SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended: September 30,2002
Commission File No. 1-07533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

Maryland	52-0782497
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1626 East Jefferson Street, Rockville, Maryland	20852-4041
(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 X . No _____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 28, 2002
Common Shares of Beneficial Interest	43,327,656

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

September 30, 2002

I N D E X

PART I. FINANCIAL INFORMATION

The following unaudited financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included and the information contained in these financial statements fairly presents, in all material respects, the financial condition and results of operations of Federal Realty Investment Trust ("the Trust"). The results of operations for the three months and nine months ended September 30, 2002, are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the our audited consolidated financial statements and footnotes thereto, included in the Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2002 (unaudited)	December 31, 2001
	(in thousands, except share data)	
Real estate, at cost		
Operating	$1,850,345	$1,741,385
Development	404,195	321,986
Discontinued operations	-	40,933
	2,254,540	2,104,304
Less accumulated depreciation and amortization	(435,922)	(395,767)
	1,818,618	1,708,537
Other Assets		
Cash	24,652	17,563
Mortgage notes receivable	35,570	35,607
Accounts and notes receivable	10,874	15,483
Prepaid expenses and other assets, principally property taxes and lease commissions	52,796	44,733
Tax deferred exchange escrows	55,204	6,006
Debt issue costs, net of accumulated amortization of $5,872 and $4,840, respectively	5,820	6,952
	$2,003,534	$1,834,881
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	$ 104,454	$ 100,293
Mortgages and construction loans payable	440,267	350,043
Notes payable	192,343	174,843
Accounts payable and accrued expenses	87,491	64,014
Dividends payable	24,239	21,664
Security deposits	6,429	6,026
Prepaid rents	11,935	10,400
Senior notes and debentures	385,000	410,000
5 1/4% Convertible subordinated debentures	75,000	75,289
Investors' interest in consolidated assets	29,987	33,018
Commitments and contingencies		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, $.01 par		
7.95% Series A Cumulative Redeemable Preferred Shares, (stated at liquidation preference $25 per share), 4,000,000 shares issued in 1997	100,000	100,000
8.5% Series B Cumulative Redeemable Preferred Shares, (stated at liquidation preference $25 per share), 5,400,000 shares issued in 2001	135,000	135,000
Common shares of beneficial interest, $.01 par, 100,000,000 shares authorized, 44,760,252 and 41,524,165 issued, respectively	448	417
Additional paid in capital	812,354	730,835
Accumulated dividends in excess of Trust net income	(345,645)	(322,428)
	702,157	643,824
Less: 1,459,719 and 1,452,926 common shares in treasury - at cost, respectively	(28,154)	(27,990)
Deferred compensation on restricted shares	(12,321)	(15,005)
Notes receivable from employee stock plans	(8,420)	(7,245)
Accumulated other comprehensive income (loss)	(6,873)	(4,293)
	646,389	589,291
	$2,003,534	$1,834,881

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In thousands, except per share data)	Nine months ended September 30, 2002	2001
Revenue		
Rental income	$214,242	$201,177
Interest and other income	3,762	5,275
Other property income	11,393	10,189
	229,397	216,641
Expenses		
Rental	49,288	45,114
Real estate taxes	23,078	20,541
Interest	45,313	52,360
Administrative	10,209	9,971
Restructuring expenses	8,489	-
Depreciation and amortization	47,826	43,561
	184,203	171,547
Operating income before investors' share of operations and discontinued operations	45,194	45,094
Investors' share of operations	(3,357)	(3,991)
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations	41,837	41,103
Income from operations of discontinued assets	1,217	2,581
Income before gain on sale of real estate net of loss on abandoned developments held for sale	43,054	43,684
Gain on sale of real estate net of loss on abandoned developments held for sale	9,454	7,898
Net income	52,508	51,582
Dividends on preferred stock	(14,568)	(5,963)
Net income available for common shareholders	$ 37,940	$ 45,619
Earnings per common share, basic		
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations	$ 0.66	$ 0.90
Discontinued operations	0.03	0.07
Gain on sale of real estate net of loss on abandoned developments held for sale	0.23	0.20
	$ 0.92	$ 1.17
Weighted average number of common shares, basic	41,155	39,061
Earnings per common share, diluted		
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations	$ 0.66	$ 0.90
Discontinued operations	0.03	0.06
Gain on sale of real estate net of loss on abandoned developments held for sale	0.22	0.20
	$ 0.91	$ 1.16
Weighted average number of common shares, diluted	42,421	40,136

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In thousands, except per share data)	Three months ended September 30, 2002	2001
Revenue		
Rental income	$72,277	$68,179
Interest and other income	1,644	1,678
Other property income	4,412	4,292
	78,333	74,149
Expenses		
Rental	17,471	15,254
Real estate taxes	7,891	7,284
Interest	13,540	17,680
Administrative	3,713	3,516
Depreciation and amortization	16,074	14,966
	58,689	58,700
Operating income before investors' share of operations and discontinued operations	19,644	15,449
Investors' share of operations	(1,081)	(1,185)
Income before discontinued operations	18,563	14,264
Income (loss) from operations of discontinued assets	(59)	918
Net income	18,504	15,182
Dividends on preferred stock	(4,856)	(1,988)
Net income available for common shareholders	$13,648	$13,194
Earnings per common share, basic		
Income before discontinued operations	$ 0.32	$ 0.31
Discontinued operations	-	0.03
	$ 0.32	$ 0.34
Weighted average number of common shares, basic	42,802	39,347
Earnings per common share, diluted		
Income before discontinued operations	$ 0.31	$ 0.31
Discontinued operations	-	0.02
	$ 0.31	$ 0.33
Weighted average number of common shares, diluted	44,036	40,492

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

	Nine months ended September 30,					
	2002			2001		
(In thousands, except share data)	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital
Common Shares of Beneficial Interest						
Balance, beginning of year	41,524,165	$ 417	$730,835	40,910,972	$ 410	$723,078
Exercise of stock options	747,770	7	15,828	-	-	-
Shares issued to purchase partnership interest	2,907	-	77	328,116	3	6,759
Shares issued under dividend reinvestment plan	102,318	1	2,672	122,125	1	2,456
Performance and Restricted Shares granted, net of Restricted Shares retired	98,092	-	2,377	103,723	1	2,026
Net proceeds from sale of shares	2,185,000	22	56,631	-	-	-
Shares issued to purchase operating partnership units	100,000	1	2,769	-	-	-
Accelerated vesting of options and restricted shares	-	-	1,165	-	-	-
Balance, end of period	44,760,252	$ 448	$812,354	41,464,936	$ 415	$734,319
Accumulated Dividends in Excess of Trust Net Income						
Balance, beginning of year		($322,428)			($306,287)	
Net income		52,508			51,582	
Dividends declared to common shareholders		(61,157)			(56,607)	
Dividends declared to preferred shareholders		(14,568)			(5,963)	
Balance, end of period		($345,645)			($317,275)	
Common Shares of Beneficial Interest in Treasury						
Balance, beginning of year	(1,452,926)	($27,990)		(1,441,594)	($27,753)	
Performance and Restricted Shares forfeited	(6,793)	(164)		(11,332)	(237)	
Balance, end of period	(1,459,719)	($28,154)		(1,452,926)	($27,990)	
Deferred Compensation on Restricted Shares						
Balance, beginning of year	(666,656)	($15,005)		(735,875)	($17,254)	
Performance and Restricted Shares issued, net of forfeitures	(73,821)	(1,763)		(61,369)	(1,176)	
Vesting of Performance and Restricted Shares	193,990	4,447		115,202	2,715	
Balance, end of period	(546,487)	($12,321)		(682,042)	($15,715)	
Subscriptions receivable from employee stock plans						
Balance, beginning of year	(218,555)	($7,245)		(242,638)	($6,734)	
Subscription and tax loans issued	(88,469)	(2,612)		(3,333)	(937)	
Subscription and tax loans paid	68,329	1,437		25,189	416	
Balance, end of period	(238,695)	($8,420)		(220,782)	($7,255)	
Accumulated other comprehensive income (loss)						
Balance, beginning of year		($4,293)			-	
Change due to recognizing gain on securities		(4)			-	
Change in valuation on interest rate swap		(1,076)			-	
Loss on interest rate hedge transaction		(1,500)			($4,754)	
Balance, end of period		($6,873)			($4,754)	
Comprehensive income						
Net income		$ 52,508			$ 51,582	
Change due to recognizing gain on securities		(4)			-	
Change in valuation on interest rate swap		(1,076)			-	
Loss on interest rate hedge transaction		(1,500)			(4,754)	
Total comprehensive income		$ 49,928			$ 46,828	

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

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands)	Nine months ended September 30, 2002	2001
OPERATING ACTIVITIES		
Net income	$ 52,508	$ 51,582
Items not requiring cash outlays		
Depreciation and amortization, including discontinued operations	48,104	44,110
Gain on sale of real estate	(19,101)	(7,898)
Loss on abandoned developments held for sale	9,647	-
Non-cash portion of restructuring expense	5,806	-
Other, net	2,975	2,549
Changes in assets and liabilities		
Decrease in accounts receivable	4,609	185
Increase in prepaid expenses and other assets before depreciation and amortization	(12,067)	(11,005)
Increase in operating accounts payable, security deposits and prepaid rent	1,435	54
Increase in accrued expenses	2,948	8,684
Net cash provided by operating activities	96,864	88,261
INVESTING ACTIVITIES		
Acquisition of real estate	-	(58,089)
Capital expenditures - development	(149,373)	(113,855)
Capital expenditures - other	(31,794)	(32,855)
Proceeds from sale of real estate	7,394	16,255
Repayment of mortgage notes receivable, net	5,655	3,377
Net cash used in investing activities	(168,118)	(185,167)
FINANCING ACTIVITIES		
Borrowing of short-term debt, net	21,000	87,000
Proceeds from mortgage and construction financing, net of costs	90,607	105,667
Issuance of common shares, net of subscriptions receivable	70,161	(98)
Payments on mortgages, capital leases and notes payable	(29,411)	(31,273)
Dividends paid	(71,229)	(60,047)
(Decrease) in minority interest, net	(2,785)	(1,064)
Net cash provided by financing activities	78,343	100,185
Increase in cash	7,089	3,279
Cash at beginning of period	17,563	11,357
Cash at end of period	$ 24,652	$ 14,636

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002

(unaudited)

NOTE A - ACCOUNTING POLICIES AND OTHER DATA

The Trust is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West. As of September 30, 2002, the Trust owns or has an interest in 58 community and neighborhood shopping centers comprising over 12 million square feet, primarily located in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States. In addition, the Trust owns 55 urban and retail mixed-use properties comprising over 2 million square feet located in strategic metropolitan markets across the United States and one apartment complex. The Trust's properties were 95.5% leased at September 30, 2002.

Reference should be made to the notes to financial statements included in the Annual Report to shareholders for the year ended December 31, 2001 which contain the accounting policies and other data of the Trust.

The following table sets forth the reconciliation between basic and diluted EPS:

	Nine months ending September 30,		Three months ending September 30,	
Numerator	2002	2001	2002	2001
Net income available for common shareholders - basic	$37,940	$45,619	$13,648	$13,194
Income attributable to operating partnership units	777	1,049	263	289
Net income available for common shareholders - diluted	$38,717	$46,668	$13,911	$13,483
Denominator				
Denominator for basic EPS-				
Weighted average shares	41,155	39,061	42,802	39,347
Effect of dilutive securities				
Stock options and awards	410	170	437	240
Operating partnership units	856	905	797	905
Denominator for diluted EPS	42,421	40,136	44,036	40,492

Risk Management. The Trust enters into derivative contracts, which qualify as cash flow hedges under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", in order to manage interest rate risk. Derivatives are not purchased for speculation. During 2001, to hedge its exposure to interest rates on its $125 million term loan, the Trust entered into interest rate swaps, which fixed the LIBOR interest rate on the term loan at 5.27%. The current interest rate on the term loan is LIBOR plus 95 basis points, thus fixing the interest rate at 6.22% on notional amounts totaling $125 million. The Trust is exposed to credit loss in the event of non-performance by the counterparties to the interest rate protection agreement should interest rates exceed the cap. However, management does not anticipate non-performance by the counterparties. The counterparties have long-term debt ratings of A- or above by Standard and Poor's Ratings Service ("S&P") and Aa2 or above by Moody's Investors Service ("Moody's"). Although the Trust's cap is not exchange traded, there are a number of financial institutions which enter into these types of transactions as part of their day-to-day activities. The interest rate swaps mature concurrently with the $125 million term loan on December 19, 2003. The swaps were documented as cash flow hedges and designated as effective at inception of the swap contract. Consequently, the unrealized gain or loss upon measuring the swaps at their fair value is recorded as a component of other comprehensive income within stockholders' equity and either a derivative instrument asset or liability is recorded on the balance sheet. At September 30, 2002, a cumulative unrealized loss of $5.4 million, representing the difference between the current market value and the 6.22% fixed interest rate on the swap, was recorded in other comprehensive income with a corresponding derivative liability on the balance sheet. Interest expense of approximately $4.5 million will be reclassified from other comprehensive income into current earnings over the next twelve months to bring the effective interest rate up to 6.22%.

In anticipation of a $150 million Senior Unsecured Note transaction on August 1, 2002 the Trust entered into a treasury rate lock that fixed the benchmark five year treasury rate at 3.472% through August 19, 2002. The rate lock was documented as a cash flow hedge of a forecasted transaction and designated as effective at the inception of the contract. On August 16, 2002 the Trust priced the Senior Unsecured Notes with a scheduled closing date of August 21, 2002 and closed out the associated rate lock. Five year treasury rates declined between the pricing period and the settlement of the hedge purchase; therefore, to settle the rate lock, the Trust paid $1.5 million. Since the postponement of the Note transaction, the $1.5 million loss continues to be recorded as a component of other comprehensive income within stockholders' equity on the balance sheet. On August 19, 2002 a fire at Santana Row, as more fully described in Note B, destroyed approximately 50% of the residential units in the project and because of the lack of information at that time regarding the impact of the fire on Santana Row and on the Trust, the Trust did not proceed with the Note transaction. As more clarity regarding the impact of the fire has become available, the Trust believes it is probable that it will seek to raise additional capital in the public debt markets before the end of the year. If the Note transaction occurs as now anticipated, the hedge loss will be amortized into interest expense over the life of the Notes. If the Trust is unsuccessful in executing this transaction, the $1.5 million in other comprehensive income will be reclassified into current earnings, as an expense, in the fourth quarter of 2002.

Reclassifications. Certain components of rental income, other property income, rental expense, real estate tax expense and depreciation and amortization expense on the September 30, 2001 Statement of Operations for the three months and nine months ended September 30, 2001 have been reclassified to Income from operations of discontinued assets to assure comparability of all periods presented. In addition, certain components of real estate, accounts and notes receivable, tax deferred exchange escrows and notes receivable from employee stock plans on the December 31, 2001 Balance Sheet and the September 30, 2001 Statement of Common Shareholders Equity have been reclassified to assure comparability of all periods presented.

NOTE B - REAL ESTATE ASSETS AND ENCUMBRANCES

On February 1, 2002 the Trust received the minority partner's interest in Santana Row in exchange for a $2.6 million investment in a partnership. A $5.9 million loan made by the Trust to the partnership on January 12, 2001 is due January 12, 2003 and is secured by real property.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for $16.5 million resulting in a gain of $7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for $19.2 million resulting in a gain of $6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for $20.8 million resulting in a gain of $4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center were deposited in escrow with a qualified intermediary for purposes of executing tax-deferred property exchanges. On October 10, 2002 and October 28, 2002 proceeds of $16.1 million and $18.7 million, respectively, previously held by the qualified intermediary from the April 2002 sales of the street retail properties were released to the Trust as the Trust elected not to acquire any of the previously identified exchange properties. The October 10, 2002 proceeds of $16.1 million were used to pay down the Santana Row construction loan by $16.0 million. The October 28, 2002 proceeds of $18.7 million were used to pay down the Trust's syndicated credit facility.

On June 18, 2002 a partnership, in which a subsidiary of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for $2.3 million resulting in a gain of $700,000. The proceeds from the sale were received by the partnership at closing.

On August 19, 2002 a fire broke out at Building Seven in the Santana Row project. Building Seven contained approximately 87,000 square feet of retail space, approximately 1,000 parking spaces and 246 residential units. All but eleven of the residential units in the building, which were originally scheduled to open in early 2003, were destroyed. The retail units and parking structure sustained water and smoke damage but were not structurally impaired. The opening of these retail units, originally scheduled for September 2002, will be delayed until early 2003. The damage related to the fire was limited almost entirely to this single building. The Trust believes that it has adequate insurance coverage to substantially cover its losses from the fire. The Trust estimates the insurance claim to be in the range of $70 million to $90 million which includes costs to clean-up, repair and rebuild as well as soft costs and lost rents. The cause of the fire has yet to be determined but will not affect the Trust's insurance claim. On October 22, 2002 a $20 million insurance reimbursement was advanced by the insurance carrier bringing the total amount received to date to $21 million. This advance, which is being held in escrow by the construction lender, will be used to either fund the Building Seven clean-up and rebuilding costs or pay down the construction loan, at the option of the Trust.

During the first nine months of 2002, the Trust loaned an additional $1.5 million to an existing borrower with an interest rate of 10.0%. $14.4 million of notes were repaid to the Trust during the first nine months of 2002. In addition, the Trust loaned $7.2 million to the unaffiliated hotel venture at Santana Row. The loan bears interest at rates ranging from 12% to 15% and has a ten year term. During the first five years interest is payable from cash flow, if available. If cash flow is not sufficient to pay interest in full, the unpaid amount will accrue and bear interest at the same rate as the principal.

NOTE C - MORTGAGES AND CONSTRUCTION LOANS PAYABLE, NOTES PAYABLE AND OTHER LONG TERM DEBT

At September 30, 2002 there was $65.0 million borrowed under the Trust's $300 million syndicated credit facility. The maximum amount drawn during the first nine months of 2002 was $100.0 million. The weighted average interest rate on borrowings for the nine months ended September 30, 2002 was 2.7%. The facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. At September 30, 2002 the Trust was in compliance with all loan covenants.

On April 22, 2002 the Trust's $25 million, 8% Senior Notes were paid off through borrowings on the Trust's syndicated credit facility. In addition, the Trust's $289,000, 5.25% Convertible Subordinated Debentures were paid off on April 29, 2002 and the $3.4 million note issued in connection with a land purchase in Portland, Oregon was paid off on June 18, 2002.

At September 30, 2002 there was $151.3 million borrowed under the construction loan for the Santana Row development in San Jose, California. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to certain operating and other conditions. The interest rate on the loan will decrease to LIBOR plus 187.5 basis points then to LIBOR plus 162.5 basis points upon achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these conditions and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. At September 30, 2002 the Trust was in compliance with all loan covenants. As of October 28, 2002 there was $159.4 million borrowed under the construction loan, reflecting additional loan draws of $24.1 million and the loan pay down of $16.0 million. As a result of the fire at Santana Row, the construction lender has the option to halt funding on the construction loan. The Trust has had discussions with the lender and the Trust has agreed to fund the Building Seven clean-up and rebuilding costs from its syndicated credit facility and from insurance proceeds and has agreed with the lender to fund all other Phase 1 costs of the project through the construction loan. The lender has funded two draw requests since the fire totalling $24.1 million and a third draw request is anticipated to be funded by the end of October 2002.

At September 30, 2002 there was $24.4 million borrowed under the construction loan for the Trust's Woodmont East development in Bethesda, Maryland. The loan, which has a current floating interest rate of LIBOR plus 120 basis points, was extended for one year and now matures August 29, 2003 with one additional one-year extension option. No principal payments are due until maturity. The property secures the construction loan facility.

As a result of the fire at Santana Row both Moody's and S&P placed the Trust's credit rating under review. On October 3, 2002 Moody's confirmed its Baa2 senior unsecured debt rating for the Trust and concurrently changed its rating outlook to negative from stable. On October 9, 2002 S&P affirmed its BBB corporate credit rating with an outlook of stable.

NOTE D - SHAREHOLDERS' EQUITY

During the first nine months of 2002, options for 427,500 shares at prices ranging from $25.16 to $27.15 per share, fair market value at the dates of award, were awarded to certain officers, employees and Trustees of the Trust. The options vest over periods ranging from six months to three years.

On June 12, 2002 the Trust issued 2.2 million common shares at $25.98 per share netting $56.6 million, after all expenses of the offering.

NOTE E - INTEREST EXPENSE

The Trust incurred interest totaling $64.7 million during the first nine months of 2002 and $65.1 million during the first nine months of 2001 of which $19.4 million and $12.7 million, respectively, was capitalized in connection with development projects. Interest paid was $61.0 million in the first nine months of 2002 and $56.8 million in the first nine months of 2001.

NOTE F - COMMITMENTS AND CONTINGENCIES

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the residential developer because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. The original contractor filed a counterclaim against the Trust and the residential developer. On May 9, 2002 the Trust and the residential developer entered into a settlement agreement with the original contractor in which a full settlement, totaling $5 million payable to the Trust and the residential developer, was reached for all claims and counterclaims between the parties involved. On June 7, 2002 the original contractor paid into an escrow account the agreed upon settlement amount. This settlement was distributed, $3 million to the Trust, which offset the Trust's cost of the development, and $2 million to the residential developer, in July 2002.

In addition, the Trust is involved in various lawsuits and environmental matters arising in the normal course of business. Management believes that such matters will not have a material effect on the financial condition or results of operations of the Trust.

The Trust is currently committed to invest approximately $8.0 million in six restaurant joint ventures in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with the terms of each individual venture but does not manage or otherwise control day to day operations of each venture. As of September 30, 2002 the Trust has invested $4.1 million; $2.8 million of which has been capitalized and $1.3 million of which has been expensed in 2002 to reflect the Trust's estimate of the permanent impairment of its investment in two of these ventures due principally to declining economic conditions. The Trust anticipates investing the remaining commitment of $3.9 million by the end of the first quarter of 2003.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company ("RPC"), an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of RPC's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated liability upon exercise of the put option is approximately $27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has agreed to acquire an additional 7.5% interest in Congressional Plaza from RPC in exchange for funding approximately $7 million of RPC's share of the redevelopment cost. This funding will take place through 2002 and the transaction will be completed in 2003.

Under the terms of various other partnerships which own shopping center properties with a cost of approximately $71 million, the partners may exchange their 796,773 operating units for cash or the same number of common shares of the Trust, at the option of the Trust. During the second quarter of 2002 the Trust issued 100,000 common shares of the Trust valued at $2.8 million in exchange for 100,000 operating units and cash of $205,000 in exchange for an additional 7,816 operating units.

Under the terms of four other partnerships which own street retail properties in southern California with a cost of approximately $61 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or, for two of the partnerships, a limited number of common shares of the Trust at the election of the other partners. In certain of these partnerships, if the other partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.

NOTE G - COMPONENTS OF RENTAL INCOME

The components of rental income for the periods ended September 30 are as follows (in thousands):

	Nine months		Three months	
	2002	2001	2002	2001
Retail Properties				
Minimum rents	$174,358	$161,654	$ 58,948	$ 55,011
Cost reimbursements	33,984	33,310	11,791	11,500
Percentage rents	3,526	4,006	729	922
Apartments	2,374	2,207	809	746
	$214,242	$201,177	$ 72,277	$ 68,179

NOTE H - RESTRUCTURING EXPENSE

On February 28, 2002 the Trust adopted a new business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores, or high volume, value oriented retailers that provide consumer necessities. The Trust will complete Bethesda Row, Pentagon Row and Santana Row but does not plan to develop any new large-scale, mixed-use, ground-up development projects. Rather, the Trust will seek to acquire income producing centers and may seek opportunities to develop ground-up grocery anchored shopping centers, all in and around the Trust's existing markets, and will identify and execute redevelopment opportunities in its existing portfolio. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

In connection with this change in business plan the Trust recorded a charge of $18.2 million. This charge included a reserve for a restructuring charge of $8.5 million made up of $6.9 million of severance and other compensation costs for several senior officers of the Trust related to the management restructuring, as well as the write-off of $1.6 million of the Trust's development costs. All charges against the reserve, totaling $8.5 million, were expended during the first nine months of 2002. An additional component of the restructuring charge is an impairment loss of $9.7 million representing the estimated loss on the abandonment of development projects held for sale, primarily the Tanasbourne development project located in Portland, Oregon, thereby adjusting the value of these assets to their estimated fair value. The Trust is marketing these properties, components of the Trust's Western region, for sale. The carrying value of these properties as of September 30, 2002, classified on the Trust's consolidated balance sheet as real estate under development, is $8.5 million.

NOTE I - DISCONTINUED OPERATIONS

During the second quarter of 2002 the Trust sold six properties for a combined gain of $19.1 million. The net income from these properties, reported as income from operations of discontinued assets in accordance with Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", was $1.2 million and $2.6 million for the nine months ended September 30, 2002 and 2001, respectively. The net income (loss) for the three months ended September 30, 2002 and 2001 was ($59,000) and $918,000, respectively. Four of these properties were components of the Trust's Northeast region and two were components of the Trust's Western region.

NOTE J - RELATED PARTY TRANSACTIONS

The Chairman and CEO of the Trust, Steven J. Guttman, has an ownership interest in three retailers at Santana Row. The leases were negotiated at arms length at market terms. Mr Guttman will not be involved in the store's day to day operations.

NOTE K - SEGMENT INFORMATION

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

A summary of the Trust's operations by geographic region is presented below (in thousands):

Nine months ended September 30, 2002	Northeast	Mid-Atlantic	West	Other	Total
Rental income	$ 88,459	$100,728	$ 25,055		$ 214,242
Other income	4,357	5,479	1,557		11,393
Interest income - mortgage notes	2,621	-	1,571		4,192
Rental expense	(16,231)	(22,391)	(10,666)		(49,288)
Real estate tax	(11,942)	(8,860)	(2,276)		(23,078)
Net operating income	67,264	74,956	15,241		157,461
Interest and other income (expense)				$ (430)	(430)
Interest expense				(45,313)	(45,313)
Administrative expense				(10,209)	(10,209)
Restructuring expense				(8,489)	(8,489)
Depreciation and Amortization	(20,826)	(20,229)	(6,157)	(614)	(47,826)
Income before investors' share of operations and discontinued operations	$ 46,438	$ 54,727	$ 9,084	($65,055)	$ 45,194
Capital expenditures	$ 8,506	$ 23,896	$179,185		$ 211,587
Real estate assets	$745,794	$817,283	$691,463		$2,254,540

Nine months ended September 30, 2001	Northeast	Mid-Atlantic	West	Other	Total
Rental income	$ 86,651	$ 90,408	$ 24,118		$ 201,177
Other income	4,115	4,343	1,731		10,189
Interest income - mortgage notes	3,003	--	520		3,523
Rental expense	(17,984)	(19,379)	(7,751)		(45,114)
Real estate tax	(11,486)	(7,206)	(1,849)		(20,541)
Net operating income	64,299	68,166	16,769		149,234
Interest and other income				$ 1,752	1,752
Interest expense				(52,360)	(52,360)
Administrative expense				(9,971)	(9,971)
Depreciation and Amortization	(20,177)	(17,586)	(5,092)	(706)	(43,561)
Income before investors' share of operations and discontinued operations	$ 44,122	$ 50,580	$ 11,677	($61,285)	$ 45,094
Capital expenditures	$ 11,756	$ 76,775	$136,155		$ 224,686
Real estate assets	$765,507	$783,089	$516,806		$2,065,402

Three months ended September 30, 2002	Northeast	Mid-Atlantic	West	Other	Total
Rental income	$ 29,479	$ 34,515	$ 8,283		$ 72,277
Other income	1,644	2,300	468		4,412
Interest income - mortgage notes	711	--	643		1,354
Rental expense	(5,268)	(7,761)	(4,442)		(17,471)
Real estate tax	(4,067)	(3,056)	(768)		(7,891)
Net operating income	22,499	25,998	4,184		52,681
Interest and other income				$ 290	290
Interest expense				(13,540)	(13,540)
Administrative expense				(3,713)	(3,713)
Depreciation and Amortization	(6,896)	(6,877)	(2,107)	(194)	(16,074)
Income before investors' share of operations and discontinued operations	$ 15,603	$ 19,121	$ 2,077	($ 17,157)	$ 19,644
Capital expenditures	$ 1,471	$ 5,149	$ 67,713		$ 74,333
Real estate assets	$ 745,794	$ 817,283	$ 691,463		$ 2,254,540

Three months ended September 30, 2001	Northeast	Mid-Atlantic	West	Other	Total
Rental income	$ 29,661	$ 30,025	$ 8,493		$ 68,179
Other income	1,917	1,702	673		4,292
Interest income - mortgage notes	903	--	14		917
Rental expense	(5,617)	(6,875)	(2,762)		(15,254)
Real estate tax	(4,063)	(2,598)	(623)		(7,284)
Net operating income	22,801	22,254	5,795		50,850
Interest and other income				$ 761	761
Interest expense				(17,680)	(17,680)
Administrative expense				(3,516)	(3,516)
Depreciation and Amortization	(6,816)	(5,904)	(1,980)	(266)	(14,966)
Income before investors' share operations and discontinued operations	$ 15,985	$ 16,350	$ 3,815	($ 20,701)	$ 15,449
Capital expenditures	$ 2,651	$ 45,690	$ 36,242		$ 84,583
Real estate assets	$ 765,507	$ 783,089	$ 516,806		$ 2,065,402

There are no transactions between geographic areas.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto of Federal Realty Investment Trust (the "Trust"). This Quarterly Report on Form 10-Q contains "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Also, documents that the Trust subsequently files with the Securities and Exchange Commission (the "SEC") will contain forward-looking statements. The statements made herein are not all inclusive, particularly with respect to possible future events, and should be read together with other filings made by the Trust under the Securities Act and the Exchange Act. Including the risks and other risk factors contained in the Trust's Form 10-K for the fiscal year ended December 31, 2001. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Trust to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among others,

- changes in our business strategy;
- general economic and business conditions which will affect the credit worthiness of tenants;
- financing availability and cost;
- retailing trends and rental rates;
- risks of real estate development and acquisitions, including the risk that potential acquisitions or development projects may not perform in accordance with expectations;
- our ability to satisfy the rules to qualify for taxation as a REIT for federal income tax purposes and to operate effectively within the limitations imposed by these rules;
- government approvals, actions and initiatives including the need for compliance with environmental and safety requirements, and changes in laws and regulations or the interpretation thereof; and
- competition with other real estate companies, real estate projects and technology.

We identify forward-looking statements by using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "may be", "objective", "plan", "predict", "project", and "will be" and similar words or phrases, or the negatives thereof or other similar variations thereof or comparable terminology. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

OVERVIEW

The Trust is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West. As of September 30, 2002, the Trust owns or has an interest in 58 community and neighborhood shopping centers comprising over 12 million square feet, primarily located in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States. In addition, the Trust owns 55 urban and retail mixed-use properties comprising over 2 million square feet located in strategic metropolitan markets across the United States and one apartment complex. The Trust's properties were 95.5% leased at September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Federal Realty meets its liquidity requirements through net cash provided by operating activities, along with debt and equity funding alternatives available to it. A significant portion of cash provided by operating activities is distributed to common and preferred shareholders in the form of dividends. Accordingly, substantial capital outlays for property acquisitions, major renovation and development projects and balloon debt repayments generally require debt or equity funding. Proceeds from the sale of selected assets provides an additional source of capital. From 1998 until November 2001, the Trust relied primarily on debt to fund these capital needs, and accordingly, debt as a percentage of total capitalization steadily increased over that period. In November 2001 the Trust issued $135 million of preferred stock and in June 2002 the Trust issued 2.2 million common shares at $25.98 per share, netting $56.6 million, after all expenses of the offering and debt as a percentage of total capitalization has therefore decreased. In the future, the Trust will look to common, preferred and joint-venture equity in addition to debt and property dispositions to fund capital needs.

Net cash provided by operating activities was $96.9 million in the first nine months of 2002 and $88.3 million in the first nine months of 2001 of which $71.2 million and $60.0 million, respectively, was distributed to shareholders. As more fully described below, contributions from newly acquired, retenanted, redeveloped and development properties, such as Pentagon Row, were the primary sources of this increase.

Net cash used in investing activities was $168.1 million during the first nine months of 2002 and $185.2 million during the first nine months of 2001. No real estate was acquired in the first nine months of 2002. Cash outlays to acquire real estate in the first nine months of 2001 totaled $58.1 million. During these two periods, the Trust expended an additional $181.2 million and $146.7 million, respectively, in capital improvements to its properties. The Trust invested $8.7 million during the first nine months of 2002 and $823,000 during the first nine months of 2001 in mortgage notes receivable with an average weighted interest rate of 11.7% and 10%, respectively. $14.4 million and $4.2 million of notes receivable were repaid during the first nine months of 2002 and 2001, respectively.

On February 1, 2002 the Trust received the minority partner's interest in Santana Row in exchange for a $2.6 million investment in a partnership. A $5.9 million loan made by the Trust to the partnership on January 12, 2001 is due January 12, 2003.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for $16.5 million resulting in a gain of $7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for $19.2 million resulting in a gain of $6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for $20.8 million resulting in a gain of $4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center were deposited in escrow with a qualified intermediary for purposes of executing tax-deferred property exchanges. On October 10, 2002 and October 28, 2002 proceeds of $16.1 million and $18.7 million, respectively, previously held by the qualified intermediary from the April 2002 sales of the street retail properties were released to the Trust as the Trust elected not to acquire any of the previously identified exchange properties. The October 10, 2002 proceeds of $16.1 million were used to pay down the Santana Row construction loan by $16.0 million. The October 28, 2002 proceeds of $18.7 million were used to pay down the Trust's syndicated credit facility.

On June 18, 2002 a partnership, in which a subsidiary of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for $2.3 million resulting in a gain of $700,000. The proceeds from the sale were received by the partnership at closing. In addition, on June 20, 2002 the proceeds of $6 million previously held by a qualified intermediary from the 2001 sale of the street retail property located at 101 East Oak Street in Chicago, Illinois were released to the Trust.

Of the $181.2 million spent in the first nine months of 2002 on the Trust's existing real estate portfolio, approximately $149.4 million was invested in development projects in San Jose, California and in Arlington, Virginia. The remaining $31.8 million of capital expenditures relates to improvements to common areas, tenant work and various redevelopments including the Congressional Apartments in Rockville, Maryland, the completion of tenant work at the Trust's Woodmont East development in Bethesda, Maryland and the redevelopment of retail buildings in San Antonio, Texas.

Net cash provided by financing activities, before dividend payments, was $149.6 million in the first nine months of 2002 and $160.2 million in the first nine months of 2001. During the first nine months of 2002 the Trust borrowed $89.3 million and $1.3 million on its Santana Row and Woodmont East construction loans, respectively. The $56.6 million of proceeds from a 2.2 million share common stock offering in June 2002 were used to pay down on the Trust's syndicated credit facility, which the Trust uses to fund many capital needs prior to obtaining longer term financing. Maturities of $25 million of 8% Senior Notes, $289,000 of 5.25% Convertible Subordinated Debentures and a $3.4 million note were paid during the first nine months of 2002. At September 30, 2002 there was $65.0 million borrowed under this credit facility. The maximum amount drawn during the first nine months of 2002 was $100.0 million. The weighted average interest rate on borrowings for the nine months ended September 30, 2002 was 2.7%. The facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. As of October 28, 2002 there was $63.0 million borrowed under the credit facility.

As a result of the fire at Santana Row both Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Service ("S&P") placed the Trust's credit rating under review. On October 3, 2002 Moody's confirmed its Baa2 senior unsecured debt rating for the Trust and concurrently changed its rating outlook to negative from stable. On October 9, 2002 S&P affirmed its BBB corporate credit rating with an outlook of stable.

Capital requirements for the remainder of 2002 will depend upon acquisition opportunities, the rate of completion of Santana Row and the level of improvements and redevelopments on existing properties. The Trust's credit facility, with $235 million available at September 30, 2002, and the $120 million remaining on the Santana Row construction loan, after the $16 million pay down on October 10, 2002 reduced the loan availability to $279 million, are anticipated to be sufficient to fund the Trust's acquisition, development and redevelopment needs through the end of 2002. In addition, the Trust currently has $20 million, after the $35 million receipt of proceeds from the 2002 sales of the four street retail properties, being held in escrow by a qualified intermediary for purposes of executing tax-deferred property exchanges, available to fund acquisition activity.

Longer term, the Trust will need additional capital in order to fund acquisitions, expansions and redevelopments and to refinance its maturing debt. Sources of this funding may be additional debt, both secured and unsecured, additional equity and joint venture relationships. In addition, the Trust may sell or exchange certain of its properties as a source of funding.

Santana Row

In 2002, the Trust's single largest capital need is the development of Santana Row, a multi-phase mixed-use project being built on 42 acres in San Jose, California in the heart of Silicon Valley. The project will consist of residential, retail and hotel components, creating a community with the feel of an urban district.

On August 19, 2002 a fire broke out at Building Seven in the Santana Row project. Building Seven contained approximately 87,000 square feet of retail space, approximately 1,000 parking spaces and 246 residential units. All but eleven of the residential units in the building, which were originally scheduled to open in early 2003, were destroyed. The retail units and parking structure sustained water and smoke damage but were not structurally impaired. The opening of these retail units, originally scheduled for September 2002, will be delayed until early 2003. The damage related to the fire was limited almost entirely to this single building. The Trust believes that it has adequate insurance coverage to substantially cover its losses from the fire. The Trust estimates the insurance claim to be in the range of $70 million to $90 million which includes costs to clean-up, repair and rebuild as well as soft costs and lost rents. The cause of the fire has yet to be determined but will not affect the Trust's insurance claim. On October 22, 2002 a $20 million insurance reimbursement was advanced by the insurance carrier bringing the total amount received to date to $21 million. This advance, which is being held in escrow by the construction lender, will be used to either fund the Building Seven clean-up and rebuilding costs or pay down the construction loan, at the option of the Trust.

As a result of the fire and the resulting delay in the opening of the project from September 19, 2002 the Trust has redefined Phase 1 of the Santana Row project. The redefined Phase 1 of the project includes Santana Row, the "1,500 foot long main street" and eight buildings which will contain approximately 445,000 square feet of retail space, 255 residential units, a 214 room hotel and the supporting infrastructure. The first building, containing 40,000 square feet and occupied by Crate & Barrel, opened on June 27, 2002. Seven buildings comprising approximately 400,000 square feet of retail space are expected to be substantially completed during the fourth quarter of 2002 with a rescheduled opening date of November 7, 2002. The Trust estimates the total cost of the redefined Phase 1 to be approximately $445 million, net of insurance proceeds. As of September 30, 2002, the Trust has incurred costs of $396 million including the purchase of the land, costs associated with the Building Seven fire and related cleanup, before any insurance reimbursements, and costs for future phases of the project. The Trust estimates that it will spend approximately $68 million, before insurance reimbursements, in the fourth quarter of 2002 relating to the first phase of the project.

The Trust is evaluating its Building Seven residential options and alternatives taking into account costs incurred to date, costs to rebuild and market conditions. The Trust believes that it will be able to rebuild an economically viable residential component for Building Seven.

On April 17, 2001, the Trust closed on a $295 million construction loan. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to certain operating and other conditions. The interest rate on the loan will decrease to LIBOR plus 187.5 basis points then to LIBOR plus 162.5 basis points upon the achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these conditions and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. As of September 30, 2002, $151.3 million was borrowed under the loan. As of October 28, 2002 there was $159.4 million borrowed under the construction loan, reflecting additional loan draws of $24.1 million less the loan pay down of $16.0 million, which reduced the loan availability from $295 million to $279 million. As a result of the fire at Santana Row, the construction lender has the option to halt funding on the construction loan. The Trust has had discussions with the lender and the Trust has agreed to fund the Building Seven clean-up and rebuilding costs from its syndicated credit facility and from insurance proceeds and has agreed with the lender to fund all other Phase 1 costs of the project through the construction loan. The lender has funded two draw requests since the fire totalling $24.1 million and a third draw request is anticipated to be funded by the end of October 2002.

The success of Santana Row will depend on many factors which cannot be assured and are not entirely within the Trust's control. These factors include among others, the demand for retail and residential space, the cost of operations, including utilities and insurance, the availability and cost of capital and the general economy, particularly in the Silicon Valley.

The Trust has not determined the scope of future phases of Santana Row and will not do so until the success of Phase 1 and future demand for rental space is determined. However, as Phase 1 utilizes only part of the retail and residential entitlements of the property, and as Phase 1 contains infrastructure for future phases, the Trust expects to identify and execute economically viable additional phases to the project.

CONTINGENCIES

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the residential developer because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. The original contractor filed a counterclaim against the Trust and the residential developer. On May 9, 2002 the Trust and the residential developer entered into a settlement agreement with the original contractor in which a full settlement, totaling $5 million payable to the Trust and the residential developer, was reached for all claims and counterclaims between the parties involved. On June 7, 2002 the original contractor paid into an escrow account the agreed upon settlement amount. This settlement was distributed, $3 million to the Trust, which offset the Trust's cost of the development, and $2 million to the residential developer, in July 2002.

In addition, the Trust is involved in various lawsuits and environmental matters arising in the normal course of business. Management believes that such matters will not have a material effect on the financial condition or results of operations of the Trust.

The Trust is currently committed to invest approximately $8.0 million in six restaurant joint ventures in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with the terms of each individual venture but does not manage to otherwise control day to day operations of each venture. As of September 30, 2002 the Trust has invested $4.1 million; $2.8 million of which has been capitalized and $1.3 million of which has been expensed in 2002 to reflect the Trust's estimate of the permanent impairment of its investment in two of these ventures due principally to declining economic conditions. The Trust anticipates investing the remaining commitment of $3.9 million by the end of the first quarter of 2003.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company ("RPC"), an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of RPC's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated liability upon exercise of the put option is approximately $27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has agreed to acquire an additional 7.5% interest in Congressional Plaza from RPC in exchange for funding approximately $7 million of RPC's share of the redevelopment cost. This funding will take place through 2002 and the transaction will be completed in 2003.

Under the terms of various other partnerships which own shopping center properties with a cost of approximately $71 million, the partners may exchange their 796,773 operating units for cash or the same number of common shares of the Trust, at the option of the Trust. During the second quarter of 2002 the Trust issued 100,000 common shares of the Trust valued at $2.8 million in exchange for 100,000 operating units and cash of $205,000 in exchange for an additional 7,816 operating units.

Under the terms of four other partnerships which own street retail properties in southern California with a cost of approximately $61 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or, for two of the partnerships, a limited number of common shares of the Trust at the election of the other partners. In certain of these partnerships, if the other partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.

RESULTS OF OPERATIONS

The Trust has historically reported its funds from operations ("FFO") in addition to its net income and net cash provided by operating activities. FFO is a supplemental measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items less gains on sale of real estate. NAREIT developed FFO as a relative measure of performance and liquidity of an equity REIT in order to recognize that the value of income-producing real estate historically has not depreciated on the basis determined under GAAP. 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) and should not be considered an alternative to net income as an indication of the Trust's performance or to cash flow as a measure of liquidity or ability to pay dividends. The Trust considers FFO a meaningful, additional measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time, and because industry analysts have accepted it as a performance measure. Comparison of the Trust's 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.

The reconciliation of net income to funds from operations is as follows:

	Nine months ending September 30, 2002	Nine months ending September 30, 2001	Three months ending September 30, 2002	Three months ending September 30, 2001
Net income available for common shareholders - basic	$ 37,940	$ 45,619	$ 13,648	$ 13,194
(Gain)on sale of real estate net of loss on abandoned developments held for sale	(9,454)	(7,898)	--	--
Depreciation and amortization of real estate assets	43,672	40,139	14,614	13,764
Amortization of initial direct costs of leases	3,546	3,015	1,175	1,039
Income attributable to operating partnership units	777	1,049	263	289
Funds from operations for common shareholders	$ 76,481	$ 81,924	$ 29,700	$ 28,286

NINE MONTHS ENDED SEPTEMBER 30, 2002 and 2001

Consolidated Results

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 6.5% from $201.2 million in the first nine months of 2001 to $214.2 million in the first nine months of 2002. On a same center basis, rental income increased 3.7%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as increases associated with lease rollovers. Same center basis for the nine months ended September 30, 2002 excludes Williamsburg Shopping Center in Williamsburg, Virginia, 101 E. Oak Street in Chicago, Illinois and 70/10 Austin Street in Forest Hills, New York which were sold in 2001, Friendship Center in Washington, D.C. which was purchased on September 21, 2001, the office building located at 580 Market Street in San Francisco, California which was exchanged for the minority partner's interest in Santana Row and properties under development in 2001 and 2002, including Pentagon Row in Arlington, Virginia and Santana Row in San Jose, California. Same center basis, as defined above, includes properties which have been redeveloped or expanded. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 3.0%.

Other property income includes items, which although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 11.8% from $10.2 million in the first nine months of 2001 to $11.4 million in the first nine months of 2002 due to increases in lease termination fees, utility reimbursements and the income earned, including a one-time $800,000 perpetual easement payment from a residential developer that has commenced development on an adjacent site, at the Pentagon Row project which began phasing into service in the second quarter of 2001. On a same center basis, other property income remained constant at $9.4 million in each period.

Interest and other income includes interest earned on mortgage notes receivable, overnight cash investments, including tax-deferred exchange escrow deposits, as well as a provision for estimated losses related to various unconsolidated restaurant joint ventures. This provision of $1.3 million represents the Trust's best estimate of the diminution of value of these investments which the Trust believes to be permanent based upon the current economic climate surrounding these ventures. Interest and other income decreased $1.5 million from $5.3 million in 2001 to $3.8 million in 2002 due to these joint venture costs.

Rental expenses increased 9.3% from $45.1 million in the first nine months of 2001 to $49.3 million in the first nine months of 2002. Expenses for the Pentagon Row project and pre-opening and marketing expenses at Santana Row were the major causes of this increase. As a result of the pre-opening and marketing expenses at Santana Row, rental expense as a percentage of property income, rental income plus other property income, increased slightly from 21.3% in 2001 to 21.8% in 2002. On a same center basis, rental expenses decreased 3.5% from $43.0 million in 2001 to $41.5 million in 2002, primarily due to decreased snow removal costs and lower bad debt in 2002. Same center rental expense, excluding the effect of property redevelopments and expansions, decreased 4.5%.

Real estate taxes increased 12.4% from $20.5 million in the first nine months of 2001 to $23.1 million in the first nine months of 2002. On a same center basis, real estate taxes increased 9.9% due primarily to increased taxes on recently redeveloped properties and overall increases in tax assessments. Same center real estate taxes, excluding the effect of property redevelopments and expansions, increased 8.8%.

Depreciation and amortization expenses increased 9.8% from $43.6 million in the first nine months of 2001 to $47.8 million in the first nine months of 2002 reflecting the impact of recent new developments, tenant improvements and property redevelopments which were placed in service throughout 2001 and the first nine months of 2002.

During the first nine months of 2002 the Trust incurred interest of $64.7 million, of which $19.4 million was capitalized, as compared to 2001's $65.1 million of which $12.7 million was capitalized. The modest decrease in interest expense is a result of lower interest expense on the Trust's syndicated credit facility, reflecting the pay-down on the credit facility with the proceeds from the November 2001 preferred stock offering and the June 2002 common stock offering, as well as lower interest rates on the Trust's variable rate debt offset by the additional construction debt issued to fund the Trust's capital improvement programs. The ratio of earnings to combined fixed charges (consisting of interest on borrowed funds, including capitalized interest, amortization of debt discount and expenses and the portion of rent expense representing an interest factor) and preferred dividends was 1.11x and 1.35x for the first nine months of 2002 and 2001, respectively. The ratio of earnings to fixed charges was 1.36x and 1.47x during the first nine months of 2002 and 2001, respectively. The ratio of earnings before interest, income taxes, depreciation and amortization ("EBITDA") to combined fixed charges and preferred dividends was 1.69x for the first nine months of 2002 and 1.93x for the first nine months of 2001. Excluding the one-time restructuring charge of $8.5 million in the first quarter of 2002, the Trust's ratio of earnings to combined fixed charges and preferred dividends was 1.22x and 1.35x for the first nine months of 2002 and 2001, respectively; the ratio of earnings to fixed charges was 1.49x and 1.47x during the first nine months of 2002 and 2001, respectively; and the ratio of EBITDA to combined fixed charges and preferred dividends was 1.80x for the first nine months of 2002 and 1.93x for the first nine months of 2001.

Administrative expenses increased 2.4% from $10.0 million for the nine months ended September 30, 2001 to $10.2 million for the nine months ended September 30, 2002. Administrative expenses as a percentage of revenue decreased from 4.6% in the first nine months of 2001 to 4.5% in the first nine months of 2002.

On February 28, 2002 the Trust adopted a new business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores, or high volume, value oriented retailers that provide consumer necessities. The Trust will complete Bethesda Row, Pentagon Row and Santana Row but does not plan to develop any new large-scale, mixed-use, ground-up development projects. Rather, the Trust will seek to acquire income producing centers and may seek opportunities to develop ground-up grocery anchored shopping centers, all in and around the Trust's existing markets, and will identify and execute redevelopment opportunities in its existing portfolio. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

In connection with this change in business plan the Trust recorded a charge of $18.2 million. This charge included a reserve for a restructuring charge of $8.5 million made up of $6.9 million of severance and other compensation costs for several senior officers of the Trust related to the management restructuring, as well as the write-off of $1.6 million of the Trust's development costs. All charges against the reserve, totaling $8.5 million, were expended during the first nine months of 2002. An additional component of the restructuring charge is an impairment loss of $9.7 million representing the estimated loss on the abandonment of development projects held for sale, primarily the Tanasbourne development project located in Portland, Oregon, thereby adjusting the value of these assets to their estimated fair value. The Trust is marketing these properties, components of the Trust's Western region, for sale. The current carrying value of these properties as of September 30, 2002, classified on the Trust's consolidated balance sheet as real estate under development, is $8.5 million.

During the second quarter of 2002 the Trust sold six street retail properties for a combined gain of $19.1 million. Four of these properties were components of the Trust's Northeast region and two were components of the Trust's Western region. The gain on sale of real estate during the nine months ended September 30, 2002 was offset by the impairment loss of $9.7 million on the abandonment of developments held for sale.

During the second quarter of 2001 the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for $16.7 million resulting in a gain of $7.9 million.

Investors' share of operations represents the minority interest in the income of certain properties. The $600,000 decrease from $4.0 million for the first nine months of 2001 to $3.4 million for the first nine months of 2002 is due to the Trust's 2001 purchase of the minority interest in nine street retail buildings in southern California and three street retail buildings in Forest Hills, New York and the operating unit holders share of the first quarter 2002 loss.

The net income from the six properties sold in 2002, reported as income from operations of discontinued assets, was $1.2 million and $2.6 million for the nine months ended September 30, 2002 and 2001, respectively.

As a result of the foregoing items, income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations increased from $41.1 million during the first nine months of 2001 to $41.8 million during the first nine months of 2002, while net income increased from $51.6 million during the first nine months of 2001 to $52.5 million during the first nine months of 2002. Net income available for common shareholders decreased from $45.6 million during the first nine months of 2001 to a $37.9 million during the first nine months of 2002, as a result of the forgoing items and as a result of an increase of $8.6 million in preferred dividends on the 8.5% preferred shares issued in November 2001.

Growth in net income and funds from operations during the remainder of 2002 will be primarily dependent on contributions from the core portfolio. Growth of net income from the core portfolio is, in part, dependent on the general economy, the financial health of the Trust's tenants and on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal, insurance and real estate tax assessments. The current weakening of the retail and overall economic environment could adversely impact the Trust by increasing vacancies and decreasing rents. In past weak retail and real estate environments, however, the Trust has been able to replace weak and bankrupt tenants with stronger tenants; management believes that due to the quality of the Trust's properties there will continue to be demand for its space. The Trust's properties were 95.5% leased at September 30, 2002 and 95.8% leased at September 30, 2001.

Growth in the core portfolio, however, will be offset by expenses at Santana Row. Leasing, marketing and pre-opening expenses at Santana Row prior to its scheduled opening in November, 2002 and additional depreciation and interest expense as the project is phased into operations will have a dilutive effect on 2002 and 2003 earnings.

Growth in net income is also dependent on the amount of the Trust's leverage and interest rates. The Trust's leverage is increasing as it finances its development projects. In addition, to the extent variable-rate debt is unhedged, the Trust will continue to have exposure to changes in market interest rates. If interest rates increase, net income and funds from operations, as well as the ultimate cost of the Trust's development and redevelopment projects, will be negatively impacted. Net income available for common shareholders' and funds from operations will also be reduced by the November 2001 issuance of the 8.5% Series B Cumulative Redeemable Preferred Shares.

Segment Results

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

Historical operating results for the three regions are as follows (in thousands):

	For the nine months ended September 30, 2002	2001
Rental income		
Northeast	$ 88,459	$ 86,651
Mid-Atlantic	100,728	90,408
West	25,055	24,118
Total	$214,242	$201,177

	For the nine months ended September 30, 2002	2001
Net operating income, including interest income on mortgage notes receivable		
Northeast	$ 67,264	$ 64,299
Mid-Atlantic	74,956	68,166
West	15,241	16,769
	$157,461	$149,234

The Northeast

The Northeast region is comprised of forty-eight assets, extending from suburban Philadelphia north through New York and its suburbs into New England and west to Illinois and Michigan.

When comparing the first nine months of 2002 with 2001, rental income increased 2.1% from $86.7 million in 2001 to $88.5 million in 2002. On a same center basis, excluding 101 E. Oak Street and 70/10 Austin Street which were sold in 2001, rental income increased 3.1% from $85.8 million in 2001 to $88.5 million in 2002, due to increases at recently redeveloped and retenanted shopping centers such as Bala Cynwyd, Brunswick, Dedham, Fresh Meadows and Wynnewood as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 2.8%.

Net operating income, including interest income on mortgage notes receivable, increased 4.6% from $64.3 million in 2001 to $67.3

million in 2002. On a same center basis, as defined above, net operating income increased 6.6% from $62.6 million in 2001 to $66.8 million in 2002, primarily due to increases at the recently redeveloped and retenanted shopping centers, lease rollovers and significantly lower common area maintenance costs, specifically snow removal costs. Same center net operating income, excluding the contribution from property redevelopments and expansions, increased 6.4%.

The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, including Pentagon Row, which was substantially completed in 2002, extending from Baltimore south to metropolitan Washington, D.C. and further south through Virginia and North Carolina into Florida.

When comparing the first nine months of 2002 with 2001, rental income increased 11.4% from $90.4 million in 2001 to $100.7 million in 2002. On a same center basis, excluding Williamsburg Shopping Center which was sold in 2001, Friendship Center which was purchased in 2001 and Pentagon Row which is being phased into service throughout 2001 and 2002, rental income increased 3.2%, due primarily to successful retenanting at several shopping centers and street retail properties, as well as the increased rental income from the Trust's Woodmont East project in Bethesda, Maryland which was open and occupied for a full nine months in 2002. These increases were offset by higher vacancy levels at three of the region's shopping centers. There were no significant contributions from redevelopments or expansions in this region during the nine months ended September 30 2002 and 2001.

When comparing the first nine months of 2002 with 2001, net operating income increased 10.0% from $68.2 million in 2001 to $75.0 million in 2002. On the same center basis as defined above, net operating income increased 2.6%, with the increased rental income offset by increased real estate taxes.

The West

The Western region is comprised of thirty-four assets, including Santana Row, which is currently under development, extending from Texas to the West Coast.

When comparing the first nine months of 2002 with 2001 on a same center basis, which excludes 580 Market Street which was exchanged for the minority partner's interest in Santana Row and Santana Row, which is currently under development, rental income increased 7.4% from $23.3 million in 2001 to $25.0 million in 2002, due to increases from the recently redeveloped and retenanted properties in the Los Angeles area, San Francisco and Los Gatos, California as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from redevelopments and expansions, increased 4.4%. On an overall basis, rental income increased 3.9%, from $24.1 million in 2001 to $25.1 million in 2002.

On a same center basis as defined above, net operating income, including interest income on mortgage notes receivable, increased 8.8% from $16.7 million in 2001 to $18.2 million in 2002, due primarily to increases from the recently redeveloped and retenanted properties in the Los Angeles area, San Francisco and Los Gatos, California and higher participating interest income on mortgage notes receivable. Same center net operating income, excluding the contribution from redevelopments and expansions, increased 7.8%. Overall net operating income decreased from $16.8 million in 2001 to $15.2 million in 2002, reflecting the above mentioned increases offset by the marketing, leasing and start-up costs associated with Santana Row.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

Consolidated Results

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 6.0% from $68.2 million in the third quarter of 2001 to $72.3 million in the third quarter of 2002. On a same center basis, rental income increased 3.1%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as, increases associated with lease rollovers. Same center basis, in the third quarter of 2002, excludes Williamsburg Shopping Center in Williamsburg, Virginia, 101 E. Oak Street in Chicago, Illinois and 70/10 Austin Street in Forest Hills, New York which were sold in 2001, Friendship Center in Washington, D.C. which was purchased on September 21, 2001, the office building located at 580 Market Street in San Francisco, California which was exchanged for the minority partner's interest in Santana Row and properties under development in 2001 and 2002, including Pentagon Row in Arlington, Virginia and Santana Row in San Jose, California. Same center basis, as defined above, includes properties which have been redeveloped or expanded. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 2.9%.

Other property income includes items, which although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 2.8% from $4.3 million in the third quarter 2001 to $4.4 million in the third quarter of 2002 due to the income earned, including a one-time $800,000 perpetual easement payment from a residential developer that has commenced development on an adjacent site, at the Pentagon Row project which began phasing into service in the second quarter of 2001. The increases associated with Pentagon Row were offset by lower lease termination fees, utility reimbursements and parking income. On a same center basis, other property income decreased $500,000 or 13.9% as a result of the decreases mentioned above.

Interest and other income includes interest earned on mortgage notes receivable and overnight cash investments, including tax-deferred exchange escrow deposits. Interest and other income remained constant at $1.7 million in 2001 and 2002.

Rental expenses increased 14.5% from $15.3 million in the third quarter of 2001 to $17.5 million in the third quarter of 2002. Expenses for the Pentagon Row project and pre-opening and marketing expenses at Santana Row were the major causes of this increase. As a result of the pre-opening and marketing expenses at Santana Row in 2002, rental expense as a percentage of property income, rental income plus other property income, increased from 21.1% in 2001 to 22.8% in 2002. On a same center basis, rental expenses increased 3.3% from $14.0 million in 2001 to $14.5 million in 2002, primarily due to increased utility and insurance costs in 2002. Same center rental expense, excluding the effect of property redevelopments and expansions, increased 1.8%.

Real estate taxes increased 8.3% from $7.3 million in the third quarter of 2001 to $7.9 million in the third quarter of 2002. On a same center basis, real estate taxes increased 6.6% due primarily to increased taxes on recently redeveloped properties and overall increases in tax assessments. Same center real estate taxes, excluding the effect of property redevelopments and expansions, increased 5.8%.

Depreciation and amortization expenses increased 7.4% from $15.0 million in the third quarter of 2001 to $16.1 million in the third quarter of 2002 reflecting the impact of recent new developments, tenant improvements and property redevelopments which were placed in service throughout 2001 and the first nine months of 2002.

During the third quarter of 2002 the Trust incurred interest of $21.5 million, of which $8.0 million was capitalized, as compared to 2001's $22.5 million of which $4.8 million was capitalized. The decrease in interest expense is a result of lower interest expense on the Trust's syndicated credit facility, reflecting the pay-down on the credit facility with the proceeds from the November 2001 preferred stock offering and the June 2002 common stock offering, as well as lower interest rates on the Trust's variable rate debt offset by the additional construction debt issued to fund the Trust's capital improvement programs.

Administrative expenses, while increasing from $3.5 million in the third quarter of 2001 to $3.7 million in the third quarter of 2002 remained at 4.7% of revenue.

Investors' share of operations represents the minority interest in the income of certain properties. The $100,000 decrease from $1.2 million in the third quarter of 2001 to $1.1 million in the third quarter of 2002 is due to the Trust's 2001 purchase of the minority interest in nine street retail buildings in southern California and three street retail buildings in Forest Hills, New York.

During the second quarter of 2002 the Trust sold six properties. The net income (loss) from these properties, reported as income from operations of discontinued assets, was ($59,000) and $918,000 for the three months ended September 30, 2002 and 2001, respectively.

As a result of the foregoing items, income before discontinued operations increased from $14.3 million during the third quarter of 2001 to $18.6 million during the third quarter of 2002, while net income increased from $15.2 million during the third quarter of 2001 to $18.5 million during the third quarter of 2002. Net income available for common shareholders increased from $13.2 million during the third quarter of 2001 to $13.6 million during the third quarter of 2002, as a result of the forgoing items, offset by the increase of $2.9 million in preferred dividends on the 8.5% preferred shares issued in November 2001.

Segment Results

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

Historical operating results for the three regions are as follows (in thousands):

	For the three months ended September 30, 2002	2001
Rental income		
Northeast	$29,479	$29,661
Mid-Atlantic	34,515	30,025
West	8,283	8,493
Total	$72,277	$68,179

	For the three months ended September 30, 2002	2001
Net operating income, including interest income on mortgage notes receivable		
Northeast	$22,499	$22,801
Mid-Atlantic	25,998	22,254
West	4,184	5,795
	$52,681	$50,850

The Northeast

The Northeast region is comprised of forty-eight assets, extending from suburban Philadelphia north through New York and its suburbs into New England and west to Illinois and Michigan.

When comparing the third quarter of 2002 with 2001, rental income decreased approximately $200,000 from $29.7 million in 2001 to $29.5 million in 2002 due to lower cost reimbursements at three shopping center properties and higher vacancy at one shopping center property. On a same center basis, excluding 101 E. Oak Street and 70/10 Austin Street which were sold in 2001, rental income increased $100,000 from $29.4 million in 2001 to $29.5 million in 2002, primarily due to increases at recently redeveloped and retenanted shopping centers such as Dedham, Ellisburg and Fresh Meadows as well as increases associated with lease rollovers offset by lower cost reimbursements and vacancies. Same center rental income, excluding the contribution from property redevelopments and expansions, increased approximately $200,000.

Net operating income, including interest income on mortgage notes receivable, decreased 1.3% from $22.8 million in 2001 to $22.5 million in 2002 due primarily to lower rental income, as stated above, and lower mortgage note interest as a $10 million mortgage note was paid off in July 2002. On a same center basis, as defined above, net operating income increased 1.1% from $22.3 million in 2001 to $22.5 million in 2002, due to increases at the recently redeveloped and retenanted shopping centers offset by lower cost reimbursements, vacancies and lower mortgage note interest. Same center net operating income, excluding the contribution from property redevelopments and expansions, increased 1.5%.

The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, including Pentagon Row, which was substantially completed in 2002, extending from Baltimore south to metropolitan Washington, D.C. and further south through Virginia and North Carolina into Florida.

When comparing the third quarter of 2002 with 2001, rental income increased 15.0% from $30.0 million in 2001 to $34.5 million in 2002. On a same center basis, excluding Williamsburg Shopping Center which was sold in 2001, Friendship Center which was purchased in 2001 and Pentagon Row which is being phased into service throughout 2001 and 2002, rental income increased 6.5% from $29.6 million in 2001 to $31.5 million in 2002 due primarily to successful retenanting at several shopping centers and street retail properties. There were no significant contributions from redevelopments or expansions in this region during the three months ended September 30, 2002 and 2001.

When comparing the third quarter of 2002 with 2001, net operating income increased 16.8% from $22.3 million in 2001 to $26.0 million in 2002. On the same center basis, as defined above, net operating income increased 6.6% from $21.9 million in 2001 to $23.4 million in 2002 due to increased rental income.

The West

The Western region is comprised of thirty-four assets, including Santana Row, which is currently under development, extending from Texas to the West Coast.

When comparing the third quarter of 2002 with 2001 on a same center basis, which excludes 580 Market Street which was exchanged for the minority partner's interest in Santana Row and Santana Row, which is currently under development, rental income increased approximately $100,000 from $8.2 million in 2001 to $8.3 million in 2002, due primarily to successful retenanting at two street retail properties. The increase in rental income in the third quarter of 2002 was offset by retroactive rental income adjustments of approximately $142,000 recorded in the third quarter of 2001 at one street retail property. There were no significant contributions from redevelopments or expansions in this region in the three months ended September 30, 2002 and 2001. On an overall basis, rental income decreased 2.5%, from $8.5 million in 2001 to $8.3 million in 2002.

On a same center basis, as defined above, net operating income, including interest income on mortgage notes receivable, decreased 10.9% from $6.2 million in 2001 to $5.6 million in 2002. The increase in rental income was offset by higher operating costs and lower parking and storage revenue. Same center net operating income, excluding the contribution from redevelopments and expansions, decreased 7.4%. Overall net operating income decreased 27.8% from $5.8 million in 2001 to $4.2 million in 2002, reflecting the above mentioned decreases in addition to the marketing, leasing and start-up costs associated with Santana Row.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Trust's use of financial instruments, such as debt instruments, subject the Trust to market risk which may affect the Trust's future earnings and cash flows as well as the fair value of its assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. The Trust manages its market risk by attempting to match anticipated inflow of cash from its 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. The Trust also enters into derivative financial instruments such as interest rate swaps to mitigate its interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of its variable rate debt.

The following discussion of market risk is based solely on hypothetical changes in interest rates related to the Trust's variable rate debt. This discussion does not purport to take into account all of the factors that may affect the financial instruments discussed in this section.

Interest Rate Risk

The Trust's interest rate risk is most sensitive to fluctuations in interest rates on its variable rate debt. At September 30, 2002, the Trust had $115.9 million of variable rate debt, not including the $151.3 million Santana Row variable rate construction loan of which the majority of the interest is capitalized to the development project. Based upon this balance of variable operating debt, if interest rates increased 1%, the Trust's earnings and cash flows would decrease by approximately $1.2 million. If interest rates decreased 1%, the Trust's earnings and cash flows would increase by approximately $1.2 million. The Trust believes that the change in the fair value of its financial instruments resulting from a foreseeable fluctuation in interest rates would be immaterial to its total assets and total liabilities.

Cash Flow Hedges

The Trust uses derivative financial instruments to convert a portion of its variable rate debt to fixed rate debt and to manage its fixed to variable rate debt ratio. A description of these derivative financial instruments is contained in Note A to the Notes to Consolidated Financial Statements contained in "Item 1. Financial Statements" and is incorporated by reference into this Item 3.

ITEM 4. CONTROLS AND PROCEDURES

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Trust's management, including its Chairman and Chief Executive Officer, its President and Chief Operating Officer and its Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the date of this report, the Trust carried out an evaluation, under the supervision and with the participation of the Trust's management, including its Chairman and Chief Executive Officer, its President and Chief Operating Officer and its Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Trust's disclosure controls and procedures. Based on the foregoing, the Trust's Chairman and Chief Executive Officer, its President and Chief Operating Officer and its Senior Vice President and Chief Financial Officer concluded that the Trust's disclosure controls and procedures were effective.

There have been no significant changes in the Trust's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Trust completed its evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to Vote to Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

(3) (i) Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 filed with the Commission on May 25, 1999 as an exhibit to the Trust's Current Report on Form 8-K is incorporated herein by reference thereto.

(ii) Bylaws of the Trust as amended, filed with the Commission on June 6, 2002 as an exhibit to the Trust's Registration Statement on Form 8-A/A is incorporated herein by reference thereto.

(10)(i) Amendment to Promissory Notes dated May 31, 2002 between Federal Realty Investment Trust and Steven J. Guttman.

(ii) Amendment to Stock Option Agreements dated August 15, 2002 between Federal Realty Investment Trust and Dawn M. Becker.

(iii) Amendment to Stock Option Agreement dated August 15, 2002 between Federal Realty Investment Trust and Jeffrey S. Berkes.

(B) Reports on Form 8-K

A Form 8-K, dated June 30, 2002 was filed on August 12, 2002 in response to Item 5.

A Form 8-K, dated September 4, 2002 was filed on September 4, 2002 in response to Item 5.

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 duly authorized.

FEDERAL REALTY INVESTMENT TRUST

October 30, 2002	/s/ Steven J. Guttman Steven J. Guttman, Chairman, Chief Executive Officer and Trustee (Principal Executive Officer)
October 30, 2002	/s/ Larry E. Finger Larry E. Finger, Senior Vice President and Chief Financial Officer(Principal Accounting Officer)

CERTIFICATION

I, Steven J. Guttman, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: October 30, 2002	/s/ Steven J. Guttman
	NAME: Steven J. Guttman
	TITLE: Chairman and Chief Executive Officer

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 quarterly 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 quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: October 30, 2002

/s/ Donald C. Wood

NAME: Donald C. Wood
TITLE: President and Chief Operating Officer

CERTIFICATION

I, Larry E. Finger, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: October 30, 2002

/s/ Larry E. Finger

NAME: Larry E. Finger
TITLE: Senior Vice President and Chief Financial Officer

CERTIFICATION

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

The undersigned, Steven J. Guttman, the Chairman 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 ending September 30, 2002 (the "Report"). The undersigned hereby certifies 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.

Date: October 30, 2002

/s/ Steven J. Guttman
Name: Steven J. Guttman
Title: Chairman and Chief Executive Officer

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 Operating 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 ending September 30, 2002, (the "Report"). The undersigned hereby certifies 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.

Date: October 30, 2002

/s/ Donald C. Wood

Name: Donald C. Wood
Title: President and Chief Operating Officer

CERTIFICATION

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

The undersigned, Larry E. Finger, the Senior Vice President and Chief Financial 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 ending September 30, 2002 (the "Report"). The undersigned hereby certifies 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.

Date: October 30, 2002

/s/ Larry E. Finger

Name: Larry E. Finger
Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

(A) Exhibits

(3) (i) Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 filed with the Commission on May 25, 1999 as an exhibit to the Trust's Current Report on Form 8-K is incorporated herein by reference thereto.

(ii) Bylaws of the Trust as amended, filed with the Commission on June 6, 2002 as an exhibit to the Trust's Registration Statement on Form 8-A/A is incorporated herein by reference thereto.

(10)(i) Amendment to Promissory Notes dated May 31, 2002 between Federal Realty Investment Trust and Steven J. Guttman.

(ii) Amendment to Stock Option Agreements dated August 15, 2002 between Federal Realty Investment Trust and Dawn M. Becker.

(iii) Amendment to Stock Option Agreement dated August 15, 2002 between Federal Realty Investment Trust and Jeffrey S. Berkes.

AMENDMENT TO PROMISSORY NOTES

THIS AMENDMENT TO PROMISSORY NOTES ("Amendment") made as of May 31, 2002, by and between FEDERAL REALTY INVESTMENT TRUST ("Payee"), and STEVEN J. GUTTMAN, an employee of Payee ("Maker")

WITNESSETH

WHEREAS, in connection with the exercise of employee stock options, Payee has extended loans to Maker, and Maker has made four promissory notes payable to the order of Payee, as follows:

Amended and Restated Promissory Note dated October 21, 1987, in the principal amount of $100,007.25;

Promissory Note dated November 6, 1996, in the principal amount of $180,937.50; and

Promissory Note dated December 31, 1992, in the principal amount of $99,990; (collectively, as such notes may have been amended, the "Early Notes"); and

Promissory Note dated January 2, 2002, in the principal amount of $205,000 (as such note may have been amended, the "2002 Note");

(the Early Notes and the 2002 Note being collectively referred to hereinafter as the "Promissory Notes"); the principal amounts of which remain unpaid; and

WHEREAS, the Promissory Notes by their terms are repayable in full by Maker within a certain amount of time after the termination of Maker's employment with Payee; and

WHEREAS, the parties desire to amend the Promissory Notes to provide for a fixed repayment date of May 31, 2007, irrespective of any termination of employment of Maker;

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. The second paragraph of each of the Early Notes, and the third paragraph of the 2002 Note, is hereby amended to read, in its entirety, as follows: "The entire principal and any accrued interest shall all be due and payable on or before May 31, 2007."

2. Except as specifically modified hereby, each of the Promissory Notes remains in full force and effect, and Maker hereby ratifies and reaffirms each and all of the terms and provisions of the Promissory Notes as modified hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

WITNESS:	FEDERAL REALTY INVESTMENT TRUST
______________________________	By:______________________________
	Title:
WITNESS:	
______________________________	______________________________
	Steven J. Guttman

AMENDMENT TO STOCK OPTION AGREEMENTS

This Amendment to Stock Option Agreements ("Amendment") is made and entered into as of the 15/th/ day of August, 2002, by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Trust"), and Dawn M. Becker ("Executive").

WHEREAS, Executive and the Trust have entered into the following stock option agreements:

Combined Incentive and Non-Qualified Stock Option Agreement for Employees dated April 17, 1998, setting forth the terms of the award of 7,500 options at the exercise price of $25.1875, expiring January 26, 2008;

Combined Incentive and Non-Qualified Stock Option Agreement for Employees dated February 22, 1999, setting forth the terms of the award of 10,000 options at the exercise price of $21.0625, expiring February 22, 2009; and

Combined Incentive and Non-Qualified Stock Option Agreement for Employees dated July 27, 2000, setting forth the terms of the award of 20,000 options at the exercise price of $20.9375, expiring July 27, 2010;

(collectively referred to hereinafter as the "Stock Option Agreements"); and

WHEREAS, Executive is now an executive officer of the Trust, and Executive and the Trust wish to amend the Stock Option Agreements;

NOW THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. The Stock Option Agreements are hereby amended as follows:

   1.1 In Section 4, subparagraph (a)(i) is amended by deleting the phrase "within three months" and replacing it with the phrase "within one year."

   1.2 Section 5 is hereby amended by deleting all references therein to payment of the option exercise price in the form of a promissory note.

2. Capitalized terms used in this Amendment, unless otherwise defined herein, have the respective meanings given to such terms in the Stock Option Agreements.

3. Except as specifically modified hereby, the Stock Option Agreements remain in full force and effect, and the Trust and Executive hereby ratify and reaffirm each and all of the terms and provisions of the Stock Option Agreements as modified hereby.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment to be effective as of the day and year indicated above.

FEDERAL REALTY INVESTMENT TRUST

By:_________________________________
Name:
Title:

WITNESS: EXECUTIVE

____________________________________ ____________________________________
Dawn M. Becker

AMENDMENT TO STOCK OPTION AGREEMENT

This Amendment to Stock Option Agreement ("Amendment") is made and entered into as of the 15/th/ day of August, 2002, by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Trust"), and Jeffrey S. Berkes ("Executive").

WHEREAS, Executive and the Trust have entered into that certain Combined Incentive and Non-Qualified Stock Option Agreement for Employees dated February 15, 2000, setting forth the terms of the award of 30,000 options at the exercise price of $18.00, expiring February 15, 2010 (the "Stock Option Agreement"); and

WHEREAS, Executive is now an executive officer of the Trust, and Executive and the Trust wish to amend the above-referenced stock option agreement;

NOW THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. The Stock Option Agreement is amended as follows:

   1.1 In Section 4, subparagraph (a)(i) is amended by deleting the phrase "within three months" and replacing it with the phrase "within one year."

   1.2 Section 5 is hereby amended by deleting all references therein to payment of the option exercise price in the form of a promissory note.

2. Capitalized terms used in this Amendment, unless otherwise defined herein, have the respective meanings given to such terms in the Stock Option Agreement.

3. Except as specifically modified hereby, the Stock Option Agreement remains in full force and effect, and the Trust and Executive hereby ratify and reaffirm each and all of the terms and provisions of the Stock Option Agreement as modified hereby.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment to be effective as of the day and year indicated above.

FEDERAL REALTY INVESTMENT TRUST

By:________________________________
Name:
Title:

WITNESS:

____

EXECUTIVE

____
Jeffrey S. Berkes