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, 1999

Commission File No. 17533

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 20, 1999 |
|---|---|
| Common Shares of Beneficial Interest | 40,348,236 |

This report contains 38 pages, including exhibits.

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

September 30, 1999

I N D E X

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

September 30, 1999

PART I. FINANCIAL INFORMATION

The following financial information is submitted in response to the requirements of Form 10-Q and does not purport to be financial statements prepared in accordance with generally accepted accounting principles since they do not include all disclosures which might be associated with such statements. In the opinion of management, such information includes all adjustments, consisting only of normal recurring accruals, necessary to a fair statement of the results for the interim periods presented.

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS

| | September 30, 1999 (unaudited) | December 31, 1998 |
|---|---|---|
| ASSETS | (in thousands) | |
| Investments | | |
| Real estate, at cost | $1,729,174 | $1,642,136 |
| Less accumulated depreciation and amortization | (319,959) | (286,053) |
| | 1,409,215 | 1,356,083 |
| Mortgage notes receivable | 58,330 | 51,154 |
| | 1,467,545 | 1,407,237 |
| Other Assets | | |
| Cash | 15,090 | 17,230 |
| Accounts and notes receivable | 18,216 | 17,873 |
| Prepaid expenses and other assets, principally property taxes and lease commissions | 38,235 | 38,502 |
| Debt issue costs | 2,796 | 3,475 |
| | $1,541,882 | $1,484,317 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Obligations under capital leases | $ 122,124 | $ 122,401 |
| Mortgages payable | 50,684 | 51,079 |
| Notes payable | 341,805 | 263,159 |
| Accounts payable and accrued expenses | 34,297 | 34,073 |
| Dividends payable | 19,465 | 18,972 |
| Security deposits | 5,195 | 5,214 |
| Prepaid rents | 3,349 | 3,641 |
| Senior notes | 335,000 | 335,000 |
| 5 1/4% Convertible subordinated debentures | 75,289 | 75,289 |
| Investors' interest in consolidated assets | 44,965 | 45,542 |
| 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 of $25 per share), 4,000,000 shares issued in 1997 | 100,000 | 100,000 |
| Common shares of beneficial interest, $.01 par value, 100,000,000 shares authorized; 40,370,365 and 40,139,675 shares, respectively, issued | 404 | 401 |
| Additional paid in capital | 712,434 | 707,323 |
| Accumulated dividends in excess of Trust net income | (280,143) | (255,211) |
| | 532,695 | 552,513 |
| Less 58,419 and 59,425 common shares in treasury - at cost, respectively, deferred compensation and subscriptions receivable | (22,986) | (22,566) |
| | 509,709 | 529,947 |
| | $1,541,882 | $1,484,317 |

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

| (In thousands, except per share data) | Nine months ended September 30, 1999 | 1998 |
|---|---|---|
| Revenue | | |
| Rental income | $181,078 | $162,041 |
| Other property income | 8,176 | 7,613 |
| Interest and other income | 5,779 | 3,928 |
| | 195,033 | 173,582 |
| Expenses | | |
| Rental | 39,054 | 35,274 |
| Real estate taxes | 18,344 | 17,275 |
| Interest | 45,507 | 39,736 |
| Administrative | 10,888 | 13,401 |
| Depreciation and amortization | 37,313 | 33,384 |
| | 151,106 | 139,070 |
| Operating income before investors' share of operations and loss on sale of real estate | 43,927 | 34,512 |
| Investors' share of operations | (2,322) | (2,335) |
| Income before loss on sale of real estate | 41,605 | 32,177 |
| Loss on sale of real estate | (7,050) | - |
| Net Income | $ 34,555 | $ 32,177 |
| Dividends on preferred stock | (5,963) | (5,963) |
| Net income available for common shareholders | $ 28,592 | $ 26,214 |
| Earnings per common share, basic | | |
| Income before loss on sale of real estate | $ 0.90 | $ 0.67 |
| Loss on sale of real estate | (0.18) | - |
| | $ 0.72 | $ 0.67 |
| Weighted average number of common shares, basic | 39,534 | 39,115 |
| Earnings per common share, diluted | | |
| Income before loss on sale of real estate | $ 0.89 | $ 0.67 |
| Loss on sale of real estate | (0.17) | - |
| | $ 0.72 | $ 0.67 |
| Weighted average number of common shares, diluted | 40,639 | 39,953 |

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

| (In thousands, except per share data) | Three months ended September 30, 1999 | 1998 |
|---|---|---|
| Revenue | | |
| Rental income | $61,971 | $ 55,433 |
| Other property income | 3,349 | 2,577 |
| Interest and other income | 1,935 | 993 |
| | 67,255 | 59,003 |
| Expenses | | |
| Rental | 12,950 | 12,005 |
| Real estate taxes | 6,477 | 6,058 |
| Interest | 14,989 | 13,639 |
| Administrative | 5,474 | 7,565 |
| Depreciation and amortization | 12,381 | 11,412 |
| | 52,271 | 50,679 |
| Operating income before investors' share of operations | 14,984 | 8,324 |
| Investors' share of operations | (798) | (804) |
| Net Income | $14,186 | $ 7,520 |
| Dividends on preferred stock | (1,988) | (1,988) |
| Net income available for common shareholders | $12,198 | $ 5,532 |
| Earnings per common share, basic | $ 0.31 | $ 0.14 |
| Weighted average number of common shares, basic | 39,634 | 39,233 |
| Earnings per common share, diluted | $ 0.30 | $ 0.14 |
| Weighted average number of common shares, diluted | 40,701 | 40,067 |

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

| (In thousands, except per share amounts) | Nine months ended September 30, 1999 Shares | Amount |
|---|---|---|
| Common Shares of Beneficial Interest | | |
| Balance, beginning of period | 40,139,675 | $ 707,724 |
| Exercise of stock options | 50,167 | 1,049 |
| Shares issued under dividend reinvestment plan | 119,869 | 2,691 |
| Performance and Restricted Shares granted, net of retirements | 60,654 | 1,374 |
| Balance, end of period | 40,370,365 | $ 712,838 |
| Common Shares of Beneficial Interest in Treasury, Deferred Compensation and Subscriptions Receivable | | |
| Balance, beginning of period | (979,446) | ($22,566) |
| Amortization of deferred compensation | 32,691 | 671 |
| Performance and Restricted Shares granted, net of retirements | (45,654) | (1,039) |
| Purchase of shares under share purchase plan | 9,000 | 136 |
| Decrease (increase) in stock option loans, net | (8,995) | (188) |
| Balance, end of period | (992,404) | ($22,986) |
| Accumulated Dividends in Excess of Trust Net Income | | |
| Balance, beginning of period | | ($255,211) |
| Net income | | 34,555 |
| Dividends declared to shareholders | | (59,487) |
| Balance, end of period | | ($280,143) |

The accompanying notes are an integral part of this statement.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (In thousands) | Nine months ended September 30, 1999 | 1998 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $ 34,555 | $ 32,177 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 37,313 | 33,384 |
| Loss on sale of real estate | 7,050 | - |
| Other, net | 1,568 | 1,153 |
| Changes in assets and liabilities | | |
| Increase in accounts receivable | (343) | (716) |
| Increase in prepaid expenses and other assets before depreciation and amortization | (3,062) | (6,147) |
| (Decrease) increase in operating accounts payable, security deposits and prepaid rent | (2,748) | 1,954 |
| Increase (decrease) in accrued expenses | 348 | (164) |
| Net cash provided by operating activities | 74,681 | 61,641 |
| INVESTING ACTIVITIES | | |
| Acquisition of real estate | (25,337) | (92,946) |
| Capital expenditures and development | (64,974) | (46,309) |
| Net increase in mortgage notes receivable | (7,176) | (17,529) |
| Net cash used in investing activities | (97,487) | (156,784) |
| FINANCING ACTIVITIES | | |
| Regular payments on mortgages, capital leases, and notes payable | (879) | (1,466) |
| Balloon payment on note and mortgages payable | - | (53,534) |
| Borrowing of short-term debt, net | 78,853 | 116,009 |
| Issuance of senior notes, net of costs | - | 79,540 |
| Dividends paid | (57,113) | (55,342) |
| Issuance of shares of beneficial interest | 2,030 | 4,229 |
| Decrease in minority interest, net | (2,225) | (1,384) |
| Net cash provided by financing activities | 20,666 | 88,052 |
| Decrease in cash | (2,140) | (7,091) |
| Cash at beginning of period | 17,230 | 17,043 |
| Cash at end of period | $ 15,090 | $ 9,952 |

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1999

(unaudited)

NOTE A - ACCOUNTING POLICIES AND OTHER DATA

Reference should be made to the notes to financial statements included in the Annual Report to shareholders for the year ended December 31, 1998 which contain the Trust's accounting policies and other data.

Certain amounts presented for September 30, 1998 in the consolidated statements of operations have been reclassified to conform with the September 30, 1999 presentation.

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

| | Nine months ended September 30, | | Three months ended September 30, | |
|---|---|---|---|---|
| Numerator | 1999 | 1998 | 1999 | 1998 |
| Net income available for common shareholders - basic | $28,592 | $26,214 | $12,198 | $ 5,532 |
| Income attributable to operating partnership units | 552 | 682 | 97 | 268 |
| Net income available for common shareholders - diluted | $29,144 | $26,896 | $12,295 | $ 5,800 |
| Denominator | | | | |
| Denominator for basic EPS- weighted average shares | 39,534 | 39,115 | 39,634 | 39,233 |
| Effect of dilutive securities | | | | |
| Stock options and awards | 234 | 314 | 211 | 225 |
| Operating partnership units | 871 | 524 | 856 | 609 |
| Denominator for diluted EPS | 40,639 | 39,953 | 40,701 | 40,067 |

NOTE B - REAL ESTATE ACQUISITIONS AND DISPOSALS

During the first nine months of 1999, the Trust acquired a ninety percent interest in three buildings in Hollywood, California for a total cash investment to the Trust of $23.7 million. The first two buildings have 120,000 and 64,000 leasable square feet, respectively. The third building is vacant pending redevelopment.

In addition, the Trust invested $7.2 million in mortgage notes receivable with an average weighted interest rate of 10% during the first nine months of 1999.

During the second quarter of 1999, the Trust recorded a $7.1 million charge, representing the estimated loss on a potential sale of certain assets, principally Northeast Plaza in Atlanta, Georgia, thereby valuing the assets at their estimated fair value less estimated costs to sell. On October 18, 1999 the Trust sold the 448,000 square foot Northeast Plaza shopping center for $19.6 million, realizing a loss of $6.4 million.

NOTE C - NOTES PAYABLE

At September 30, 1999 there was $213.0 million borrowed under the Trust's syndicated credit facility, which also represents the maximum drawn during the first three quarters. The weighted average interest rate on borrowings for the nine months ended September 30, 1999 was 5.9%. 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.

NOTE D - ADMINISTRATIVE EXPENSES

Included in administrative expenses at September 30, 1998 is a $4.7 million charge related to a comprehensive restructuring program, the implementation of which was begun during the fourth quarter of 1998. As of September 30, 1999 cash payments of $3.6 million had been made against the reserve with most of the remaining cash expected to be paid during the remainder of 1999.

In 1999 in exploring strategic alternatives to maximize shareholder value, the Trust considered spinning off certain of its assets (primarily those related to the development and operation of its main street retail program) in a taxable transaction to shareholders. Shortly thereafter, the remaining assets of the Trust were to be merged with another publicly traded shopping center company in exchange for cash and stock consideration. On September 24, 1999, the Trust announced that merger negotiations were terminated and that the spin off was being reevaluated.

In preparing for these transactions, the Trust incurred expenses of approximately $2.5 million related to legal, accounting, tax and other advisory services related to the spin off and the merger. Such costs have been expensed in their entirety in the third quarter of 1999 and are reflected as administrative expenses in the accompanying consolidated statement of operations.

While management continues to evaluate alternatives to maximize shareholder value, there are currently no plans to consummate a spin off or merger transaction.

NOTE E - SHAREHOLDERS' EQUITY

On February 22, 1999, options for 705,000 shares at a price of $21 1/16 per share, fair value at the date of award, were awarded to officers and certain employees. The options vest evenly over three years.

NOTE F - INTEREST EXPENSE

The Trust incurred interest expense totaling $50.3 million during the first nine months of 1999 and $44.0 million during the first nine months of 1998, of which $4.8 million and $4.2 million, respectively, was capitalized in connection with development projects. Interest paid was $52.9 million in the first nine months of 1999 and $45.7 million in the first nine months of 1998.

NOTE G - COMMITMENTS AND CONTINGENCIES

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.

Pursuant to the provisions of the Congressional Plaza partnership agreement, in the event of the exercise of put options by another partner, the Trust would be required to purchase a 37.5% interest of Congressional Plaza at its then 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 million. On January 1, 1999 the Loehmann's Plaza Limited Partnership Agreement was amended to extend the partnership to December 31, 2000 and to delete the put and call options.

Under the terms of certain other partnerships, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the limited 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 common stock of the Trust at the election of the limited partners. In certain of these partnerships, if the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interest upon the same terms.

Under the terms of other partnerships, the partners may exchange their 814,589 operating units into cash or the same number of common shares of the Trust, at the option of the Trust. During the third quarter of 1999 the Trust exchanged 64,952 operating units for cash of $1.6 million.

The Trust has reviewed the software and hardware systems used internally to operate its business, in order to assess their ability to handle the "Year 2000 Issue" which generally refers to the inability of systems hardware and software to correctly identify two-digit references to specific calendar years, beginning with 2000. The Year 2000 Issue can affect the Trust directly by impairing its internal data-based operations or processing and indirectly by impairing its suppliers' and tenants' data-based operations or processing. The Trust has identified and evaluated the Year 2000 compliance of its internal systems. The Trust believes that the remediation of all accounting systems and other systems of high priority is complete; however, testing is still ongoing. In addition, the Trust has requested information concerning and reviewed the equipment at its properties, including the use of embedded chips in machinery. Based on the review and since the Trust primarily owns shopping centers and street retail buildings with limited use of technology, the Trust believes it is year 2000 compliant.

The Trust has requested information from its major banks, tenants, and suppliers to determine their Year 2000 compliance in order to assess the possibility of any major year 2000 risk to the Trust related to these parties' Year 2000 noncompliance. Based on their responses, the Trust does not believe there is any material risk to the Trust in these areas.

In addition, the Trust is developing, with the aid of an outside consultant, a business continuity plan for its critical internal systems, which is to be completed during the fourth quarter of 1999. Management does not anticipate needing to employ the plan. Costs spent to date and projections of future costs are not expected to exceed $75,000.

NOTE H - COMPONENTS OF RENTAL INCOME

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

| | Nine months | | Three months | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Retail properties | | | | |
| Minimum rents | $146,446 | $131,069 | $49,728 | $45,442 |
| Cost reimbursements | 28,644 | 25,138 | 10,110 | 8,220 |
| Percentage rents | 3,986 | 3,909 | 1,460 | 1,123 |
| Apartments | 2,002 | 1,925 | 673 | 648 |
| | $181,078 | $162,041 | $61,971 | $55,433 |

NOTE I - SEGMENT INFORMATION

During the fourth quarter of 1998 the Trust completed a comprehensive restructuring program, which, among other things, divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. In 1999 there was a minor reorganization of the regions which moved the Illinois and Michigan properties to the Northeast region from the Western region.

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

| Nine months ended September 30, 1999 | North East | Mid-Atlantic | West | Other | Total |
|---|---|---|---|---|---|
| Rental income | $ 75,596 | $ 82,710 | $ 22,772 | | $ 181,078 |
| Other income | 4,419 | 2,719 | 1,038 | | 8,176 |
| Interest income | | | | 5,779 | 5,779 |
| Rental expense | (15,217) | (18,160) | (5,677) | | (39,054) |
| Real estate tax | (9,538) | (6,744) | (2,062) | | (18,344) |
| Net operating income | 55,260 | 60,525 | 16,071 | 5,779 | 137,635 |
| Interest expense | | | | (45,507) | (45,507) |
| Administrative expense | | | | (10,888) | (10,888) |
| Depreciation and amortization | (16,784) | (17,024) | (2,879) | (626) | (37,313) |
| Income before investors' share of operations | $ 38,476 | $ 43,501 | $ 13,192 | (51,242) | $ 43,927 |
| Capital expenditures | $ 24,407 | $ 17,401 | $ 53,160 | | $ 94,968 |
| Real estate assets | $707,982 | $687,134 | $334,058 | | $1,729,174 |

| Nine months ended September 30, 1998 | North East | Mid-Atlantic | West | Other | Total |
|---|---|---|---|---|---|
| Rental income | $ 68,882 | $ 75,854 | $ 17,305 | | $ 162,041 |
| Other income | 4,370 | 2,590 | 653 | | 7,613 |
| Interest income | | | | 3,928 | 3,928 |
| Rental expense | (14,742) | (16,301) | (4,231) | | (35,274) |
| Real estate tax | (9,485) | (6,124) | (1,666) | | (17,275) |
| Net operating income | 49,025 | 56,019 | 12,061 | 3,928 | 121,033 |
| Interest expense | | | | (39,736) | (39,736) |
| Administrative expense | | | | (13,401) | (13,401) |
| Depreciation and amortization | (14,475) | (16,145) | (1,701) | (1,063) | (33,384) |
| Income before investors' share of operations | $ 34,550 | $ 39,874 | $ 10,360 | (50,272) | $ 34,512 |
| Capital expenditures | $ 46,111 | $ 54,555 | $ 65,464 | | $ 166,130 |
| Real estate assets | $675,442 | $670,803 | $ 270,026 | | 1,616,271 |

| Three months ended September 30, 1999 | North East | Mid-Atlantic | West | Other | Total |
|---|---|---|---|---|---|
| Rental income | $ 25,686 | $ 28,197 | $ 8,088 | | $ 61,971 |
| Other income | 1,869 | 1,155 | 325 | | 3,349 |
| Interest income | | | | 1,935 | 1,935 |
| Rental expense | (4,541) | (6,322) | (2,087) | | (12,950) |
| Real estate tax | (3,524) | (2,349) | (604) | | (6,477) |
| Net operating income | 19,490 | 20,681 | 5,722 | 1,935 | 47,828 |
| Interest expense | | | | (14,989) | (14,989) |
| Administrative expense | | | | (5,474) | (5,474) |
| Depreciation and amortization | (5,710) | (5,501) | (993) | (177) | (12,381) |
| Income before investors' share of operations | $ 13,780 | $ 15,180 | $ 4,729 | (18,705) | $ 14,984 |
| Capital expenditures | $ 11,240 | $ 5,801 | $ 10,228 | | $ 27,269 |
| Real estate assets | $707,982 | $687,134 | $ 334,058 | | $1,729,174 |

| Three months ended September 30, 1998 | North East | Mid-Atlantic | West | Other | Total |
|---|---|---|---|---|---|
| Rental income | $ 23,475 | $ 25,784 | $ 6,174 | | $ 55,433 |
| Other income | 1,576 | 813 | 188 | | 2,577 |
| Interest income | | | | 993 | 993 |
| Rental expense | (4,986) | (5,428) | (1,591) | | (12,005) |
| Real estate tax | (3,437) | (2,080) | (541) | | (6,058) |
| Net operating income | 16,628 | 19,089 | 4,230 | 993 | 40,940 |
| Interest expense | | | | (13,639) | (13,639) |
| Administrative expense | | | | (7,565) | (7,565) |
| Depreciation and amortization | (4,973) | (5,397) | (688) | (354) | (11,412) |
| Income before investors' share of operations | $ 11,655 | $ 13,692 | 3,542 | (20,565) | $ 8,324 |
| Capital expenditures | $ 30,301 | $ 43,682 | $ 30,319 | | $ 104,302 |
| Real estate assets | $675,442 | $670,803 | $ 270,026 | | $1,616,271 |

There are no transactions between geographic areas.

## 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. Certain statements made in this report contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. 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, general economic and business conditions which will affect credit-worthiness of tenants, financing availability and cost, retailing trends and rental rates; risks of real estate development and acquisitions; governmental and environmental regulations; and competition with other real estate companies and technology. Portions of this discussion include certain forward-looking statements about the Trust's and management's intentions and expectations. Although these intentions and expectations are based upon reasonable assumptions, many factors, such as general economic conditions, local and national real estate conditions, increases in interest rates and operating costs, may cause actual results to differ materially from current expectations.

### STRATEGIC TRANSACTIONS

In exploring strategic alternatives to maximize shareholder value, the Trust considered spinning off certain of its assets (primarily those related to the development and operation of its main street retail program) in a taxable transaction to shareholders. Shortly thereafter, the remaining assets of the Trust were to be merged with another publicly traded shopping center company in exchange for cash and stock consideration. On September 24, 1999, the Trust announced that merger negotiations were terminated and that the spin off was being reevaluated.

In preparing for these transactions, the Trust incurred expenses of approximately $2.5 million related to legal, accounting, tax and other advisory services related to the spin off and the merger. Such costs have been expensed in their entirety in the third quarter of 1999 and are reflected as administrative expenses in the accompanying consolidated statement of operations.

While management continues to evaluate alternatives to maximize shareholder value, there are currently no plans to consummate a spin off or merger transaction.

## LIQUIDITY AND CAPITAL RESOURCES

Federal Realty meets its liquidity requirements through net cash provided by operating activities, along with traditional 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, capital outlays for property acquisitions, major renovation and development projects and balloon debt repayments require debt or equity funding.

Net cash provided by operating activities was $74.7 million in the first nine months of 1999 and $61.6 million in the first nine months of 1998 of which $57.1 million and $55.3 million, respectively, was distributed to shareholders. Contributions from newly acquired properties and from retenanted and redeveloped properties, as more fully described below, were the primary sources of these increases.

Net cash used in investing activities was $97.5 million during the first nine months of 1999 and $156.8 million during the first nine months of 1998. The Trust purchased real estate totaling $26.3 million during the first nine months of 1999 and $123.1 million in the first nine months of 1998, requiring cash outlays of $23.7 million and $92.9 million, respectively. In addition, the Trust purchased 64,952 operating units in Kings Court shopping center in California from a minority partner for $1.6 million in cash. During these two periods, the Trust expended an additional $65.0 million and $46.3 million, respectively, in capital improvements to its properties. The Trust invested $7.2 million during the first nine months of 1999 and $17.5 million during the first nine months of 1998 in mortgage notes receivable with an average weighted interest rate of 10%.

During the first nine months of 1999, the Trust acquired a ninety percent interest in three buildings in Hollywood, California for a total cash investment to the Trust of $23.7 million. The first two buildings have 120,000 and 64,000 leasable square feet, respectively. The third building is vacant pending redevelopment. In addition, the Trust increased its equity interest in Kings Court shopping center in Los Gatos, California by purchasing 64,952 operating units from a minority owner for $1.6 million.

Approximately $26.0 million was invested during the first nine months of 1999 in predevelopment and development projects in Bethesda, Maryland; Los Gatos, California; San Antonio, Texas; and Arlington, Virginia. Furthermore, the Trust is devoting considerable time and internal resources to identify additional development opportunities.

In October 1999, the Trust sold Northeast Plaza Shopping Center in Atlanta, Georgia for $19.6 million in cash, realizing a loss of $6.4 million. Separately, mortgage notes receivable of $5.3 million were repaid in October 1999. The cash from these transactions was used to pay down the Trust's line of credit.

Net cash provided by financing activities, before dividend payments, was $77.8 million in the first nine months of 1999 and $143.4 million in the first nine months of 1998. The Trust utilized its unsecured line of credit to fund acquisitions and capital expenditures in 1999. At September 30, 1999 there was $213.0 million borrowed under this syndicated credit facility, which also represents the maximum drawn during the first nine months of the year. At November 1, 1999 borrowings under the line were $205.0 million. The weighted average interest rate on borrowings for the nine months ended September 30, 1999 was 5.9%. 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.

Capital requirements for the remainder of 1999 relate to the Trust's new development efforts, improvements and redevelopments on existing properties, and tenant work and allowances. Initial funding for such projects is expected to be provided under the line of credit facility.

The Trust will need additional capital in order to fund future acquisitions, expansions, developments and upcoming debt maturities, including its $100 million of 8.875% Notes due January 15, 2000. The Trust is in refinancing discussions with certain banks and other advisors and is confident in its ability to refinance these notes at competitive interest rates. Other sources for future funding may be additional debt, additional equity, proceeds from the sale of properties, joint venture relationships, and the issuance of operating partnership units. The timing and choice of capital sources will depend on the cost and availability of that capital, among other things. Moody's Investors Service has assigned a Baa1 rating to the Trust's senior unsecured debt and has placed that rating under review with direction uncertain. A downgrade by both Moody's and Standard and Poor's would result in modestly higher interest costs to the Trust on certain of its debt issues. The Trust believes, based on past experience, that access to the capital needed to execute its business plan will be available to it.

CONTINGENCIES

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.

Pursuant to the provisions of the Congressional Plaza partnership agreement, in the event of the exercise of put options by another partner, the Trust would be required to purchase a 37.5% interest of Congressional Plaza at its then 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 million. On January 1, 1999 the Loehmann's Plaza Limited Partnership Agreement was amended to extend the partnership to December 31, 2000 and to delete the put and call options.

Under the terms of certain other partnerships, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the limited 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 common stock of the Trust at the election of the limited partners. In certain of these partnerships, if the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interest upon the same terms.

Under the terms of other partnerships, the partners may exchange their 814,589 operating units into cash or the same number of common shares of the Trust, at the option of the Trust. During the third quarter of 1999 the Trust redeemed 64,952 operating units for cash of $1.6 million.

The Trust has reviewed the software and hardware systems used internally to operate its business, in order to assess their ability to handle the "Year 2000 Issue" which generally refers to the inability of systems hardware and software to correctly identify two-digit references to specific calendar years, beginning with 2000. The Year 2000 Issue can affect the Trust directly by impairing its internal data-based operations or processing and indirectly by impairing its suppliers' and tenants' data-based operations or processing. The Trust has identified and evaluated the Year 2000 compliance of its internal systems. The Trust believes that the remediation of all accounting systems and other systems of high priority is complete; however, testing is still ongoing. In addition, the Trust has requested information concerning and reviewed the equipment at its properties, including the use of embedded chips in machinery. Based on the review and since the Trust primarily owns shopping centers and street retail buildings with limited use of technology, the Trust believes it is year 2000 compliant.

The Trust has requested information from its major banks, tenants, and suppliers to determine their Year 2000 compliance in order to assess the possibility of any major year 2000 risk to the Trust related to these parties' Year 2000 noncompliance. Based on their responses, the Trust does not believe there is any material risk to the Trust in these areas.

In addition, the Trust is developing, with the aid of an outside consultant, a business continuity plan for its critical internal systems, which is to be completed during the fourth quarter. Management does not anticipate needing to employ the plan. Costs spent to date and projections of future costs are not expected to exceed $75,000.

RESULTS OF OPERATIONS

Net income and funds from operations have been affected by the Trust's recent acquisition, redevelopment and financing activities. The Trust has historically reported its funds from operations in addition to its net income and net cash provided by operating activities. Funds from operations is a supplemental measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts ("NAREIT") defines funds from operations as follows: income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items and significant non-recurring events less gains on sale of real estate. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted by real estate investment trusts to provide a consistent measure of operating performance in the industry.

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

| | Nine months ending September 30, | | Three months ending September 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Net income available for common shareholders - basic | $28,592 | $26,214 | $12,198 | $ 5,532 |
| Estimated loss on sale of real estate | 7,050 | - | - | - |
| Nonrecurring charge | | 4,665 | | 4,665 |
| Depreciation and amortization of real estate assets | 33,849 | 30,229 | 11,232 | 10,323 |
| Amortization of initial direct costs of leases | 2,235 | 1,827 | 775 | 646 |
| Income attributable to operating partnership units | 552 | 682 | 191 | 268 |
| Funds from operations | $72,278 | $63,617 | $24,396 | $21,434 |

NINE MONTHS ENDED SEPTEMBER 30, 1999 and 1998

Consolidated Results

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 12% from $162.0 million in the first nine months of 1998 to $181.1 million in the first nine months of 1999. If properties acquired in 1999 and 1998 are excluded, rental income increased 6%, due primarily to the favorable impact of redeveloped and retenanted centers.

Other property income includes items such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees, and temporary tenant income. Other property income increased 7% from $7.6 million in the first nine months of 1998 to $8.2 million in the first nine months of 1999. Increases in temporary tenant income, an area identified by the Trust as one with additional growth opportunity, and lease termination fees surpassed decreases in telephone income and decreases in marketing dues, as the Trust discontinued marketing funds at certain shopping centers in 1999.

Rental expenses increased 11% from $35.3 million in the first nine months of 1998 to $39.1 million in the first nine months of 1999.

If rental expenses are adjusted for properties acquired in 1999 and 1998, rental expenses increased 5% from $35.1 million in 1998 to $36.9 million in 1999. There was a decrease in marketing expenses consistent with the decrease in marketing dues, but this decrease was outweighed by increases in snow removal costs and the write off of tenant work and lease costs associated with several stores operated by a bankrupt tenant.

Real estate taxes increased 6% from $17.3 million in the first nine months of 1998 to $18.3 million in the first nine months of 1999. If real estate taxes are adjusted for properties acquired in 1999 and 1998, real estate taxes remained relatively constant. Increased taxes on recently redeveloped properties were offset by a refund resulting from the reassessment of a 1997 acquisition.

Depreciation and amortization expenses increased 12% from $33.4 million in the first nine months of 1998 to $37.3 million in the first nine months of 1999 reflecting the impact of property acquisitions and recent tenant work and property improvements.

During the first nine months of 1999 the Trust incurred interest expense of $50.3 million, of which $4.8 million was capitalized, as compared to 1998's $44.0 million of which $4.2 million was capitalized. The increase in interest expense reflects the additional debt issued to fund the Trust's acquisition and capital improvement programs. This combination of higher leverage with low interest rates has positively impacted the Trust's net income and funds from operations. The ratio of earnings to combined fixed charges and preferred dividends was 1.54x and 1.43x for the first nine months of 1999 and 1998, respectively. The ratio of earnings to fixed charges was 1.7x and 1.6x during the first nine months of 1999 and 1998, respectively. The ratio of funds from operations to combined fixed charges and preferred dividends was 2.2x for the first nine months of 1999 and 1998.

Administrative expenses decreased from $13.4 million in the first nine months of 1998 to $10.9 million in the first nine months of 1999. During the third quarter of 1998, the Trust recorded a $4.7 million charge related to a comprehensive restructuring program. During the third quarter of 1999 the Trust, in exploring strategic alternatives to maximize shareholder value, considered spinning off certain of its assets and merging the remaining assets with another publicly traded shopping center company. On September 24, 1999, the Trust announced that merger negotiations were terminated and that the spin off was being reevaluated. In preparing for these transactions, the Trust incurred expenses of approximately $2.5 million related to legal, accounting, tax and other advisory services related to the spin off and the merger. Such costs have been expensed in their entirety in the third quarter of 1999. There are currently no plans to consummate a spin off or merger transaction.

During the second quarter of 1999, the Trust recorded a $7.1 million charge, representing the estimated loss on a potential sale of certain assets, principally Northeast Plaza in Atlanta, Georgia, thereby valuing the assets at their estimated fair value less estimated costs to sell. On October 18, 1999 the Trust sold the 448,000 square foot Northeast Plaza shopping center for $19.6 million, realizing a loss of $6.4 million.

As a result of the foregoing items, net income before estimated loss on the sale of real estate increased from $32.2 million in the first nine months of 1998 to $41.6 million in the first nine months of 1999, with net income increasing from $32.2 million during the first nine months of 1998 to $34.6 million during the first nine months of 1999 and net income available for common shareholders increasing from $26.2 million to $28.6 million.

The Trust expects growth in net income before loss on sale of real estate and funds from operations during the remainder of 1999 both from contributions of its recent acquisitions and from contributions of its core portfolio, primarily the properties undergoing redevelopment and retenanting. However, growth of net income from the core portfolio is, in part, dependent on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal, and trends in the retailing environment such as the evolution of the internet. The Trust currently expects that demand for its retail space should remain at levels similar to those in 1998. A weakening of the retail environment could, however, adversely impact the Trust by increasing vacancies and decreasing rents. In past weak retail and real estate environments, 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. Growth in net income is also dependent on interest rates and controlling administrative costs. If interest rates increase, net income and funds from operations, as well as the ultimate cost of the Trust's development projects will be negatively impacted due to the variable interest rates on the Trust's revolving credit facilities. The Trust is aggressively managing its administrative expenses through its reorganization efforts.

## Segment Results

During the fourth quarter of 1998 the Trust completed a comprehensive restructuring program, which, among other things, divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. In 1999 there was a minor reorganization of the regions which moved the Illinois and Michigan properties to the Northeast region from the Western region.

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

| For the nine months ended September 30, | 1999 | 1998 |
|---|---|---|
| Rental income | | |
| Northeast | $ 75,596 | $ 68,882 |
| Mid-Atlantic | 82,710 | 75,854 |
| West | 22,772 | 17,305 |
| Total | $181,078 | $162,041 |
| Net operating income | | |
| Northeast | $ 55,260 | $ 49,025 |
| Mid-Atlantic | 60,525 | 56,019 |
| West | 16,071 | 12,061 |
| | $131,856 | $117,105 |

## The Northeast

The Northeast region is comprised of fifty-three 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 1999 with 1998, rental income increased 10% from $68.9 million in 1998 to $75.6 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 7%, primarily due to increases at recently redeveloped and retenanted shopping centers, such as Brick, Finley, Gratiot, Feasterville, and Wynnewood.

Net operating income increased 13% from $49.0 million in 1998 to $55.3 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 9%, primarily due to increases at the recently redeveloped and retenanted shopping centers.

## The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, located from Baltimore south to metropolitan Washington, D.C. and further south through Virginia, Georgia, and Florida.

When comparing the first nine months of 1999 with 1998, rental income increased 9% from $75.9 million in 1998 to $82.7 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 4%, due in part to new anchor leases at several centers.

When comparing the first nine months of 1999 with 1998, net operating income increased 8% from $56.0 million in 1998 to $60.5 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 3%.

The West
- --------

The Western region is comprised of thirty-nine assets, located from Texas to the West Coast.

When comparing the first nine months of 1999 with 1998, rental income increased 32% from $17.3 million in 1998 to $22.8 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 10%; increases from recently redeveloped properties in the Los Angeles, California area outweighed a decrease at Town & Country Plaza in San Jose, where occupancy is declining as the center is being vacated in preparation for its razing and subsequent new development.

When comparing the first nine months of 1999 with 1998, net operating income increased 33% from $12.1 million in 1998 to $16.1 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 9%, primarily due to increases from the recently redeveloped properties in the Los Angeles area.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 1999 and 1998

Consolidated Results
- --------------------

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 12% from $55.4 million in the third quarter of 1998 to $62.0 million in the third quarter of 1999. If properties acquired in 1999 and 1998 are excluded, rental income increased 7%, due primarily to the favorable impact of redeveloped and retenanted centers.

Other property income includes items such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 30% from $2.6 million in the third quarter of 1998 to $3.3 million in the third quarter of 1999. Increases in lease termination fees and temporary tenant income, an area identified by the Trust as one with additional growth opportunity, were the major component of the increase.

Rental expenses increased 8% from $12.0 million in the third quarter of 1998 to $13.0 million in the third quarter of 1999. If rental expenses are adjusted for properties acquired in 1999 and 1998, rental expenses increased 7% from $13.1 million in 1998 to $14.1 million in 1999.

Real estate taxes increased 7% from $6.1 million in the third quarter of 1998 to $6.5 million in the third quarter of 1999. If real estate taxes are adjusted for properties acquired in 1999 and 1998, real estate taxes only increased slightly, primarily on recently redeveloped properties.

Depreciation and amortization expenses increased 8% from $11.4 million in the third quarter of 1998 to $12.4 million in the third quarter of 1999 reflecting the impact of property acquisitions and recent tenant work and property improvements.

During the third quarter of 1999 the Trust incurred interest expense of $17.0 million, of which $2.0 million was capitalized, as compared to 1998's $15.1 million of which $1.4 million was capitalized. The increase in interest expense reflects the additional debt issued to fund the Trust's acquisition and capital improvement programs. This combination of higher leverage with low interest rates has positively impacted the Trust's net income and funds from operations.

Administrative expenses decreased from $7.6 million in the third quarter of 1998 to $5.5 million in the third quarter of 1999. During the third quarter of 1998, the Trust recorded a $4.7 million charge related to a comprehensive restructuring program. During the third quarter of 1999 the Trust, in exploring strategic alternatives to maximize shareholder value, considered spinning off certain of its assets and merging the remaining assets with another publicly traded shopping center company. On September 24, 1999, the Trust announced that merger negotiations were terminated and that the spin off was being reevaluated. In preparing for these transactions, the Trust incurred expenses of approximately $2.5 million related to legal, accounting, tax and other advisory services related to the spin off and the merger. Such costs have been expensed in their entirety in the third quarter of 1999. There are currently no plans to consummate a spin off or merger transaction.

As a result of the foregoing items, net income increased from $7.5 million in the third quarter of 1998 to $14.2 million in the third quarter of 1999, while net income available for common shareholders increased from $5.5 million to $12.2 million.

Segment Results
- ---------------

During the fourth quarter of 1998 the Trust completed a comprehensive restructuring program, which, among other things, divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. In 1999 there was a minor reorganization of the regions which moved the Illinois and Michigan properties to the Northeast region from the Western region.

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

| | For the three months ended September 30, 1999 | 1998 |
|---|---|---|
| Rental income | | |
| Northeast | $25,686 | $23,475 |
| Mid-Atlantic | 28,197 | 25,784 |
| West | 8,088 | 6,174 |
| Total | $61,971 | $55,433 |
| Net operating income | | |
| Northeast | $19,490 | $16,628 |
| Mid-Atlantic | 20,681 | 19,089 |
| West | 5,722 | 4,230 |
| | $45,893 | $39,947 |

## The Northeast

The Northeast region is comprised of fifty-three 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 1999 with 1998, rental income increased 9% from $23.5 million in 1998 to $25.7 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 7%, primarily due to increases at recently redeveloped and retenanted shopping centers, such as Brick, Finley, Gratiot, Feasterville, and Wynnewood.

Net operating income increased 17% from $16.6 million in 1998 to $19.5 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 15%, primarily due to increases at the recently redeveloped and retenanted shopping centers.

## The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, located from Baltimore south to metropolitan Washington, D.C. and further south through Virginia, Georgia, and Florida.

When comparing the third quarter of 1999 with 1998, rental income increased 9% from $25.8 million in 1998 to $28.2 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 4%, due in part to new anchor leases and retenanting at several centers.

When comparing the third quarter of 1999 with 1998, net operating income increased 8% from $19.1 million in 1998 to $20.7 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 3%.

## The West

The Western region is comprised of thirty-nine assets, located from Texas to the West Coast.

When comparing the third quarter of 1999 with 1998, rental income increased 31% from $6.2 million in 1998 to $8.1 million in 1999. Excluding properties acquired since January 1, 1998, rental income increased 15%; increases from recently redeveloped properties in the Los Angeles, California area outweighed a decrease at Town & Country Plaza in San Jose, whose occupancy is declining as the center is being vacated in preparation for its razing and subsequent new development.

When comparing the third quarter of 1999 with 1998, net operating income increased 35% from $4.2 million in 1998 to $5.7 million in 1999. Excluding properties acquired since January 1, 1998, net operating income increased 11%, primarily due to increases from the recently redeveloped properties in the Los Angeles area.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

(10) Material Contracts

Severance Agreement between Federal Realty Investment Trust and Howard S. Biel as of September 7, 1999 is filed as an exhibit hereto. Pp. 27 - 37

(27) Financial Data Schedules — Edgar filing only

(B) Reports on Form 8-K

A Form 8-K, dated June 30, 1999, was filed on July 29, 1999 in response to Item 5.

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
(Registrant)

November 3, 1999

Steven J. Guttman
Steven J. Guttman, President
(Chief Executive Officer)

November 3, 1999

Cecily A. Ward
Cecily A. Ward, Controller
(Principal Accounting Officer)

EXHIBIT 10

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 7/th/ day of September, 1999 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and HOWARD S. BIEL ("Employee").

WHEREAS, Employer hired Employee to serve as its Senior Vice President - Development; and

WHEREAS, Employee and Employer have agreed upon the terms of a severance package as set forth in this Severance Agreement; and

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

1. Termination Without Cause. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 1:

(a) by Employer other than with Cause (as "Cause" is defined in Section 3, hereof);

(b) by Employee within six (6) months following the occurrence of one or more of the following events:

(i) the nature of Employee's duties or the scope of Employee's responsibilities as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes a demotion of Employee or a substantial reduction in Employee's responsibilities; provided, however, that a change in the position(s) to whom Employee reports shall not by itself constitute a material modification of Employee's responsibilities;

(ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of Washington, D.C.;

(iii) Employer's setting of Employee's base salary for any year at an amount which is less than the greater of (x) Employee's base salary for 1998, or (y) ninety percent (90%) of Employee's highest base salary during the three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years; or

(iv) this Severance Agreement is not expressly assumed by any successor (directly or indirectly, whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer.

(c) Decision by Employer to Terminate Without Cause. Employer's decision to terminate Employee's employment Without Cause shall be made by the Board of Trustees.

(d) Severance Payment Upon Termination Without Cause. In the event of Termination Without Cause, Employee will receive as severance pay an amount in cash equal to eighteen (18) months' salary. The length of the severance term shall be eighteen (18) months ("Severance Term"). For the purpose of calculating amounts payable pursuant to this Section 3(d), "salary" shall be an amount equal to (i) the greater of (x) Employee's highest annual base salary paid during the previous three (3) years or (y) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any cash or stock bonus, paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards), or if no such bonus has been paid to Employee during such time, fifty percent (50%) of his annual base salary in effect on the day prior to Employee's Termination Without Cause. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination.

(e) Benefits. In the event of Termination Without Cause, Employee shall receive "Full Benefits" for nine (9) months, subject to clause (iv) below. Employer shall have satisfied its obligation to provide

Full Benefits to Employee if it (i) pays premiums due in connection with COBRA continuation coverage to continue Employee's medical and dental insurance coverage at not less than the levels of coverage immediately prior to termination of Employee's employment; (ii) maintains at not less than his highest levels of coverage prior to Termination Without Cause individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith; (iii) maintains, at Employer's expense, the split dollar individual life insurance policy (or policies) for the benefit of Employee in accordance with the agreement with respect to such policy (or policies) entered into by Employee and Employer (the "Split Dollar Life Insurance Agreement"); and (iv) pays the annual premiums associated with Employee's continued participation, at not less than Employee's highest levels of coverage prior to the Termination Without Cause, under Employer's group long-term disability policy for a period of one (1) year following Termination Without Cause, subject to the limitations of the policy; and (v) to the extent that Employer maintained a long-term disability policy that provided coverage to Employee in excess of the coverage provided under the Trust's group long-term disability policy, maintains at not less than his highest levels of coverage prior to Termination Without Cause an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith. Notwithstanding the foregoing, Employee shall be required to pay the premiums and any other costs of such Full Benefits in the same dollar amount that he was required to pay for such costs immediately prior to Termination Without Cause.

(f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any other Termination Without Cause, (A) if such termination occurs more than 1 year after the date Employee commenced employment with Employer, the vesting of options to purchase shares of Employer's common stock ("Shares") granted to Employee and outstanding as of the date of Employee's termination shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer; or (B) if such termination occurs on or before the first anniversary of the date Employee commenced employment with Employer, the vesting of options to purchase Shares granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the Severance Term shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.

(g) Outplacement Services. In the event of Termination Without Cause, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months during the Severance Term.

(h) Provision of Telephone/Secretary. In the event of Termination Without Cause, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer.

(i) Notice. If Employee terminates his employment pursuant to Section 1(b) hereof and (i) Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of such termination, or (ii) if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of such termination.

2. Voluntary Resignation of Employee. If Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer; if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer.

3. Severance Benefits Upon Termination With Cause. Employee shall be deemed to have been terminated with Cause in the event that the employment of Employee is terminated for any of the following reasons:

(a) failure (other than failure due to disability) to substantially perform his duties with Employer or an affiliate thereof; which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Employee is diligently pursuing cure ("Failure to Perform");

(b) willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise;

(c) breach of fiduciary duty involving personal profit; or

(d) willful violation in the course of performing his duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses). No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.

(e) Decision by Employer to Terminate With Cause. The decision to terminate the employment of Employee with Cause shall be made by the Board of Trustees.

(f) Severance Payment Upon Termination with Cause. In the event of termination for Failure to Perform pursuant to Section 3(a), or termination for cause pursuant to Section 3(b), (c) or (d) above, the terms of the stock option agreements between Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.

(i) For Cause Termination for Failure to Perform. In the event that Employee's employment is terminated with Cause pursuant to Section 3(a) above, Employee shall receive as severance pay an amount in cash equal to one (1) month's salary for every year of service to the Trust in excess of five (5) years of service; such severance payment shall not exceed six (6) months' pay. The number of months for which such a payment is due shall determine the length of the for cause term ("For Cause Term"). For the purposes of this Section 3(f)(i) only, "salary" shall mean Employee's then current annual base salary and shall not include any bonus or other compensation. Payment shall also be made for accrued, but unused, vacation time. Employee shall also receive Full Benefits (as defined above) for the For Cause Term. In the event that, following Employee's termination for Failure to Perform, Employee becomes employed by or affiliated with, as a partner, consultant, contractor or otherwise, any entity which is substantially engaged in the business of property investment or management ("Competitor"), all payments specified in this Section 3(f)(i) shall cease upon the date Employee commences such employment or affiliation; provided, however, Employee shall continue to receive medical and dental care benefits from Employer until (i) Employee is eligible to receive medical and dental care benefits from the Competitor, or (ii) the date of expiration of Employee's For Cause Term, whichever comes first.

(ii) Other Cause Termination. In the event that Employee's employment is terminated with Cause pursuant to Section 3(b), (c) or (d), Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused, vacation time.

4. Severance Benefits Upon Termination Upon Disability. Employer may terminate Employee upon thirty (30) days' prior written notice if (i) Employee's Disability has disabled Employee from rendering service to Employer for at least a six (6) month consecutive period during the term of his employment, (ii) Employee's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Employee is covered under such policy. In the event of Employee's Termination Upon Disability, Employee shall be entitled to receive as severance pay each month for the year immediately following the date of termination an amount in cash equal to the difference, if any, between (i) the sum of (y) the amount of payments Employee receives or will receive during that month pursuant to the disability insurance policies maintained by Employer for Employee's benefit and (z) the adjustment described in the next sentence and (ii) Employee's base monthly salary on the date of termination due to Disability. The adjustment referred to in clause (z) of the preceding sentence is the amount by which any tax-exempt payments referred to in clause (y) would need to be increased if such payments were subject to tax in order to make the after-tax proceeds of such payments equal to the actual amount of such tax-exempt payments.

(a) Benefits. Employee shall receive Full Benefits (as defined above) for one (1) year following termination due to Disability (subject to the provisions of the Split Dollar Life Insurance Agreement).

(b) Stock Options. In the event that Employee's employment is terminated due to Disability, the terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of termination due to Disability and the exercise period for any vested option.

5. Severance Benefits Upon Termination Upon Death. If Employee dies, Employee's estate shall be entitled to receive an amount in cash equal to his then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his death and the exercise period for any vested option.

6. Confidentiality - Employer's Obligations. Unless Employee and Employer mutually agree on appropriate language for such purposes, in the event that Employee's employment is Terminated Without Cause or With Cause pursuant to Section 3(a) above, or Employee voluntarily resigns, Employer, except to the extent required by law, will not make or publish, without the express prior written consent of Employee, any written or oral statement concerning Employee's work related performance or the reasons or basis for the severing of Employee's employment relationship with Employer; provided, however, that the foregoing restriction is not applicable to information which was or became generally available to the public other than as a result of a disclosure by Employer.

7. Confidentiality - Employee's Obligations. Employee acknowledges and reaffirms that Employee will comply with the terms of the confidentiality letter executed by Employee upon commencement of Employee's employment with Employer. A copy of the confidentiality letter is attached as Exhibit A.

8. Payments. Severance payments payable to Employee pursuant to the terms of this Severance Agreement may be made either as a lump sum payment or pro rata on a monthly basis, at Employee's option.

9. Tax Withholding. Employer may withhold from any benefits payable under this Severance Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

10. Arbitration.

(a) Any controversy, claim or dispute arising out of or relating to this Severance Agreement or the breach thereof shall be settled by arbitration in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties irrevocably consent to the jurisdiction of the federal and state courts located in Maryland for this purpose. Each such arbitration proceeding shall be located in Maryland.

(b) The arbitrator(s) may, in the course of the proceedings, order any provisional remedy or conservatory measure (including, without limitation, attachment, preliminary injunction or the deposit of specified security) that the arbitrator(s) consider to be necessary, just and equitable. The failure of a party to comply with such an interim order may, after due notice and opportunity to cure with such noncompliance, be treated by the arbitrator(s) as a default, and some or all of the claims or defenses of the defaulting party may be stricken and partial or final award entered against such party, or the arbitrator(s) may impose such lesser sanctions as the arbitrator(s) may deem appropriate. A request for interim or provisional relief by a party to a court shall not be deemed incompatible with the agreement to arbitrate or a waiver of that agreement.

(c) The parties acknowledge that any remedy at law for breach of this Severance Agreement may be inadequate, and that, in the event of a breach by Employee of Section 7, any remedy at law would be inadequate in that such breach would cause irreparable competitive harm to Employer. Consequently, in addition to any other relief that may be available, the arbitrator(s) also may order permanent injunctive relief, including, without limitation, specific performance, without the necessity of the prevailing party proving actual damages and without regard to the adequacy of any remedy at law.

(d) In the event that Employee is the prevailing party in such arbitration, then Employee shall be entitled to reimbursement by Employer for all reasonable legal and other professional fees and expenses incurred by him in such arbitration or in enforcing the award, including reasonable attorney's fees.

(e) The parties agree that the results of any such arbitration proceeding shall be conclusive and binding upon them.

11. Continued Employment. This Severance Agreement shall not confer upon the Employee any right with respect to continuance of employment by Employer.

12. Mitigation. Employee shall not be required to mitigate the amount of any payment, benefit or other Trust obligation provided for in this Severance Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to Employee in any subsequent employment.

13. Grant of January 2, 1998 Options. The parties hereto acknowledge that Employee has been granted an option on January 2, 1998 in the amount of one hundred thousand (100,000) shares of beneficial interest, no par value, of the Trust, as set forth in Exhibit B hereto. Employee has also been granted options under the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan.

14. No Assignment. Neither this Severance Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either Employer or Employee without the prior written consent of the other party.

15. Amendment. This Severance Agreement may be terminated, amended, modified or supplemented only by a written instrument executed by Employee and Employer.

16. Waiver. Either party hereto may by written notice to the other: (i) extend the time for performance of any of the obligations or other actions of the other party under this Severance Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Severance Agreement; (iii) waive or modify performance of any of the obligations of the other party under this Severance Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Severance Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Severance Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach. No failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights to exercise the same any subsequent time or times hereunder.

17. Severability. In case any one or more of the provisions of this Severance Agreement shall, for any reason, be held or found by determination of the arbitrator(s) pursuant to an arbitration held in accordance with Section 10 above to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Severance Agreement, (ii) this Severance Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Failure to insist upon strict compliance with any provision of this

Severance Agreement shall not be deemed a waiver of such provision or of any other provision of this Severance Agreement.

18. Governing Law. This Severance Agreement has been executed and delivered in the State of Maryland and its validity, interpretation, performance and enforcement shall be governed by the laws of said State; provided, however, that any arbitration under Section 10 hereof shall be conducted in accordance with the Federal Arbitration Act as then in force.

19. No Attachment. Except as required by law, no right to receive payments under this Severance Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or the execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

20. Source of Payments. All payments provided under this Severance Agreement shall be paid in cash from the general funds of Employer, and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment.

21. Entire Agreement. Except as may otherwise be provided herein, this Severance Agreement supersedes any and all prior written agreements existing between Employer and Employee with regard to the subject matter hereof.

22. Headings. The section and other headings contained in this Severance Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Severance Agreement.

23. Notices. Any notice required or permitted to be given under this Severance Agreement shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to Employee's addresses set forth herein and the business address of Employer, unless a party changes its address for receiving notices by giving notice in accordance with this Section, in which case, to the address specified in such notice.

24. Counterparts. This Severance Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

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

/s/ Howard S. Biel

---------------------------------------------

Employee's Signature

Employee's Permanent Address:

5427 Falmouth Road
Bethesda, Maryland 20816

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Walter F. Loeb

Name: Walter F. Loeb

Title: Trustee

Address: 1626 East Jefferson Street
Rockville, MD 20852-4041

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET OF FEDERAL REALTY INVESTMENT TRUST AS OF SEPTEMBER 30, 1999 AND THE RELATED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1999
SEP-30-1999
15,090
0
18,216
0
0
0
1,729,174
(319,959)
1,541,882
0
924,902
0
100,000
7,124,838
(303,129)
1,541,882
0
189,254
0
57,398
0
0
45,507
28,592
0
0
0
0
0
28,592
.72
.72

Current assets and current liabilities are not listed since Federal Realty does not prepare a classified balance sheet.