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

FORM 10-Q

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

For the quarterly period ended June 30, 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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ 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	o (Do not check if a smaller reporting company)	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 number of Registrant's common shares outstanding on July 27, 2018 was 73,491,303.

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FEDERAL REALTY INVESTMENT TRUST

QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 2018

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Federal Realty Investment Trust
Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including $1,660,403 and $1,639,486 of consolidated variable interest entities, respectively)	$ 7,181,679	$ 6,950,188
Construction-in-progress (including $47,251 and $43,393 of consolidated variable interest entities, respectively)	535,658	684,873
Assets held for sale	27,773	—
	7,745,110	7,635,061
Less accumulated depreciation and amortization (including $268,723 and $247,410 of consolidated variable interest entities, respectively)	(1,970,173)	(1,876,544)
Net real estate	5,774,937	5,758,517
Cash and cash equivalents	56,116	15,188
Accounts and notes receivable, net	149,861	209,877
Mortgage notes receivable, net	30,429	30,429
Investment in real estate partnerships	22,613	23,941
Prepaid expenses and other assets	268,747	237,803
TOTAL ASSETS	$ 6,302,703	$ 6,275,755
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Mortgages payable, net (including $447,246 and $460,372 of consolidated variable interest entities, respectively)	$ 477,706	$ 491,505
Capital lease obligations	71,538	71,556
Notes payable, net	368,389	320,265
Senior notes and debentures, net	2,402,851	2,401,440
Accounts payable and accrued expenses	178,665	196,332
Dividends payable	75,757	75,931
Security deposits payable	17,187	16,667
Other liabilities and deferred credits	181,601	169,388
Total liabilities	3,773,694	3,743,084
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	141,417	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, 73,434,943 and 73,090,877 shares issued and outstanding, respectively	737	733
Additional paid-in capital	2,884,771	2,855,321
Accumulated dividends in excess of net income	(780,973)	(749,367)
Accumulated other comprehensive income	412	22
Total shareholders’ equity of the Trust	2,264,944	2,266,706
Noncontrolling interests	122,648	124,808
Total shareholders’ equity	2,387,592	2,391,514
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 6,302,703	$ 6,275,755

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
REVENUE				
Rental income	$ 220,476	$ 204,246	$ 441,057	$ 408,693
Other property income	3,692	3,068	7,759	5,258
Mortgage interest income	734	735	1,491	1,487
Total revenue	224,902	208,049	450,307	415,438
EXPENSES				
Rental expenses	39,905	37,128	84,678	78,237
Real estate taxes	28,307	26,522	56,755	51,612
General and administrative	8,413	8,643	16,342	16,910
Depreciation and amortization	58,381	52,666	116,491	104,045
Total operating expenses	135,006	124,959	274,266	250,804
OPERATING INCOME	89,896	83,090	176,041	164,634
Other interest income	159	68	338	174
Interest expense	(27,766)	(23,907)	(53,950)	(47,665)
Loss from real estate partnerships	(728)	(114)	(1,253)	(114)
INCOME FROM CONTINUING OPERATIONS	61,561	59,137	121,176	117,029
Gain on sale of real estate, net	3,972	18,996	7,288	19,174
NET INCOME	65,533	78,133	128,464	136,203
Net income attributable to noncontrolling interests	(1,938)	(1,842)	(3,622)	(3,722)
NET INCOME ATTRIBUTABLE TO THE TRUST	63,595	76,291	124,842	132,481
Dividends on preferred shares	(2,011)	(135)	(4,021)	(271)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$ 61,584	$ 76,156	$ 120,821	$ 132,210
EARNINGS PER COMMON SHARE, BASIC:				
Net income available for common shareholders	$ 0.84	$ 1.05	$ 1.65	$ 1.83
Weighted average number of common shares	72,990	72,001	72,948	71,928
EARNINGS PER COMMON SHARE, DILUTED:				
Net income available for common shareholders	$ 0.84	$ 1.05	$ 1.65	$ 1.83
Weighted average number of common shares	73,025	72,124	72,997	72,061
COMPREHENSIVE INCOME	$ 65,456	$ 78,526	$ 128,854	$ 137,680
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	$ 63,518	$ 76,684	$ 125,232	$ 133,958

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

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
For the Six Months Ended June 30, 2018
(Unaudited)

	Shareholders' Equity of the Trust								
	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
	(In thousands, except share data)								
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 $1,998 attributable to redeemable noncontrolling interests	—	—	—	—	—	124,842	—	1,624	126,466
Other comprehensive income - change in fair value of interest rate swaps	—	—	—	—	—	—	390	—	390
Dividends declared to common shareholders	—	—	—	—	—	(146,399)	—	—	(146,399)
Dividends declared to preferred shareholders	—	—	—	—	—	(4,021)	—	—	(4,021)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(2,767)	(2,767)
Common shares issued, net	—	—	148,614	2	18,318	—	—	—	18,320
Exercise of stock options	—	—	93,593	1	4,040	—	—	—	4,041
Shares issued under dividend reinvestment plan	—	—	9,292	—	1,086	—	—	—	1,086
Share-based compensation expense, net of forfeitures	—	—	99,574	1	7,143	—	—	—	7,144
Shares withheld for employee taxes	—	—	(7,007)	—	(777)	—	—	—	(777)
Redemption of OP units	—	—	—	—	(360)	—	—	(4,026)	(4,386)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	3,009	3,009
BALANCE AT JUNE 30, 2018	405,896	$159,997	73,434,943	$ 737	$2,884,771	$ (780,973)	$ 412	$ 122,648	$ 2,387,592

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

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

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 128,464	$ 136,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116,491	104,045
Gain on sale of real estate, net	(7,288)	(19,174)
Loss from real estate partnerships	1,253	114
Other, net	2,825	(1,761)
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	—
(Increase) decrease in accounts receivable, net	(3,805)	3,467
Decrease in prepaid expenses and other assets	10,077	9,928
(Decrease) increase in accounts payable and accrued expenses	(1,286)	1,065
Increase in security deposits and other liabilities	4,027	4,773
Net cash provided by operating activities	263,111	238,660
INVESTING ACTIVITIES		
Acquisition of real estate	(1,736)	(165,065)
Capital expenditures - development and redevelopment	(150,119)	(229,198)
Capital expenditures - other	(35,654)	(33,622)
Proceeds from sale of real estate and real estate partnership interests	121,391	46,731
Investment in real estate partnerships	(120)	(430)
Distribution from real estate partnership in excess of earnings	205	1,672
Leasing costs	(12,339)	(6,273)
Issuance of mortgage and other notes receivable, net	(323)	(514)
Net cash used in investing activities	(78,695)	(386,699)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility, net of costs	48,000	—
Issuance of senior notes, net of costs	—	399,410
Repayment of mortgages and capital leases	(13,408)	(53,924)
Issuance of common shares, net of costs	22,492	17,390
Dividends paid to common and preferred shareholders	(149,603)	(140,447)
Shares withheld for employee taxes	(777)	(4,077)
Contributions from noncontrolling interests	1,728	13,068
Distributions to and redemptions of noncontrolling interests	(9,086)	(10,312)
Net cash (used in) provided by financing activities	(100,654)	221,108
Increase in cash, cash equivalents and restricted cash	83,762	73,069
Cash, cash equivalents, and restricted cash at beginning of year	25,200	34,849
Cash, cash equivalents, and restricted cash at end of period	$ 108,962	$ 107,918

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

Federal Realty Investment Trust
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

NOTE 1—BUSINESS AND ORGANIZATION

Federal Realty Investment Trust (the "Trust") is an equity real estate investment trust ("REIT") specializing in the ownership, management, and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, California, and South Florida. As of June 30, 2018, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 105 predominantly retail real estate projects.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2017, which has been derived from audited financial statements, and unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Trust's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year.

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 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.

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Recently Adopted and Issued 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: ASU 2014-09, May 2014, *Revenue from Contracts with Customers* ASU 2015-14, August 2015, *Revenue from Contracts with Customers: Deferral of the Effective Date* ASU 2016-08, March 2016, *Revenue from Contracts with Customers: Principal versus Agent Considerations* ASU 2016-10, April 2016, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing* ASU 2016-12, May 2016, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* ASU 2016-20, December 2016, *Revenue from Contracts with Customers: Technical Corrections and Improvements*	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. 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 clarifies the existing guidance on identifying performance obligations and licensing implementation. ASU 2016-12 adds practical expedients related to the transition for contract modifications and further defines a completed contract, clarifies the objective of the collectability assessment and how revenue is recognized if collectability is not probable, and when non-cash considerations should be measured. 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.	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. 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. 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.

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 $241.8 million and "net cash used in investing activities" was $390.0 million, for the six months ended June 30, 2017. After the adoption, "net cash provided by operating activities" was $238.7 million and "net cash used in investing activities" was $386.7 million, for the six months ended June 30, 2017. 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 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.	January 2018	The new guidance impacts 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.
ASU 2017-09, May 2017, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*	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.	January 2018	The adoption of this standard did not have an impact to our financial statements, as there have been no modifications to awards for the six months ended June 30, 2018.

Standard	Description	Date of Adoption	Effect on the financial statements or significant matters
Not Yet Adopted:			
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)*	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.	January 2019	We are currently assessing the full impact of this standard to our consolidated financial statements. We have, however, identified certain areas which will be impacted as follows: We are currently a lessee for land underneath all or a portion of 14 properties that are subject to ground leases (in addition to 4 other properties that we currently account for as capital leases). Upon adoption, we will recognize the lease obligation for the 14 ground leases and a corresponding right of use asset on our consolidated balance sheet. Additionally, we will no longer be able to capitalize certain internal leasing and external legal leasing costs. For the six months ended June 30, 2018, we have capitalized approximately $3.6 million of internal leasing and external legal leasing costs, of which a portion will will be expensed when we adopt ASU 2016-02.

Consolidated Statements of Cash Flows—Supplemental Disclosures

The following tables provide supplemental disclosures related to the Consolidated Statements of Cash Flows:

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	$ 64,685	$ 59,304
Interest capitalized	(10,735)	(11,639)
Interest expense	$ 53,950	$ 47,665
Cash paid for interest, net of amounts capitalized	$ 52,997	$ 47,995
Cash paid for income taxes	$ 692	$ 341
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Mortgage loan refinanced	$ —	$ 125,000
DownREIT operating partnership units issued with acquisition of noncontrolling interest	$ —	$ 5,918
DownREIT operating partnership units redeemed for common shares	$ —	$ 2,569
Shares issued under dividend reinvestment plan	$ 955	$ 1,036

	June 30, 2018	December 31, 2017
	(In thousands)	
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	$ 56,116	$ 15,188
Restricted cash (1)	52,846	10,012
Total cash, cash equivalents, and restricted cash	$ 108,962	$ 25,200

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

NOTE 3—REAL ESTATE

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. The total investment at June 30, 2018 was $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 compliance period. Cash in escrow at June 30, 2018 of $41.6 million reflects cash that will ultimately be used for the development of the shopping center. 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.

During the three and six months ended June 30, 2018, we closed on the sale of 86 and 159 condominium units, respectively, at our Assembly Row and Pike & Rose properties (combined) and received proceeds net of closing costs of $69.9 million and $121.4 million, respectively, resulting in a $4.0 million and $7.3 million gain, respectively, net of $0.7 million and $1.7 million of income taxes, respectively. The cost basis for remaining condominium units that are ready for their intended use as of June 30, 2018 is $27.8 million, and is included in "assets held for sale" on our consolidated balance sheets.

NOTE 4—DEBT

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

During the three and six months ended June 30, 2018, the maximum amount of borrowings outstanding under our $800.0 million revolving credit facility was $177.0 million for both periods and the weighted average interest rate, before amortization of debt fees, was 2.7% and 2.5%, respectively. During the three and six months ended June 30, 2018, the weighted average borrowings outstanding were $119.8 million and $109.9 million, respectively. At June 30, 2018, the outstanding balance was $89.0 million. Our revolving credit facility, term loan and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholders' equity and debt coverage ratios and a maximum ratio of debt to net worth. As of June 30, 2018, we were in compliance with all default related debt covenants.

NOTE 5—FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	$ 846,095	$ 844,756	$ 811,770	$ 824,419
Senior notes and debentures	$ 2,402,851	$ 2,371,478	$ 2,401,440	$ 2,498,445

As of June 30, 2018, we have two interest rate swap agreements with a notional amount of $275.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the variable portion of our $275.0 million term loan at 1.72% through November 1, 2018. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Within the next 12 months, we expect to reclassify an estimated $0.4 million as a decrease to interest expense. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness has not impacted earnings as of June 30, 2018, and we do not anticipate it will have a significant effect in the future.

The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at June 30, 2018 was an asset of $0.4 million and is included in "prepaid expenses and other assets" on our consolidated balance sheets. For the three and six months ended June 30, 2018, the change in valuation on our interest rate swaps resulted in a $0.1 million decrease in our derivative asset and a $0.4 million increase in our derivative asset, respectively, (including $0.2 million and $0.1 million, respectively, reclassified from other comprehensive income as a decrease to interest expense). The change in valuation on our interest rate swaps is 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:

	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	$ —	$ 412	$ —	$ 412	$ —	$ 22	$ —	$ 22

NOTE 6—COMMITMENTS AND CONTINGENCIES

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

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. A total of 752,036 downREIT operating partnership units are outstanding which have a total fair value of $95.2 million, based on our closing stock price on June 30, 2018.

NOTE 7—SHAREHOLDERS' EQUITY

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

	Six Months Ended June 30,			
	2018		2017	
	Declared	Paid	Declared	Paid
Common shares	$ 2.000	$ 2.000	$ 1.960	$ 1.960
5.417% Series 1 Cumulative Convertible Preferred shares	$ 0.677	$ 0.677	$ 0.677	$ 0.677
5.0% Series C Cumulative Redeemable Preferred shares (1)	$ 0.625	$ 0.681	$ —	$ —

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

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 and six months ended June 30, 2018, we sold 199,263 common shares (of which, 50,700 settled on July 2, 2018) at a weighted average price per share of $125.46 for net cash proceeds of $24.6 million and paid $0.3 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2018, we had the capacity to issue up to $375.0 million in common shares under our ATM equity program.

NOTE 8—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Minimum rents				
Retail and commercial	$ 153,423	$ 144,276	$ 305,573	$ 286,419
Residential	17,105	13,441	33,120	26,944
Cost reimbursement	42,531	39,877	87,735	81,395
Percentage rents	2,707	2,397	5,481	5,220
Other	4,710	4,255	9,148	8,715
Total rental income	$ 220,476	$ 204,246	$ 441,057	$ 408,693

Minimum rents include the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Straight-line rents	$ 1.4	$ 3.8	$ 3.3	$ 7.4
Amortization of above market leases	$ (1.3)	$ (1.4)	$ (3.0)	$ (2.8)
Amortization of below market leases	$ 2.3	$ 2.7	$ 4.8	$ 5.2

NOTE 9—SHARE-BASED COMPENSATION PLANS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Grants of common shares and options	$ 3,274	$ 2,908	$ 7,144	$ 6,457
Capitalized share-based compensation	(488)	(381)	(926)	(698)
Share-based compensation expense	$ 2,786	$ 2,527	$ 6,218	$ 5,759

NOTE 10—EARNINGS PER SHARE

We have calculated earnings per share ("EPS") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating securities is calculated according to dividends declared and participation rights in undistributed earnings. For the three and six months ended June 30, 2018, we had 0.3 million weighted average unvested shares outstanding, which are considered participating securities. For the three and six months ended June 30, 2017, 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 for the three and six months ended June 30, 2018, and no anti-dilutive stock options for the three and six months ended June 30, 2017. 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
NUMERATOR				
Income from continuing operations	$ 61,561	$ 59,137	$ 121,176	$ 117,029
Less: Preferred share dividends	(2,011)	(135)	(4,021)	(271)
Less: Income from continuing operations attributable to noncontrolling interests	(1,938)	(1,660)	(3,622)	(3,432)
Less: Earnings allocated to unvested shares	(255)	(251)	(508)	(468)
Income from continuing operations available for common shareholders	57,357	57,091	113,025	112,858
Gain on sale of real estate, net	3,972	18,814	7,288	18,884
Net income available for common shareholders, basic and diluted	$ 61,329	$ 75,905	$ 120,313	$ 131,742
DENOMINATOR				
Weighted average common shares outstanding—basic	72,990	72,001	72,948	71,928
Stock options	35	123	49	133
Weighted average common shares outstanding—diluted	73,025	72,124	72,997	72,061
EARNINGS PER COMMON SHARE, BASIC:				
Net income available for common shareholders	$ 0.84	$ 1.05	$ 1.65	$ 1.83
EARNINGS PER COMMON SHARE, DILUTED:				
Net income available for common shareholders	$ 0.84	$ 1.05	$ 1.65	$ 1.83
Income from continuing operations attributable to the Trust	$ 59,623	$ 57,477	$ 117,554	$ 113,597

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

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission (the “SEC”) on February 13, 2018.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “believes,” “estimates,” “anticipates” and “continues.” Forward-looking statements are not historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2017 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

We are an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. As of June 30, 2018, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 105 predominantly retail real estate projects comprising approximately 24.3 million square feet. In total, the real estate projects were 95.0% leased and 93.7% occupied at June 30, 2018.

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. The total investment at June 30, 2018 was $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 compliance period. Cash in escrow at June 30, 2018 of $41.6 million reflects cash that will ultimately be used for the development of the shopping center. 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.

During the three and six months ended June 30, 2018, we closed on the sale of 86 and 159 condominium units, respectively, at our Assembly Row and Pike & Rose properties (combined) and received proceeds net of closing costs of $69.9 million and $121.4 million, respectively, resulting in a $4.0 million and $7.3 million gain, respectively, net of $0.7 million and $1.7 million of income taxes, respectively.

2018 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 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 and six months ended June 30, 2018, we sold 199,263 common shares (of which, 50,700 settled on July 2, 2018) at a weighted average price per share of $125.46 for net cash proceeds of $24.6 million and paid $0.3 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. As of June 30, 2018, we had the capacity to issue up to $375.0 million in common shares under our ATM equity program.

Capitalized Costs

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalized certain external and internal costs related to both development and redevelopment activities of $137 million and $5 million, respectively, for the six months ended June 30, 2018, and $212 million and $4 million, respectively, for the six months ended June 30, 2017. We capitalized external and internal costs related to other property improvements of $28 million and $2 million, respectively, for the six months ended June 30, 2018, and $30 million and $1 million for the six months ended June 30, 2017. We capitalized external and internal costs related to leasing activities of $9 million and $3 million, respectively, for the six months ended June 30, 2018, and $3 million and $3 million, respectively, for the six months ended June 30, 2017. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $4 million, $1 million, and $3 million, for both the six months ended June 30, 2018 and 2017. Total capitalized costs were $184 million and $254 million for the six months ended June 30, 2018 and 2017, respectively.

Recently Adopted and Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Outlook

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

- growth in our 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 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 June 30, 2018, no single tenant accounted for more than 2.6% of annualized base rent.

Our properties are located primarily in densely populated and/or affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. We currently have redevelopment projects underway with a projected total cost of approximately $195 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 284,000 square foot office building which will include an additional 29,000 square feet of retail space and 1,300 parking spaces. The building is expected to cost between $205 million and $215 million and to be delivered in 2019. 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.

We continue to invest in our long-term multi-phased mixed-use development projects at Assembly Row in Somerville, Massachusetts and Pike & Rose in North Bethesda, Maryland which we expect to be involved in over the coming years.

Construction continues on Phase II of Assembly Row which will include approximately 161,000 square feet of retail space, 447 residential units, and a 158 room boutique hotel (which will be owned and operated by a joint venture in which we are a partner). Total expected costs range from $290 million to $305 million and delivery is expected through 2018. As of June 30, 2018, approximately 110,000 square feet of retail space has opened and 363 residential units have been completed. Phase II also includes 122 for-sale condominium units of which 107 units have closed as of June 30, 2018. The condominium units have an expected total cost of $80 million to $81 million. Additionally, Partners HealthCare built a 741,500 square foot office building as a part of Phase II.

Construction also continues on Phase II of Pike & Rose which will include 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 June 30, 2018, approximately 166,000 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 through 2018. As of June 30, 2018, we closed on the sale of 52 of the 99 for-sale condominium units in Phase II. The condominium units have an expected cost of $60 million to $62 million.

Including costs incurred in the first six months of 2018, we expect to invest between $75 million and $100 million at Assembly Row and Pike & Rose in 2018.

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

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

At June 30, 2018, the leasable square feet in our properties was 95.0% leased and 93.7% 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.

Lease Rollovers

For the second quarter of 2018, we signed leases for a total of 475,000 square feet of retail space including 449,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 10% on a cash basis and 20% on a straight-line basis. New leases for comparable spaces were signed for 204,000 square feet at an average rental increase of 15% on a cash basis and 28% on a straight-line basis. Renewals for comparable spaces were signed for 245,000 square feet at an average rental increase of 5% on a cash basis and 13% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $38.88 per square foot, of which, $81.94 per square foot was for new leases and $3.10 per square foot was for renewals for the three months ended June 30, 2018.

For the six months ended June 30, 2018, we signed leases for a total of 880,000 square feet of retail space including 852,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 15% on a cash basis and 25% on a straight-line basis. New leases for comparable spaces were signed for 407,000 square feet at an average rental increase of 26% on a cash basis and 38% on a straight-line basis. Renewals for comparable spaces were signed for 446,000 square feet at an average rental increase of 6% on a cash basis and 15% on a straight-line basis. Tenant improvements and incentives for comparable spaces were $29.20 per square foot, of which, $58.57 per square foot was for new leases and $2.37 per square foot was for renewals for the six months ended June 30, 2018.

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

The leases signed in 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 1.6 million square feet of retail space each year, and expect that volume for 2018 will be in line with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

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 three and six months ended June 30, 2018, all or a portion of 93 and 91 properties, respectively, were considered comparable properties and seven properties were considered non-comparable properties. For the six months ended June 30, 2018, six properties were moved from acquisitions to comparable properties and one portion of a property was moved from non-comparable to comparable properties, compared to the designations for the year ended December 31, 2017, which were 85 properties or portions of properties considered comparable and seven considered non-comparable. For the three months ended June 30, 2018, two properties were moved from acquisitions to comparable properties. 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.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2018 AND 2017

	2018	2017	Change Dollars	Change %
	(Dollar amounts in thousands)			
Rental income	$ 220,476	$ 204,246	$ 16,230	7.9 %
Other property income	3,692	3,068	624	20.3 %
Mortgage interest income	734	735	(1)	(0.1)%
Total property revenue	224,902	208,049	16,853	8.1 %
Rental expenses	39,905	37,128	2,777	7.5 %
Real estate taxes	28,307	26,522	1,785	6.7 %
Total property expenses	68,212	63,650	4,562	7.2 %
Property operating income (1)	156,690	144,399	12,291	8.5 %
General and administrative expense	(8,413)	(8,643)	230	(2.7)%
Depreciation and amortization	(58,381)	(52,666)	(5,715)	10.9 %
Operating Income	89,896	83,090	6,806	8.2 %
Other interest income	159	68	91	133.8 %
Interest expense	(27,766)	(23,907)	(3,859)	16.1 %
Loss from real estate partnerships	(728)	(114)	(614)	(538.6)%
Total other, net	(28,335)	(23,953)	(4,382)	18.3 %
Income from continuing operations	61,561	59,137	2,424	4.1 %
Gain on sale of real estate, net	3,972	18,996	(15,024)	(79.1)%
Net income	65,533	78,133	(12,600)	(16.1)%
Net income attributable to noncontrolling interests	(1,938)	(1,842)	(96)	5.2 %
Net income attributable to the Trust	$ 63,595	$ 76,291	$ (12,696)	(16.6)%

(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.

Property Revenues

Total property revenue increased $16.9 million, or 8.1%, to $224.9 million in the three months ended June 30, 2018 compared to $208.0 million in the three months ended June 30, 2017. The percentage occupied at our shopping centers was 93.7% at June 30, 2018 compared to 93.0% at June 30, 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 $16.2 million, or 7.9%, to $220.5 million in the three months ended June 30, 2018 compared to $204.2 million in the three months ended June 30, 2017 due primarily to the following:

- an increase of $8.0 million from acquisitions, primarily related to the six shopping centers acquired in Los Angeles County, California in August 2017,
- an increase of $5.4 million at comparable properties due primarily to higher rental rates of approximately $2.8 million, higher average occupancy of approximately $1.3 million, and higher recoveries of $0.5 million, and
- an increase of $4.6 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 partially offset by lower occupancy at two of our Florida properties in the beginning stages of redevelopment,

partially offset by

- a decrease of $1.9 million from 2017 property sales.

Other Property Income

Other property income increased $0.6 million or 20.3% to $3.7 million in the three months ended June 30, 2018 compared to $3.1 million in the three months ended June 30, 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 $4.6 million, or 7.2%, to $68.2 million in the three months ended June 30, 2018 compared to $63.7 million in the three months ended June 30, 2017. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $2.8 million, or 7.5%, to $39.9 million in the three months ended June 30, 2018 compared to $37.1 million in the three months ended June 30, 2017. This increase is primarily due to the following:

- an increase of $1.8 million from acquisitions, primarily related to six shopping centers acquired in Los Angeles County, California in August 2017,
- an increase of $1.1 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, and

partially offset by

- a decrease of $0.4 million from 2017 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 17.8% in the three months ended June 30, 2018 from 17.9% in the three months ended June 30, 2017.

Real Estate Taxes

Real estate tax expense increased $1.8 million, or 6.7%, to $28.3 million in the three months ended June 30, 2018 compared to $26.5 million in the three months ended June 30, 2017 due primarily to the following:

- an increase of $1.2 million from acquisitions, primarily related to our acquisition of six shopping centers in Los Angeles County, California in August 2017, and
- an increase of $1.1 million at non-comparable properties due primarily to increases in assessments as a result of our redevelopment activities,

partially offset by

- a decrease of $0.3 million from 2017 property sales.

Property Operating Income

Property operating income increased $12.3 million, or 8.5%, to $156.7 million in the three months ended June 30, 2018 compared to $144.4 million in the three months ended June 30, 2017. This increase is primarily due to our acquisition of six shopping centers in Los Angeles County, California in August 2017, growth in earnings at comparable properties, and the opening of Phase II at Assembly Row and Pike & Rose, partially offset by 2017 property sales.

Other Operating Expenses

Depreciation and Amortization

Depreciation and amortization expense increased $5.7 million, or 10.9%, to $58.4 million in the three months ended June 30, 2018 from $52.7 million in the three months ended June 30, 2017. This increase is primarily due to our acquisition of six shopping centers in Los Angeles County, California in August 2017, portions of Phase II of Assembly Row and Pike & Rose being placed in service, and investment in comparable properties, partially offset by 2017 property sales.

Operating Income

Operating income increased $6.8 million, or 8.2%, to $89.9 million in the three months ended June 30, 2018 compared to $83.1 million in the three months ended June 30, 2017. This increase is primarily due to growth in earnings at our comparable properties, our acquisition of six shopping centers in Los Angeles County, California in August 2017, and the opening of Phase II of Assembly Row and Pike & Rose.

Other

Interest Expense

Interest expense increased $3.9 million, or 16.1%, to $27.8 million in the three months ended June 30, 2018 compared to $23.9 million in the three months ended June 30, 2017. This increase is due primarily to the following:

- an increase of $2.8 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, and
- a decrease of $1.5 million in capitalized interest,

partially offset by

- a decrease of $0.5 million due to a lower overall weighted average borrowing rate.

Gross interest costs were $32.4 million and $30.1 million in the three months ended June 30, 2018 and 2017, respectively. Capitalized interest was $4.6 million and $6.2 million in the three months ended June 30, 2018 and 2017, respectively.

Loss from Real Estate Partnerships

The $0.7 million loss from real estate partnerships for the three months ended June 30, 2018 is due primarily to our share of losses related to the hotel joint venture at our Pike & Rose property (hotel opened in March 2018).

Gain on Sale of Real Estate, Net

The $4.0 million net gain for the three months ended June 30, 2018 is related to condominium unit sales that have closed at our Assembly Row and Pike and Rose properties.

The $19.0 million gain for the three months ended June 30, 2017 is primarily due to the following:

- $15.4 million gain related to the sale of ground lease parcels at our Assembly Row property in Somerville, Massachusetts, and
- $3.3 million net percentage-of-completion gain, related to condominiums under binding contract at our Assembly Row property (see discussion in Note 2 to the Consolidated Financial Statements with respect to the change in accounting for condominium gains).

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2018 AND 2017

	2018	2017	Change Dollars	Change %
	(Dollar amounts in thousands)			
Rental income	$ 441,057	$ 408,693	$ 32,364	7.9 %
Other property income	7,759	5,258	2,501	47.6 %
Mortgage interest income	1,491	1,487	4	0.3 %
Total property revenue	450,307	415,438	34,869	8.4 %
Rental expenses	84,678	78,237	6,441	8.2 %
Real estate taxes	56,755	51,612	5,143	10.0 %
Total property expenses	141,433	129,849	11,584	8.9 %
Property operating income (1)	308,874	285,589	23,285	8.2 %
General and administrative expense	(16,342)	(16,910)	568	(3.4)%
Depreciation and amortization	(116,491)	(104,045)	(12,446)	12.0 %
Operating Income	176,041	164,634	11,407	6.9 %
Other interest income	338	174	164	94.3 %
Interest expense	(53,950)	(47,665)	(6,285)	13.2 %
Loss from real estate partnerships	(1,253)	(114)	(1,139)	999.1 %
Total other, net	(54,865)	(47,605)	(7,260)	15.3 %
Income from continuing operations	121,176	117,029	4,147	3.5 %
Gain on sale of real estate and change in control of interests, net	7,288	19,174	(11,886)	(62.0)%
Net income	128,464	136,203	(7,739)	(5.7)%
Net income attributable to noncontrolling interests	(3,622)	(3,722)	100	(2.7)%
Net income attributable to the Trust	$ 124,842	$ 132,481	$ (7,639)	(5.8)%

(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.

Property Revenues

Total property revenue increased $34.9 million, or 8.4%, to $450.3 million in the six months ended June 30, 2018 compared to $415.4 million in the six months ended June 30, 2017. The percentage occupied at our shopping centers was 93.7% at June 30, 2018 compared to 93.0% at June 30, 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 $32.4 million, or 7.9%, to $441.1 million in the six months ended June 30, 2018 compared to $408.7 million in the six months ended June 30, 2017 due primarily to the following:

- an increase of $17.6 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 $10.7 million at comparable properties due primarily to higher rental rates of approximately $6.0 million, higher average occupancy of approximately $2.6 million, and higher recoveries of $1.4 million, and
- an increase of $7.9 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,

partially offset by

- a decrease of $3.9 million from 2017 property sales.

Other Property Income

Other property income increased $2.5 million, or 47.6%, to $7.8 million in the six months ended June 30, 2018 compared to $5.3 million in the six months ended June 30, 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 $11.6 million, or 8.9%, to $141.4 million in the six months ended June 30, 2018 compared to $129.8 million in the six months ended June 30, 2017. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $6.4 million, or 8.2%, to $84.7 million in the six months ended June 30, 2018 compared to $78.2 million in the six months ended June 30, 2017. This increase is primarily due to the following:

- an increase of $4.1 million from acquisitions, primarily related to six shopping centers acquired in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017,
- an increase of $2.1 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 $0.8 million from comparable properties, primarily due to higher bad debt expense,

partially offset by

- a decrease of $0.7 million from 2017 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 was 18.9% for both the six months ended June 30, 2018 and 2017.

Real Estate Taxes

Real estate tax expense increased $5.1 million, or 10.0%, to $56.8 million in the six months ended June 30, 2018 compared to $51.6 million in the six months ended June 30, 2017 due primarily to:

- an increase of $3.2 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 $1.7 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 due to higher assessments,

partially offset by

- a decrease of $0.8 million from 2017 property sales.

Property Operating Income

Property operating income increased $23.3 million, or 8.2%, to $308.9 million in the six months ended June 30, 2018 compared to $285.6 million in the six months ended June 30, 2017. This increase is primarily due to our acquisition of six shopping centers in Los Angeles County, California in August 2017 and Riverpoint Center in March 2017, growth in earnings at comparable properties, and the opening of Phase II at Assembly Row and Pike & Rose, partially offset by 2017 property sales.

Other Operating Expenses

General and Administrative

General and administrative expense decreased $0.6 million, or 3.4%, to $16.3 million in the six months ended June 30, 2018 from $16.9 million in the six months ended June 30, 2017. The decrease is primarily due to lower costs from 2017 acquisitions and other transactions.

Depreciation and Amortization

Depreciation and amortization expense increased $12.4 million, or 12.0%, to $116.5 million in the six months ended June 30, 2018 from $104.0 million in the six months ended June 30, 2017. This increase is primarily due to our acquisition of six shopping centers in Los Angeles County, California in August 2017, Phase II of Assembly Row and Pike & Rose being placed in service, and investment in comparable properties, partially offset by 2017 property sales.

Operating Income

Operating income increased $11.4 million, or 6.9%, to $176.0 million in the six months ended June 30, 2018 compared to $164.6 million in the six months ended June 30, 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 2017 property sales.

Other

Interest Expense

Interest expense increased $6.3 million, or 13.2%, to $54.0 million in the six months ended June 30, 2018 compared to $47.7 million in the six months ended June 30, 2017. This increase is due primarily to the following:

- an increase of $7.2 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, and
- a decrease of $0.9 million in capitalized interest,

partially offset by

- a decrease of $1.9 million due to a lower overall weighted average borrowing rate.

Gross interest costs were $64.7 million and $59.3 million in the six months ended June 30, 2018 and 2017, respectively. Capitalized interest was $10.7 million and $11.6 million in the six months ended June 30, 2018 and 2017, respectively.

Loss from Real Estate Partnerships

The $1.3 million loss from real estate partnerships for the six months ended June 30, 2018 is due primarily to our share of losses related to start-up expenses and the initial opening of the hotel joint venture at our Pike & Rose property (hotel opened in March 2018).

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

The $7.3 million net gain on sale of real estate and change in control of interests, net for the six months ended June 30, 2018 is related to condominium unit sales that have closed at our Assembly Row and Pike and Rose properties.

The $19.2 million gain on sale of real estate and change in control of interests, net for the six months ended June 30, 2017 is primarily due to the following:

- $15.4 million gain related to the sale transactions on our ground lease parcels at our Assembly Row property in Somerville, Massachusetts, and
- $3.3 million net percentage-of-completion gain, related to condominiums under binding contract at our Assembly Row property (see discussion in Note 2 to the Consolidated Financial Statements with respect to the change in accounting for condominium gains).

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 largely 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 June 30, 2018, we had cash and cash equivalents of $56.1 million and $89.0 million outstanding 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 six months ended June 30, 2018, the maximum amount of borrowings outstanding under our revolving credit facility was $177.0 million, the weighted average amount of borrowings outstanding was $109.9 million and the weighted average interest rate, before amortization of debt fees, was 2.5%. Our only remaining debt maturing in 2018 is our $275.0 million unsecured term loan which matures on November 21, 2018, subject to a one-year extension at our option. During the first six months of 2018, we raised $24.6 million, after fees and other costs, under our ATM equity program, which as of June 30, 2018, had the capacity to issue up to $375.0 million in common shares. 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 for the remainder of 2018 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 to see a reduced level of capital investments in our properties under development and redevelopment compared to recent years, which is the result of completing construction on Phase II at both Assembly Row and Pike & Rose in 2018. 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 delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

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

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

Summary of Cash Flows

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Cash provided by operating activities	$ 263,111	$ 238,660
Cash used in investing activities	(78,695)	(386,699)
Cash (used in) provided by financing activities	(100,654)	221,108
Increase in cash, cash equivalents and restricted cash	83,762	73,069
Cash, cash equivalents and restricted cash, beginning of year	25,200	34,849
Cash, cash equivalents and restricted cash, end of period	$ 108,962	$ 107,918

Net cash provided by operating activities increased $24.5 million to $263.1 million during the six months ended June 30, 2018 from $238.7 million during the six months ended June 30, 2017. The increase was primarily attributable to higher net income before certain non-cash items and $12.4 million in net proceeds from the Jordan Downs new market tax credit transaction (see Note 3 to the Consolidated Financial Statements for further discussion), partially offset by timing of cash receipts.

Net cash used in investing activities decreased $308.0 million to $78.7 million during the six months ended June 30, 2018 from $386.7 million during the six months ended June 30, 2017. The decrease was primarily attributable to:

- a $163.3 million decrease in acquisitions of real estate, primarily due to the 2017 acquisitions of our Riverpoint Center, Hastings Ranch, and Fourth Street properties,
- a $77.0 million decrease in capital expenditures as we complete portions of Phase II of both our Assembly Row and Pike & Rose projects, and
- a $74.7 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.

Net cash used in financing activities increased $321.8 million to $100.7 million used during the six months ended June 30, 2018 from $221.1 million provided during the six months ended June 30, 2017. The increase was primarily attributable to:

- $399.4 million in net proceeds from the June 2017 issuance of $300.0 million of 3.25% senior unsecured notes and $100.0 million of 4.50% notes,
- an $11.3 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, and
- a $9.2 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,

partially offset by

- a $48.0 million increase in net borrowings on our revolving credit facility, and
- a $40.5 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.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of June 30, 2018:

Description of Debt	Original Debt Issued	Principal Balance as of June 30, 2018	Stated Interest Rate as of June 30, 2018	Maturity Date
	(Dollar amounts in thousands)			
Mortgages payable				
Secured fixed rate				
Rollingwood Apartments	$ 24,050	$ 20,578	5.54%	May 1, 2019
The Shops at Sunset Place	Acquired	65,538	5.62%	September 1, 2020
29th Place	Acquired	4,231	5.91%	January 31, 2021
Sylmar Towne Center	Acquired	17,185	5.39%	June 6, 2021
Plaza Del Sol	Acquired	8,496	5.23%	December 1, 2021
The AVENUE at White Marsh	52,705	52,705	3.35%	January 1, 2022
Montrose Crossing	80,000	70,191	4.20%	January 10, 2022
Azalea	Acquired	40,000	3.73%	November 1, 2025
Bell Gardens	Acquired	13,061	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	Acquired	6,105	5.36%	January 15, 2031
Subtotal		478,190		
Net unamortized premium and debt issuance costs		(484)		
Total mortgages payable, net		477,706		
Notes payable				
Unsecured fixed rate				
Term loan (1)	275,000	275,000	LIBOR + 0.90%	November 21, 2018
Various	7,239	4,672	11.31%	Various through 2028
Unsecured variable rate				
Revolving credit facility (2)	800,000	89,000	LIBOR + 0.825%	April 20, 2020
Subtotal		368,672		
Net unamortized debt issuance costs		(283)		
Total notes payable, net		368,389		
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		(16,349)		
Total senior notes and debentures, net		2,402,851		
Capital lease obligations				
Various		71,538	Various	Various through 2106
Total debt and capital lease obligations, net		$ 3,320,484		

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

2) The maximum amount drawn under our revolving credit facility during the six months ended June 30, 2018 was $177.0 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 2.5%.

Our revolving credit facility, term loan and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of June 30, 2018, we were in compliance with all financial and other covenants related to our revolving credit facility, term loan and senior notes. Additionally, as of June 30, 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 could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes, term loan and our revolving credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a default under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares. Our organizational documents do not limit the level or amount of debt that we may incur.

The following is a summary of our scheduled principal repayments as of June 30, 2018:

	Unsecured		Secured	Capital Lease	Total	
	(In thousands)					
2018	$ 275,359	(1)	$ 2,857	$ 23	$ 278,239	
2019	563		25,820	42	26,425	
2020	89,624	(2)	65,539	46	155,209	
2021	250,694		30,541	51	281,286	
2022	250,771		117,018	56	367,845	
Thereafter	1,920,861		236,415	71,320	2,228,596	
	$ 2,787,872		$ 478,190	$ 71,538	$ 3,337,600	(3)

1) Our $275.0 million unsecured term loan matures on November 21, 2018, subject to a one-year extension at our option.

2) Our $800.0 million revolving credit facility matures on April 20, 2020, subject to two six-month extensions at our option. As of June 30, 2018, there was $89.0 million outstanding under this credit facility.

3) 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 June 30, 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.

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

As of June 30, 2018, we are party to two interest rate swap agreements that effectively fixed the rate on the term loan at 2.62%. Both swaps were designated and qualified as cash flow hedges and were recorded at fair value. Hedge ineffectiveness has not impacted earnings as of June 30, 2018, and we do not anticipate it will have a significant effect in the future.

REIT Qualification

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

Funds From Operations

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Net income	$ 65,533	$ 78,133	$ 128,464	$ 136,203
Net income attributable to noncontrolling interests	(1,938)	(1,842)	(3,622)	(3,722)
Gain on sale of real estate, net	(3,972)	(18,814)	(7,288)	(18,884)
Depreciation and amortization of real estate assets	52,011	45,634	103,362	90,316
Amortization of initial direct costs of leases	4,702	5,066	9,302	9,750
Funds from operations	116,336	108,177	230,218	213,663
Dividends on preferred shares (1)	(1,875)	—	(3,750)	—
Income attributable to operating partnership units	759	783	1,534	1,567
Income attributable to unvested shares	(398)	(357)	(786)	(707)
Funds from operations available for common shareholders	$ 114,822	$ 108,603	$ 227,216	214,523
Weighted average number of common shares, diluted (1)	73,880	73,019	73,859	72,956
Funds from operations available for common shareholders, per diluted share	$ 1.55	$ 1.49	$ 3.08	$ 2.94

(1) Dividends on our Series 1 preferred shares 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" and the weighted average common shares used to compute FFO per diluted common share includes operating partnership units that were excluded from the computation of diluted EPS. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted common share but is anti-dilutive for the computation of diluted EPS for the periods presented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. As of June 30, 2018, we were party to two interest rate swap agreements that effectively fixed the rate on the term loan at 2.62%.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Quoted market prices were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

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 June 30, 2018, we had $3.2 billion of fixed-rate debt outstanding, including our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements; we also had $71.5 million of capital lease obligations. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2018 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $213.8 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at June 30, 2018 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $246.0 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our outstanding variable rate debt. At June 30, 2018, we had $89.0 million of variable rate debt outstanding on our revolving credit facility. 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 $0.9 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by approximately $0.9 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2018. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to the Trust’s management including its principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments in any of our legal proceedings since the disclosure contained in our Annual Report to Form 10-K for the fiscal year ended December 31, 2017.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2017 filed with the SEC on February 13, 2018. These factors include, but are not limited to, the following:

- risks that our tenants will not pay rent, may vacate early or may file for bankruptcy or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that completion of anticipated or ongoing property redevelopment or renovation projects that we do pursue may cost more, take more time to complete or fail to perform as expected;
- risk that we are investing a significant amount in ground-up development projects that may be dependent on third parties to deliver critical aspects of certain projects, requires spending a substantial amount upfront in infrastructure, and assumes receipt of public funding which has been committed but not entirely funded;
- risks normally associated with the real estate industry, including risks that:
    - occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,
    - new acquisitions may fail to perform as expected,
    - competition for acquisitions could result in increased prices for acquisitions,
    - that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase,
    - environmental issues may develop at our properties and result in unanticipated costs, and
    - because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks associated with general economic conditions, including local economic conditions in our geographic markets;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and
- risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

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

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of common shares, at our option. During the three months ended June 30, 2018, we redeemed 10,451 downREIT operating partnership units for cash.

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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Principal Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Principal Financial Officer (filed herewith)
101	The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 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.

SIGNATURES

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

	FEDERAL REALTY INVESTMENT TRUST
August 1, 2018	/s/ Donald C. Wood
	Donald C. Wood,
	President, Chief Executive Officer and Trustee
	(Principal Financial and Executive Officer)

	FEDERAL REALTY INVESTMENT TRUST
August 1, 2018	/s/ Daniel Guglielmone
	Daniel Guglielmone,
	Executive Vice President
	Chief Financial Officer and Treasurer
	(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, *Donald C. Wood*, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2018

/s/ Donald C. Wood

Donald C. Wood,
President, Chief Executive Officer and Trustee
(Principal Financial and Executive Officer)

Exhibit 31.2

CERTIFICATION

I, *Daniel Guglielmone*, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2018

/s/ Daniel Guglielmone

Daniel Guglielmone

Executive Vice President -
Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the “Report”). The undersigned hereby certifies, to the best of his knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2018

/s/ Donald C. Wood

Donald C. Wood,
President, Chief Executive Officer and Trustee
(Principal Financial and Executive Officer)

Exhibit 32.2

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Daniel Guglielmone, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2018

/s/ Daniel Guglielmone

Daniel Guglielmone

Executive Vice President -
Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)