018 compared to \$100.1 million in 2017. This increase is due primarily to the following:

- a decrease of \$6.7 million in capitalized interest, and
 - an increase of \$6.1 million due to higher borrowings primarily attributable to the \$475 million issuance of 3.25% senior notes (\$300 million issued in June 2017 and \$175 million issued in December 2017) and the \$100 million reopening in June 2017 of the 4.50% senior notes, partially offset by the early redemption of our \$150 million 5.90% senior notes in December 2017,
- partially offset by
- a decrease of \$2.8 million due to a lower overall weighted average borrowing rate.

Gross interest costs were \$129.0 million and \$125.7 million in 2018 and 2017, respectively. Capitalized interest was \$18.8 million and \$25.6 million in 2018 and 2017, respectively.

Loss from Real Estate Partnerships

Loss from real estate partnerships increased to \$3.4 million in 2018 compared to \$0.4 million in 2017. This increase is due primarily to our share of losses related to the hotel joint ventures at Assembly Row (hotel opened in August 2018) and Pike & Rose (hotel opened in March 2018).

Early Extinguishment of Debt

The \$12.3 million early extinguishment of debt charge in 2017 relates to the make-whole premium paid as part of the early redemption of our 5.90% senior notes on December 31, 2017 and the related write-off of the unamortized discount and debt fees.

Gain on Sale of Real Estate, Net

The \$11.9 million gain on sale of real estate for the year ended December 31, 2018 is primarily due to the following: \$7.2 million net gain related to condominium unit sales that have closed at our Assembly Row and Pike & Rose properties, and

- \$3.1 million gain related to the sale of the residential building at our Chelsea Commons property in August 2018, and
- \$1.6 million gain related to the sale of our Atlantic Plaza property in November 2018,

The \$77.9 million gain on sale of real estate for the year ended December 31, 2017 is primarily due to the following:

- \$45.2 million gain related to the sale of our 150 Post Street property in August 2017,
- \$15.4 million gain related to the sale of three ground lease parcels at our Assembly Row property in Somerville, Massachusetts,
- \$6.5 million gain related to the sale of a parcel of land at our Bethesda Row property in December 2017,
- \$5.4 million net percentage-of-completion gain, related to residential condominium units under binding contract at our Assembly Row property, and
- \$4.9 million gain related to the sale of our North Lake Commons property in September 2017.

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YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

	2017	2016	Change Dollars	%	
	(Dollar amounts in thousands)				
Rental income	\$841,461	\$786,583	\$54,878	7.0	%
Other property income	12,825	11,015	1,810	16.4	%
Mortgage interest income	3,062	3,993	(931)	(23.3)	%
Total property revenue	857,348	801,591	55,757	7.0	%
Rental expenses	164,890	158,326	6,564	4.1	%
Real estate taxes	107,839	95,286	12,553	13.2	%
Total property expenses	272,729	253,612	19,117	7.5	%
Property operating income (1)	584,619	547,979	36,640	6.7	%
General and administrative expenses	(36,281)	(33,399)	(2,882)	8.6	%
Depreciation and amortization	(216,050)	(193,585)	(22,465)	11.6	%
Operating income	332,288	320,995	11,293	3.5	%
Other interest income	475	374	101	27.0	%
Interest expense	(100,125)	(94,994)	(5,131)	5.4	%
Early extinguishment of debt	(12,273)	—	(12,273)	100.0	%
Income from real estate partnerships	(417)	50	(467)	(934.0)	%
Total other, net	(112,340)	(94,570)	(17,770)	18.8	%
Income from continuing operations	219,948	226,425	(6,477)	(2.9)	%
Gain on sale of real estate and change in control of interests, net	77,922	32,458	45,464	140.1	%
Net income	297,870	258,883	38,987	15.1	%
Net income attributable to noncontrolling interests	(7,956)	(8,973)	1,017	(11.3)	%
Net income attributable to the Trust	\$289,914	\$249,910	\$40,004	16.0	%

(1) Property operating income is a non-GAAP financial measure. See Item 6. Selected Financial Data for further discussion.

Property Revenues

Total property revenue increased \$55.8 million, or 7.0%, to \$857.3 million in 2017 compared to \$801.6 million in 2016. The percentage occupied at our shopping centers was 93.9% at December 31, 2017 compared to 93.3% at December 31, 2016. 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 \$54.9 million, or 7.0%, to \$841.5 million in 2017 compared to \$786.6 million in 2016 due primarily to the following:

an increase of \$25.2 million from acquisitions, primarily related to the six shopping centers acquired in Los Angeles County, California in August 2017, Riverpoint Center in March 2017, Hastings Ranch Plaza in February 2017, and the acquisition of six previously unconsolidated Clarion joint venture properties in January 2016,

an increase of \$20.1 million from non-comparable properties, due primarily to the opening of our new office building at Santana Row in late 2016 and the lease-up of residential units and the opening of Phase II at Assembly Row and Pike & Rose during the second half of 2017, partially offset by lower occupancy at two of our retail properties in Florida in the beginning stages of redevelopment, and

an increase of \$11.8 million from comparable properties due primarily to higher rental rates of approximately \$6.9 million, higher recoveries of \$4.3 million primarily the result of higher real estate tax assessments, and higher average occupancy of approximately \$1.2 million, partially offset by

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a decrease of \$0.9 million from the sale of our 150 Post Street and North Lake Commons properties in August and September 2017, respectively.

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Other Property Income

Other property income decreased \$1.8 million, or 16.4%, to \$12.8 million in 2017 compared to \$11.0 million in 2016. Included in other property income are items, which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily related to higher lease termination fees.

Mortgage Interest Income

Mortgage interest income decreased \$0.9 million, or 23.3%, to \$3.1 million in 2017 compared to \$4.0 million in 2016. This decrease is primarily related to a mortgage note receivable that was repaid in 2016.

Property Expenses

Total property expenses increased \$19.1 million, or 7.5%, to \$272.7 million in 2017 compared to \$253.6 million in 2016. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$6.6 million, or 4.1%, to \$164.9 million in 2017 compared to \$158.3 million in 2016. This increase is primarily due to the following:

- an increase of \$5.0 million from acquisitions, primarily related to six shopping centers in Los Angeles County, California, Hastings Ranch Plaza, and Riverpoint Center, and
- an increase of \$3.9 million from non-comparable properties, due primarily to the opening of Phase II residential units during the second half of 2017 and the opening of our new office building at Santana Row in late 2016, partially offset by,
- a decrease of \$1.9 million from comparable properties, primarily related to lower operating costs.

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 19.3% for the year ended December 31, 2017 from 19.9% for the year ended December 31, 2016.

Real Estate Taxes

Real estate tax expense increased \$12.6 million, or 13.2% to \$107.8 million in 2017 compared to \$95.3 million in 2016 due primarily to the following:

- an increase of \$5.0 million from comparable properties primarily due to higher assessments,
- an increase of \$4.6 million from acquisitions, primarily related to six shopping centers in Los Angeles County, California, Riverpoint Center, Hastings Ranch Plaza, and the acquisition of six previously unconsolidated Clarion joint venture properties in January 2016, and
- an increase of \$3.9 million from non-comparable properties, primarily related to our new office building at Santana Row, Assembly Row and Pike & Rose, and other reassessments on our redevelopments.

Property Operating Income

Property operating income increased \$36.6 million, or 6.7%, to \$584.6 million in 2017 compared to \$548.0 million in 2016. This increase is primarily due to non-comparable properties, largely the new office building at Santana Row and Assembly Row and Pike & Rose (primarily the lease-up of residential units at Pike & Rose, the opening of the second phase of retail at

Pike & Rose, and higher lease termination fees), 2017 acquisitions, growth in earnings at comparable properties, and the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016.

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Other Operating Expense

General and Administrative Expense

General and administrative expense increased \$2.9 million, or 8.6%, to \$36.3 million in 2017 from \$33.4 million in 2016. This increase is primarily due to higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased \$22.5 million, or 11.6%, to \$216.1 million in 2017 from \$193.6 million in 2016. This increase is primarily due to 2017 acquisitions, non-comparable properties (largely the new office building at Santana Row), and comparable properties.

Operating Income

Operating income increased \$11.3 million, or 3.5%, to \$332.3 million in 2017 compared to \$321.0 million in 2016. This increase is primarily due to the new office building at Santana Row and Assembly Row and Pike & Rose, our 2017 acquisitions and the acquisition of the six previously unconsolidated Clarion joint venture properties in January 2016, and growth in earnings at comparable properties, partially offset by higher personnel related costs.

Other

Interest Expense

Interest expense increased \$5.1 million, or 5.4%, to \$100.1 million in 2017 compared to \$95.0 million in 2016. This increase is due primarily to the following:

an increase of \$16.1 million due to higher borrowings primarily attributable to the \$300 million 3.25% senior notes and the \$100 million reopening of the 4.5% senior notes both issued in June 2017, the 3.625% senior notes issued in July 2016, and higher weighted average borrowings on our revolving credit facility, partially offset by

an increase of \$7.5 million in capitalized interest, and

a decrease of \$3.5 million due to a lower overall weighted average borrowing rate.

Gross interest costs were \$125.7 million and \$113.0 million in 2017 and 2016, respectively. Capitalized interest was \$25.6 million and \$18.0 million in 2017 and 2016, respectively.

Early Extinguishment of Debt

The \$12.3 million early extinguishment of debt in 2017 relates to the make-whole premium paid as part of the early redemption of our 5.90% senior notes on December 31, 2017 and the related write-off of the unamortized discount and debt fees.

Gain on sale of Real Estate and Change in Control of Interests, Net

The \$77.9 million net gain on sale of real estate for the year ended December 31, 2017 is primarily due to the following:

\$45.2 million gain related to the sale of our 150 Post Street property in August 2017,

\$15.4 million gain related to the sale of three ground lease parcels at our Assembly Row property in Somerville, Massachusetts,

\$6.5 million gain related to the sale of a parcel of land at our Bethesda Row property in December 2017,

\$5.4 million net percentage-of-completion gain, related to residential condominium units under binding contract at our Assembly Row property, and

\$4.9 million gain related to the sale of our North Lake Commons property in September 2017.

The \$32.5 million gain on sale of real estate and change in control of interests for the year ended December 31, 2016 is primarily due to the following:

\$25.7 million gain related to our obtaining control of six properties when we acquired Clarion's 70% interest in the partnership that owned those properties. 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 on obtaining the controlling interest,

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\$4.9 million gain related to the reversal of the unused portion of the warranty reserve for condominium units at Santana Row, as the statutorily mandated latent construction defect period ended in third quarter 2016, and \$1.8 million gain related to the sale of a building in Coconut Grove, Florida. Our share of the gain, net of noncontrolling interests, was \$0.5 million.

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.

At December 31, 2018, we had cash and cash equivalents of \$64.1 million and no outstanding balance on our \$800.0 million unsecured revolving credit facility which matures on 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. For the year ended 2018, the maximum amount of borrowings outstanding under our revolving credit facility was \$177.0 million the weighted average amount of borrowings outstanding was \$83.1 million and the weighted average interest rate, before amortization of debt fees, was 2.7%. During 2019, we have only \$295.3 million of debt maturing (of which \$20.3 million was repaid on January 31, 2019). As of December 31, 2018, we had the capacity to issue up to \$272.4 million in common shares under our ATM equity program. 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 and capital expenditures.

Our overall capital requirements during 2019 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 see higher levels of capital investments in our properties under development and redevelopment compared to 2018, as we invest in the next phase of these projects. 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.

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Summary of Cash Flows

	Year Ended December 31,	
	2018	2017
	(In thousands)	
Cash provided by operating activities	\$516,688	\$458,828
Cash used in investing activities	(192,247)	(837,922)
Cash (used in) provided by financing activities	(241,309)	369,445
Increase (decrease) in cash and cash equivalents	83,132	(9,649)
Cash, cash equivalents, and restricted cash, beginning of year	25,200	34,849
Cash, cash equivalents, and restricted cash, end of year	\$108,332	\$25,200

Net cash provided by operating activities increased \$57.9 million to \$516.7 million during 2018 from \$458.8 million during 2017. The increase was primarily attributable to higher net income before certain non-cash items, \$12.4 million in net proceeds from the Jordan Downs Plaza new market tax credit transaction (see Note 3 to the Consolidated Financial Statements for further discussion) and timing of cash receipts, partially offset by timing of interest payments on our senior notes.

Net cash used in investing activities decreased \$645.7 million to \$192.2 million during 2018 from \$837.9 million during 2017. The decrease was primarily attributable to:

- a \$424.3 million decrease in acquisitions of real estate, primarily due to the 2017 acquisitions of six shopping centers in Los Angeles County, California and our Riverpoint Center, Hastings Ranch, and Fourth Street properties,
- an \$141.9 million decrease in capital expenditures and leasing costs primarily due to the completion of portions of Phase II of both our Assembly Row and Pike & Rose projects,
- a \$41.7 million increase in proceeds from sale of real estate primarily due to the sale of condominiums at our Assembly Row and Pike & Rose properties in 2018, and
- \$38.0 million in proceeds from our Assembly Row hotel joint venture formation (see Note 3 to the Consolidated Financial Statements for further discussion).

Net cash used in financing activities increased \$610.8 million to \$241.3 million during 2018 from \$369.4 million provided by financing activities during 2017. The increase was primarily attributable to:

- \$572.1 million net proceeds from the June 2017 issuance of \$300.0 million and the December 2017 issuance of \$175.0 million of 3.25% senior unsecured notes and \$100.0 million of 4.50% notes,
- \$145.0 million in net proceeds from the September 2017 issuance of 6,000 Series C Preferred Shares,
- \$41.0 million of repayments on our revolving credit facility in 2018, as compared to \$41.0 million of borrowings in 2017,
- an \$18.2 million increase in dividends paid to shareholders due to an increase in the common share dividend rate, an increase in the number of common shares outstanding, and preferred dividends related to the issuance of our Series C Preferred Shares in September 2017, and
- a \$10.6 million decrease in contributions from noncontrolling interests primarily due to contributions to fund the \$50.0 million repayment of the Plaza El Segundo mortgage loan in June 2017, partially offset by
- the December 2017 redemption of \$150.0 million of senior notes with a make-whole premium of \$11.9 million,
- a \$39.7 million decrease in repayment of mortgages and capital leases due to the \$10.5 million payoff of the mortgage loan on the Grove at Shrewsbury (West) in March 2018, as compared to the \$50.0 million paydown of the Plaza El Segundo mortgage loan in June 2017, and
- a \$12.3 million increase in net proceeds from the issuance of 1.0 million common shares under our ATM program at a weighted average price of \$129.19 during 2018, as compared to 0.8 million common shares at a weighted average price of \$132.56 in 2017, partially offset by lower option exercises in 2018.

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Contractual Commitments

The following table provides a summary of our fixed, noncancelable obligations as of December 31, 2018:

	Commitments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
(In thousands)					
Fixed rate debt (principal and interest)	\$4,225,465	\$133,939	\$552,103	\$814,370	\$2,725,053
Fixed and variable rate debt - our share of unconsolidated real estate partnerships (principal and interest)	62,481	28,527	12,835	21,119	—
Capital lease obligations (principal and interest)	166,085	5,800	11,600	65,823	82,862
Variable rate debt (principal only)(1)	275,000	275,000	—	—	—
Operating leases	209,121	4,794	9,622	9,902	184,803
Real estate commitments	67,500	—	—	5,000	62,500
Development, redevelopment, and capital improvement obligations	568,226	428,061	140,165	—	—
Contractual operating obligations	76,709	34,053	28,195	14,461	—
Total contractual obligations	\$5,650,587	\$910,174	\$754,520	\$930,675	\$3,055,218

Variable rate debt includes our \$275.0 million term loan that bears interest at LIBOR plus 0.90%, and our (1) revolving credit facility, which bears interest at LIBOR plus 0.825% and had no balance outstanding at December 31, 2018.

In addition to the amounts set forth in the table above and other liquidity requirements previously discussed, the following potential commitments exist:

- (a) Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 26.63% interest in Congressional Plaza at the interest's then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management's current estimate of fair market value as of December 31, 2018, our estimated liability upon exercise of the put option would range from approximately \$78 million to \$83 million.
- (b) Under the terms of various other 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. As of December 31, 2018, a total of 738,423 operating partnership units are outstanding.
- (c) The other member in Montrose Crossing has the right to require us to purchase all of its 10.1% interest in Montrose Crossing at the interest's then-current fair market value. If the other member fails to exercise its put option, we have the right to purchase its interest on or after December 27, 2021 at fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from approximately \$13 million to \$14 million.
- (d) Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from approximately \$23 million to \$26 million.
- (e) Effective January 1, 2017, the other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.8% interest in The Grove at Shrewsbury and approximately 8.8% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from \$9 million to \$10 million. On January 4, 2019, we acquired a portion of the noncontrolling interest in Brook 35 for \$0.8 million, bringing the noncontrolling ownership interest down to 6.5%.

(f) At December 31, 2018, we had letters of credit outstanding of approximately \$1.3 million.

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Off-Balance Sheet Arrangements

At December 31, 2018, we have three real estate related equity method investments with total debt outstanding of \$112.6 million, of which our share is \$54.1 million. Our investment in these ventures at December 31, 2018 was \$26.9 million.

Other than the items disclosed in the Contractual Commitments Table, we have no off-balance sheet arrangements as of December 31, 2018 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of December 31, 2018:

Description of Debt	Original Debt Issued	Principal Balance as of December 31, 2018	Stated Interest Rate as of December 31, 2018	Maturity Date
(Dollars in thousands)				
Mortgages payable				
Secured fixed rate				
Rollingwood Apartments	24,050	\$20,331	5.54	% May 1, 2019
The Shops at Sunset Place	Acquired	64,453	5.62	% September 1, 2020
29th Place	Acquired	4,117	5.91	% January 31, 2021
Sylmar Towne Center	Acquired	17,006	5.39	% June 6, 2021
Plaza Del Sol	Acquired	8,409	5.23	% December 1, 2021
THE AVENUE at White Marsh		52,705	3.35	% January 1, 2022
Montrose Crossing		80,000	4.20	% January 10, 2022
Azalea	Acquired	40,000	3.73	% November 1, 2025
Bell Gardens	Acquired	12,936	4.06	% August 1, 2026
Plaza El Segundo		125,000	3.83	% June 5, 2027
The Grove at Shrewsbury (East)		43,600	3.77	% September 1, 2027
Brook 35		11,500	4.65	% July 1, 2029
Chelsea	Acquired	5,941	5.36	% January 15, 2031
Subtotal		475,308		
Net unamortized premium and debt issuance costs		(929)	)	
Total mortgages payable		474,379		
Notes payable				
Term Loan	275,000	275,000	LIBOR + 0.90%	November 21, 2019
Revolving credit facility (1)	800,000	—	LIBOR + 0.825%	April 20, 2020
Various	7,239	4,392	11.31	% Various through 2028
Subtotal		279,392		
Net unamortized debt issuance costs		(365)	)	
Total notes payable		279,027		
Senior notes and debentures				
Unsecured fixed rate				
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
3.25% notes	475,000	475,000	3.25	% July 15, 2027
6.82% medium term notes	40,000	40,000	6.82	% August 1, 2027
4.50% notes	550,000	550,000	4.50	% December 1, 2044
3.625% notes	250,000	250,000	3.625	% August 1, 2046
Subtotal		2,419,200		
Net unamortized discount and debt issuance costs		(14,921)	)	

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Total senior notes and debentures	2,404,279		
Capital lease obligations			
Various	71,519	Various	Various through 2106
Total debt and capital lease obligations	\$3,229,204		

The maximum amount drawn under our revolving credit facility during 2018 was \$177.0 million and the weighted 1)average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 2.7%.

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 December 31, 2018, we were in compliance with all of the financial and other covenants related to our revolving credit facility, term loan, and senior notes. Additionally, as of December 31, 2018, we were in compliance with all of the financial and other covenants that could trigger loan default on our mortgage loans. If we were to breach any of these financial and other covenants and did not cure the breach within an applicable cure period, our lenders

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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 December 31, 2018:

	Unsecured (In thousands)	Secured	Capital Lease	Total
2019	\$275,551	\$25,795	(1)\$ 46	\$301,392
2020	613	(2)65,539	46	66,198
2021	250,682	30,541	51	281,274
2022	250,758	117,018	56	367,832
2023	275,787	730	55,043	331,560
Thereafter	1,645,201	235,685	16,277	1,897,163
	\$2,698,592	\$475,308	\$ 71,519	\$3,245,419(3)

1) 2019 maturities include a \$20.3 million mortgage loan, which was paid off at par on January 31, 2019, prior to its original maturity date.

2) Our \$800.0 million revolving credit facility matures on April 20, 2020, subject to two six-month extensions at our option. As of December 31, 2018, there was no outstanding balance under this credit facility.

The total debt maturities differ from the total reported on the consolidated balance sheet due to the unamortized net premium/discount and debt issuance costs on mortgage loans, notes payable, and senior notes as of December 31, 2018.

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.

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive income (loss) which is included in accumulated other comprehensive income (loss) on the balance sheet and statement of shareholders' equity. 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, the default risk of the counterparty is evaluated by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

Prior to November 1, 2018, we were 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. As of December 31, 2018, our Assembly Row hotel joint venture is a party to two interest rate swap agreements that effectively fix their debt at 5.206%. Both swaps were designated and qualify for cash flow hedge accounting. Hedge ineffectiveness has not impacted earnings in 2018, 2017 and 2016.

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 and 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.

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

	Year Ended December 31,		
	2018	2017	2016
	(In thousands, except per share data)		
Net income	\$249,026	\$297,870	\$258,883
Net income attributable to noncontrolling interests	(7,119)	(7,956)	(8,973)
Gain on sale of real estate and change in control of interests, net	(11,915)	(77,632)	(31,133)
Depreciation and amortization of real estate assets	213,098	188,719	169,198
Amortization of initial direct costs of leases	24,603	19,124	16,875
Funds from operations	467,693	420,125	404,850
Dividends on preferred shares (1)	(7,500)	(1,917)	(541)
Income attributable to operating partnership units	3,053	3,143	3,145
Income attributable to unvested shares	(1,469)	(1,374)	(1,095)
Funds from operations available for common shareholders (2)	\$461,777	\$419,977	\$406,359
Weighted average number of common shares, diluted (1)	74,153	73,122	71,869
Funds from operations available for common shareholders, per diluted share (2)	\$6.23	\$5.74	\$5.65

(1) For the year ended December 31, 2018 and 2017, dividends on our Series 1 preferred stock are not deducted in the calculation of FFO available to common shareholders, as the related shares are dilutive and included in "weighted average common shares, diluted." The weighted average common shares used to compute FFO per diluted common share also 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.

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If the \$12.3 million early extinguishment of debt charge incurred in 2017 was excluded, our FFO available for (2)common shareholders for 2017 would have been \$432.2 million, and FFO available for common shareholders, per diluted share would have been \$5.91.

ITEM 7A. 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.

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.

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2046 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 December 31, 2018, we had \$2.9 billion of fixed-rate debt outstanding; we also had capital lease obligations of \$71.5 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2018 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$203.8 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2018 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$234.2 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 December 31, 2018, we had \$275.0 million of variable rate debt outstanding. 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 \$2.8 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market rates decreased 1.0%, our annual interest expense would decrease by approximately \$2.8 million with a corresponding increase in our net income and cash flows for the year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

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The Trust maintains disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Trust's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of the Trust's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of December 31, 2018. Based on that evaluation, the Trust's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, the Trust's disclosure controls and procedures were effective at a reasonable assurance level.

Internal Control over Financial Reporting

The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Trust's principal executive and principal financial officers and effected by our Board of Trustees, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of management and our Trustees; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of the Trust's internal control over financial reporting as of December 31, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on that assessment and criteria, management concluded that the Trust's internal control over financial reporting was effective as of December 31, 2018.

Grant Thornton LLP, the independent registered public accounting firm that audited the Trust's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Trust's internal control over financial reporting, which appears on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our fourth fiscal quarter of 2018 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

Certain information required in Part III is omitted from this Report but is incorporated herein by reference from our Proxy Statement for the 2019 Annual Meeting of Shareholders (as amended or supplemented, the “Proxy Statement”).

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The tables and narrative in the Proxy Statement identifying our Trustees and Board committees under the caption “Election of Trustees” and “Corporate Governance”, the sections of the Proxy Statement entitled “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” and other information included in the Proxy Statement required by this Item 10 are incorporated herein by reference.

We have adopted a Code of Ethics, which is applicable to our Chief Executive Officer and senior financial officers.

The Code of Ethics is available in the Corporate Governance section of the Investors section of our website at www.federalrealty.com.

ITEM 11. EXECUTIVE COMPENSATION

The sections of the Proxy Statement entitled “Summary Compensation Table,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” “Trustee Compensation” and “Compensation Discussion and Analysis” and other information included in the Proxy Statement required by this Item 11 are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The sections of the Proxy Statement entitled “Share Ownership” and “Equity Compensation Plan Information” and other information included in the Proxy Statement required by this Item 12 are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE

The sections of the Proxy Statement entitled “Certain Relationship and Related Transactions” and “Independence of Trustees” and other information included in the Proxy Statement required by this Item 13 are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The sections of the Proxy Statement entitled “Ratification of Independent Registered Public Accounting Firm” and “Relationship with Independent Registered Public Accounting Firm” and other information included in the Proxy Statement required by this Item 14 are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Our consolidated financial statements and notes thereto, together with Reports of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K commencing on page F-1.

(2) Financial Statement Schedules

Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K commencing on page F-32.

(3) Exhibits

(b) The following documents are filed as exhibits are filed as part of, or incorporated by reference info, this report:

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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 <u>Exhibit 3.1</u> 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, May 6, 2009, and November 2, 2016 (previously files a <u>Exhibit 3.2</u> to the Trust's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-07533) and incorporated herein by reference) |
| 4.1 | Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on <u>Form 10-K</u> 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 <u>Exhibit 4.1</u> 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 5.90% 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; 3.625% Notes due 2046; 3.25% Notes due 2027 (previously filed as <u>Exhibit 4(a)</u> to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference) |
| 4.5 | Articles Supplementary relating to the 5.000% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest (previously filed as <u>Exhibit 3.2</u> to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 and incorporated herein by reference) |
| 4.6 | Deposit Agreement, dated as of September 29, 2017, by and among Federal Realty Investment Trust, American Stock Transfer and Trust Company, LLC, as Depositary, and all holders from time to time of Receipt (previously filed as <u>Exhibit 4.1</u> to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 and incorporated herein by reference) |
| 4.7 | Specimen certificate relating to the 5.000% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest (previously filed as <u>Exhibit 4.3</u> to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 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 <u>Exhibit 10</u> 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)
- 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)

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Exhibit No.	Description
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 <u>Exhibit 10.28</u> 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 <u>Exhibit 10.35</u> 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 <u>Exhibit 10.32</u> to the 2005 Form 10-K and incorporated herein by reference)
10.11	Amended and Restated 2001 Long-Term Incentive Plan (previously filed as <u>Exhibit 10.34</u> 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 <u>Exhibit 10.26</u> 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 <u>Exhibit 10.27</u> 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 <u>Exhibit 10.28</u> 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 <u>Exhibit 10.30</u> to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.16	2010 Performance Incentive Plan (previously filed as <u>Appendix A</u> 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 <u>Appendix A</u> to the Trust's Proxy Statement 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 <u>Exhibit 10.36</u> 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 <u>Exhibit 10.34</u> to the Trust's 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 <u>Exhibit 10.38</u> 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 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)

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Exhibit No.	Description
10.25	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., 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 <u>Exhibit 10.1</u> to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on November 28, 2011 and incorporated herein by reference)
10.26	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 <u>Exhibit 10.35</u> 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)
10.27	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 <u>Exhibit 10.36</u> to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.28	Revised Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as <u>Exhibit 10.37</u> to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.29	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 <u>Exhibit 10.38</u> to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.30	First Amendment to the 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 <u>Exhibit 10.1</u> to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2013 and incorporated herein by reference)
10.31	First Amendment to the 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 <u>Exhibit 10.40</u> 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)
10.32	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 <u>Exhibit 10.1</u> to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on September 2, 2014 and incorporated herein by reference)
10.33	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 PNC Bank, National Association, as Administrative Agent (previously filed as <u>Exhibit 10.1</u> to the Trust's Current Report on Form 8K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference)
10.34	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

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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 Severance Agreement between the Trust and Daniel Guglielmone dated August 15, 2016 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 1-07533 and incorporated herein by reference)

21.1 Subsidiaries of Federal Realty Investment Trust (filed herewith)

23.1 Consent of Grant Thornton LLP (filed herewith)

31.1 Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)

31.2 Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)

32.1 Section 1350 Certification of Chief Executive Officer (filed herewith)

32.2 Section 1350 Certification of Chief Financial Officer (filed herewith)

101 The following materials from Federal Realty Investment Trust's Annual Report on Form 10-K for the year ended December 31, 2018, 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.

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* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

** Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized this February 13, 2019.

Federal Realty Investment Trust

By: /S/ DONALD C. WOOD

Donald C. Wood

President, Chief Executive Officer and Trustee

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints each of Donald C. Wood and Dawn M. Becker as his or her attorney-in-fact and agent, with full power of substitution and resubstitution for him or her in any and all capacities, to sign any or all amendments to this Report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his or her substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/S/ DONALD C. WOOD Donald C. Wood	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 13, 2019
/S/ DANIEL GUGLIELMONE Daniel Guglielmone	Executive Vice President-Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 13, 2019
/S/ JOSEPH S. VASSALLUZZO Joseph S. Vassalluzzo	Non-Executive Chairman	February 13, 2019
/S/ JON E. BORTZ Jon E. Bortz	Trustee	February 13, 2019
/S/ DAVID W. FAEDER David W. Faeder	Trustee	February 13, 2019
/S/ ELIZABETH I. HOLLAND Elizabeth I. Holland	Trustee	February 13, 2019
/S/ MARK S. ORDAN Mark S. Ordan	Trustee	February 13, 2019
/S/ GAIL P. STEINEL Gail P. Steinel	Trustee	February 13, 2019
/S/ WARREN M. THOMPSON	Trustee	February 13, 2019

Warren M. Thompson

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Item 8 and Item 15(a)(1) and (2)

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Consolidated Balance Sheets	<u>F-4</u>
Consolidated Statements of Comprehensive Income	<u>F-5</u>
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Financial Statement Schedules

Schedule III—Summary of Real Estate and Accumulated Depreciation F-32

Schedule IV—Mortgage Loans on Real Estate F-40

All other schedules have been omitted either because the information is not applicable, not material, or is disclosed in our consolidated financial statements and related notes.

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Report of Independent Registered Public Accounting Firm

Trustees and Shareholders

Federal Realty Investment Trust

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2018, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Trust as of and for the year ended December 31, 2018, and our report dated February 13, 2019 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Evaluation of Disclosure Controls and Procedures. Our responsibility is to express an opinion on the Trust's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Charlotte, North Carolina
February 13, 2019

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Report of Independent Registered Public Accounting Firm

Trustees and Shareholders
Federal Realty Investment Trust

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Trust's internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 13, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Trust's auditor since 2002.
Charlotte, North Carolina
February 13, 2019

Table of ContentsFederal Realty Investment Trust
Consolidated Balance Sheets

	December 31, 2018 2017 (In thousands, except share and per share data)	
ASSETS		
Real estate, at cost		
Operating (including \$1,701,804 and \$1,639,486 of consolidated variable interest entities, respectively)	\$7,307,622	\$6,950,188
Construction-in-progress (including \$51,313 and \$43,393 of consolidated variable interest entities, respectively)	495,274	684,873
Assets held for sale	16,576	—
	7,819,472	7,635,061
Less accumulated depreciation and amortization (including \$292,374 and \$247,410 of consolidated variable interest entities, respectively)	(2,059,143)	(1,876,544)
Net real estate	5,760,329	5,758,517
Cash and cash equivalents	64,087	15,188
Accounts and notes receivable	142,237	209,877
Mortgage notes receivable, net	30,429	30,429
Investment in real estate partnerships	26,859	23,941
Prepaid expenses and other assets	265,703	237,803
TOTAL ASSETS	\$6,289,644	\$6,275,755
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable (including \$444,388 and \$460,372 of consolidated variable interest entities, respectively)	\$474,379	\$491,505
Capital lease obligations	71,519	71,556
Notes payable	279,027	320,265
Senior notes and debentures	2,404,279	2,401,440
Accounts payable and accrued expenses	177,922	196,332
Dividends payable	78,207	75,931
Security deposits payable	17,875	16,667
Other liabilities and deferred credits	182,898	169,388
Total liabilities	3,686,106	3,743,084
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interests	136,208	141,157
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par:		
5.0% Series C Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25,000 per share), 6,000 shares issued and outstanding	150,000	150,000
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, 74,249,633 and 73,090,877 shares issued and outstanding, respectively	745	733
Additional paid-in capital	3,004,442	2,855,321
Accumulated dividends in excess of net income	(818,877)	(749,367)
Accumulated other comprehensive (loss) income	(416)	22

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Total shareholders' equity of the Trust	2,345,891	2,266,706
Noncontrolling interests	121,439	124,808
Total shareholders' equity	2,467,330	2,391,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$6,289,644	\$6,275,755

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

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Table of ContentsFederal Realty Investment Trust
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2018	2017	2016
	(In thousands, except per share data)		
REVENUE			
Rental income	\$ 895,698	\$ 841,461	\$ 786,583
Other property income	16,589	12,825	11,015
Mortgage interest income	3,149	3,062	3,993
Total revenue	915,436	857,348	801,591
EXPENSES			
Rental expenses	173,094	164,890	158,326
Real estate taxes	114,776	107,839	95,286
General and administrative	33,600	36,281	33,399
Depreciation and amortization	244,245	216,050	193,585
Total operating expenses	565,715	525,060	480,596
OPERATING INCOME	349,721	332,288	320,995
Other interest income	942	475	374
Interest expense	(110,154)	(100,125)	(94,994)
Early extinguishment of debt	—	(12,273)	—
(Loss) income from real estate partnerships	(3,398)	(417)	50
INCOME FROM CONTINUING OPERATIONS	237,111	219,948	226,425
Gain on sale of real estate and change in control of interests, net	11,915	77,922	32,458
NET INCOME	249,026	297,870	258,883
Net income attributable to noncontrolling interests	(7,119)	(7,956)	(8,973)
NET INCOME ATTRIBUTABLE TO THE TRUST	241,907	289,914	249,910
Dividends on preferred shares	(8,042)	(2,458)	(541)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$ 233,865	\$ 287,456	\$ 249,369
EARNINGS PER COMMON SHARE, BASIC			
Net income available for common shareholders	\$ 3.18	\$ 3.97	\$ 3.51
Weighted average number of common shares	73,274	72,117	70,877
EARNINGS PER COMMON SHARE, DILUTED			
Net income available for common shareholders	\$ 3.18	\$ 3.97	\$ 3.50
Weighted average number of common shares	73,302	72,233	71,049
NET INCOME	\$ 249,026	\$ 297,870	\$ 258,883
Other comprehensive (loss) income - change in value of interest rate swaps	(438)	2,599	1,533
COMPREHENSIVE INCOME	248,588	300,469	260,416
Comprehensive income attributable to noncontrolling interests	(7,119)	(7,956)	(8,973)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	\$ 241,469	\$ 292,513	\$ 251,443

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

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Federal Realty Investment Trust

Consolidated Statement of Shareholders' Equity

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 Income/(Loss)	Noncontrolling Interests	Total Shareholders' Equity
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(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
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Net income,

excluding

\$2,713

attributable to	—	—	—	—	—	249,910	—	6,260	256,170
-----------------	---	---	---	---	---	---------	---	-------	---------

redeemable

noncontrolling

interests

Other

comprehensive

income -

change in value

of interest rate

swaps

Dividends

declared to

common

shareholders

Dividends

declared to

preferred

shareholders

Distributions

declared to

noncontrolling

interests

Common shares

issued

Exercise of

stock options

Shares issued

under dividend

reinvestment

plan

Share-based

compensation

expense, net of

forfeitures

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Shares withheld for employee taxes	—	—	(30,671)	—	(4,451)	—	—	(4,451)
Conversion and redemption of OP units	—	—	170,608	2	18,677	—	—	(18,679)
Contributions from noncontrolling interests	—	—	—	—	—	—	885	885
Adjustment to redeemable noncontrolling interests	—	—	—	—	(20,091)	—	—	(20,091)
BALANCE AT DECEMBER 31, 2016	399,896	9,997	71,995,897	722	2,718,325	(749,734)	(2,577)	99,102
January 1, 2017 adoption of new accounting standard	—	—	—	—	83	(83)	—	—
Net income, excluding \$3,874 attributable to redeemable noncontrolling interests	—	—	—	—	—	289,914	—	4,082
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	—	—	2,599	—
Dividends declared to common shareholders	—	—	—	—	—	(287,006)	—	—
Dividends declared to preferred shareholders	—	—	—	—	—	(2,458)	—	—
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(5,560)
Common shares issued, net	—	—	826,592	8	108,240	—	—	—
Preferred shares issued, net	6,000	150,000	—	—	(5,035)	—	—	—
	—	—	152,634	2	9,977	—	—	—

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Exercise of stock options									
Shares issued under dividend reinvestment plan	—	—	17,911	—	2,373	—	—	—	2,373
Share-based compensation expense, net of forfeitures	—	—	107,522	1	12,370	—	—	—	12,371
Shares withheld for employee taxes	—	—	(29,709)	—	(4,229)	—	—	—	(4,229)
Conversion and redemption of OP units	—	—	20,030	—	2,569	—	—	(2,569)	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	35,331	35,331
Purchase of noncontrolling interests					42			(5,578)	(5,536)
Adjustment to redeemable noncontrolling interests	—	—	—	—	10,606	—	—	—	10,606
BALANCE AT DECEMBER 31, 2017	405,896	\$ 159,997	73,090,877	\$ 733	\$ 2,855,321	\$ (749,367)	\$ 22	\$ 124,808	\$ 2,391,514
January 1, 2018 adoption of new accounting standard - See Note 2	—	—	—	—	—	(6,028)	—	—	(6,028)
Net income, excluding \$3,865 attributable to redeemable noncontrolling interests	—	—	—	—	—	241,907	—	3,254	245,161
Other comprehensive loss - change in value of interest rate swaps	—	—	—	—	—	—	(438)	—	(438)
Dividends declared to common shareholders	—	—	—	—	—	(297,347)	—	—	(297,347)

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Dividends declared to preferred shareholders	—	—	—	—	—	(8,042)	—	—	(8,042)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(5,175)	(5,175)
Common shares issued, net	—	—	987,461	10	126,061	—	—	—	126,071
Exercise of stock options	—	—	105,803	1	4,571	—	—	—	4,572
Shares issued under dividend reinvestment plan	—	—	17,952	—	2,159	—	—	—	2,159
Share-based compensation expense, net of forfeitures	—	—	55,223	1	12,735	—	—	—	12,736
Shares withheld for employee taxes	—	—	(8,432)	—	(958)	—	—	—	(958)
Conversion and redemption of OP units	—	—	749	—	(544)	—	—	(5,468)	(6,012)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	4,020	4,020
Adjustment to redeemable noncontrolling interests	—	—	—	—	5,097	—	\$—	—	5,097
BALANCE AT DECEMBER 31, 2018	405,896	\$159,997	74,249,633	\$745	\$3,004,442	\$(818,877)	\$(416)	\$121,439	\$2,467,330

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

Table of ContentsFederal Realty Investment Trust
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
OPERATING ACTIVITIES			
Net income	\$249,026	\$297,870	\$258,883
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	244,245	216,050	193,585
Gain on sale of real estate and change in control of interests, net	(11,915)	(77,922)	(32,458)
Early extinguishment of debt	—	12,273	—
Loss (income) from real estate partnerships	3,398	417	(50)
Other, net	4,147	(2,674)	474
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Proceeds from new market tax credit transaction, net of deferred costs	12,353	—	—
Decrease in accounts receivable, net	917	2,059	1,868
(Increase) decrease in prepaid expenses and other assets	(2,070)	(3,695)	214
Increase in accounts payable and accrued expenses	2,650	14,242	7,159
Increase (decrease) in security deposits and other liabilities	13,937	208	(2,003)
Net cash provided by operating activities	516,688	458,828	427,672
INVESTING ACTIVITIES			
Acquisition of real estate	(13,503)	(437,772)	(142,958)
Capital expenditures - development and redevelopment	(302,120)	(441,984)	(379,720)
Capital expenditures - other	(66,138)	(76,952)	(57,560)
Proceeds from sale of real estate and real estate partnership interests	177,775	136,055	—
Proceeds from partnership formation	37,998	—	—
Investment in real estate partnerships	(1,037)	(696)	(7,220)
Distribution from real estate partnership in excess of earnings	275	1,729	3,910
Leasing costs	(25,430)	(16,656)	(18,299)
(Issuance) repayment of mortgage and other notes receivable, net	(67)	(1,646)	11,626
Net cash used in investing activities	(192,247)	(837,922)	(590,221)
FINANCING ACTIVITIES			
Net (repayment) borrowings under revolving credit facility, net of costs	(41,000)	41,000	(56,916)
Issuance of senior notes, net of costs	—	572,134	241,795
Redemption and retirement of senior notes	—	(161,930)	—
Repayment of mortgages, capital leases, and notes payable	(16,620)	(56,328)	(49,559)
Issuance of common shares, net of costs	130,918	118,583	329,103
Issuance of preferred shares, net of costs	—	144,991	—
Dividends paid to common and preferred shareholders	(301,194)	(282,995)	(267,694)
Shares withheld for employee taxes	(958)	(4,229)	(4,451)
Contributions from noncontrolling interests	2,838	13,449	662
Distributions to and redemptions of noncontrolling interests	(15,293)	(15,230)	(24,102)
Net cash (used in) provided by financing activities	(241,309)	369,445	168,838
Increase (decrease) in cash, cash equivalents, and restricted cash	83,132	(9,649)	6,289
Cash, cash equivalents, and restricted cash at beginning of year	25,200	34,849	28,560
Cash, cash equivalents, and restricted cash at end of year	\$108,332	\$25,200	\$34,849

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

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Federal Realty Investment Trust
Notes to Consolidated Financial Statements
December 31, 2018, 2017 and 2016

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 December 31, 2018, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 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.

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 2017 and 2016 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.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management’s assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. Accounts receivable are written-off when they are deemed to be uncollectible and we are no longer actively pursuing collection. At December 31, 2018 and 2017, our allowance for doubtful accounts was \$12.7 million and \$11.8 million,

respectively.

In some cases, primarily relating to straight-line rents, the collection of accounts receivable extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in

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the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2018 and 2017, accounts receivable include approximately \$97.4 million and \$93.1 million, respectively, related to straight-line rents.

We completed construction on 221 condominium units at our Assembly Row and Pike & Rose properties. Beginning on January 1, 2018, with the adoption of ASU 2014-09, "Revenue from Contracts with Customers," (see "Recent Accounting Pronouncements" for discussion of change in timing of revenue recognition), gains or losses on the sale of these condominium units are recognized as the condominium units are legally sold. In 2017, we accounted for contracted condominium sales under the percentage-of completion method, based on an evaluation of the criteria specified in ASC Topic 360-20, "Property, Plant and Equipment – Real Estate Sales," including: the legal commitment of the purchaser in the real estate contract, whether the construction of the project was beyond a preliminary phase, whether sufficient units had been contracted to ensure the project would not revert to a rental project, the ability to reasonably estimate the aggregate project sale proceeds and aggregate project costs, and the determination that the buyer had made an adequate initial and continuing cash investment under the contract. When the percentage-of-completion criteria had not been met, no profit was recognized. The application of these criteria can be complex and required us to make assumptions.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 35 years to a maximum of 50 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. In 2018, 2017 and 2016, real estate depreciation expense was \$216.0 million, \$193.3 million and \$173.2 million, respectively, including amounts from real estate sold and assets under capital lease obligations.

Effective January 1, 2018, (upon the adoption of ASU 2014-09, "Revenue from Contracts with Customers," as amended and interpreted) sales of real estate are recognized generally upon the transfer of control, which usually occurs when the real estate is legally sold. Prior to January 1, 2018, sales of real estate were recognized only when sufficient down payments had been obtained, possession and other attributes of ownership had been transferred to the buyer and we had no significant continuing involvement. The application of these criteria can be complex and required us to make assumptions. We believe the relevant criteria were met for all real estate sold during the periods presented.

Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and/or appraised values. When we acquire operating real estate properties, the purchase price is allocated to land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, if any, and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the consolidated statements of comprehensive income. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Transaction costs related to asset acquisitions, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are capitalized as part of the acquisition cost. The acquisition of an operating shopping center typically qualifies as an asset acquisition.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in determining whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and redevelopment activities. Capitalization of these costs begin when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended

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use at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the development or redevelopment is no longer probable of completion, we expense all capitalized costs which are not recoverable. We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount, at which time, the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity, when purchased, under three months. Cash balances in individual banks may exceed the federally insured limit by the Federal Deposit Insurance Corporation (the "FDIC"). At December 31, 2018, we had \$70.6 million in excess of the FDIC insured limit.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, prepaid property taxes and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and salaries and related costs of personnel directly related to time spent obtaining a lease. Capitalized lease costs are amortized over the life of the related lease. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any previously capitalized lease costs are written off.

Debt Issuance Costs

Costs related to the issuance of debt instruments are deferred and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in "early extinguishment of debt." Debt issuance costs related to our revolving credit facility are classified as an asset and are included in "prepaid expenses and other assets" in our consolidated balance sheets. All other debt issuance costs are presented as a direct deduction from the carrying amount of the debt liability.

Derivative Instruments

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.

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive income (loss) which is included in accumulated other comprehensive income (loss) on the balance sheet and statement of shareholders' equity. 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, the default risk of the counterparty is evaluated by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

Prior to November 1, 2018, we were 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. As of December 31, 2018, our Assembly Row hotel joint venture is a party to two interest rate swap agreements that effectively fix the interest rate on the joint venture's mortgage debt at 5.206%. Both swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted earnings in 2018, 2017 and 2016.

Mortgage Notes Receivable

We have made certain mortgage loans that, because of their nature, qualify as loan receivables. At the time the loans were made, we did not intend for the arrangement to be anything other than a financing and did not contemplate a real estate investment. We evaluate each investment to determine whether the loan arrangement qualifies as a loan, joint venture or real

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estate investment and the appropriate accounting thereon. Such determination affects our balance sheet classification of these investments and the recognition of interest income derived therefrom. We receive additional interest, however, we never receive in excess of 50% of the residual profit in the project, and because the borrower has either a substantial investment in the project or has guaranteed all or a portion of our loan (or a combination thereof), the loans qualify for loan accounting. The amounts under these arrangements are presented as mortgage notes receivable at December 31, 2018 and 2017.

Mortgage notes receivable are recorded at cost, net of any valuation adjustments. Interest income is accrued as earned. Mortgage notes receivable are considered past due based on the contractual terms of the note agreement. On a quarterly basis, we evaluate the collectability of each mortgage note receivable based on various factors which may include payment history, expected fair value of the collateral securing the loan, internal and external credit information and/or economic trends. A loan is considered impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due under the existing contractual terms. When a loan is considered impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the mortgage note receivable to the present value of expected future cash flows. Since our loans are collateralized by a first mortgage, the loans have risk characteristics similar to the risks in owning commercial real estate.

At December 31, 2018 and 2017, we had two mortgage notes receivable, with aggregate carrying amounts of \$30.4 million, and weighted average interest rates of 10.3% and 10.0%, respectively, which were secured by first mortgages on retail buildings.

Share Based Compensation

We grant share based compensation awards to employees and trustees typically in the form of restricted common shares, common shares, and options. We measure share based compensation expense based on the grant date fair value of the award and recognize the expense ratably over the requisite service period, which is typically the vesting period. See Note 12 for further discussion regarding our share based compensation plans and policies.

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as VIEs. VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE has both the power to direct the activities that most significantly impact economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Our equity method investments in the Pike & Rose hotel joint venture, the Assembly Row hotel joint venture, and the La Alameda shopping center are also considered variable interests in a VIE. As we do not control the activities that most significantly impact the economic performance of the joint ventures, we are not the primary beneficiary and do not consolidate. As of December 31, 2018 and 2017, our investment in these joint ventures and maximum exposure to loss was \$26.9 million and \$23.9 million, respectively.

In addition, we have 18 entities that meet the criteria of a VIE in which we hold a variable interest. For each of these entities, we control the significant operating decisions and consequently have the power to direct the activities that most significantly impact the economic performance of the entities. As we also have the obligation to absorb the majority of the losses and/or the right to receive a majority of the benefits for each of these entities, all are consolidated in our financial statements. Net real estate assets and mortgage payables related to variable interest entities included in our consolidated balance sheets were approximately \$1.5 billion and \$444.4 million, respectively, as of December 31, 2018, and \$1.4 billion and \$460.4 million, respectively, as of December 31, 2017.

We have also evaluated our mortgage notes receivable investments and determined that the entities obligated under the mortgage notes are not VIEs. Our equity method investments and mortgage notes receivable balances are presented separately in our consolidated balance sheets.

Redeemable Noncontrolling Interests

We have certain noncontrolling interests that are redeemable for cash upon the occurrence of an event that is not solely in our control and therefore are classified outside of permanent equity. We adjust the carrying amounts of these noncontrolling interests that are currently redeemable to redemption value at the balance sheet date. Adjustments to

the carrying amount to reflect changes in redemption value are recorded as adjustments to additional paid-in capital in shareholders' equity. These amounts are classified within the mezzanine section of the consolidated balance sheets.

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The following table provides a rollforward of the redeemable noncontrolling interests:

	Year Ended	
	December 31,	
	2018	2017
	(In thousands)	
Beginning balance	\$141,157	\$143,694
Net income	3,865	3,874
Contributions	354	11,109
Distributions & Redemptions	(4,071)	(6,914)
Change in redemption value	(5,097)	(10,606)
Ending balance	\$136,208	\$141,157

On January 12, 2017, we exercised our purchase option on non-controlling interests in San Antonio Center for \$2.6 million of cash and 44,195 of downREIT operating partnership units.

Income Taxes

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. We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the “Code”). A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2015. As of December 31, 2018 and 2017, we had no material unrecognized tax benefits. While we currently have no material unrecognized tax benefits, as a policy, we recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense.

Segment Information

Our primary business is the ownership, management, and redevelopment of retail and mixed-use properties. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. We evaluate financial performance using property operating income, which consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. No individual commercial or residential property constitutes more than 10% of our revenues or property operating income and we have no operations outside of the United States of America. Therefore, we have aggregated our properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

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Recent Accounting Pronouncements

Standard	Description	Date of Adoption	Effect on the financial statements or significant matters
Recently adopted:			
Revenue from Contracts with Customers (Topic 606) and related updates:	In May 2014, the the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 as amended and interpreted by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, supersedes nearly all existing revenue recognition guidance under GAAP and replaces it with a core revenue recognition principle, that an entity will recognize revenue when it transfers control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and creates a five-step model for revenue recognition in accordance with this principle. ASU 2014-09 also requires new disclosures in both interim and annual reporting periods. The guidance in ASU 2014-09 does not apply to contracts within the scope of ASC 840, Leases.	January 2018	We implemented the new revenue recognition guidance retrospectively with the cumulative effect recognized in accumulated dividends in excess of net income at the date of initial application. The primary impact relates to condominium sales. Most of our revenue is accounted for under the leasing standard, and therefore is not subject to this standard.
ASU 2014-09, May 2014, Revenue from Contracts with Customers			In 2017, gains on contracted condominium sales were recognized using the percentage-of-completion method, with the gain recognized once certain criteria were met in advance of legal closing. Under the new guidance, condominium sale gains are recognized as the condominium units are legally sold, which is typically upon closing. \$5.4 million of condominium gains (net of \$1.4 million of income taxes) recorded under the percentage-of-completion method in 2017 were reversed through opening accumulated dividends in excess of net income. If we had used the percentage-of-completion method during 2018, we would have recorded \$0.7 million of condominium gains (net of \$0.2 million of income taxes) in 2018.
ASU 2015-14, August 2015, Revenue from Contracts with Customers: Deferral of the Effective Date			With the exception of condominium sales, the adoption of the standard did not have a significant impact on our consolidated financial statements, with an additional cumulative effect of \$0.6 million reflected in opening accumulated dividends in excess of net income.
ASU 2016-08, March 2016, Revenue from Contracts with Customers: Principal versus Agent Considerations	ASU 2016-08 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.		
ASU 2016-10, April 2016, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing	ASU 2016-10 clarifies the existing guidance on identifying performance obligations and licensing implementation.		
ASU 2016-12,	ASU 2016-12 adds practical expedients related to the transition for contract modifications and further defines a completed contract, clarifies the objective of the collectability assessment		

May 2016, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients	and how revenue is recognized if collectability is not probable, and when non-cash considerations should be measured.
ASU 2016-20, December 2016, Revenue from Contracts with Customers: Technical Corrections and Improvements	ASU 2016-20 corrects or improves guidance in thirteen narrowly focused aspects of the guidance. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the cumulative impact of applying the standard is recognized in accumulated dividends in excess of net income on the date of application.

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Standard	Description	Date of Adoption	Effect on the financial statements or significant matters
ASU 2016-15, August 2016, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	This ASU provides classification guidance for eight specific topics including debt extinguishment costs, contingent consideration payments made after a business combination, and distributions received from equity method investees.	January 2018	This standard did not have an impact on our consolidated financial statements.
ASU 2016-18, November 2016, Statement of Cash Flows (Topic 203) - Restricted Cash	This ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Amounts generally described as restricted cash and equivalents should be included with cash and cash equivalents when reconciling the beginning and end of period total amounts on the statement of cash flows.	January 2018	Prior to the adoption of this standard, "net cash provided by operating activities" was \$423.7 million and \$369.0 million for the years ended December 31, 2017 and 2016, respectively, and "net cash used in investing activities" was \$590.2 million and \$353.8 million for the years ended December 31, 2017 and 2016, respectively. After the adoption, "net cash provided by operating activities" was \$458.8 million and \$427.7 million for the years ended December 31, 2017 and 2016, respectively, and "net cash used in investing activities" was \$837.9 million and \$590.2, for the years ended December 31, 2017 and 2016, respectively. The reclassification is reflected in "increase in cash, cash equivalents, and restricted cash" in the Consolidated Statements of Cash Flows. See additional disclosures in "Consolidated Statement of Cash Flows - Supplemental Disclosures."
ASU 2017-05, February 2017, Other Income - Gains and Losses from the Recognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	This ASU clarifies that ASC 610-20 applies to all nonfinancial assets (including real estate) for which the counterparty is not a customer and also clarifies that all businesses are derecognized using the deconsolidation guidance. Additionally, it defines an insubstance nonfinancial asset as a financial asset that is promised to a counterparty in a contract in which substantially all of the fair value of the assets promised in the contract is	January 2018	The new guidance is expected to impact the gain recognized when a real estate asset is sold to a non-customer and a noncontrolling interest is retained. The adoption of this standard did not have a significant impact on our consolidated financial statements.

concentrated in nonfinancial assets, which excludes cash or cash equivalents and liabilities.

Under the current guidance, a partial sale is recognized and carryover basis is used for the retained interest, however, the new guidance eliminates the use of carryover basis and generally requires a full gain to be recognized for prospective disposals of nonfinancial assets.

The ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, an entity will not apply modification accounting if the awards' fair value, vesting conditions, and the classification of the award as equity or a liability are the same immediately before and after the change. The new guidance is applied prospectively to awards granted or modified after the adoption date.

ASU 2017-09, May 2017,
Compensation-Stock
Compensation (Topic 718):
Scope of Modification
Accounting

January
2018

The adoption of this standard did not have a significant impact on our consolidated financial statements, as there have been no modifications to awards for the year ending December 31, 2018.

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Standard	Description	Date of Adoption	Effect on the financial statements or significant matters
Adopted subsequent to December 31, 2018:			
Leases (Topic 842) and related updates: ASU 2016-02, February 2016, Leases (Topic 842) ASU 2018-10, July 2018, Codification improvements to Topic 842, Leases ASU 2018-11, July 2018, Leases (Topic 842) ASU 2018-20, December 2018, Leases (Topic 842) Narrow Scope Improvements for Lessors	This ASU 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 2018-10 provides narrow amendments that clarify how to apply certain aspects of the guidance in ASU 2016-02. ASU 2018-11 provides the option of an additional transition method, by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. It also provides lessors an option to not separate lease and non-lease components when certain criteria are met. ASU 2018-20 provides narrow scope amendments including the requirement to exclude variable payments made by the lessee to a third party on behalf of the lessor from revenue (e.g., lessee payments of real estate taxes made directly to the taxing authority on behalf of the lessor are excluded from revenue).	January 2019	We have elected to apply the transition provisions of ASC Topic 842 at the beginning of the period of adoption (i.e., January 1, 2019), and therefore, will not retrospectively adjust prior periods presented. We have also elected to apply certain adoption related practical expedients for all leases that commenced prior to the effective date. These practical expedients include not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for any expired or existing leases; and not reassessing initial direct costs for any existing leases. The primary impact of adoption on January 1, 2019 will be to record a lease obligation liability and right of use asset for operating leases where we are the lessee. The most significant of these operating leases are ground leases at 14 properties. The lease obligation liability and right of use asset (prior to adjustments for unamortized direct costs and purchase accounting assets/liabilities) to be recorded on January 1, 2019 approximates \$75 million. Given our application of the practical expedients noted above, we will apply the lease classification requirements under ASC Topic 842 for all new leases or existing leases that are modified after the adoption date and we will no longer be able to capitalize certain costs related to these leases. For the year ended December 31, 2018, we capitalized approximately \$7.5 million of internal leasing and external legal leasing costs. For new leases and existing leases that are modified after the effective date, only a portion of these types of costs can be capitalized and as a result, the costs that no longer qualify for capitalization will be included in “general and administrative expense” in the period incurred. Additionally, the presentation of certain rental income and rental expense on the consolidated statements of comprehensive income will be impacted. For the year ended December 31, 2018, rental income and rental expense include \$6.5 million relating to real estate taxes paid by tenants on our behalf directly to taxing authorities. Effective

January 1, 2019, payments of this nature will no longer be recorded gross as revenue and expense on the consolidated statements of comprehensive income.

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Standard	Description	Date of Adoption	Effect on the financial statements or significant matters
Not Yet Adopted:			
Financial Instruments - Credit Losses (Topic 326) and related updates:			
ASU 2016-13, June 2016, Financial Instruments - Credit Losses (Topic 326)	This ASU 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.	January 2020	This standard is not expected to have a significant impact to our consolidated financial statements.
ASU 2018-19, November 2018, Codification improvements to Topic 326, Financial Instruments - Credit Losses	ASU 2018-19 clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.		
ASU 2018-15, August 2018, Intangibles - Goodwill and Other Internal Use Software: Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	This ASU requires a customer in a cloud computing arrangement (i.e. hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement. Entities will expense costs during the preliminary project and post-implementation stages as they are incurred.	January 2020	This standard is not expected to have a significant impact to our consolidated financial statements.
	The guidance can be applied prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with ASC 250-10-45-5 through ASC 250-10-45-10.		

Consolidated Statements of Cash Flows—Supplemental Disclosures

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

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
SUPPLEMENTAL DISCLOSURES:			
Total interest costs incurred	\$129,001	\$125,684	\$113,016
Interest capitalized	(18,847)	(25,559)	(18,022)
Interest expense	\$110,154	\$100,125	\$94,994
Cash paid for interest, net of amounts capitalized	\$107,494	\$105,201	\$90,185
Cash paid for income taxes	\$675	\$352	\$296

NON-CASH INVESTING AND FINANCING TRANSACTIONS (1):

Mortgage loans refinanced	\$—	\$166,823	\$—
Mortgage loans assumed with acquisition	\$—	\$79,401	\$34,385
DownREIT operating partnership units issued with acquisition	\$—	\$5,918	\$—
DownREIT operating partnership units redeemed for common shares	\$101	\$2,569	\$18,679
Shares issued under dividend reinvestment plan	\$1,884	\$2,017	\$2,017
Contribution from noncontrolling interest	\$1,435	\$—	\$—

(1) See Note 3 for additional disclosures relating to our investment in the Assembly Row hotel joint venture.

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Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place. These costs include third party commissions and salaries and personnel costs related to obtaining a lease. Capitalized lease costs are amortized over the initial term of the related lease which generally ranges from three to ten years. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow and therefore, we classify cash outflows related to leasing costs as an investing activity in our consolidated statements of cash flows. See the "Recent Accounting Pronouncements Adopted Subsequent to December 31, 2018," section in this note for further discussion regarding the change in accounting for lease costs.

	December 31,	
	2018	2017
	(In thousands)	
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	\$64,087	\$15,188
Restricted cash (1)	44,245	10,012
Total cash, cash equivalents, and restricted cash	\$108,332	\$25,200

(1) Restricted cash balances are included in "prepaid expenses and other assets" on our consolidated balance sheets.

NOTE 3—REAL ESTATE

A summary of our real estate investments and related encumbrances is as follows:

	Cost	Accumulated Depreciation and Amortization	Encumbrances
	(In thousands)		
December 31, 2018			
Retail and mixed-use properties	\$7,680,653	\$ (2,000,274)	\$ 454,053
Retail properties under capital leases	127,719	(49,216)	71,519
Residential	11,100	(9,653)	20,326
	\$7,819,472	\$ (2,059,143)	\$ 545,898
December 31, 2017			
Retail and mixed-use properties	\$7,500,929	\$ (1,821,046)	\$ 470,720
Retail properties under capital leases	123,346	(46,140)	71,556
Residential	10,786	(9,358)	20,785
	\$7,635,061	\$ (1,876,544)	\$ 563,061

The residential property investment is our investment in Rollingwood Apartments. All of other residential units are included in retail and mixed-use properties.

2018 Property Acquisitions and Dispositions

On June 15, 2018, we formed a new joint venture to develop Jordan Downs Plaza which, when completed, will be an approximately 113,000 square foot grocery anchored shopping center located in Los Angeles County, California. We initially invested \$34.4 million as a result of a pre-funding requirement for equity to be advanced prior to the start of construction. We own approximately 91% of the venture, and control the 9.4 acre land parcel on which the shopping center will be constructed under a long-term ground lease that expires June 15, 2093 (including two 10-year option periods which may be exercised at our option). The Jordan Downs Plaza development is expected to generate income tax credits under the New Market Tax Credit Program ("NMTC") which was provided for in the Community Renewal Tax Relief Act of 2000 ("the Act") and is intended to induce investment in underserved areas of the United States. The Act permits taxpayers to claim credits against their Federal income taxes for qualified investments. A third party bank contributed \$13.9 million to the development, and is entitled to the related tax credit benefits, but they do not have an interest in the underlying economics of the property. The transaction also includes a put/call provision whereby we may be obligated or entitled to purchase the third party bank's interest. We believe the put will be exercised at its \$1,000 strike price. Based on our assessment of control, we concluded that the project and certain other transaction

related entities should be consolidated. The \$13.9 million in proceeds received in exchange for the transfer of the tax credits has been deferred and will be recognized when the tax benefits are delivered to the third party bank without risk of recapture. Direct and incremental costs of \$1.6 million incurred in structuring the NMTC transaction have also been deferred. The Trust anticipates recognizing the net cash received as revenue upon completion of the seven-year NMTC

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compliance period. Cash in escrow at December 31, 2018 of \$32.2 million reflects cash that will ultimately be used for the development of the shopping center, and is included in "prepaid expenses and other assets" on our consolidated balance sheet. The cash is held in escrow pursuant to the new market tax credit transaction documents and will be released as qualified development expenditures are incurred.

In August 2018, we contributed hotel related assets valued at \$44.0 million to our Assembly Row hotel joint venture, and received a cash distribution of \$38.0 million. At December 31, 2018, our investment in the venture was \$5.6 million. The joint venture is considered a variable interest entity controlled by our partner, and as a result, we are using the equity method to account for our investment.

On August 16, 2018, we sold the residential building at our Chelsea Commons property in Chelsea, Massachusetts for a sales price of \$15.0 million, resulting in a gain of 3.1 million.

On November 9, 2018, we sold our Atlantic Plaza property in North Reading, Massachusetts for a sales price of \$27.2 million, resulting in a gain of \$1.6 million.

On November 29, 2018, we acquired a 40,000 square foot building adjacent to our Bell Gardens property for \$9.6 million.

During the year ended December 31, 2018, we closed on the sale of 176 condominium units at our Assembly Row and Pike & Rose properties (combined) and received proceeds net of closing costs of \$133.5 million. For the year ended December 31, 2018, we recognized a gain of \$7.2 million, net of \$1.6 million of income taxes. The cost basis for remaining condominium units that are ready for their intended use as of December 31, 2018 is \$16.6 million, and is included in "assets held for sale" on our consolidated balance sheets.

2017 Property Acquisitions and Dispositions

On February 1, 2017, we acquired a leasehold interest in Hastings Ranch Plaza, a 274,000 square foot shopping center in Pasadena, California for \$29.5 million. The land is subject to a long-term ground lease that expires on April 30, 2054. Approximately \$21.5 million of assets acquired were allocated to lease intangibles and included within other assets. Approximately \$15.2 million of net assets acquired were allocated to lease liabilities and included in other liabilities.

On March 31, 2017, we acquired the fee interest in Riverpoint Center, a 211,000 square foot shopping center in the Lincoln Park neighborhood of Chicago, Illinois for \$107.0 million. Approximately \$1.0 million and \$12.3 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

We leased three parcels of land at our Assembly Row property to two ground lessees. Both lessees exercised purchase options under the related ground leases. The sale transaction related to the purchase option on one of our ground leases was completed on April 4, 2017 for a sales price of \$36.0 million. On June 28, 2017, the sale transactions related to the purchase options on our other two ground lease parcels were completed for a total sales price of \$17.3 million. The net gain recognized in connection with these transactions was approximately \$15.4 million.

On May 19, 2017, we acquired the fee interest in a 71,000 square foot, mixed-use property located in Berkeley, California based on a gross value of \$23.9 million. The acquisition was completed through a newly formed entity for which we own a 90% controlling interest. Approximately \$0.8 million and \$0.3 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases," respectively, and approximately \$2.4 million was allocated to noncontrolling interests.

On August 2, 2017, we acquired an approximately 90% interest in a joint venture that owns six shopping centers in Los Angeles County, California based on a gross value of \$357 million, including the assumption of \$79.4 million of mortgage debt. Approximately \$7.8 million of assets acquired were allocated to lease intangibles and included within other assets, approximately \$36.2 million of net assets acquired were allocated to lease liabilities and included in other liabilities, and approximately \$30.6 million was allocated to noncontrolling interests. That joint venture also acquired a 24.5% interest in La Alameda, a shopping center in Walnut Park, California for \$19.8 million. The property has \$41.0 million of mortgage debt, of which the joint venture's share is approximately \$10 million. Additional information on the properties is listed below:

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Property	City/State	GLA (in square feet)
Azalea	South Gate, CA	222,000
Bell Gardens	Bell Gardens, CA	330,000
La Alameda	Walnut Park, CA	245,000
Olivo at Mission Hills (1)	Mission Hills, CA	155,000
Plaza Del Sol	South El Monte, CA	48,000
Plaza Pacoima	Pacoima, CA	204,000
Sylmar Towne Center	Sylmar, CA	148,000
		1,352,000

(1) Property is currently being redeveloped. GLA reflects approximate square footage once the property is open and operating.

The following unaudited pro forma financial data includes the total revenues, operating expenses (including approximately \$11.5 million and \$11.4 million of depreciation and amortization expense for the years ended December 31, 2017 and 2016, respectively), and interest expense/financing costs related to the properties acquired on August 2, 2017 as if they had occurred on January 1, 2016. The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of income would have been, nor does it represent the results of income for future periods.

	Year Ended December 31, 2017 2016 (in millions) (unaudited)	
Total revenue	\$872.9	\$826.6
Net income available for common shareholders	284.6	244.3

On August 25, 2017, we sold our property located at 150 Post Street in San Francisco, California for a sales price of \$69.3 million, resulting in a gain of \$45.2 million.

On September 25, 2017, we sold our North Lake Commons property in Lake Zurich, Illinois for a sales price of \$15.6 million, resulting in a gain of \$4.9 million.

On December 28, 2017, we sold a parcel of land at our Bethesda Row property in Bethesda, Maryland for a sales price of \$8.5 million, resulting in a gain of \$6.5 million.

For the year ended December 31, 2017, we recognized a \$5.4 million gain, net of \$1.4 million of income taxes, related to the sale of condominiums at our Assembly Row property based on the percentage-of-completion method. In connection with recording the gain, we recognized a receivable of \$67.1 million as of December 31, 2017. See discussion in Note 2 to the Consolidated Financial Statements with respect to the change in accounting for condominium gains.

NOTE 4—ACQUIRED IN-PLACE LEASES

Acquired lease assets are included in prepaid expenses and other assets and comprise above market leases where we are the lessor and below market leases where we are the lessee. Acquired lease liabilities are included in other liabilities and deferred credits and comprise below market leases where we are the lessor and above market leases where we are the lessee. The following is a summary of our acquired lease assets and liabilities:

December 31, 2018		December 31, 2017	
Cost	Accumulated Amortization	Cost	Accumulated Amortization
(in thousands)			

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Above market leases, lessor	\$49,128	\$ (33,843	) \$52,393	\$ (31,406	)
Below market leases, lessee	34,604	(2,533	) 34,604	(1,705	)
Total	\$83,732	\$ (36,376	) \$86,997	\$ (33,111	)

Below market leases, lessor	\$(189,379)	\$ 65,408	\$(193,085)	\$ 56,716
Above market leases, lessee	(9,084	) 1,065	(9,084	) 560
Total	\$(198,463)	\$ 66,473	\$(202,169)	\$ 57,276

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The value allocated to in-place leases where we are the lessor is amortized over the related lease term and reflected as additional rental income for below market leases or a reduction of rental income for above market leases in the consolidated statements of comprehensive income. The related amortization of in-place leases where we are the lessee is reflected as additional rental expense for below market leases or a reduction of rental expenses for above market leases in the consolidated statements of comprehensive income. The following is a summary of acquired lease amortization:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Amortization of above market leases, lessor	\$(5,608)	\$(6,005)	\$(6,726)
Amortization of below market leases, lessor	12,445	10,726	8,551
Net increase in rental income	\$6,837	\$4,721	\$1,825
Amortization of below market leases, lessee	\$828	\$781	\$255
Amortization of above market leases, lessee	(505)	(290)	(135)
Net increase in rental expense	\$323	\$491	\$120

The following is a summary of the remaining weighted average amortization period for our acquired lease assets and acquired lease liabilities:

December 31, 2018

Above market leases, lessor 4.0 years

Below market leases, lessee 40.6 years

Below market leases, lessor 19.0 years

Above market leases, lessee 15.9 years

The amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows:

	Acquired Lease Assets (In thousands)	Acquired Lease Liabilities
Year ending December 31,		
2019	\$3,720	\$9,284
2020	3,086	8,290
2021	2,730	7,677
2022	2,320	7,296
2023	2,191	7,030
Thereafter	33,309	92,413
	\$47,356	\$131,990

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NOTE 5—DEBT

The following is a summary of our total debt outstanding as of December 31, 2018 and 2017:

Description of Debt	Principal Balance as of December 31,		Stated Interest Rate as of December 31,	Stated Maturity Date as of
	2018	2017	2018	December 31, 2018
Mortgages payable	(Dollars in thousands)			
The Grove at Shrewsbury (West)	\$—	\$10,545	6.38	% March 1, 2018
Rollingwood Apartments	20,331	20,820	5.54	% May 1, 2019
The Shops at Sunset Place	64,453	66,603	5.62	% September 1, 2020
29th Place	4,117	4,341	5.91	% January 31, 2021
Sylmar Towne Center	17,006	17,362	5.39	% June 6, 2021
Plaza Del Sol	8,409	8,579	5.23	% December 1, 2021
THE AVENUE at White Marsh	52,705	52,705	3.35	% January 1, 2022
Montrose Crossing	69,310	71,054	4.20	% January 10, 2022
Azalea	40,000	40,000	3.73	% November 1, 2025
Bell Gardens	12,936	13,184	4.06	% August 1, 2026
Plaza El Segundo	125,000	125,000	3.83	% June 5, 2027
The Grove at Shrewsbury (East)	43,600	43,600	3.77	% September 1, 2027
Brook 35	11,500	11,500	4.65	% July 1, 2029
Chelsea	5,941	6,268	5.36	% January 15, 2031
Subtotal	475,308	491,561		
Net unamortized premium and debt issuance costs	(929)	(56)	)	
Total mortgages payable	474,379	491,505		
Notes payable				
Term loan	275,000	275,000	LIBOR + 0.90%	November 21, 2019
Revolving credit facility	—	41,000	LIBOR + 0.825%	April 20, 2020
Various	4,392	4,819	11.31	% Various through 2028
Subtotal	279,392	320,819		
Net unamortized debt issuance costs	(365)	(554)	)	
Total notes payable	279,027	320,265		
Senior notes and debentures				
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	29,200	29,200	7.48	% August 15, 2026
3.25% notes	475,000	475,000	3.25	% July 15, 2027
6.82% medium term notes	40,000	40,000	6.82	% August 1, 2027
4.50% notes	550,000	550,000	4.50	% December 1, 2044
3.625% notes	250,000	250,000	3.625	% August 1, 2046
Subtotal	2,419,200	2,419,200		
Net unamortized discount and debt issuance costs	(14,921)	(17,760)	)	
Total senior notes and debentures	2,404,279	2,401,440		

Capital lease obligations

Various	71,519	71,556	Various	Various through 2106
Total debt and capital lease obligations	\$3,229,204	\$3,284,766		

On March 1, 2018, we repaid the \$10.5 million mortgage loan on The Grove at Shrewsbury (West) at par.

On August 10, 2018, we exercised our option to extend the maturity date of our \$275.0 million unsecured term loan by one year to November 21, 2019.

During 2018, 2017 and 2016, the maximum amount of borrowings outstanding under our \$800.0 million revolving credit facility was \$177.0 million, \$344.0 million and \$251.5 million, respectively. The weighted average amount of borrowings outstanding was \$83.1 million, \$147.5 million and \$77.3 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 2.7%, 1.9% and 1.3%, respectively. The revolving credit facility requires an annual facility fee of

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\$1.0 million. At December 31, 2018, our revolving credit facility had no balance outstanding, and had \$41.0 million outstanding at December 31, 2017.

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 December 31, 2018, we were in compliance with all default related debt covenants.

Scheduled principal payments on mortgages payable, notes payable, senior notes and debentures as of December 31, 2018 are as follows:

	Mortgages Payable (In thousands)	Notes Payable	Senior Notes and Debentures	Total Principal
Year ending December 31,				
2019	\$25,795 (1)	\$275,551	\$ —	\$301,346
2020	65,539	613 (2)	—	66,152
2021	30,541	682	250,000	281,223
2022	117,018	758	250,000	367,776
2023	730	787	275,000	276,517
Thereafter	235,685	1,001	1,644,200	1,880,886
	\$475,308	\$279,392	\$2,419,200	\$3,173,900 (3)

(1) 2019 maturities include a \$20.3 million mortgage loan, which was paid off at par on January 31, 2019, prior to its original maturity date.

(2) Our \$800.0 million revolving credit facility matures on April 20, 2020, subject to two six-month extensions at our option. As of December 31, 2018, there was no outstanding balance under this credit facility.

The total debt maturities differ from the total reported on the consolidated balance sheet due to the unamortized net (3) premium/discount and debt issuance costs on mortgage loans, notes payable, and senior notes as of December 31, 2018.

Future minimum lease payments and their present value for property under capital leases as of December 31, 2018, are as follows:

	(In thousands)
Year ending December 31,	
2019	\$ 5,800
2020	5,800
2021	5,800
2022	5,810
2023	60,013
Thereafter	82,862
	166,085
Less amount representing interest	(94,566)
Present value	\$ 71,519

NOTE 6—FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability in an orderly transaction. The hierarchy for inputs used in measuring fair value are as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities
2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities
3. Level 3 Inputs—prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable

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In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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:

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	\$753,406	\$751,361	\$811,770	\$824,419
Senior notes and debentures	\$2,404,279	\$2,371,392	\$2,401,440	\$2,498,445

During 2018, we had two interest rate swap agreements with a notional amount of \$275.0 million that were measured at fair value on a recurring basis, which expired on November 1, 2018. The interest rate swap agreements fixed the variable portion of our \$275.0 million term loan at 1.72% through November 1, 2018. The fair values of the interest rate swap agreements were 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 December 31, 2017 was an asset of less than \$0.1 million and is included in "prepaid expenses and other assets" on our consolidated balance sheet. During 2018, we reclassified \$0.5 million from other comprehensive income as a decrease to interest expense. The value of our interest rate swaps increased \$2.6 million in 2017 (including \$1.8 million reclassified from other comprehensive income as an increase to interest expense). These changes in value are included in "accumulated other comprehensive income." A summary of our financial assets that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	\$—	\$—	\$—	\$—	\$22	\$—	\$—	\$22

One of our equity method investees has two interest rate swaps which qualify as cash flow hedges. During 2018, our share of the change in fair value of the related swaps included in "accumulated other comprehensive (loss) income" was \$0.4 million.

NOTE 7—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. Other than as described below, 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 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.

In November 2016, we were included as a defendant in a class action lawsuit, in the circuit court for Montgomery County, Maryland, related to predatory towing by a third party company we had retained to provide towing services at several of our properties in Montgomery County, Maryland. Given the costs and risks of continuing litigation on this matter, we elected to participate in a settlement for which our share was approximately \$0.4 million, and was reimbursed by insurance. The settlement did not cover liability for certain tows that were included in the lawsuit that the defendant class believes cannot be

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pursued because of the statute of limitations. Accordingly, we do not believe we should have any additional liability for these remaining tows; however, if we are unsuccessful in dismissing these tows from the litigation, our liability would be less than \$0.1 million.

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third-party actuarial analysis, previous experience in our portfolio, and future increases in costs of claims, when making these determinations. If our liability costs exceed these accruals, it will reduce our net income.

We reserve for estimated losses, if any, associated with warranties given to a buyer at the time real estate is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and require significant judgment. If changes in facts and circumstances indicate that warranty reserves are understated, we will accrue additional reserves at such time a liability has been incurred and the costs can be reasonably estimated. Warranty reserves are released once the legal liability period has expired or all related work has been substantially completed. During 2016, the legal liability period relating to our latent defect warranty on condominiums sold at Santana Row expired. Upon expiration, we released the remaining \$4.9 million warranty reserve which is included in "gain on sale of real estate and change in control of interests" in the consolidated statement of comprehensive income for the year ended December 31, 2016.

At December 31, 2018 and 2017, our reserves for general liability costs were \$3.1 million and \$3.3 million, respectively, and are included in "accounts payable and accrued expenses" in our consolidated balance sheets. Any potential losses which exceed our estimates would result in a decrease in our net income. During both 2018 and 2017, we made payments from these reserves of \$1.4 million. Although we consider the reserve to be adequate, there can be no assurance that the reserve will prove to be adequate over-time to cover losses due to the difference between the assumptions used to estimate the reserve and actual losses.

At December 31, 2018, we had letters of credit outstanding of approximately \$1.3 million.

As of December 31, 2018 in connection with capital improvement, development, and redevelopment projects, the Trust has contractual obligations of approximately \$568.2 million.

We are obligated under ground lease agreements on several shopping centers requiring minimum annual payments as follows, as of December 31, 2018:

	(In thousands)
Year ending December 31,	
2019	\$ 4,794
2020	4,807
2021	4,815
2022	4,931
2023	4,971
Thereafter	184,803
	\$ 209,121

A master lease for Mercer Mall includes a fixed purchase price option for \$55 million in 2023. If we fail to exercise our purchase option, the owner of Mercer Mall has a put option which would require us to purchase Mercer Mall for \$60 million in 2025.

Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 26.63% interest in Congressional Plaza at the interest's then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from approximately \$78 million to \$83 million.

A master lease for Melville Mall includes a fixed purchase price option in 2021 for \$5 million. If we fail to exercise our purchase option, the owner of Melville Mall has a put option which would require us to purchase Melville Mall in 2023 for \$5 million.

The other member in Montrose Crossing has the right to require us to purchase all of its 10.1% interest in Montrose Crossing at the interest's then-current fair market value. If the other member fails to exercise its put option, we have the right to purchase its

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interest on or after December 27, 2021 at fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from approximately \$13 million to \$14 million.

Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from approximately \$23 million to \$26 million.

Effective January 1, 2017, the other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.8% interest in The Grove at Shrewsbury and approximately 8.8% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2018, our estimated maximum liability upon exercise of the put option would range from \$9 million to \$10 million. On January 4, 2019, we acquired a portion of the noncontrolling interest in Brook 35 for \$0.8 million, bringing the noncontrolling ownership interest down to 6.5%.

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 738,423 downREIT operating partnership units are outstanding which have a total fair value of \$87.2 million, based on our closing stock price on December 31, 2018.

NOTE 8—SHAREHOLDERS' EQUITY

We have a Dividend Reinvestment Plan (the "Plan"), whereby shareholders may use their dividends and optional cash payments to purchase shares. In 2018, 2017 and 2016, 17,952 shares, 17,911 shares and 15,619 shares, respectively, were issued under the Plan.

On September 29, 2017, we issued 6,000,000 Depositary Shares, each representing 1/1000th interest of 5.0% Series C Cumulative Redeemable Preferred Share, par value \$0.01 per share ("Series C Preferred Shares"), at the liquidation preference of \$25.00 per depositary share (or \$25,000 per Series C Preferred share) in an underwritten public offering, which were outstanding as of December 31, 2018 and 2017. The Series C Preferred Shares accrue dividends at a rate of 5.0% of the \$25,000 liquidation preference per year and are redeemable at our option on or after September 29, 2022. Additionally, they are not convertible and holders of these shares generally have no voting rights, unless we fail to pay dividends for six or more quarters. The net proceeds after underwriting fees and other costs were approximately \$145.0 million for the year ended December 31, 2017.

As of December 31, 2018, 2017, and 2016, we had 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares ("Series 1 Preferred Shares") outstanding that have a liquidation preference of \$25 per share and par value \$0.01 per share. The Series 1 Preferred Shares accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common shares at a conversion rate of \$104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

On May 7, 2018, we replaced our existing at-the-market ("ATM") equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$400.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts of outstanding under our revolving credit facility and/or for general corporate purposes. For the year ended December 31, 2018, we issued 987,383 common shares at a weighted average price per share of \$129.19 for net cash proceeds of \$126.1 million and paid \$1.3 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. For the year ended December 31, 2017, we issued 826,517 common shares at a weighted average price per share of \$132.56 for net cash proceeds of \$108.3 million and paid \$1.1 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2018, we had the capacity to issue up to \$272.4 million in common shares under our ATM equity program.

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NOTE 9—DIVIDENDS

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

	Year Ended December 31,					
	2018		2017		2016	
	Declared	Paid	Declared	Paid	Declared	Paid
Common shares	\$4.040	\$4.020	\$3.960	\$3.940	\$3.840	\$3.800
5.417% Series 1 Cumulative Convertible Preferred shares	\$1.354	\$1.354	\$1.354	\$1.354	\$1.354	\$1.354
5.0% Series C Cumulative Redeemable Preferred shares (1)	\$1.250	\$1.306	\$0.368	\$—	\$—	\$—

(1) Amount represents dividends per depositary share, each representing 1/1000th of a share.

A summary of the income tax status of dividends per share paid is as follows:

	Year Ended December 31,		
	2018	2017	2016
Common shares			
Ordinary dividend	\$3.859	\$3.940	\$3.800
Ordinary dividend eligible for 15% rate	0.161	—	—
	\$4.020	\$3.940	\$3.800
5.417% Series 1 Cumulative Convertible Preferred shares			
Ordinary dividend	\$1.300	\$1.354	\$1.354
Ordinary dividend eligible for 15% rate	0.054	—	—
	\$1.354	\$1.354	\$1.354
5.0% Series C Cumulative Redeemable Preferred shares			
Ordinary dividend	\$1.254	\$—	\$—
Ordinary dividend eligible for 15% rate	0.052	\$—	\$—
	\$1.306	\$—	\$—

On October 31, 2018, the Trustees declared a quarterly cash dividend of \$1.02 per common share, payable January 15, 2019 to common shareholders of record on January 2, 2019.

NOTE 10—OPERATING LEASES

At December 31, 2018, our 104 predominantly retail shopping center and mixed-use properties are located in 12 states and the District of Columbia. There are approximately 3,000 commercial leases and 2,600 residential leases. Our commercial tenants range from sole proprietorships to national retailers and corporations. At December 31, 2018, no one tenant or corporate group of tenants accounted for more than 2.7% of annualized base rent.

Our leases with commercial property and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, may provide for percentage rents based on the tenant's level of sales achieved and cost recoveries for the tenant's share of certain operating costs. Leases on apartments are generally for a period of 1 year or less.

As of December 31, 2018, future minimum rentals from noncancelable commercial operating leases (excluding both tenant reimbursements of operating expenses and percentage rent based on tenants' sales).

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	(In thousands)
Year ending December 31,	
2019	\$ 606,183
2020	561,265
2021	490,979
2022	418,337
2023	338,324
Thereafter	1,391,705
	\$ 3,806,793

NOTE 11—COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Minimum rents			
Retail and commercial	\$616,137	\$585,178	\$549,552
Residential	71,001	55,416	49,465
Cost reimbursement	178,333	171,528	158,042
Percentage rent	11,241	11,148	10,977
Other	18,986	18,191	18,547
Total rental income	\$895,698	\$841,461	\$786,583

Minimum rents include the following:

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Straight-line rents	\$5.0	\$12.9	\$8.1
Net amortization of above and below market leases	\$6.8	\$4.7	\$1.8

The principal components of rental expenses are as follows:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Repairs and maintenance	\$67,745	\$67,996	\$64,942
Utilities	27,635	25,763	24,968
Management fees and costs	24,024	22,297	20,823
Payroll	16,140	14,922	13,832
Marketing	7,935	9,007	8,520
Insurance	7,547	7,762	7,758
Bad debt expense	4,708	2,591	2,375
Ground rent	4,697	3,826	2,561
Other operating	12,663	10,726	12,547
Total rental expenses	\$173,094	\$164,890	\$158,326

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NOTE 12—SHARE-BASED COMPENSATION PLANS

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

Year Ended December 31,
2018 2017 2016
(In thousands)

Grants of common shares and options \$12,736 \$12,371 \$11,227

Capitalized share-based compensation (1,017) (1,385) (1,310)

Share-based compensation expense \$11,719 \$10,986 \$9,917

In May 2010, our shareholders approved the 2010 Performance Incentive Plan, as amended (the "2010 Plan"), which authorized the grant of share options, common shares and other share-based awards for up to 2,450,000 common shares of beneficial interest. As of December 31, 2018, we have grants outstanding under this one share-based compensation plan.

Option awards under the plan are required to have an exercise price at least equal to the closing trading price of our common shares on the date of grant. Options and restricted share awards under the plan generally vest over three to seven years and option awards typically have a ten-year contractual term. We pay dividends on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control. Additionally, the vesting on certain option and share awards can accelerate in part or in full upon retirement based on the age of the retiree or upon termination without cause.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Expected volatilities, term, dividend yields, employee exercises and estimated forfeitures are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of each share award is determined based on the closing trading price of our common shares on the grant date. No options were granted in 2017.

The following table provides a summary of the weighted-average assumption used to value options granted in 2018 and 2016:

	Year Ended December 31,	
	2018	2016
Volatility	18.0%	18.8%
Expected dividend yield	3.6 %	2.8 %
Expected term (in years)	7.5	6.0
Risk free interest rate	2.8 %	1.5 %

The following table provides a summary of option activity for 2018:

	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2017	106,485	\$ 44.18		
Granted	488	111.34		
Exercised	(105,803)	43.48		
Forfeited or expired	(488)	111.34		
Outstanding at December 31, 2018	682	\$ 152.34	7.1	\$ —
Exercisable at December 31, 2018	273	\$ 152.34	7.1	\$ —

The weighted-average grant-date fair value of options granted in 2018 and 2016 was \$14.42 and \$19.52 per share, respectively. The total cash received from options exercised during 2018, 2017 and 2016 was \$4.6 million, \$10.0 million and \$4.5 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was \$8.2 million, \$10.7 million and \$4.2 million, respectively.

The following table provides a summary of restricted share activity for 2018:

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	Shares	Weighted-Average Grant-Date Fair Value
Unvested at December 31, 2017	237,171	\$ 145.27
Granted	101,614	112.88
Vested	(86,294)	143.71
Forfeited	(46,391)	142.98
Unvested at December 31, 2018	206,100	\$ 130.46

The weighted-average grant-date fair value of stock awarded in 2018, 2017 and 2016 was \$112.88, \$139.31 and \$152.70, respectively. The total vesting-date fair value of shares vested during the year ended December 31, 2018, 2017 and 2016, was \$9.7 million, \$12.5 million and \$13.8 million, respectively.

As of December 31, 2018, there was \$14.2 million of total unrecognized compensation cost related to unvested share-based compensation arrangements (i.e. options and unvested shares) granted under our plans. This cost is expected to be recognized over the next 5.4 years with a weighted-average period of 1.9 years.

Subsequent to December 31, 2018, common shares were awarded under various compensation plans as follows:

Date	Award	Vesting Term	Beneficiary
January 2, 2019	6,177 Shares	Immediate	Trustees
February 5, 2019	103,658 Restricted Shares	3-5 years	Officers and key employees

NOTE 13—SAVINGS AND RETIREMENT PLANS

We have a savings and retirement plan in accordance with the provisions of Section 401(k) of the Code. Generally, employees can elect, at their discretion, to contribute a portion of their compensation up to a maximum of \$18,500 for 2018 and \$18,000 for 2017 and 2016. Under the plan, we contribute 50% of each employee's elective deferrals up to 5% of eligible earnings. In addition, we may make discretionary contributions within the limits of deductibility set forth by the Code. Our full-time employees are immediately eligible to become plan participants. Employees are eligible to receive matching contributions immediately on their participation; however, these matching payments will not vest until their third anniversary of employment. Our expense for the years ended December 31, 2018, 2017 and 2016 was approximately \$688,000, \$632,000 and \$602,000, respectively.

A non-qualified deferred compensation plan for our officers and certain other employees was established in 1994 that allows the participants to defer a portion of their income. As of December 31, 2018 and 2017, we are liable to participants for approximately \$12.0 million and \$12.8 million, respectively, under this plan. Although this is an unfunded plan, we have purchased certain investments to match this obligation. Our obligation under this plan and the related investments are both included in the accompanying consolidated financial statements.

NOTE 14—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 2018, 2017, and 2016 we had 0.2 million weighted average unvested shares outstanding, 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 682 anti-dilutive stock options in 2018 and 2017, respectively, and no anti-dilutive stock options in 2016. 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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	Year Ended December 31,		
	2018	2017	2016
	(In thousands, except per share data)		
NUMERATOR			
Income from continuing operations	\$237,111	\$219,948	\$226,425
Less: Preferred share dividends	(8,042)	(2,458)	(541)
Less: Income from continuing operations attributable to noncontrolling interests	(7,119)	(7,666)	(7,648)
Less: Earnings allocated to unvested shares	(930)	(942)	(702)
Income from continuing operations available for common shareholders	221,020	208,882	217,534
Gain on sale of real estate and change in control of interests, net	11,915	77,632	31,133
Net income available for common shareholders, basic and diluted	\$232,935	\$286,514	\$248,667
DENOMINATOR			
Weighted average common shares outstanding—basic	73,274	72,117	70,877
Effect of dilutive securities:			
Stock options	28	116	172
Weighted average common shares outstanding—diluted	73,302	72,233	71,049
EARNINGS PER COMMON SHARE, BASIC			
Net income available for common shareholders	\$3.18	\$3.97	\$3.51
EARNINGS PER COMMON SHARE, DILUTED			
Net income available for common shareholders	\$3.18	\$3.97	\$3.50
Income from continuing operations attributable to the Trust	\$229,992	\$212,282	\$218,777

NOTE 15—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is as follows:

	First Quarter (In thousands, except per share data)	Second Quarter (In thousands, except per share data)	Third Quarter (In thousands, except per share data)	Fourth Quarter (In thousands, except per share data)
2018				
Revenue	\$225,405	\$224,902	\$229,753	\$235,376
Operating income	\$86,145	\$89,896	\$90,342	\$83,338
Net income(1)	\$62,931	\$65,533	\$64,180	\$56,382
Net income attributable to the Trust(1)	\$61,247	\$63,595	\$62,558	\$54,507
Net income available for common shareholders(1)	\$59,237	\$61,584	\$60,548	\$52,496
Earnings per common share—basic(1)	\$0.81	\$0.84	\$0.82	\$0.71
Earnings per common share—diluted(1)	\$0.81	\$0.84	\$0.82	\$0.71
	First Quarter (In thousands, except per share data)	Second Quarter (In thousands, except per share data)	Third Quarter (In thousands, except per share data)	Fourth Quarter (In thousands, except per share data)
2017				
Revenue	\$207,389	\$208,049	\$217,953	\$223,957
Operating income	\$81,544	\$83,090	\$84,497	\$83,157
Net income(2)	\$58,070	\$78,133	\$108,882	\$52,785
Net income attributable to the Trust(2)	\$56,190	\$76,291	\$106,777	\$50,656
Net income available for common shareholders(2)	\$56,055	\$76,156	\$106,600	\$48,645
Earnings per common share—basic(2)	\$0.78	\$1.05	\$1.47	\$0.67
Earnings per common share—diluted(2)	\$0.78	\$1.05	\$1.47	\$0.67

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First and second quarter 2018 include net gains of \$3.3 million and \$4.0 million, respectively, related to condominiums sold at our Assembly Row and Pike & Rose properties. Third quarter 2018 includes a \$3.1 million (1) gain on sale of real estate from our residential building at our Chelsea Commons property. Fourth quarter 2018 includes a \$1.6 million gain on sale of real estate from our Atlantic Plaza property. All of these transactions are further discussed in Note 3.

Second quarter 2017 includes a \$15.4 million gain related to the sale of three ground lease parcels at our Assembly Row property in Somerville, Massachusetts. Third quarter 2017 includes a \$50.8 million gain on sale of real estate from our 150 Post Street and North Lake Commons properties. Fourth quarter 2017 includes a \$6.5 million gain (2) related to the sale of a parcel of land at our Bethesda Row property. Additionally, second, third, and fourth quarter 2017 include net percentage-of-completion gains of \$3.3 million, \$0.6 million, and \$1.5 million, respectively, related to condominiums under binding contract at our Assembly Row property. All of these transactions are further discussed in Note 3. Fourth quarter 2017 includes a \$12.3 million early extinguishment of debt charge.

NOTE 16—SUBSEQUENT EVENT

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

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FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H
		Initial cost to company		Cost Capitalized	Gross amount at which carried at close of period			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired
Descriptions	Encumbrance	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total			
29TH PLACE (Virginia)	\$4,097	\$10,211	\$18,863	\$11,777	\$10,195	\$30,656	\$40,851	\$13,410	1975 - 2001	5/30/2007
ANDORRA (Pennsylvania)		2,432	12,346	10,857	2,432	23,203	25,635	19,686	1953	1/12/1988
ASSEMBLY ROW/ASSEMBLY SQUARE MARKETPLACE (Massachusetts)		93,252	34,196	573,115	69,421	631,142	700,563	57,207	2005, 2012-2018	2005-2013
AZALEA (California)	39,655	40,219	67,117	115	40,219	67,232	107,451	3,586	2014	8/2/2017
BALA CYNWYD (Pennsylvania)		3,565	14,466	25,570	2,683	40,918	43,601	21,709	1955	9/22/1993
BARCROFT PLAZA (Virginia)		12,617	29,603	4,472	12,617	34,075	46,692	3,232	1963, 1972, 1990, & 2000	1/13/16 & 11/7/16
BARRACKS ROAD (Virginia)		4,363	16,459	47,397	4,363	63,856	68,219	44,674	1958	12/31/1985
BELL GARDENS (California)	12,492	24,403	85,947	183	24,403	86,130	110,533	6,000	1990, 2003, 2006	8/2/17 & 11/29/18 12/31/93, 6/2/97, 1/20/06, 9/25/08, 9/30/08, & 12/27/10
BETHESDA ROW (Maryland)		46,579	35,406	146,423	43,904	184,504	228,408	79,230	1945-2008	
BRICK PLAZA (New Jersey)		—	24,715	60,396	4,094	81,017	85,111	49,569	1958	12/28/1989
BRISTOL PLAZA (Connecticut)		3,856	15,959	12,156	3,856	28,115	31,971	18,839	1959	9/22/1995
BROOK 35 (New Jersey)	11,283	7,128	38,355	2,548	7,128	40,903	48,031	6,860	1986/2004	1/1/2014
CAMPUS PLAZA (Massachusetts)		16,710	13,412	314	16,710	13,726	30,436	1,826	1970	1/13/2016

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CHELSEA COMMONS (Massachusetts)	5,729	8,689	19,466	1,626	8,669	21,112	29,781	7,722	1962/1969/2008	8/25/06, 1/30/07, & 7/16/08 5/4/15, 7/1/15, 12/16/15, 7/26/16, 6/30/17, & 8/10/17 12/31/96 & 8/14/98
COCOWALK (Florida)		35,063	71,476	23,773	34,406	95,906	130,312	8,379	1990/1994, 1922-1973, 2018	
COLORADO BLVD (California)	5,262	4,071	10,209	5,262	14,280	19,542	11,088		1905-1988	
CONGRESSIONAL PLAZA (Maryland)	2,793	7,424	92,870	1,020	102,067	103,087	56,821		1965/2003	4/1/1965

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FEDERAL REALTY INVESTMENT TRUST

SCHEDULE III

SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2018

(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I
Descriptions	Initial cost to company Encumbrance	Gross amount which Capitalized Subsequent to Building Acquisition Land and Improvements	Cost which carried at close of period Building Land Improvements	Accumulated Depreciation Date of Construction Amortization Total	Date Acquired	Life on which depreciation in latest income statements is computed		
COURTHOUSE CENTER (Maryland)	1,750	1,869	2,866	1,750	6,485	11/15/1975	12/17/1997	35 years
CROSSROADS (Illinois)	4,635	11,611	18,490	9,636	34,736	2/9/59	7/19/1993	35 years
CROW CANYON COMMONS (California)	27,245	5,578	8,065	27,025	89,885	Late 1970's/ 1998/2006	12/29/05 & 2/28/07	35 years
DARIEN (Connecticut)	30,368	8,523	23,278	30,268	54,872	1920-2009	4/3/13 & 7/20/18	35 years
DEDHAM PLAZA (Massachusetts)	14,841	12,918	4,925	14,841	42,684	1959	12/31/93 & 12/14/16	35 years
DEL MAR VILLAGE (Florida)	15,624	24,711	13,638	15,558	70,922	1982/1994/2007	5/30/08, 7/11/08, & 10/14/14	35 years
EAST BAY BRIDGE (California)	29,073	8,085	9,129	29,073	79,303	1994-2001, 2011/2012	12/21/2012	35 years
EASTGATE CROSSING (North Carolina)	1,608	5,775	27,193	688	34,576	1963	12/18/1986	35 years
ELLISBURG (New Jersey)	4,028	1,309	8,877	4,030	20,489	1959	10/16/1992	35 years
ESCONDIDO PROMENADE (California)	19,115	15,829	6,057	19,311	51,003	1987	12/31/96 & 11/10/10	35 years
FALLS PLAZA (Virginia)	1,798	2,701	10,880	812	13,948	1960/1962	9/30/67 & 10/05/72	25 years
FEDERAL PLAZA (Maryland)	10,216	16,895	5,145	10,600	70,236	1970	6/29/1989	35 years
FINLEY SQUARE (Illinois)	9,252	5,442	20,419	23,292	39,213	1974	4/27/1995	35 years
FLOURTOWN (Pennsylvania)	1,345	5,943	11,690	5,505	16,987	1957	4/25/1980	35 years
FOURTH STREET (California)	13,978	9,091	104	13,908	23,995	1948, 1975	5/19/2017	35 years
FREE STATE SHOPPING CENTER (Maryland)	18,581	11,658	27,118	58,929	65,515	1970	1/13/2016	35 years
FRESH MEADOWS (New York)	24,625	25,251	51,722	24,663	91,602	1946-1949	12/5/1997	35 years
	12,620	20,803	3,610	12,594	38,109	1998	9/21/2001	35 years

FRIENDSHIP CENTER (District of Columbia)					
GAITHERSBURG SQUARE (Maryland)	7,705,271	15,715,715	15,715,281	18,358,666	4/22/1993 35 years
GARDEN MARKET (Illinois)	2,677,829	7,173,612	7,002,146	9,301,958	7/28/1994 35 years
GOVERNOR PLAZA (Maryland)	2,068,905	20,363,028	28,268,273	36,247,963	10/1/1985 35 years
GRAHAM PARK PLAZA (Virginia)	1,237,509	6,277,169	4,441,356	7,995,971	7/21/1983 35 years
GRATIOT PLAZA (Michigan)	525,160	1,178,425	1,944,199	6,770,964	3/29/1973 25.75 years

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(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I
Descriptions	Initial cost to company	Encumbrance	Gross amount at which Capitalized Subsequent to Building Acquisition	Cost which carried at close of period	Accumulated Depreciation Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed	
GREENLAWN PLAZA (New York)	10,520,868	0	10,520,868	10,520,868	1975/2004	1/13/2016	35 years	
GREENWICH AVENUE (Connecticut)	7,484,444	1,197,464	14,136,096	14,136,096	1968	4/12/1995	35 years	
HASTINGS RANCH PLAZA (California)	—	22,326	—	22,662	1958, 1984, 2006, 2007	2/1/2017	35 years	
HAUPPAUGE (New York)	8,791	5,262	12,840	10,759	1929, 1963	8/6/1998	35 years	
HERMOSA AVENUE (California)	1,110	80	4,829	3,685	1957	9/17/1997	35 years	
HOLLYWOOD BLVD (California)	8,300	6,921	1,482	378	1942, 1946, 1953, 1959	3/22/99 & 6/18/99	35 years	
HUNTINGTON (New York)	12,196	0,008	18,532	34,545	1946, 1962	12/12/88, 10/26/07, & 11/24/15	35 years	
HUNTINGTON SQUARE (New York)	—	10,075	748	506	1980/2004-2007	8/16/2010	35 years	
IDYLWOOD PLAZA (Virginia)	4,308	0,026	753	308	1979, 1983, 1991	4/15/1994	35 years	
JORDAN DOWNS PLAZA (California)	—	3,255	1,697	14,952	2018	6/15/2018	N/A	
KINGS COURT (California)	—	10,788	4	—	11,598	1960	26 years	
LANCASTER (Pennsylvania)	4,907	—	2,103	1,644	1958	4/24/1980	22 years	
LANGHORNE SQUARE (Pennsylvania)	720	2,974	8,742	21,716	1966	1/31/1985	35 years	
LAUREL (Maryland)	7,458	2,527	8,743	52,364	1956	8/15/1986	35 years	
LAWRENCE PARK (Pennsylvania)	6,150	491	8,572	17,052	1972	7/23/1980 & 4/3/17	22 years	
LEESBURG PLAZA (Virginia)	8,184	4,727	9,881	18,640	1967	9/15/1998	35 years	
LINDEN SQUARE (Massachusetts)	79,382	2,450	9,760	74,619	1960-2008	8/24/2006	35 years	
	35,632	8,823	485,562	3,679	1974	10/16/2006	35 years	

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MELVILLE MALL (New York)						
MERCER MALL (New Jersey)	55,472,738	1,047,409,988	481,284,861	1975	10/14/03 & 1/31/17	25 - 35 years
MONTROSE CROSSING (Maryland)	69,348,624	821,548,623	361,288,516	1960s, 1970s, 1996 & 2011	12/27/11 & 12/19/13	35 years
MOUNT VERNON/SOUTH VALLEY/7770	10,068,504	1,620,750	408,530	1966/1972/1987/2001	3/31/03, 3/21/03, & 1/27/06	35 years
RICHMOND HWY. (Virginia)						

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FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I	
Descriptions	Initial cost to company	Encumbrance	Gross Cost Capitalized Subsequent to Building Acquisition	amount which carried at close of period and Building Improvements	Accumulated Depreciation of Construction Amortization	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed	
NORTH DARTMOUTH (Massachusetts)	9,366	—	3 9,366	9,369	2004		8/24/2006		
NORTHEAST (Pennsylvania)	1,152	0,596	1,987	13,582	33,735	28/1959	8/30/1983	35 years	
OLD KEENE MILL (Virginia)	638	998	7,151	638,149	8,757	7/15/1968	6/15/1976	33.33 years	
OLD TOWN CENTER (California)	3,420	2,765	29,663	430,428	35,848	1962, 1997-1998	10/22/1997	35 years	
OLIVO AT MISSION HILLS (California)	15,046	46,732	15,215	64,947	76,995	2017-2018	8/2/2017	35 years	
PAN AM (Virginia)	8,694	12,929	7,892	26,520	29,155	8/1979	2/5/1993	35 years	
PENTAGON ROW (Virginia)	—	2,955	103,348	106,303	106,303	1999 - 2002	1998 & 11/22/10	35 years	
PERRING PLAZA (Maryland)	2,800	6,461	121,892	208,359	31,239	1963	10/1/1985	35 years	
PIKE & ROSE (Maryland)	31,471	10,335	24,922	938,799	566,372	1963, 2012-2018	5/18/82, 10/26/07, & 7/31/12	50 years	
PIKE 7 PLAZA (Virginia)	14,972	22,790	10,274	44,934	429	48,073	6/9/1968	3/31/97 & 7/8/15	35 years
PLAZA DEL MERCADO (Maryland)	10,302	21,551	14,705	50,362	58	46,369	6/1969	1/13/2016	35 years
PLAZA DEL SOL (California)	8,532	5,603	12,334	—	5,603	17,936	2009	8/2/2017	35 years
PLAZA EL SEGUNDO/THE POINT (California)	124,242	1,127	3,576	234,421	1,451	285,461	2006/2007/2016	12/30/11, 6/14/13, 7/26/13, & 12/27/13	35 years
PLAZA PACOIMA (California)	38,132	12,227	—	38,132	27	50,365	2010	8/2/2017	35 years
QUEEN ANNE PLAZA (Massachusetts)	3,319	8,457	6,523	3,194	982	18,301	3/5/1967	12/23/1994	35 years
QUINCE ORCHARD (Maryland)	3,197	7,949	28,316	936	534	39,462	2/1975	4/22/1993	35 years
RIVERPOINT CENTER (Illinois)	15,422	104,566	15,402	12,236	120,654	1989, 2012	3/31/2017	35 years	

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ROCKVILLE TOWN SQUARE (Maryland)	4,436—	8,092	44,099—	52,191	52,191	108,800	2005 - 2007	2006 - 2007	50 years
ROLLINGWOOD APTS. (Maryland)	20,326	52	2,246	8,302	774	10,326	11,906	1/15/1971	25 years
SAM'S PARK & SHOP (District of Columbia)	4,840	6,319	2,697	4,840	16	13,855	181	12/1/1995	35 years

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FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I
Descriptions	Initial cost to company Encumbrance	Cost Capitalized Subsequent to Building Acquisition Land and Improvements	Gross amount which carried at close of period Building Land and Improvements	Accumulated Depreciation and Amortization Total	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed	
SAN ANTONIO CENTER (California)	39,920	2,466,919	89,920	85 74,307	1958, 1964-1965, 1974-1975, 1995-1997	1/9/2015	35 years	
SANTANA ROW (California)	66,682	502,887	236,208	213,961	1999-2006, 2009, 2011, 2014, 2016-2018	3/5/97, 7/13/12, 9/6/12, 4/30/13 & 9/23/13	40 - 50 years	
SAUGUS PLAZA (Massachusetts)	4,383	3,291	3,050	4,383	1976	10/1/1996	35 years	
SYLMAR TOWNE CENTER (California)	17,446	5,224	636	25 18,342	1973	8/2/2017	35 years	
THE AVENUE AT WHITE MARSH (Maryland)	52,542	20,682	2,432	6,220	1997	3/8/2007	35 years	
THE GROVE AT SHREWSBURY (New Jersey)	42,776	8,016	3,145	223 8,007	1988/1993/2007	1/1/2014 & 10/6/14	35 years	
THE SHOPPES AT NOTTINGHAM SQUARE (Maryland)	4,441	2,849	903	4,443	2005 - 2006	3/8/2007	35 years	
THE SHOPS AT SUNSET PLACE (Florida)	65,946	4,490	59,859	076 64,399	1999	10/1/2015	35 years	
THIRD STREET PROMENADE (California)	22,642	5,709	5,765	51,594	1988-2000	1996-2000	35 years	
TOWER SHOPPING CENTER (Virginia)	7,170	0,518	3,397	280 8,072	1953-1960	8/24/1998	35 years	
TOWER SHOPS (Florida)	29,943	3,390	4,259	67,627	1989	1/19/11 & 6/13/14	35 years	
TOWN CENTER OF NEW BRITAIN (Pennsylvania)	1,282	2,285	5,800	1,478	1969	6/29/2006	35 years	
TOWSON RESIDENTIAL	2,328	—	20,047	328 22,375	2016-2017	3/8/2007	35 years	

(FLATS @703)

(Maryland)

TROY HILLS (New Jersey)	3,126,193	30,975,853	3,428 39,223	10/6/66	7/23/1980	22 years
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TYSON'S STATION (Virginia)	388 453	3,890,493	4,238 4,731	869/1954	1/17/1978	17 years
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VILLAGE AT SHIRLINGTON (Virginia)	6,704	9,761	4,808	1,784	262,119 66,253	320/40, 2006-2009	12/21/1995	35 years
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WESTGATE CENTER (California)	6,319	07,282	2,766	3,190	0511565	3/780/1960-1966	3/31/2004	35 years
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WHITE MARSH PLAZA (Maryland)	3,478	21,418	35 3,478	2,248 25,726	6/1987	3/8/2007	35 years
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WHITE MARSH OTHER (Maryland)	31,953	843	146 31,953	859 33,872	1985	3/8/2007	35 years
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FEDERAL REALTY INVESTMENT TRUST

SCHEDULE III

SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2018

(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E			COLUMN F	COLUMN G	
		Initial cost to company			Gross amount at which carried at close of period				
Descriptions	Encumbrance	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	
WILDWOOD (Maryland)		9,111	1,061	14,197	9,111	15,258	24,369	8,727	1958
WILLOW GROVE (Pennsylvania)		1,499	6,643	22,117	1,499	28,760	30,259	27,126	1953
WILLOW LAWN (Virginia)		3,192	7,723	92,318	7,790	95,443	103,233	60,517	1957
WYNNEWOOD (Pennsylvania)		8,055	13,759	21,109	8,055	34,868	42,923	24,551	1948
TOTALS	\$545,898	\$1,459,321	\$2,416,071	\$3,944,080	\$1,422,834	\$6,396,638	\$7,819,472	\$2,059,143	

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FEDERAL REALTY INVESTMENT TRUST

SCHEDULE III

SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION

- CONTINUED

Three Years Ended December 31, 2018

Reconciliation of Total Cost

(in thousands)

Balance, December 31, 2015	\$6,064,406
Additions during period	
Acquisitions	229,296
Improvements	483,932
Deduction during period—dispositions and retirements of property	(18,561)
Balance, December 31, 2016	6,759,073
Additions during period	
Acquisitions	555,476
Improvements	492,541
Deduction during period—dispositions and retirements of property	(172,029)
Balance, December 31, 2017	7,635,061
Additions during period	
Acquisitions	14,940
Improvements	407,225
Deduction during period—dispositions and retirements of property	(237,754)
Balance, December 31, 2018 (1)	\$7,819,472

(1) For Federal tax purposes, the aggregate cost basis is approximately \$7.2 billion as of December 31, 2018.

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FEDERAL REALTY INVESTMENT TRUST

SCHEDULE III

SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION

- CONTINUED

Three Years Ended December 31, 2018

Reconciliation of Accumulated Depreciation and Amortization

(in thousands)

Balance, December 31, 2015	\$ 1,574,041
Additions during period—depreciation and amortization expense	173,244
Deductions during period—dispositions and retirements of property	18,051)
Balance, December 31, 2016	1,729,234
Additions during period—depreciation and amortization expense	193,340
Deductions during period—dispositions and retirements of property	46,030)
Balance, December 31, 2017	1,876,544
Additions during period—depreciation and amortization expense	215,969
Deductions during period—dispositions and retirements of property	33,370)
Balance, December 31, 2018	\$2,059,143

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FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 2018

(Dollars in thousands)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Description of Lien	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
Mortgage on retail buildings in Philadelphia, PA	8% or 10% based on timing of draws, plus participation	May 2021	Interest only monthly; balloon payment due at maturity	\$ —	\$ 21,179	\$ 21,179	(2) \$ —
Mortgage on retail buildings in Philadelphia, PA	10% plus participation	May 2021	Interest only monthly; balloon payment due at maturity	—	9,250	9,250	—
				\$ —	\$ 30,429	\$ 30,429	\$ —

(1) For Federal tax purposes, the aggregate tax basis is approximately \$30.4 million as of December 31, 2018.

(2) This mortgage is available for up to \$25.0 million.

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FEDERAL REALTY INVESTMENT
TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE -
CONTINUED

Three Years Ended December 31, 2018

Reconciliation of Carrying Amount

(in thousands)

Balance, December 31, 2015	\$41,618
Deductions during period:	
Collection and satisfaction of loans (11,714)	
Balance, December 31, 2016	29,904
Additions during period:	
Issuance of loans	525
Balance, December 31, 2017	30,429
Balance, December 31, 2018	\$30,429

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