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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from ______ to ______

Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST
(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland **(State of Organization)**	**52-0782497** **(IRS Employer Identification No.)**
1626 East Jefferson Street, Rockville, Maryland **(Address of Principal Executive Offices)**	**20852** **(Zip Code)**

(301) 998-8100
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of Registrant's common shares outstanding on October 27, 2008 was 58,974,451.

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FEDERAL REALTY INVESTMENT TRUST

QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2008

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PART 1—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following balance sheet as of December 31, 2007, which has been derived from audited financial statements, and the unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the company's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the full year.

Federal Realty Investment Trust

Consolidated Balance Sheets

	September 30, 2008	December 31, 2007
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating	$ 3,547,709	$ 3,267,081
Construction-in-progress	91,169	147,925
Assets held for sale (discontinued operations)	—	37,841
	3,638,878	3,452,847
Less accumulated depreciation and amortization	(822,291)	(756,703)
Net real estate	2,816,587	2,696,144
Cash and cash equivalents	48,991	50,691
Accounts and notes receivable	69,439	61,108
Mortgage notes receivable	40,437	40,638
Investment in real estate partnership	29,422	29,646
Prepaid expenses and other assets	100,192	103,620
Debt issuance costs, net of accumulated amortization of $6,123 and $4,815, respectively	6,474	7,450
TOTAL ASSETS	$ 3,111,542	$ 2,989,297
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable	$ 392,199	$ 373,975
Capital lease obligations	63,783	76,109
Notes payable	341,912	210,820
Senior notes and debentures	956,627	977,556
Accounts payable and accrued expenses	92,589	99,360
Dividends payable	38,701	36,142
Security deposits payable	11,364	10,703
Other liabilities and deferred credits	65,617	58,182
Total liabilities	1,962,792	1,842,847
Minority interests	32,085	31,818
Commitments and contingencies (Note E)		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, $.01 par: 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference $25 per share), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, $.01 par, 100,000,000 shares authorized, 60,466,238 and 60,133,270 issued, respectively	605	601
Additional paid-in capital	1,556,608	1,541,020
Accumulated dividends in excess of net income	(421,824)	(407,376)
Treasury shares at cost, 1,492,173 and 1,487,605 shares, respectively	(28,807)	(28,807)
Notes receivable from issuance of common shares	—	(803)
Accumulated other comprehensive income	86	—
Total shareholders' equity	1,116,665	1,114,632
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,111,542	$ 2,989,297

The accompanying notes are integral part of these consolidated statements.

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Federal Realty Investment Trust

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,	
	2008	2007
	(In thousands, except per share data)	
REVENUE		
Rental income	$ 126,654	$ 117,801
Other property income	4,005	4,634
Mortgage interest income	1,108	1,129
Total revenue	131,767	123,564
EXPENSES		
Rental expenses	27,562	25,225
Real estate taxes	14,760	12,030
General and administrative	5,391	7,172
Depreciation and amortization	28,642	25,045
Total operating expenses	76,355	69,472
OPERATING INCOME	55,412	54,092
Other interest income	115	192
Interest expense	(25,337)	(28,732)
Income from real estate partnership	407	473
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	30,597	26,025
Minority interests	(1,315)	(1,629)
INCOME FROM CONTINUING OPERATIONS	29,282	24,396
DISCONTINUED OPERATIONS		
Income from discontinued operations	382	2,019
Gain (loss) on sale of real estate from discontinued operations	7,438	(2,900)
Results from discontinued operations	7,820	(881)
NET INCOME	37,102	23,515
Dividends on preferred stock	(136)	(136)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$ 36,966	$ 23,379
EARNINGS PER COMMON SHARE, BASIC		
Continuing operations	$ 0.50	$ 0.43
Discontinued operations	0.13	(0.01)
	$ 0.63	$ 0.42
EARNINGS PER COMMON SHARE, DILUTED		
Continuing operations	$ 0.50	$ 0.43
Discontinued operations	0.13	(0.02)
	$ 0.63	$ 0.41

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

Federal Realty Investment Trust

Consolidated Statements of Operations
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	(In thousands, except per share data)	
REVENUE		
Rental income	$ 371,792	$ 343,821
Other property income	12,015	9,550
Mortgage interest income	3,342	3,386
Total revenue	387,149	356,757
EXPENSES		
Rental expenses	81,011	73,024
Real estate taxes	41,331	33,767
General and administrative	19,451	18,894
Depreciation and amortization	81,837	75,450
Total operating expenses	223,630	201,135
OPERATING INCOME	163,519	155,622
Other interest income	662	623
Interest expense	(74,166)	(84,247)
Income from real estate partnership	1,180	1,120
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	91,195	73,118
Minority interests	(4,056)	(4,309)
INCOME FROM CONTINUING OPERATIONS	87,139	68,809
DISCONTINUED OPERATIONS		
Income from discontinued operations	1,485	5,611
Gain (loss) on sale of real estate from discontinued operations	7,438	(1,051)
Results from discontinued operations	8,923	4,560
NET INCOME	96,062	73,369
Dividends on preferred stock	(406)	(307)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$ 95,656	$ 73,062
EARNINGS PER COMMON SHARE, BASIC		
Continuing operations	$ 1.48	$ 1.23
Discontinued operations	0.15	0.08
	$ 1.63	$ 1.31
EARNINGS PER COMMON SHARE, DILUTED		
Continuing operations	$ 1.47	$ 1.22
Discontinued operations	0.15	0.08
	$ 1.62	$ 1.30

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

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Federal Realty Investment Trust

Consolidated Statement of Shareholders' Equity
(Unaudited)

	For the Nine Months Ended September 30, 2008										
	Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Treasury Shares		Notes Receivable from the Issuance of Common Shares	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount			
	(In thousands, except share data)										
BALANCE AT DECEMBER 31, 2007	399,896	$ 9,997	60,133,270	$ 601	$1,541,020	$ (407,376)	(1,487,605)	$(28,807)	$ (803)	$ —	$ 1,114,632
Comprehensive income:											
Net income	—	—	—	—	—	96,062	—	—	—	—	96,062
Change in valuation of interest rate swaps	—	—	—	—	—	—	—	—	—	86	86
Comprehensive income	—	—	—	—	—	—	—	—	—	—	96,148
Dividends declared to common shareholders	—	—	—	—	—	(110,104)	—	—	—	—	(110,104)
Dividends declared to preferred shareholders	—	—	—	—	—	(406)	—	—	—	—	(406)
Common shares issued	—	—	190	—	14	—	—	—	—	—	14
Exercise of stock options	—	—	204,853	2	7,569	—	—	—	—	—	7,571
Shares issued under dividend reinvestment plan	—	—	28,416	—	2,033	—	—	—	—	—	2,033
Share-based compensation expense	—	—	99,509	2	6,032	—	—	—	—	—	6,034
Conversion and redemption of OP units	—	—	—	—	(60)	—	—	—	—	—	(60)
Unvested shares forfeited	—	—	—	—	—	—	(4,568)	—	—	—	—
Loans paid	—	—	—	—	—	—	—	—	803	—	803
BALANCE AT SEPTEMBER 30, 2008	399,896	$ 9,997	60,466,238	$ 605	$1,556,608	$ (421,824)	(1,492,173)	$(28,807)	$ —	$ 86	$ 1,116,665

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

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Federal Realty Investment Trust

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 96,062	$ 73,369
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	81,838	79,457
(Gain) loss on sale of real estate	(7,438)	1,051
Income from real estate partnership	(1,180)	(1,120)
Minority interests	4,056	4,309
Other, net	729	(2,461)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(2,877)	(4,989)
(Increase) decrease in prepaid expenses and other assets	(1,376)	2,267
(Decrease) increase in accounts payable and accrued expenses	(238)	3,559
Increase in security deposits and other liabilities	4,928	3,292
Net cash provided by operating activities	174,504	158,734
INVESTING ACTIVITIES		
Acquisition of real estate	(99,580)	(49,573)
Capital expenditures—development and redevelopment	(75,624)	(91,410)
Capital expenditures—other	(22,606)	(14,487)
Proceeds from sale of real estate	38,062	51,857
Investment in real estate partnership	—	(20,418)
Distribution from real estate partnership in excess of earnings	200	405
Leasing costs	(7,524)	(6,975)
(Issuance) repayment of mortgage and other notes receivable, net	(135)	538
Net cash used in investing activities	(167,207)	(130,063)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility, net of costs	129,000	70,000
Repayment of senior debentures	(20,800)	—
Repayment of mortgages, capital leases and notes payable	(15,294)	(5,639)
Extension fee on term loan	(200)	—
Issuance of common shares	10,421	7,051
Dividends paid to common and preferred shareholders	(107,963)	(96,785)
Distributions to minority interests	(4,161)	(4,512)
Net cash used in financing activities	(8,997)	(29,885)
Decrease in cash and cash equivalents	(1,700)	(1,214)
Cash and cash equivalents at beginning of year	50,691	11,495
Cash and cash equivalents at end of period	$ 48,991	$ 10,281

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

Federal Realty Investment Trust

Notes to Consolidated Financial Statements
September 30, 2008
(Unaudited)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

Federal Realty Investment Trust (the "Trust") is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, as well as in California. As of September 30, 2008, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 84 predominantly retail real estate projects.

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

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the "Code"). A TRS is subject to federal and state income taxes. The sales of condominiums at Santana Row, which occurred between August 2005 and August 2006, and the sales of Bath Shopping Center, Key Road Plaza and Riverside Plaza in 2007 were conducted through a TRS. Other than these sales, our TRS activities have not been material.

Basis of Presentation

Our consolidated financial statements include the accounts of the Trust, its corporate subsidiaries, and all entities in which the Trust has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity. The equity interests of other investors are reflected as minority interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures, which we do not control or manage, using the equity method of accounting. Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to current period presentation.

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

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Consolidated Statements of Cash Flows—Supplemental Disclosures

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

	Nine Months Ended September 30,			
	2008		2007	
	(In thousands)			
SUPPLEMENTAL DISCLOSURES:				
Total interest costs incurred	$	78,274	$	95,778
Interest capitalized		(4,108)		(6,026)
Interest expense related to discontinued operations		—		(5,505)
Interest expense	$	74,166	$	84,247
Cash paid for interest, net of amounts capitalized	$	71,464	$	86,605
Cash paid for income taxes	$	444	$	2,254
NON-CASH FINANCING AND INVESTING TRANSACTIONS:				
Increase in valuation of interest rate swap	$	86	$	—
Mortgage loans assumed with acquisition	$	32,465	$	79,987
Extinguishment of capital lease obligation	$	11,545	$	—
Note payable issued with acquisition	$	2,221	$	—
Common shares issued with acquisition	$	—	$	77,957
Preferred shares issued with acquisition	$	—	$	9,997
DownREIT operating partnership units issued with acquisition	$	—	$	16,358

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We adopted the recognition and disclosure provisions of SFAS No. 157 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually effective January 1, 2008; the adoption did not have a material impact on our financial position, results of operations or cash flows. In accordance with FSP SFAS No. 157-2, “Effective Date of FASB Statement No. 157”, we are required to adopt the provisions of SFAS No. 157 for all other nonfinancial assets and nonfinancial liabilities effective January 1, 2009 and do not expect the adoption to have a material impact on our financial position, results of operations or cash flows.

SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value as follows:

1. Level 1 Inputs – quoted prices in active markets for identical assets or liabilities
2. Level 2 Inputs – observable inputs other than quoted prices in active markets for identical assets and liabilities
3. Level 3 Inputs – unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. Our derivative instruments, as further discussed in Note D, are measured using Level 2 inputs.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115” (“SFAS No. 159”). This standard permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. We did not make this fair value election when we adopted SFAS No. 159 effective January 1, 2008, and, therefore, it did not have an impact on our financial position, results of operations, or cash flows.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“SFAS No. 161”). SFAS No. 161 requires enhanced disclosures about an entity’s derivative instruments and hedging activities and is effective for fiscal years beginning after November 15, 2008. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP EITF No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF No. 03-6-1”). Under the FSP, unvested share-based payment awards that contain non-forfeitable rights to receive dividends (whether paid or unpaid) are participating securities, and should be included in computation of EPS pursuant to the two-class method. The FSP is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of FSP EITF No. 03-6-1 will have on our consolidated financial statements.

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NOTE B—REAL ESTATE

The following table provides a summary of the significant acquisitions we made during the nine months ended September 30, 2008:

Date	Property	City, State	Gross Leasable Area (In square feet)	Purchase Price (In millions)
May 30, 2008	Del Mar Village	Boca Raton, FL	154,000	$ 41.7(1)(2)
July 11, 2008	7015 & 7045 Beracasa Way	Boca Raton, FL	24,000	6.7(2)(3)
July 16, 2008	Chelsea Commons Phase II	Chelsea, MA	26,000	8.0(4)
September 4, 2008	Courtyard Shops	Wellington, FL	127,000	37.9(2)(5)
September 25 and 30, 2008	Bethesda Row	Bethesda, MD	N/A	38.8(6)
		Total	331,000	$ 133.1

(1) Approximately $1.7 million and $7.4 million of the net assets acquired were allocated to other assets for “above market leases” and liabilities for “below market leases,” respectively.

(2) In conjunction with the acquisitions of Del Mar Village, 7015 & 7045 Beracasa Way, and Courtyard Shops, we entered into Reverse Section 1031 like-kind exchange agreements with a third party intermediary. The exchange agreements are for a maximum of 180 days and allow us to defer gains on sale of other properties sold within this period. Until the earlier of termination of the exchange agreements or 180 days after the respective acquisition dates, the third party intermediary is the legal owner of each property, although we control each property and retain all of the economic benefits and risks associated with the property. Each property is held in a variable interest entity for which we are the primary beneficiary. Accordingly, we consolidate the properties and their operations.

(3) As part of the preliminary purchase price allocation, approximately $0.2 million of the net assets acquired were allocated to other assets for “above market leases”. This allocation will be finalized after various valuation studies are complete. The two buildings acquired are adjacent to our Del Mar Village shopping center.

(4) As part of the preliminary purchase price allocation, approximately $0.2 million and $0.3 million of the net assets acquired were allocated to other assets for “above market leases” and liabilities for “below market leases,” respectively. This allocation will be finalized after various valuation studies are complete. This property includes four pad sites that are adjacent to our Chelsea Commons property.

(5) The purchase price allocation is preliminary and will be finalized after various valuation studies are complete.

(6) On September 25 and 30, 2008, we completed exchange transactions whereby we sold our fee interest in four land parcels that were subject to long-term ground leases with tenants and acquired the fee interest in two land parcels under our Bethesda Row property. Prior to the transactions, the land parcels at Bethesda Row were encumbered by capital lease obligations which were extinguished as part of the transactions. The transactions were completed as 1031 tax deferred exchange transactions and involved net cash paid to us of $23.2 million.

The following table provides a summary of the significant dispositions we made during the nine months ended September 30, 2008.

Date	Property	City, State	Gross Leasable Area (In square feet)	Sales Price (In millions)	Gain (In millions)
September 25 and 30, 2008	Four Land Parcels: (1)			$ 38.8	$1.0
	The Shoppes at Nottingham Square	White Marsh, MD	134,000		
	White Marsh Other	White Marsh, MD	N/A(2)		
	White Marsh Other	White Marsh, MD	3,000		
	North Dartmouth	North Dartmouth, MA	135,000		

(1) On September 25 and 30, 2008, we completed exchange transactions whereby we sold our fee interest in four land parcels that were subject to long-term ground leases with tenants and acquired the fee interest in two land parcels under our Bethesda Row property. Three of the land parcels we sold were in White Marsh, MD, and one parcel was in North Dartmouth, MA. The transactions were completed as 1031 tax deferred exchange transactions and involved net cash paid to us of $23.2 million.

(2) This land parcel was subject to a ground lease covering 50,000 square feet of office space not included in our gross leasable area.

The revenues from all properties included in discontinued operations were $0.7 million and $6.4 million for the three months ended September 30, 2008 and 2007, respectively, and $2.3 million and $21.3 million for the nine months ended September 30, 2008 and 2007, respectively.

In September 2008, we applied for a refund of taxes paid to the state of California related to our TRS activities, primarily the condominium units sold in 2005 and 2006 at Santana Row. The refund related to the condominium units of $1.1 million is included in "gain on sale of real estate from discontinued operations".

NOTE C—REAL ESTATE PARTNERSHIP

We have a joint venture arrangement ("the Partnership") with affiliates of a discretionary fund created and advised by ING Clarion Partners ("Clarion"). We own 30% of the equity in the Partnership, and Clarion owns 70%. We are the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. We account for our interest in the Partnership using the equity method.

The following tables provide summarized operating results and the financial position of the Partnership:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
OPERATING RESULTS				
Revenue	$ 4,787	$ 4,935	$14,273	$12,903
Expenses				
Other operating expenses	1,242	1,190	3,747	3,136
Depreciation and amortization	1,193	1,163	3,570	3,300
Interest expense	1,134	1,137	3,404	3,343
Total expenses	3,569	3,490	10,721	9,779
Net income	$ 1,218	$ 1,445	$ 3,552	$ 3,124
Our share of net income from real estate partnership	$ 407	$ 473	$ 1,180	$ 1,120

	September 30, 2008	December 31, 2007
	(In thousands)	
BALANCE SHEETS		
Real estate, net	$ 188,671	$ 191,747
Cash	2,374	1,453
Other assets	7,398	7,173
Total assets	$ 198,443	$ 200,373
Mortgages payable	$ 81,410	$ 81,540
Other liabilities	7,511	8,691
Partners' capital	109,522	110,142
Total liabilities and partners' capital	$ 198,443	$ 200,373
Our share of unconsolidated debt	$ 24,423	$ 24,462
Our investment in real estate partnership	$ 29,422	$ 29,646

NOTE D—DEBT

We use derivative instruments to manage exposure to variable interest rate risk. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We enter into derivative instruments that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and do not enter into derivative instruments for speculative purposes.

On February 21, 2008, we entered into two interest rate swap agreements to fix the variable portion of our $200 million term note through November 6, 2008. The first swap fixed the variable rate at 2.725% on a notional amount of $100 million and the second swap fixed the variable rate at 2.852% on a notional amount of $100 million for a combined fixed rate of 2.789%. Both swaps were designated and qualified as cash flow hedges and are recorded at fair value.

We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income, and the ineffective portion of changes in the fair value of

our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness did not have an impact on earnings for the nine months ended September 30, 2008. The fair value of these swaps at September 30, 2008 is an asset of $86,000 which is included in prepaid expenses and other assets on the balance sheet and accumulated other comprehensive income in the statement of shareholders' equity. The fair value of the interest rate swap agreements are based upon the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate market pricing models and observable inputs. Amounts reported in accumulated other comprehensive income will be reclassified to interest expense as interest payments are made on the variable rate debt through the termination date of November 6, 2008.

During the three and nine months ended September 30, 2008, the maximum amount of borrowings outstanding under our $300 million revolving credit facility was $142.0 million. The weighted average amount of borrowings outstanding was $91.4 million and $36.9 million for the three and nine months ended September 30, 2008, respectively. Our revolving credit facility had a weighted average interest rate, before amortization of debt fees, of 3.01% and 3.02% for the three and nine months ended September 30, 2008, respectively.

Our credit facility and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholder's equity and debt coverage ratios and a maximum ratio of debt to net worth. As of September 30, 2008, we were in compliance with all loan covenants.

On July 1, 2008, we paid off the $9.6 million mortgage loan on Leesburg Plaza which had an original maturity date of October 1, 2008. This loan was repaid with funds borrowed on our $300 million revolving credit facility.

On July 15, 2008, we exercised a one-year extension for our $200 million term note and extended the maturity date to November 6, 2009.

On August 15, 2008, one of the holders redeemed $20.8 million of the outstanding $50.0 million balance of our 7.48% debentures. The notice period for additional redemptions has expired. These debentures were repaid with funds borrowed on our $300 million revolving credit facility.

In connection with the acquisition of Courtyard Shops and two land parcels at Bethesda Row, we assumed three mortgage notes as follows:

Property	Fair Value (1) (In millions)	Maturity Date	Stated Annual Interest Rate
Courtyard Shops	$ 8.1	July 1, 2012	6.87%
Bethesda Row	$ 20.0	January 1, 2013	5.37%
Bethesda Row	$ 4.4	February 1, 2013	5.05%

(1) The aggregate face amount of the mortgage notes is $32.2 million. However, in accordance with GAAP, these mortgage notes were recorded at their aggregate fair value of $32.5 million.

On September 25 and 30, 2008, we acquired the fee interest in two land parcels under our Bethesda Row property. Prior to the transactions, we had capital lease obligations totaling $11.5 million on the two land parcels which were extinguished as part of the transactions.

NOTE E—COMMITMENTS AND CONTINGENCIES

Warranty reserves for condominium units sold at Santana Row were established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. In 2006 and 2007, we increased our warranty reserves by $2.5 million and $5.1 million, respectively, net of taxes, related to defective work done by third party contractors while upgrades were made to certain units being prepared for sale. During 2007 and 2008, we evaluated the potentially affected units, and as of September 30, 2008, have substantially completed the inspections and repairs. The extent of the damages encountered in the units and the resulting costs to repair varied considerably amongst the units. As a result, we have adjusted the warranty reserve to reflect the actual costs expected to be incurred related to these issues which is approximately $2.4 million, net of $1.5 million of taxes. The change in the reserve of $5.2 million is included in "gain on sale of real estate from discontinued operations" in the three and nine months ended September 30, 2008.

These amounts do not reflect any amounts we may recover in the future from insurance or the contractors responsible for the defective work. Due to the inherent uncertainty related to the recovery from insurance or the contractor, we are unable to estimate an expected recovery; any recovery will be reflected in our financial statements once the amount is determinable, considered probable, and collectible.

We are currently a party to various legal proceedings. Other than as described below, we do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in

results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

We have a litigation matter filed against us in May 2003 which alleges that a one page document entitled "Final Proposal," which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave the plaintiff the option to require that we acquire the property at a price determined in accordance with a formula included in the "Final Proposal." A trial as to liability only was held in June 2006 and a jury rendered a verdict against us. A trial on the issue of damages was held in April 2008; however, the judge has not yet issued a ruling. Reports from our experts and the plaintiff's experts show potential damages ranging from $600,000 to $24 million. Pending the judge's ruling, we cannot make a reasonable estimate of potential damages. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the judge issues his ruling on damages. If we are not successful in overturning the jury verdict, we will be liable for damages. Depending on the amount of damages awarded, it is possible there could be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated.

We are also involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we and our management agent acted improperly by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only was concluded in April 2007, and in May 2008, a judgment was entered that ruled in our favor on certain legal issues and against us on other legal issues. As to those matters where the court ruled against us and determined that we are liable, a trial as to damages will be held but no trial date has yet been set. Because we have not completed discovery on the issue of damages, we cannot make a reasonable estimate of potential damages at this time. In lieu of pursuing an indemnification claim against the third party management agent that negotiated the lease on our behalf, we have entered into an agreement with the management agent that provides a framework for sharing litigation costs and payment of any damages that may be awarded to the plaintiff. Depending on the amount of damages actually awarded in this matter, and subject to the arrangement in place with the third party management agent, it is possible that there may be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated.

In any event, management does not believe that either matter, individually or in the aggregate, will have a material impact on our financial position.

NOTE F—SHAREHOLDERS' EQUITY

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

	Nine Months Ended September 30,			
	2008		2007	
	Declared	Paid	Declared	Paid
Common shares	$ 1.870	$ 1.830	$ 1.760	$ 1.725
5.417% Series 1 Cumulative Convertible Preferred	$ 1.016	$ 1.016	$ 0.767(1)	$ 0.429(1)

(1) The Series 1 Preferred Shares were issued on March 8, 2007. The dividend declared on the Series 1 Preferred Shares is for the period from March 8, 2007 through and including September 30, 2007. The dividend paid is for the period March 8, 2007 through and including September 30, 2007.

NOTE G—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Minimum rents				
Retail and commercial	$ 92,294	$ 87,332	$ 273,123	$ 256,649
Residential	4,845	3,935	12,970	11,277
Cost reimbursement	26,676	23,838	76,085	66,893
Percentage rent	1,298	1,125	5,428	4,692
Other	1,541	1,571	4,186	4,310
Total rental income	$ 126,654	$ 117,801	$ 371,792	$ 343,821

Minimum rents include $1.3 million and $1.8 million for the three months ended September 30, 2008 and 2007, respectively, and $4.2 million and $6.2 million for the nine months ended September 30, 2008 and 2007, respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include $0.6 million and $0.9 million for the three months ended September 30, 2008 and 2007, respectively, and $1.9 million and $2.2 million for the nine months ended September 30, 2008 and 2007, respectively, to recognize income from the amortization of in-place leases in accordance with SFAS No. 141. Residential minimum rents consist of the rental amounts for residential units at Rollingwood Apartments, the Crest at Congressional Plaza Apartments, Santana Row, and for 2008, Arlington East (Bethesda Row). The first rental units at Arlington East were delivered and became rent paying in late May 2008. Lease-up of these rental units will continue through 2008.

NOTE H—SHARE-BASED COMPENSATION PLANS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Share-based compensation incurred				
Grants of common shares	$ 1,544	$ 1,523	$ 4,995	$ 4,565
Grants of options	313	278	1,039	829
	1,857	1,801	6,034	5,394
Capitalized share-based compensation	(306)	(200)	(909)	(609)
Share-based compensation expense	$ 1,551	$ 1,601	$ 5,125	$ 4,785

NOTE I—EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
NUMERATOR				
Income from continuing operations	$29,282	$24,396	$87,139	$68,809
Preferred stock dividends	(136)	(136)	(406)	(307)
Income from continuing operations available for common shareholders	29,146	24,260	86,733	68,502
Results from discontinued operations	7,820	(881)	8,923	4,560
Net income available for common shareholders, basic and diluted	$36,966	$23,379	$95,656	$73,062
DENOMINATOR				
Weighted average common shares outstanding—basic	58,720	56,302	58,624	55,967
Effect of dilutive securities:				
Stock options	201	332	249	371
Unvested stock	29	56	29	66
Weighted average common shares outstanding—diluted (1)	58,950	56,690	58,902	56,404
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	$ 0.50	$ 0.43	$ 1.48	$ 1.23
Discontinued operations	0.13	(0.01)	0.15	0.08
	$ 0.63	$ 0.42	$ 1.63	$ 1.31
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	$ 0.50	$ 0.43	$ 1.47	$ 1.22
Discontinued operations	0.13	(0.02)	0.15	0.08
	$ 0.63	$ 0.41	$ 1.62	$ 1.30

(1) The conversions of downREIT operating partnership units and Series 1 Preferred Shares are anti-dilutive for all periods presented. Accordingly, downREIT operating partnership units and Series 1 Preferred Shares have been excluded from the weighted average common shares used to compute diluted earnings per share. Certain stock options and unvested shares have also been excluded from the calculation of diluted earnings per share as they are anti-dilutive.

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NOTE J—SEGMENT INFORMATION

We operate our portfolio of properties in two geographic operating regions: East and West, which constitute our segments under Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information."

A summary of our operations by geographic region is presented below:

	Three Months Ended September 30, 2008			
	East	West	Other	Total
	(In thousands)			
Rental income	$ 97,975	$ 28,679	$ —	$ 126,654
Other property income	2,841	1,164	—	4,005
Mortgage interest income	737	371	—	1,108
Rental expenses	(19,705)	(7,857)	—	(27,562)
Real estate taxes	(11,461)	(3,299)	—	(14,760)
Property operating income	70,387	19,058	—	89,445
General and administrative expense	—	—	(5,391)	(5,391)
Depreciation and amortization	(20,431)	(8,015)	(196)	(28,642)
Other interest income	64	51	—	115
Interest expense	—	—	(25,337)	(25,337)
Income from real estate partnership	—	—	407	407
Income from continuing operations before minority interests	50,020	11,094	(30,517)	30,597
Minority interests	—	—	(1,315)	(1,315)
Income from discontinued operations	—	—	382	382
Gain on sale of real estate from discontinued operations	—	—	7,438	7,438
Net income	$ 50,020	$ 11,094	$(24,012)	$ 37,102
Total assets at end of period	$2,127,747	$899,020	$ 84,775	$3,111,542

	Three Months Ended September 30, 2007			
	East	West	Other	Total
	(In thousands)			
Rental income	$ 92,314	$ 25,487	$ —	$ 117,801
Other property income	3,592	1,042	—	4,634
Mortgage interest income	737	392	—	1,129
Rental expenses	(18,033)	(7,192)	—	(25,225)
Real estate taxes	(10,086)	(1,944)	—	(12,030)
Property operating income	68,524	17,785	—	86,309
General and administrative expense	—	—	(7,172)	(7,172)
Depreciation and amortization	(17,180)	(7,620)	(245)	(25,045)
Other interest income	161	31	—	192
Interest expense	—	—	(28,732)	(28,732)
Income from real estate partnership	—	—	473	473
Income from continuing operations before minority interests	51,505	10,196	(35,676)	26,025
Minority interests	—	—	(1,629)	(1,629)
Income from discontinued operations	—	—	2,019	2,019
Loss on sale of real estate from discontinued operations	—	—	(2,900)	(2,900)
Net income	$ 51,505	$ 10,196	$(38,186)	$ 23,515

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	Nine Months Ended September 30, 2008			
	East	West	Other	Total
	(In thousands)			
Rental income	$ 288,832	$ 82,960	$ —	$ 371,792
Other property income	9,350	2,665	—	12,015
Mortgage interest income	2,205	1,137	—	3,342
Rental expenses	(58,452)	(22,559)	—	(81,011)
Real estate taxes	(32,958)	(8,373)	—	(41,331)
Property operating income	208,977	55,830	—	264,807
General and administrative expense	—	—	(19,451)	(19,451)
Depreciation and amortization	(57,846)	(23,406)	(585)	(81,837)
Other interest income	460	202	—	662
Interest expense	—	—	(74,166)	(74,166)
Income from real estate partnership	—	—	1,180	1,180
Income from continuing operations before minority interests	151,591	32,626	(93,022)	91,195
Minority interests	—	—	(4,056)	(4,056)
Income from discontinued operations	—	—	1,485	1,485
Gain on sale of real estate from discontinued operations	—	—	7,438	7,438
Net income	$ 151,591	$ 32,626	$ (88,155)	$ 96,062
Total assets at end of period	$2,127,747	$899,020	$ 84,775	$3,111,542

	Nine Months Ended September 30, 2007			
	East	West	Other	Total
	(In thousands)			
Rental income	$ 266,760	$ 77,061	$ —	$ 343,821
Other property income	6,952	2,598	—	9,550
Mortgage interest income	2,211	1,175	—	3,386
Rental expenses	(51,977)	(21,047)	—	(73,024)
Real estate taxes	(27,484)	(6,283)	—	(33,767)
Property operating income	196,462	53,504	—	249,966
General and administrative expense	—	—	(18,894)	(18,894)
Depreciation and amortization	(52,178)	(22,537)	(735)	(75,450)
Other interest income	513	110	—	623
Interest expense	—	—	(84,247)	(84,247)
Income from real estate partnership	—	—	1,120	1,120
Income from continuing operations before minority interests	144,797	31,077	(102,756)	73,118
Minority interests	—	—	(4,309)	(4,309)
Income from discontinued operations	—	—	5,611	5,611
Loss on sale of real estate from discontinued operations	—	—	(1,051)	(1,051)
Net income	$ 144,797	$ 31,077	$(102,505)	$ 73,369

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

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on February 27, 2008.

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

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2007, before making any investments in us.

Overview

We are an equity real estate investment trust ("REIT") specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California. As of September 30, 2008, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 84 predominantly retail real estate projects comprising approximately 18.1 million square feet. In total, the real estate projects were 95.5% leased and 94.8% occupied at September 30, 2008. A joint venture in which we own a 30% interest owned seven retail real estate projects totaling approximately 1.0 million square feet as of September 30, 2008. In total, the joint venture properties in which we own an interest were 97.6% leased at September 30, 2008.

2008 Property Acquisitions and Dispositions

The following table provides a summary of the significant acquisitions we made during the nine months ended September 30, 2008:

Date	Property	City, State	Gross Leasable Area (In square feet)	Purchase Price (In millions)
May 30, 2008	Del Mar Village	Boca Raton, FL	154,000	$ 41.7(1)(2)
July 11, 2008	7015 & 7045 Beracasa Way	Boca Raton, FL	24,000	6.7(2)(3)
July 16, 2008	Chelsea Commons Phase II	Chelsea, MA	26,000	8.0(4)
September 4, 2008	Courtyard Shops	Wellington, FL	127,000	37.9(2)(5)
September 25 and 30, 2008	Bethesda Row	Bethesda, MD	N/A	38.8(6)
		Total	331,000	$ 133.1

(1) Approximately $1.7 million and $7.4 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.

(2) In conjunction with the acquisitions of Del Mar Village, 7015 & 7045 Beracasa Way, and Courtyard Shops, we entered into Reverse Section 1031 like-kind exchange agreements with a third party intermediary. The exchange agreements are for a maximum of 180 days and allow us to defer gains on sale of other properties sold within this period. Until the earlier of termination of the exchange agreements or 180 days after the respective acquisition dates, the third party intermediary is the legal owner of each property, although we control each property and retain all of the economic benefits and risks associated with the property. Each property is held in a variable interest entity for which we are the primary beneficiary. Accordingly, we consolidate the properties and their operations.

(3) As part of the preliminary purchase price allocation, approximately $0.2 million of the net assets acquired were allocated to other assets for "above market leases". This allocation will be finalized after various valuation studies are complete. The two buildings acquired are adjacent to our Del Mar Village shopping center.

(4) As part of the preliminary purchase price allocation, approximately $0.2 million and $0.3 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively. This allocation will be finalized after various valuation studies are complete. This property includes four pad sites that are adjacent to our Chelsea Commons property.

(5) The purchase price allocation is preliminary and will be finalized after various valuation studies are complete.

(6) On September 25 and 30, 2008, we completed exchange transactions whereby we sold our fee interest in four land parcels that were subject to long-term ground leases with tenants and acquired the fee interest in two land parcels under our Bethesda Row property. Prior to the transactions, the land parcels at Bethesda Row were encumbered by capital lease obligations which were extinguished as part of the transactions. The transactions were completed as 1031 tax deferred exchange transactions and involved net cash paid to us of $23.2 million.

The following table provides a summary of the significant dispositions we made during the nine months ended September 30, 2008.

Date	Property	City, State	Gross Leasable Area (In square feet)	Sales Price (In millions)	Gain
September 25 and 30, 2008	Four Land Parcels: (1)			$ 38.8	$1.0
	The Shoppes at Nottingham Square	White Marsh, MD	134,000		
	White Marsh Other	White Marsh, MD	N/A(2)		
	White Marsh Other	White Marsh, MD	3,000		
	North Dartmouth	North Dartmouth, MA	135,000		

(1) On September 25 and 30, 2008, we completed exchange transactions whereby we sold our fee interest in four land parcels that were subject to long-term ground leases with tenants and acquired the fee interest in two land parcels under our Bethesda Row property. Three of the land parcels we sold were in White Marsh, MD, and one parcel was in North Dartmouth, MA. The transactions were completed as 1031 tax deferred exchange transactions and involved net cash paid to us of $23.2 million.

(2) This land parcel was subject to a ground lease covering 50,000 square feet of office space not included in our gross leasable area.

In September 2008, we applied for a refund of taxes paid to the state of California related to our TRS activities, primarily the condominium units sold in 2005 and 2006 at Santana Row. The refund related to the condominium units of $1.1 million is included in "gain on sale of real estate from discontinued operations".

Warranty reserves for condominium units sold at Santana Row were established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. In 2006 and 2007, we increased our warranty reserves by $2.5 million and $5.1 million, respectively, net of taxes, related to defective work done by third party contractors while upgrades were made to certain units being prepared for sale. During 2007 and 2008, we evaluated the potentially affected units, and as of September 30, 2008, have substantially completed the inspections and repairs. The extent of the damages encountered in the units and the resulting costs to repair varied considerably amongst the units. As a result, we have adjusted the warranty reserve to reflect the actual costs expected to be incurred related to these issues which is approximately $2.4 million, net of $1.5 million of taxes. The change in the reserve of $5.2 million is included in "gain on sale of real estate from discontinued operations" in the three and nine months ended September 30, 2008.

These amounts do not reflect any amounts we may recover in the future from insurance or the contractors responsible for the defective work. Due to the inherent uncertainty related to the recovery from insurance or the contractor, we are unable to estimate an expected recovery; any recovery will be reflected in our financial statements once the amount is determinable, considered probable, and collectible.

2008 Significant Debt, Equity and Other Transactions

On February 21, 2008, we entered into two interest rate swap agreements to fix the variable portion of our $200 million term note through November 6, 2008. The first swap fixed the variable rate at 2.725% on a notional amount of $100 million and the second swap fixed the variable rate at 2.852% on a notional amount of $100 million for a combined fixed rate of 2.789%. Both swaps were designated and qualified as cash flow hedges and are recorded at fair value, which was an asset of $86,000 at September 30, 2008.

On July 1, 2008, we paid off the $9.6 million mortgage loan on Leesburg Plaza which had an original maturity date of October 1, 2008. This loan was repaid with funds borrowed on our $300 million revolving credit facility.

On July 15, 2008, we exercised a one-year extension for our $200 million term note and extended the maturity date to November 6, 2009.

On August 15, 2008, one of the holders redeemed $20.8 million of the outstanding $50.0 million balance of our 7.48% debentures. The notice period for additional redemptions has expired. These debentures were repaid with funds borrowed on our $300 million revolving credit facility.

In connection with the acquisition of Courtyard Shops and two land parcels at Bethesda Row, we assumed three mortgage notes as follows:

Property	Fair Value (1) (In millions)	Maturity Date	Stated Annual Interest Rate
Courtyard Shops	$ 8.1	July 1, 2012	6.87%
Bethesda Row	$ 20.0	January 1, 2013	5.37%
Bethesda Row	$ 4.4	February 1, 2013	5.05%

(1) The aggregate face amount of the mortgage notes is $32.2 million. However, in accordance with GAAP, these mortgage notes were recorded at their aggregate fair value of $32.5 million.

On September 25 and 30, 2008, we acquired the fee interest in two land parcels under our Bethesda Row property. Prior to the transactions, we had capital lease obligations totaling $11.5 million on the two land parcels which were extinguished as part of the transactions.

Outlook

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

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

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals. The infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain high occupancy and continue to increase rental rates. We seek to maintain a mix of strong national, regional, and local retailers. At September 30, 2008, no single tenant accounted for more than 2.6% of annualized base rent.

We continue to see a positive impact from redevelopment of our shopping centers. In 2008 and 2009, we have redevelopment projects with projected costs of approximately $93 million and $73 million, respectively, stabilizing. As redevelopment properties are completed, spaces that were out of service and newly created spaces begin generating revenue. In addition, spaces that were not out of service and that have expiring leases may generate higher revenue because we generally receive higher rent on new leases at improved centers.

We continue to review acquisition opportunities in our primary markets in the East and West regions that complement our portfolio and provide long term opportunities. Additionally, in 2008, we acquired two properties in South Florida and continue to evaluate further acquisitions in the South Florida market. Generally, our acquisitions do not initially contribute significantly to earnings growth; however, they provide long term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition.

The current downturn in the economy may impact the success of our tenants' retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. We have seen some tenants experiencing declining sales, vacating early, or filing for bankruptcy. Any reduction in our tenants' ability to pay base rent, percentage rent or other charges, will adversely affect our financial condition and results of operations. Further, our ability to re-lease vacant spaces may be negatively impacted by the current economic environment. While we believe the locations of our centers and diverse tenant base should decrease the negative impact of the economic environment, we may see an increase in vacancy that could have a negative impact to our revenue. We continue to monitor our tenants' operating performance as well as trends in the retail industry to evaluate any future impact.

We continue to maintain a strong balance sheet and a conservative capital structure. We seek to maintain a staggered schedule of debt maturities such that a disproportionate amount of debt maturities does not occur in any one year.

At September 30, 2008, the leasable square feet in our shopping centers was 94.8% occupied and 95.5% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

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Same-Center

Throughout this section, we have provided certain information on a "same-center" basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant development, redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations.

RESULTS OF OPERATIONS—THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

			Change	
	2008	2007	Dollars	%
	(Dollar amounts in thousands)			
Rental income	$126,654	$117,801	$ 8,853	7.5%
Other property income	4,005	4,634	(629)	-13.6%
Mortgage interest income	1,108	1,129	(21)	-1.9%
Total property revenue	131,767	123,564	8,203	6.6%
Rental expenses	27,562	25,225	2,337	9.3%
Real estate taxes	14,760	12,030	2,730	22.7%
Total property expenses	42,322	37,255	5,067	13.6%
Property operating income	89,445	86,309	3,136	3.6%
Other interest income	115	192	(77)	-40.1%
Income from real estate partnership	407	473	(66)	-14.0%
Interest expense	(25,337)	(28,732)	3,395	-11.8%
General and administrative expense	(5,391)	(7,172)	1,781	-24.8%
Depreciation and amortization	(28,642)	(25,045)	(3,597)	14.4%
Total other, net	(58,848)	(60,284)	1,436	-2.4%
Income from continuing operations before minority interests	30,597	26,025	4,572	17.6%
Minority interests	(1,315)	(1,629)	314	-19.3%
Income from discontinued operations	382	2,019	(1,637)	-81.1%
Gain (loss) on sale of real estate from discontinued operations	7,438	(2,900)	10,338	-356.5%
Net income	$ 37,102	$ 23,515	$13,587	57.8%

Property Revenues

Total property revenue increased $8.2 million, or 6.6%, to $131.8 million in the three months ended September 30, 2008 compared to $123.6 million in the three months ended September 30, 2007. The percentage occupied at our shopping centers decreased slightly to 94.8% at September 30, 2008 compared to 95.1% at September 30, 2007. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $8.9 million, or 7.5%, to $126.7 million in the three months ended September 30, 2008 compared to $117.8 million in the three months ended September 30, 2007 due primarily to the following:

- an increase of $5.8 million at same-center properties due to increased rental rates on new and renewal leases and increased cost reimbursements,
- an increase of $2.4 million at redevelopment properties due primarily to increased rental rates on new leases including newly created spaces generating revenue and increased cost reimbursements, and
- an increase of $1.2 million attributable to properties acquired in 2008.

Other Property Income

Other property income decreased $0.6 million, or 13.6%, to $4.0 million in the three months ended September 30, 2008 compared to $4.6 million in the three months ended September 30, 2007. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This decrease is due primarily to a decrease in lease and other termination fees at same-center properties partially offset by an increase at redevelopment properties.

Property Expenses

Total property expenses increased $5.1 million, or 13.6%, to $42.3 million in the three months ended September 30, 2008 compared to $37.3 million in the three months ended September 30, 2007. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $2.3 million, or 9.3%, to $27.6 million in the three months ended September 30, 2008 compared to $25.2 million in the three months ended September 30, 2007. This increase is due primarily to the following:

- an increase of $1.3 million in repairs and maintenance and utilities at same-center and redevelopment properties,
- an increase of $0.6 million in marketing at same-center and redevelopment properties,
- an increase of $0.6 million in bad debt expense at same-center and redevelopment properties, and
- an increase of $0.3 million attributable to properties acquired in 2008,

partially offset by

- a decrease of $0.4 million in insurance expense at same-center properties.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income increased to 21.1% in the three months ended September 30, 2008 from 20.6% in the three months ended September 30, 2007.

Real Estate Taxes

Real estate tax expense increased $2.7 million, or 22.7%, to $14.8 million in the three months ended September 30, 2008 compared to $12.0 million in the three months ended September 30, 2007. This increase is due primarily to an increase of $2.6 million related to higher tax assessments at same-center and redevelopment properties and an increase of $0.2 million related to properties acquired in 2008.

Property Operating Income

Property operating income increased $3.1 million, or 3.6%, to $89.4 million in the three months ended September 30, 2008 compared to $86.3 million in the three months ended September 30, 2007. This increase is due primarily to the following:

- growth in same-center earnings,
- growth in earnings at redevelopment properties, and
- earnings attributable to properties acquired in 2008.

Other

Interest Expense

Interest expense decreased $3.4 million, or 11.8%, to $25.3 million in the three months ended September 30, 2008 compared to $28.7 million in the three months ended September 30, 2007. This decrease is due primarily to the following:

- a decrease of $2.1 million due to a lower overall weighted average borrowing rate,
- a decrease of $1.6 million due to the termination of the Mid-Pike and Huntington capital leases on October 26, 2007, as part of the acquisition of the fee interests in these properties, and
- a decrease of $0.8 million due to lower borrowings,

partially offset by

- a decrease of $1.1 million in capitalized interest due primarily to substantial completion of our Arlington East (Bethesda Row) and Linden Square projects.

Gross interest costs were $26.2 million and $30.7 million in the three months ended September 30, 2008 and 2007, respectively. Capitalized interest was $0.8 million and $1.9 million in the three months ended September 30, 2008 and 2007, respectively.

General and Administrative Expense

General and administrative expense decreased $1.8 million, or 24.8%, to $5.4 million in the three months ended September 30, 2008 compared to $7.2 million in the three months ended September 30, 2007. The decrease is primarily due to lower personnel related costs and lower legal fees related to the litigation over a parcel of land adjacent to Santana Row and other legal matters.

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Depreciation and Amortization

Depreciation and amortization expense increased $3.6 million, or 14.4%, to $28.6 million in the three months ended September 30, 2008 from $25.0 million in the three months ended September 30, 2007. This increase is due primarily to acquisitions and capital improvements at same-center and redevelopment properties.

Income from Discontinued Operations

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of $0.4 million and $2.0 million for the three months ended September 30, 2008 and 2007, respectively, represents the operating income for the period during which we owned properties sold in 2008 and 2007.

Gain (Loss) on Sale of Real Estate from Discontinued Operations

The gain on sale of real estate from discontinued operations of $7.4 million for the three months ended September 30, 2008 consists primarily of a $5.2 million decrease in the warranty reserve for condominium units sold at Santana Row in 2005 and 2006, $1.1 million of accrued state tax refunds related to the initial sales of the condominium units, and the sale of four land parcels in Maryland and Massachusetts resulting in a $1.0 million gain. The loss on sale of real estate from discontinued operations of $2.9 million for the three months ended September 30, 2007 relates to an increase in the warranty reserve for condominiums sold in 2006 and 2005 at Santana Row.

Segment Results

We operate our business on an asset management model, where asset management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: East and West. Asset management teams consist of asset managers, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following table provides selected key segment data for the three months ended September 30, 2008 and 2007. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Three Months Ended September 30,	
	2008	2007
	(Dollars and square feet in thousands)	
East		
Rental income	$ 97,975	$ 92,314
Total revenue	$ 101,553	$ 96,643
Property operating income (1)	$ 70,387	$ 68,524
Property operating income as a percent of total revenue	69.3%	70.9%
Gross leasable area (square feet)	15,509	16,879
West		
Rental income	$ 28,679	$ 25,487
Total revenue	$ 30,214	$ 26,921
Property operating income (1)	$ 19,058	$ 17,785
Property operating income as a percent of total revenue	63.1%	66.1%
Gross leasable area (square feet)	2,621	2,628

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

East

Rental income for the East region increased $5.7 million, or 6.1%, to $98.0 million in the three months ended September 30, 2008 compared to $92.3 million in the three months ended September 30, 2007 due primarily to the following:

- an increase of $2.6 million at same-center properties due primarily to increased rental rates on new and renewal leases and increased cost reimbursements,
- an increase of $2.4 million at redevelopment properties, and
- an increase of $1.2 million attributable to properties acquired in 2008.

Property operating income for the East region increased $1.9 million due primarily to the increase in rental income discussed above partially offset by a $1.7 million increase in rental expense and a $1.4 million increase in real estate taxes due primarily to higher assessments on our same-center and redevelopment properties and property acquisitions. As a result of these changes, the ratio of property operating income to total revenue for the East region decreased to 69.3% in the three months ended September 30, 2008 from 70.9% in the three months ended September 30, 2007. The gross leasable area in the East region decreased 1.4 million square feet due primarily to the sale of six properties in New Jersey in October 2007 and the sale of four land parcels in September 2008, the results of which are included in discontinued operations.

West

Rental income for the West region increased $3.2 million, or 12.5%, to $28.7 million in the three months ended September 30, 2008 from $25.5 million in the three months ended September 30, 2007 due primarily to an increase of $3.1 million at same-center properties due primarily to increased rental rates on new and renewal retail and residential leases and increased cost reimbursements.

Property operating income for the West region increased $1.3 million due primarily to the increase in rental income discussed above partially offset by a $1.4 million increase in real estate taxes due primarily to increased assessments and a $0.7 million increase in rental expenses. As a result of these changes, the ratio of property operating income to total revenue for the West region decreased to 63.1% in the three months ended September 30, 2008 from 66.1% in the three months ended September 30, 2007.

RESULTS OF OPERATIONS—NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	2008	2007	Change Dollars	Change %
	(Dollar amounts in thousands)			
Rental income	$ 371,792	$ 343,821	$27,971	8.1%
Other property income	12,015	9,550	2,465	25.8%
Mortgage interest income	3,342	3,386	(44)	-1.3%
Total property revenue	387,149	356,757	30,392	8.5%
Rental expenses	81,011	73,024	7,987	10.9%
Real estate taxes	41,331	33,767	7,564	22.4%
Total property expenses	122,342	106,791	15,551	14.6%
Property operating income	264,807	249,966	14,841	5.9%
Other interest income	662	623	39	6.3%
Income from real estate partnership	1,180	1,120	60	5.4%
Interest expense	(74,166)	(84,247)	10,081	-12.0%
General and administrative expense	(19,451)	(18,894)	(557)	2.9%
Depreciation and amortization	(81,837)	(75,450)	(6,387)	8.5%
Total other, net	(173,612)	(176,848)	3,236	-1.8%
Income from continuing operations before minority interests	91,195	73,118	18,077	24.7%
Minority interests	(4,056)	(4,309)	253	-5.9%
Income from discontinued operations	1,485	5,611	(4,126)	-73.5%
Gain (loss) on sale of real estate from discontinued operations	7,438	(1,051)	8,489	-807.7%
Net income	$ 96,062	$ 73,369	$22,693	30.9%

Property Revenues

Total property revenue increased $30.4 million, or 8.5%, to $387.1 million in the nine months ended September 30, 2008 compared to $356.8 million in the nine months ended September 30, 2007. The percentage occupied at our shopping centers decreased slightly to 94.8% at September 30, 2008 compared to 95.1% at September 30, 2007. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $28.0 million, or 8.1%, to $371.8 million in the nine months ended September 30, 2008 compared to $343.8 million in the nine months ended September 30, 2007 due primarily to the following:

- an increase of $11.3 million at same-center properties due to increased rental rates on new and renewal leases, increased cost reimbursements and increased percentage rent,

- an increase of $10.4 million attributable to properties acquired in 2007 and 2008, and
- an increase of $7.2 million at redevelopment properties due primarily to increased rental rates on new leases including newly created spaces generating revenue and increased cost reimbursements.

Other Property Income

Other property income increased $2.5 million, or 25.8%, to $12.0 million in the nine months ended September 30, 2008 compared to $9.6 million in the nine months ended September 30, 2007. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is due primarily to an increase in lease termination fees at redevelopment properties.

Property Expenses

Total property expenses increased $15.6 million, or 14.6%, to $122.3 million in the nine months ended September 30, 2008 compared to $106.8 million in the nine months ended September 30, 2007. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $8.0 million, or 10.9%, to $81.0 million in the nine months ended September 30, 2008 compared to $73.0 million in the nine months ended September 30, 2007. This increase is due primarily to the following:

- an increase of $3.2 million in repairs and maintenance at same-center and redevelopment properties,
- an increase of $2.4 million attributable to properties acquired in 2007 and 2008,
- an increase of $1.2 million in bad debt expense at same-center and redevelopment properties,
- an increase of $1.0 million in marketing expense at redevelopment properties, and
- an increase of $0.7 million in utility expense at same-center and redevelopment properties,

partially offset by

- a decrease of $1.1 million in insurance expense at same-center properties.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income increased to 21.1% in the nine months ended September 30, 2008 from 20.7% in the nine months ended September 30, 2007.

Real Estate Taxes

Real estate tax expense increased $7.6 million, or 22.4%, to $41.3 million in the nine months ended September 30, 2008 compared to $33.8 million in the nine months ended September 30, 2007. This increase is due primarily to an increase of $5.7 million related to higher tax assessments at same-center and redevelopment properties and an increase of $1.9 million related to properties acquired in 2007 and 2008.

Property Operating Income

Property operating income increased $14.8 million, or 5.9%, to $264.8 million in the nine months ended September 30, 2008 compared to $250.0 million in the nine months ended September 30, 2007. This increase is due primarily to the following:

- earnings attributable to properties acquired in 2007 and 2008,
- growth in earnings at redevelopment properties, and
- growth in same-center earnings.

Other

Interest Expense

Interest expense decreased $10.1 million, or 12.0%, to $74.2 million in the nine months ended September 30, 2008 compared to $84.2 million in the nine months ended September 30, 2007. This decrease is due primarily to the following:

- a decrease of $4.5 million due to a lower overall weighted average borrowing rate,
- a decrease of $4.5 million due to the termination of the Mid-Pike and Huntington capital leases on October 26, 2007, as part of the acquisition of the fee interests in these properties, and
- a decrease of $3.0 million due to lower borrowings,

partially offset by

- a decrease of $1.9 million in capitalized interest due primarily to substantial completion of our Arlington East (Bethesda Row) and Linden Square projects

Gross interest costs were $78.3 million and $90.3 million in the nine months ended September 30, 2008 and 2007, respectively. Capitalized interest was $4.1 million and $6.0 million in the nine months ended September 30, 2008 and 2007, respectively.

General and Administrative Expense

General and administrative expense increased $0.6 million, or 2.9%, to $19.5 million in the nine months ended September 30, 2008, from $18.9 million in the nine months ended September 30, 2007. The increase is due primarily to higher legal costs related to the litigation over a parcel of land adjacent to Santana Row and other legal matters partially offset by lower personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased $6.4 million, or 8.5%, to $81.8 million in the nine months ended September 30, 2008 from $75.5 million in the nine months ended September 30, 2007. This increase is due primarily to acquisitions and capital improvements at same-center and redevelopment properties.

Income from Discontinued Operations

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of $1.5 million and $5.6 million for the nine months ended September 30, 2008 and 2007, respectively, represents the operating income for the period during which we owned properties sold in 2008 and 2007.

Gain (Loss) on Sale of Real Estate from Discontinued Operations

The gain on sale of real estate from discontinued operations of $7.4 million for the nine months ended September 30, 2008 consists primarily of a $5.2 million decrease in the warranty reserve for condominium units sold at Santana Row in 2005 and 2006, $1.1 million of accrued state tax refunds related to the initial sales of the condominium units, and the sale of four land parcels in Maryland and Massachusetts resulting in a $1.0 million gain. The loss on sale of real estate from discontinued operations of $1.1 million during the nine months ended September 30, 2007 is due to a $2.9 million increase in the warranty reserve, related to condominiums sold at Santana Row, partially offset by a gain of $1.8 million primarily related to the sales of Bath Shopping Center, Key Road Plaza, and Riverside Plaza.

Segment Results

We operate our business on an asset management model, where asset management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: East and West. Asset management teams consist of asset managers, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following table provides selected key segment data for the nine months ended September 30, 2008 and 2007. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Nine Months Ended September 30,	
	2008	2007
	(Dollars and square feet in thousands)	
East		
Rental income	$ 288,832	$ 266,760
Total revenue	$ 300,387	$ 275,923
Property operating income (1)	$ 208,977	$ 196,462
Property operating income as a percent of total revenue	69.6%	71.2%
Gross leasable area (square feet)	15,509	16,879
West		
Rental income	$ 82,960	$ 77,061
Total revenue	$ 86,762	$ 80,834
Property operating income (1)	$ 55,830	$ 53,504
Property operating income as a percent of total revenue	64.3%	66.2%
Gross leasable area (square feet)	2,621	2,628

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

East

Rental income for the East region increased $22.1 million, or 8.3%, to $288.8 million in the nine months ended September 30, 2008 compared to $266.8 million in the nine months ended September 30, 2007 due primarily to the following:

- an increase of $10.2 million attributable to properties acquired in 2007 and 2008,
- an increase of $6.7 million at redevelopment properties, and
- an increase of $6.1 million at same-center properties due primarily to increased rental rates on new and renewal leases and increased cost reimbursements.

Property operating income for the East region increased $12.5 million due primarily to the increase in rental income discussed above and an increase in lease termination fees. These increases in income were partially offset by a $6.5 million increase in rental expense due to the acquisition of properties and increases in expenses at same-center and redevelopment properties, and a $5.5 million increase in real estate taxes due primarily to the acquisition of properties and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region decreased to 69.6% in the nine months ended September 30, 2008 from 71.2% in the nine months ended September 30, 2007. The gross leaseable area in the East region decreased 1.4 million square feet due primarily to the sale of six properties in New Jersey in October 2007 and the sale of four land parcels in September 2008, the results of which are included in discontinued operations.

West

Rental income for the West region increased $5.9 million, or 7.7%, to $83.0 million in the nine months ended September 30, 2008 from $77.1 million in the nine months ended September 30, 2007 due primarily to the following:

- an increase of $5.2 million at same-center properties due primarily to increased residential rental rates at Santana Row, increased rental rates on new and renewal retail leases, and increased percentage rent,
- an increase of $0.5 million at redevelopment properties, and
- an increase of $0.2 million attributable to a property acquired in 2007.

Property operating income for the West region increased $2.3 million due primarily to the increase in rental income discussed above partially offset by a $2.1 million increase in real estate taxes and a $1.5 million increase in rental expenses. As a result of these changes, the ratio of property operating income to total revenue for the West region decreased to 64.3% in the nine months ended September 30, 2008 from 66.2% in the nine months ended September 30, 2007.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We adopted the recognition and disclosure provisions of SFAS No. 157 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually effective January 1, 2008; the adoption did not have a material impact on our financial position, results of operations or cash flows. In accordance with FSP SFAS No. 157-2, "Effective Date of FASB Statement No. 157", we are required to adopt the provisions of SFAS No. 157 for all other nonfinancial assets and nonfinancial liabilities effective January 1, 2009 and do not expect the adoption to have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). This standard permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. We did not make this fair value election when we adopted SFAS No. 159 effective January 1, 2008, and, therefore, it did not have an impact on our financial position, results of operations, or cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires enhanced disclosures about an entity's derivative instruments and hedging activities and is effective for fiscal years beginning after November 15, 2008. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF No. 03-6-1"). Under the FSP, unvested share-based payment awards that contain non-forfeitable rights to receive dividends (whether paid or unpaid) are participating securities, and should be included in computation of EPS pursuant to the two-class method. The FSP is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of FSP EITF No. 03-6-1 will have on our consolidated financial statements.

Liquidity and Capital Resources

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

Our short-term liquidity requirements consist primarily of obligations under our capital and operating leases, normal recurring operating expenses, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements in 2008 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of future phases of existing properties.

Our long-term capital requirements consist primarily of maturities under our long-term debt, development and redevelopment costs and potential acquisitions. We expect to fund these through a combination of sources which we believe will be available to us, including additional and replacement secured and unsecured borrowings, issuance of additional equity, joint venture relationships relating to existing properties or new acquisitions and property dispositions. While we expect the funds will be available to us, the current downturn in the economy and dislocation in the capital markets could impair availability of funds and lead to less favorable interest rates when utilizing secured and unsecured borrowings.

The cash needed to execute our strategy and invest in new properties, as well as to pay our debt at maturity, must come from one or more of the following sources:

- cash provided by operations that is not distributed to shareholders,
- proceeds from the issuance of new debt or equity securities, or
- proceeds from property dispositions.

It is management's intention that we continually have access to the capital resources necessary to expand and develop our business. As a result, we intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. We may, from time to time, seek to obtain funds by the following means:

- additional equity offerings,

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- unsecured debt financing and/or mortgage financings, and
- other debt and equity alternatives, including formation of joint ventures, in a manner consistent with our intention to operate with a conservative debt structure.

The following factors could affect our ability to meet our liquidity requirements:

- we may be unable to obtain debt or equity financing on favorable terms, or at all, as a result of our financial condition or market conditions at the time we seek additional financing;
- restrictions in our debt instruments or preferred stock equity may prohibit us from incurring debt or issuing equity at all or on acceptable terms under then-prevailing market conditions; and
- we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance.

We seek to maintain a staggered schedule of debt maturities such that a disproportionate amount of debt maturities does not occur in any one year. The largest year of maturities is in 2009 totaling $388.9 million of which $200 million matures in November 2009 and $175 million matures in December 2009. We intend to address the refinancing of this debt in advance of the respective maturities.

Cash and cash equivalents were $49.0 million at September 30, 2008, which is a $1.7 million decrease from the balance of cash and cash equivalents at December 31, 2007. Cash and cash equivalents are not a good indicator of our liquidity. We have a $300.0 million unsecured revolving credit facility that matures July 27, 2010, subject to a one-year extension at our option. We have had no disruption in funding from any of the banks in our credit facility and expect our lenders will continue to provide funds under our credit facility.

Summary of Cash Flows

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
Cash provided by operating activities	$ 174,504	$ 158,734
Cash used in investing activities	(167,207)	(130,063)
Cash used in financing activities	(8,997)	(29,885)
Decrease in cash and cash equivalents	(1,700)	(1,214)
Cash and cash equivalents, beginning of year	50,691	11,495
Cash and cash equivalents, end of period	$ 48,991	$ 10,281

Net cash provided by operating activities increased $15.8 million to $174.5 million during the nine months ended September 30, 2008 from $158.7 million during the nine months ended September 30, 2007. The increase was primarily attributable to $19.5 million higher net income before gain on sale of real estate, income from real estate partnership, depreciation and amortization, minority interests, and other non-cash expenses.

Net cash used in investing activities increased $37.1 million to $167.2 million during the nine months ended September 30, 2008 from $130.1 million during the nine months ended September 30, 2007. The increase was primarily attributable to:

- $50.0 million increase in acquisitions of real estate,
- $13.8 million decrease in proceeds from sale of real estate,

partially offset by

- $20.4 million decrease in contributions to our unconsolidated real estate partnership due to acquisitions by the real estate partnership in 2007, and
- $7.7 million decrease in capital expenditures.

Net cash used in financing activities decreased $20.9 million to $9.0 million during the nine months ended September 30, 2008 from $29.9 million during the nine months ended September 30, 2007. The decrease was primarily attributable to:

- $59.0 million increase in net borrowings on our revolving credit facility,

partially offset by

- $20.8 million repayment of senior debentures,
- $11.2 million increase in dividends paid to shareholders due to an increase in the dividend rate and increased number of shares outstanding, and
- $9.7 million increase in repayment of mortgages, capital leases and notes payable due substantially to the payoff of the Leesburg mortgage in July 2008.

Off-Balance Sheet Arrangements

We are joint venture partners in eight restaurants at Santana Row. Our investment balance in the restaurant joint ventures was approximately $7.6 million and $7.9 million at September 30, 2008 and December 31, 2007, respectively. Our equity in earnings from the restaurant joint ventures was $1.0 million and $1.6 million for the nine months ended September 30, 2008 and 2007, respectively.

We have a joint venture arrangement (“the Partnership”) with affiliates of a discretionary fund created and advised by ING Clarion Partners (“Clarion”). We own 30% of the equity in the Partnership, and Clarion owns 70%. We are the manager of the Partnership and its properties, earning fees for acquisitions, management, leasing and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. We account for our interest in the Partnership using the equity method. In total, at September 30, 2008, the Partnership had $81.4 million of mortgages payable outstanding.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of September 30, 2008:

Description of Debt	Original Debt Issued	Principal Balance as of September 30, 2008	Stated Interest Rate as of September 30, 2008	Maturity Date
	(Dollars in thousands)			
Mortgage loans (1)				
Secured fixed rate				
164 E. Houston Street (2)	345	$ 5	7.500%	October 6, 2008
White Marsh Other	Acquired	1,120	6.060%	December 31, 2008
Mercer Mall	Acquired	4,390	8.375%	April 1, 2009
Federal Plaza	36,500	33,265	6.750%	June 1, 2011
Tysons Station	7,000	6,111	7.400%	September 1, 2011
Courtyard Shops	Acquired	7,782	6.870%	July 1, 2012
Bethesda Row	Acquired	19,996	5.370%	January 1, 2013
Bethesda Row	Acquired	4,459	5.050%	February 1, 2013
White Marsh Plaza (3)	Acquired	10,186	6.040%	April 1, 2013
Crow Canyon	Acquired	21,311	5.400%	August 11, 2013
Melville Mall (4)	Acquired	24,619	5.250%	September 1, 2014
THE AVENUE at White Marsh	Acquired	60,275	5.460%	January 1, 2015
Barracks Road	44,300	41,542	7.950%	November 1, 2015
Hauppauge	16,700	15,660	7.950%	November 1, 2015
Lawrence Park	31,400	29,445	7.950%	November 1, 2015
Wildwood	27,600	25,881	7.950%	November 1, 2015
Wynnewood	32,000	30,007	7.950%	November 1, 2015
Brick Plaza	33,000	30,771	7.415%	November 1, 2015
Shoppers' World	Acquired	5,897	5.910%	January 31, 2021
Mount Vernon (5)	13,250	11,722	5.660%	April 15, 2028
Chelsea	Acquired	8,136	5.360%	January 15, 2031
Subtotal		392,580		
Net unamortized discount		(381)		
Total mortgage loans		392,199		
Notes payable				
Unsecured fixed rate				
Term note (6)	200,000	200,000	LIBOR + 0.575%	November 6, 2009
Other	2,221	2,259	6.50%	April 1, 2012
Perring Plaza renovation	3,087	1,253	10.000%	January 31, 2013
Unsecured variable rate				
Revolving credit facility (7)	300,000	129,000	LIBOR + 0.425%	July 27, 2010
Escondido (Municipal bonds) (8)	9,400	9,400	2.413%	October 1, 2016
Total notes payable		341,912		
Senior notes and debentures				
Unsecured fixed rate				
8.75% notes	175,000	175,000	8.750%	December 1, 2009
4.50% notes	75,000	75,000	4.500%	February 15, 2011
6.00% notes	175,000	175,000	6.000%	July 15, 2012
5.40% notes	135,000	135,000	5.400%	December 1, 2013
5.65% notes	125,000	125,000	5.650%	June 1, 2016
6.20% notes	200,000	200,000	6.200%	January 15, 2017
7.48% debentures (9)	50,000	29,200	7.480%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.820%	August 1, 2027
Subtotal		954,200		
Net unamortized premium		2,427		
Total senior notes and debentures		956,627		
Capital lease obligations				
Various		63,783	Various	Various through 2106
Total debt and capital lease obligations		**$ 1,754,521**		

1) Mortgage loans do not include our 30% share ($24.4 million) of the $81.4 million debt of the partnership with a discretionary fund created and advised by ING Clarion Partners.

2) This mortgage loan and accrued interest was paid off on October 6, 2008.

3) The interest rate of 6.04% represents the weighted average interest rate for two mortgage loans secured by this property. The loan balance represents an interest only loan of $4.35 million at a stated rate of 6.18% and the remaining balance at a stated rate of 5.96%.
4) We acquired control of Melville Mall through a 20-year master lease and secondary financing. Because we control this property and retain substantially all of the economic benefit and risk associated with it, this property is consolidated and the mortgage loan is reflected on the balance sheet, though it is not our legal obligation.
5) The interest rate is fixed at 5.66% for the first ten years and then will be reset to a market rate in 2013. The lender has the option to call the loan on April 15, 2013 or any time thereafter.
6) In July 2008, we exercised our option and extended the maturity date from November 6, 2008 to November 6, 2009. On February 21, 2008, we entered into two interest rate swap agreements to fix the variable portion of this debt through November 6, 2008. The first swap fixed the variable rate at 2.725% on a notional amount of $100 million and the second swap fixed the variable rate at 2.852% on a notional amount of $100 million for a combined fixed rate of 2.789%. The weighted average effective interest rate, before amortization of debt fees, was 3.41% and 3.68% for the three and nine months ended September 30, 2008, respectively.
7) The maximum amount drawn under our revolving credit facility during both the three and nine months ended September 30, 2008 was $142.0 million. The weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 3.01% and 3.02% for the three and nine months ended September 30, 2008, respectively. This credit facility matures on July 27, 2010, subject to a one-year extension at our option.
8) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The property is not encumbered by a lien.
9) On August 15, 2008, one of the holders redeemed $20.8 million of the outstanding $50.0 million balance. The notice period for additional redemptions has expired.

Our credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2008, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt covenants and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant or default under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares. Our organizational documents do not limit the level or amount of debt that we may incur.

The following is a summary of our debt maturities as of September 30, 2008:

	Secured	Capital Lease	Unsecured	Total
		(In thousands)		
Remainder of 2008	$ 2,671	$ 295	$ 33	$ 2,999
2009	11,579	1,216	376,141	388,936
2010	7,714	1,305	129,861(1)	138,880
2011	45,039	1,399	75,720	122,158
2012	14,661	1,500	175,728	191,889
2013 and thereafter	310,916	58,068	538,629	907,613
	$392,580	$63,783	$1,296,112	$1,752,475(2)

1) Our $300 million four-year revolving credit facility matures on July 27, 2010, subject to a one-year extension at our option. As of September 30, 2008, there was $129.0 million drawn under this credit facility.
2) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium or discount on certain mortgage loans, senior notes and debentures as of September 30, 2008.

Interest Rate Hedging

We use derivative instruments to manage exposure to variable interest rate risk. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We enter into derivative instruments that qualify as cash flow hedges under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” and do not enter into derivative instruments for speculative purposes.

On February 21, 2008, we entered into two interest rate swap agreements to fix the variable portion of our $200 million term note through November 6, 2008. The first swap fixed the variable rate at 2.725% on a notional amount of $100 million and the second swap fixed the variable rate at 2.852% on a notional amount of $100 million for a combined fixed rate of 2.789%. Both swaps were designated and qualified as cash flow hedges and are recorded at fair value.

We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income, and the ineffective portion of changes in the fair value of our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness did not have an impact on earnings for the nine months ended September 30, 2008. The fair value of these swaps at September 30, 2008 is an asset of $86,000, which is included in prepaid expenses and other assets on the balance sheet and accumulated other comprehensive income in the statement of shareholders' equity. The fair value of the interest rate swap agreements are based upon the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate market pricing models and observable inputs. Amounts reported in accumulated other comprehensive income will be reclassified to interest expense as interest payments are made on the variable rate debt through the termination date of November 6, 2008.

Funds From Operations

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
Net income	$37,102	$23,515	$ 96,062	$ 73,369
(Gain) loss on sale of real estate	(7,438)	2,900	(7,438)	1,051
Depreciation and amortization of real estate assets	26,037	23,651	74,037	71,910
Amortization of initial direct costs of leases	2,136	1,945	6,441	6,122
Depreciation of joint venture real estate assets	331	324	992	915
Funds from operations	58,168	52,335	170,094	153,367
Dividends on preferred stock	(136)	(136)	(406)	(307)
Income attributable to operating partnership units	244	279	707	923
Funds from operations available for common shareholders	$58,276	$52,478	$170,395	$153,983
Weighted average number of common shares, diluted (1)	59,327	57,148	59,280	56,885
Funds from operations available for common shareholders, per diluted share	$ 0.98	$ 0.92	$ 2.87	$ 2.71

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We also enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. We are exposed to credit loss in the event of non-performance by the counter party to our interest rate swap agreements used to fix the variable portion of our $200 million term note. The counter party of these swaps has a long-term debt rating of “AA-” by Standards and Poor’s Rating Service and “Aa2” by Moody’s Investor Service as of September 30, 2008.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2031 or through 2106 including capital lease obligations) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At September 30, 2008, we had $1.4 billion of fixed-rate debt outstanding. On February 21, 2008, we entered into two interest rate swap agreements to fix the variable portion of our $200 million term note through November 6, 2008 which effectively fixed the interest rate on the term note. If interest rates on our fixed-rate debt instruments at September 30, 2008 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $54.4 million. If interest rates on our fixed-rate debt instruments at September 30, 2008 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $55.0 million.

Variable Interest Rate Debt

We believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At September 30, 2008, we had $138.4 million of variable rate debt outstanding excluding the $200 million term loan as the interest rate is effectively fixed through November 6, 2008, by our two swap agreements. Based upon this amount of variable rate debt, if interest rates increased 1.0%, our annual interest expense would increase by approximately $1.4 million, and our net income and cash flows for the year would decrease by approximately $1.4 million. Conversely, if interest rates decreased 1.0%, our annual interest expense would decrease by approximately $1.4 million, and our net income and cash flows for the year would increase by approximately $1.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2008. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2008 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In May 2003, First National Mortgage Company filed a complaint against us in the United States District Court for the Northern District of California. The complaint alleged that a one page document entitled "Final Proposal," which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave First National Mortgage Company the option to require that we acquire the property at a price determined in accordance with a formula included in the "Final Proposal." A trial as to liability only was held in June 2006 and a jury rendered a verdict against us. A trial on the issue of damages was held in April 2008; however, the judge has not yet issued a ruling. Reports from our experts and the plaintiff's experts show potential damages ranging from $600,000 to $24 million. Pending the judge's ruling, we cannot make a reasonable estimate of potential damages. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the judge issues his ruling on damages. If we are not successful in overturning the jury verdict, we will be liable for damages. Depending on the amount of damages awarded, it is possible, there could be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated.

We are also involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we and our management agent acted improperly by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only was concluded in April 2007, and in May 2008, a judgment was entered that ruled in our favor on certain legal issues and against us on other legal issues. As to those matters where the court ruled against us and determined that we are liable, a trial as to damages will be held but no trial date has yet been set. Because we have not completed discovery on the issue of damages, we cannot make a reasonable estimate of potential damages at this time. In lieu of pursuing an indemnification claim against the third party management agent that negotiated the lease on our behalf, we have entered into an agreement with the management agent that provides a framework for sharing litigation costs and payment of any damages that may be awarded to the plaintiff. Depending on the amount of damages actually awarded in this matter, and subject to the arrangement in place with the third party management agent, it is possible that there may be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated.

In any event, management does not believe that either matter, individually or in the aggregate, will have a material impact on our financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2007 filed with the Securities and Exchange Commission on February 27, 2008. These factors include, but are not limited to, the following:

- risks that our tenants will not pay rent or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that any redevelopment or renovation project that we do pursue may not perform as anticipated;
- risks that the number of properties we acquire for our own account, and therefore the amount of capital we invest in acquisitions, may be impacted by our real estate partnership;
- risks normally associated with the real estate industry, including risks that:
  - occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,
  - completion of anticipated or ongoing property redevelopments or renovations may cost more, take more time to complete, or fail to perform as expected,
  - new acquisitions may fail to perform as expected,
  - competition for acquisitions could result in increased prices for acquisitions,
  - environmental issues may develop at our properties and result in unanticipated costs, and
  - because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and

- risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

FEDERAL REALTY INVESTMENT TRUST

October 29, 2008	**/s/ DONALD C. WOOD** **Donald C. Wood,** **President, Chief Executive Officer and Trustee** **(Principal Executive Officer)**
October 29, 2008	**/s/ ANDREW P. BLOCHER** **Andrew P. Blocher,** **Senior Vice President,** **Chief Financial Officer and Treasurer** **(Principal Financial and Accounting Officer)**

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (previously filed as Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 1-07533) (the "2005 2Q Form 10-Q") and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-07533) (the "2005 Form 10-K") and incorporated herein by reference)
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) and incorporated herein by reference)
4.2	Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8-K filed on March 13, 2007, (File No. 1-07533) and incorporated herein by reference)
4.3	Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 1 to the Trust's Registration Statement on Form 8-A/A filed on March 11, 1999 (File No. 1-07533) and incorporated herein by reference)
4.4	First Amendment to Amended and Restated Rights Agreement, dated as of November 2003, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 4.5 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-07533) and incorporated herein by reference)
4.5	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.6	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009; 6 1/8 % Notes due November 15, 2007; 4.50% Notes due 2011; 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; and 5.40% Notes due 2013 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
4.7	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
10.1	Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-07533) and incorporated herein by reference)
10.2	Fiscal Agency Agreement dated as of October 28, 1993 between the Trust and Citibank, N.A. (previously filed as an exhibit to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File No. 1-07533) and incorporated herein by reference)
10.3	Form of Severance Agreement between the Trust and Certain of its Officers dated December 31, 1994 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-07533) and incorporated herein by reference)
10.4	Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the "1999 1Q Form 10-Q") and incorporated herein by reference)
10.5	Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference)
10.6	Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the "2004 Form 10-K") and incorporated herein by reference)

Exhibit No.	Description
10.7	Split Dollar Life Insurance Agreement dated August 12, 1998 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-07533) and incorporated herein by reference)
10.8	Severance Agreement between the Trust and Jeffrey S. Berkes dated March 1, 2000 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-07533) and incorporated herein by reference)
10.9	Amendment to Severance Agreement between Federal Realty Investment Trust and Jeffrey S. Berkes dated February 16, 2005 (previously filed as Exhibit 10.17 to the 2004 Form 10-K and incorporated herein by reference)
10.10	Severance Agreement dated March 1, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-07533) and incorporated herein by reference)
10.11	Amendment to Severance Agreement between Federal Realty Investment Trust and Larry E. Finger dated February 16, 2005 (previously filed as Exhibit 10.19 to the 2004 Form 10-K and incorporated herein by reference)
10.12	Amendment to Stock Option Agreement dated August 15, 2002 between the Trust and Dawn M. Becker (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (File No. 1-075330 and incorporated herein by reference)
10.13	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.14	Health Coverage Continuation Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.15	Severance Agreement between the Trust and Dawn M. Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust's 2005 2Q Form 10-Q and incorporated herein by reference)
10.16	Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)
10.17	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.18	Form of Restricted Share Award Agreement for awards made under the Trust's Annual Incentive Bonus Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.29 to the 2004 Form 10-K and incorporated herein by reference)
10.19	Form of Option Award Agreement for options awarded under 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.30 to the 2004 Form 10-K and incorporated herein by reference)
10.20	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)
10.21	Credit Agreement dated as of July 28, 2006, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 31, 2006 and incorporated herein by reference)
10.22	Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File No. 1-07533) and incorporated herein by reference)
10.23	Restricted Share Award Agreement between the Trust and Joseph M. Squeri dated October 1, 2007 (previously filed as Exhibit 10.23 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2007 (File No 1-07533) (the "2007 Form 10-K") and incorporated herein by reference)
10.24	Severance Agreement between the Trust and Joseph M. Squeri dated October 1, 2007 (previously filed as Exhibit 10.24 to the 2007 Form 10-K and incorporated herein by reference)
10.25	Credit Agreement dated as of November 9, 2007, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (previously filed as Exhibit 10.25 to the 2007 Form 10-K and incorporated herein by reference)

Exhibit No.	Description
10.26	Consulting Agreement between the Trust and Larry E. Finger dated January 1, 2008 (previously filed as Exhibit 10.26 to the 2007 Form 10-K and incorporated herein by reference)
10.27	Change in Control Agreement between the Trust and Andrew P. Blocher dated February 12, 2007 (filed herewith)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)

Exhibit 10.27

CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT ("Agreement") is made and entered into effective as of February 12, 2007 by and between **FEDERAL REALTY INVESTMENT TRUST**, a Maryland real estate investment trust ("Employer"), and **ANDREW P. BLOCHER** ("Employee").

WHEREAS, Employee serves as Employer's Senior Vice President – Capital Markets and Investor Relations, and Employer and Employee wish to set forth the terms of a change in control agreement for Employee.

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. Benefits Upon Termination Upon Change in Control.

(a) Change in Control Defined. No benefits shall be payable under this Agreement unless there shall have occurred a "Change in Control" (hereinafter defined) of Employer. For purposes of this Agreement, a "Change in Control" of Employer shall mean any of the following events:

(i) An acquisition in one or more transactions (other than directly from Employer or pursuant to options granted by Employer) of any voting securities of Employer (the "Voting Securities") by any "Person" (as the term is used for purposes of Section 13(d) or 14(d) of the Securities Act of 1934, as amended (the "Exchange Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of Employer's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by: (A) an employee benefit plan (or a trust forming a part thereof) maintained by (1) Employer or (2) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by Employer (a "Subsidiary"); (B) Employer or any Subsidiary; or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(ii) The individuals who, as of the date of this Agreement, are members of the Board of Trustees (the "Incumbent Trustees"), cease for any reason to constitute at least two-thirds (2/3) of the Board; provided, however, that if the election, or nomination for election by Employer's shareholders, of any new member was approved by a vote of at least two-thirds (2/3) of the Incumbent Trustees, such new member shall, for purposes of this Agreement, be considered as a member of the Incumbent Trustees; provided, further, however, that no individual shall be considered a member of the Incumbent Trustees if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Trustees (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Approval by shareholders of Employer of:

(A) A merger, consolidation or reorganization involving Employer, unless:

(1) the shareholders of Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least a majority of the combined voting power of the outstanding voting securities of the Person resulting from such merger or consolidation or reorganization (the "Surviving Person") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(2) the individuals who were members of the Incumbent Trustees immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds (2/3) of the members of the board of directors of the Surviving Person; and

(3) no Person (other than Employer or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by Employer, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities.

A transaction described in clauses (1) through (3) above is hereinafter referred to as a "Non-Control Transaction."

(B) A complete liquidation or dissolution of Employer; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary).

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur: (A) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary ("Holding Company"); (2) causes the Holding Company to establish a wholly-owned subsidiary ("Merger Sub"); and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

(v) Notwithstanding anything contained in this Agreement to the contrary, if Employee's employment is terminated while this Agreement is in effect and Employee reasonably demonstrates that such termination: (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control and who effectuates a Change in Control (a "Third Party"); or (B) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this Agreement, the date of a Change in Control with respect to Employee shall mean the date immediately prior to the date of such termination of Employee's employment.

(b) Termination of Employment Following Change in Control. Employee shall be entitled to the benefits provided in this Agreement if a Change in Control occurs and Employee's employment with Employer is terminated:

(i) under any of the following circumstances within a period of eighteen (18) months after the occurrence of such Change in Control:

(A) by Employer other than with Cause. "Cause" shall mean: (1) Employee's 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; (2) Employee's willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise; (3) Employee's breach of fiduciary duty involving personal profit; or (4) Employee's 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.

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

(1) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes an actual or constructive demotion of Employee*;* 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; provided, further, that if Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off (as defined in Section 8) of that affiliate, the nature of Employee's duties and the scope of responsibilities and authority referred to above in this Section 1(b)(i)(A)(1) shall mean those as in effect as of the first day of employment with the affiliate following the Spin-off and not those in effect with the Employer as of the date first written above;

(2) Employer changes the location of its principal office to outside a fifty (50) mile radius of the office where the Employee is headquartered;

(3) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of: (x) Employee's base salary for 2007; or (y) 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

(4) this 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.

(ii) for any reason, either voluntarily or involuntarily, during the 30-day period beginning on the first anniversary of such Change of Control, unless such termination is because of

Employee's death, Disability or Retirement. The term "Disability" shall have the same meaning as set forth in Employer's group long-term disability policy. The term "Retirement" shall mean termination of employment in accordance with: (A) a qualified employee pension or profit-sharing plan maintained by Employer; or (B) Employer's retirement policy in effect immediately prior to the Change in Control. For purposes of this Agreement, Employee's employment shall be terminated by written notice delivered by either Employer or Employee to the other party. The date of Employee's termination of employment shall be the earlier of the date of Employee's or Employer's written notice terminating Employee's employment with Employer, unless such notice shall specify an effective date of termination occurring later than the date of such notice, in which event such specified effective date shall govern ("Termination Date").

(c) Payment of Benefits upon Termination. If, after a Change in Control has occurred, Employee's employment with Employer is terminated in accordance with Section 1(b) above, then Employer shall pay to Employee and provide Employee, his or her beneficiaries and estate, the following payment and benefits:

(i) Employer shall pay to Employee a single, lump sum cash payment equal to eighteen (18) months' salary. For the purpose of calculating amounts payable pursuant to this Section 1(c), "salary" shall be an amount equal to: (A) the greater of (1) Employee's highest annual base salary paid during the previous three (3) years; or (2) Employee's annual base salary in the year of termination, plus (B) the greatest annual aggregate amount of any annual bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination. For purposes of the preceding sentence: (w) the term "salary" shall not include any cash or equity-based incentive award intended to be a long-term incentive award, including awards made pursuant to Employer's 2003 Long-Term Incentive Award Program; (x) an annual bonus paid in the form of stock will be considered to have been paid in respect of a particular year if (1) in the case of a bonus paid under Employer's annual Incentive Bonus Plan in effect for the applicable year (as the same may be amended from time or time, or any successor plan, the "Bonus Plan"), the stock bonus was awarded in respect of that year, even if it did not vest in that year; or (2) in the case of any other stock bonus, the shares vested in that year (other than as a result of the Change in Control); (y) a stock bonus will be valued: (1) in the case of a bonus paid under the Bonus Plan, at a figure equal to the number of shares awarded, multiplied by the per-share value (closing price) on the date on which the bonus was approved by the Compensation Committee of Employer's Board of Trustees, and (2) in the case of any other stock bonus, at a figure equal to the number of shares that vested, multiplied by the per-share value (closing price) on the date on which they vested; and (z) notwithstanding the valuation provisions in clause (y) above, if Employee elected to receive all or any portion of an annual bonus in the form of stock rather than cash, the maximum amount to be included as bonus in the computation of "salary" for that year shall be the amount of cash bonus otherwise payable without taking into account any additional stock granted in consideration for delayed vesting. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination. If Employee's employment is terminated by Employee by a written notice which specifies a Termination Date at least five (5) business days later than the date of such notice, the payment shall be made on the Termination Date. If Employee gives less than five (5) business days notice, then such payment shall be made within five (5) business days of the date of such notice. Notwithstanding the above, if Employee's termination of employment occurs under the circumstances described in Section 1(b)(ii) (i.e., for any reason, either voluntarily or involuntarily, during the 30-day period beginning on the first anniversary of such Change of Control, unless such termination is because of Employee's death, Disability or Retirement), then if and to the extent required in order to comply with Section 409A of the Code, as determined by the Employer, the payment to Employee shall be delayed until six months and one day after the Termination Date;

(ii) Employee shall receive “Full Benefits” for eighteen (18) months following the Termination Date. Employer shall have satisfied its obligation to provide Full Benefits to Employee if it: (A) 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; (B) maintains at not less than Employee’s highest levels of coverage prior to the termination of Employee’s employment individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith; (C) to the extent that Employer maintained a long-term disability policy that provided coverage to Employee in excess of the coverage provided under Employer’s group long-term disability policy, maintains at not less than Employee’s highest levels of coverage prior to the termination of Employee’s employment an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith, subject to the limitations of the policy; and (D) pays the annual premiums associated with Employee’s continued participation, at not less than Employee’s highest levels of coverage prior to the termination of Employee’s employment, under Employer’s group long-term disability policy for a period of one (1) year following the Change in Control, subject to the limitations of the policy. 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 Employee was required to pay for such costs immediately prior to the termination of Employee’s employment;

(iii) Employer, to the extent legally permissible, shall continue to provide to Employee all other officer perquisites, allowances, accommodations of employment, and benefits on the same terms and conditions as such are from time to time made available generally to the other officers of Employer but in no event less than the highest level of the perquisites, allowances, accommodations of employment and benefits that were available to Employee during the last twelve (12) months of Employee’s employment prior to the Change in Control for a period of eighteen (18) months following the Termination Date;

(iv) For the purposes of this Section 1(c), Employee’s right to receive officer perquisites, allowances and accommodations of employment is intended to include: (A) Employee’s right to have Employer provide Employee for a period not to exceed six (6) months from Employee’s Termination Date with a telephone number assigned to Employee at Employer’s offices, telephone mail and a secretary to answer the telephone; provided, however, such benefits described in this Section 1(c)(iv)(A) shall not include an office or physical access to Employer’s offices and will cease upon the commencement by Employee of employment with another employer; and (B) Employee’s right to have Employer make available at Employer’s expense to Employee at Employee’s option the services of an employment search/outplacement agency selected by Employee for a period not to exceed six (6) months.

(v) Upon the occurrence of a Change in Control, all restrictions on the receipt of any option to acquire or grant of Voting Securities to Employee shall lapse and such option shall become immediately and fully exercisable. Notwithstanding any applicable restrictions or any agreement to the contrary, Employee may exercise any options to acquire Voting Securities as of the Change in Control by delivery to Employer of a written notice dated on or prior to the expiration of the stated term of the option.

(d) Excise Tax Payments.

(i) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that is provided for under this Agreement (other than the payment provided for in this Section 1(d)(i)) to be paid to or for the benefit of Employee (a “Payment” or

"Payments") is determined or alleged to be subject to an excise or similar purpose tax pursuant to Section 4999 of the Code or any successor or other comparable federal, state, or local tax laws or any interest or penalties incurred by Employee with respect to such excise or similar purpose tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), Employer shall pay to Employee such additional compensation as is necessary (after taking into account all federal, state and local taxes (including any interest and penalties imposed with respect to such taxes), including any income or Excise Tax, payable by Employee as a result of the receipt of such additional compensation)) (a "Gross-Up Payment") to place Employee in the same after-tax position (including federal, state and local taxes) Employee would have been in had no such Excise Tax been paid or incurred.

(ii) All mathematical determinations, and all determinations as to whether any of the total Payments are "parachute payments" (within the meaning of Section 280G of the Code) that are required to be made under this Section 1(d), including determinations as to whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by an independent accounting firm selected by the Employee from among the four (4) largest accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to Employer and the Employee by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by Employer or the Employee (if the Employee reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall furnish the Employee and Employer with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Employee has substantial authority not to report any Excise Tax on his federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Employee within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to Employer by the Accounting Firm. The cost of obtaining the Determination shall be borne by Employer, and any Determination by the Accounting Firm shall be binding upon Employer and the Employee, absent manifest error. Without limiting the obligation of Employer hereunder, Employee agrees, in the event that Employer makes a Gross-Up Payment to cover any Excise Tax, to negotiate with Employer in good faith with respect to procedures reasonably requested by Employer which would afford Employer the ability to contest the imposition of such Excise Tax; provided, however, that Employee will not be required to afford Employer any right to contest the applicability of any such Excise Tax to the extent that Employee reasonably determines (based upon the opinion of the Accounting Firm) that such contest is inconsistent with the overall tax interest of Employee.

(iii) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred: (A) upon notice (formal or informal) to Employee from any governmental taxing authority that Employee's tax liability (whether in respect of Employee's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which Employer has failed to make a sufficient Gross-Up Payment; (B) upon determination by a court; (C) by reason of determination by Employer (which shall include the position taken by Employer, together with its consolidated group, on its federal income tax return); or (D) upon the resolution of the dispute to Employee's satisfaction. If an Underpayment occurs, Employee shall promptly notify Employer and Employer shall promptly, but in any event, at least five (5) days prior to the date on which the applicable governmental taxing authority has requested payment, pay to

Employee an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of Employee's failure to file a timely tax return or pay taxes shown due on Employee's return where such failure is not due to Employer's actions or omissions) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments (or a portion thereof) with respect to which Employee had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Employee has received from the applicable governmental taxing authority a refund of taxes or other reduction in Employee's tax liability by reason of the Excess Payment and upon either: (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired; or (y) the statute of limitations with respect to Employee's applicable tax return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment, together with interest thereon at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to Employee until date of repayment of the Excess Payment to Employer, shall be paid by Employee to Employer within thirty (30) days after the determination of such Excess Payment and written notice having been delivered to Employee.

(iv) Notwithstanding anything in this Section 1 to the contrary, in the event that, according to the Final Determination, an Excise Tax will be imposed on any Payment or Payments, Employer shall pay to the applicable governmental taxing authorities as Excise Tax withholding, the amount of the Excise Tax that Employer has actually withheld from the Payment or Payments.

(e) No Set-Off. After a Change in Control, Employer shall have no right of set-off, reduction or counterclaim in respect of any debt or other obligation of Employee to Employer against any payment, benefit or other Employer obligation to Employee provided for in this Agreement.

(f) Interest on Amounts Payable. After a Change of Control, if any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to Employee under this Section 1 are not so paid promptly at the times provided herein or therein, such amounts shall accrue interest, compounded daily at the annual percentage rate which is three percentage points (3%) above the interest rate which is announced by The Riggs National Bank (Washington, D.C.) from time to time as its prime lending rate, from the date such amounts were required or determined to have been paid or payable or reimbursed or reimbursable to Employee until such amounts and any interest accrued thereon are finally and fully paid; provided, however, that in no event shall the amount of interest contracted for, charged or received hereunder exceed the maximum non-usurious amount of interest allowed by applicable law.

(g) Disputes; Payment of Expenses. At any time after a Change of Control, all costs and expenses (including legal, accounting and other advisory fees and expenses of investigation) incurred by Employee in connection with: (i) any dispute as to the validity, interpretation or application of any term or condition of this Section 1; (ii) the determination in any tax year of the tax consequences to Employee of any amounts payable (or reimbursable) under this Section 1; or (iii) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Employee's personal income tax return for any year which is the subject of any such audit or an adverse determination, administrative proceeding or civil litigation arising therefrom that is occasioned by or related to an audit of the Internal Revenue Service of Employer's income tax returns are, upon written demand by Employee, to be paid by

Employer (and Employee shall be entitled, upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling Employer) promptly on a current basis (either directly or by reimbursing Employee). Under no circumstances shall Employee be obligated to pay or reimburse Employer for any attorneys' fees, costs or expenses incurred by Employer.

3 Confidentiality.

(a) Employer's Obligations. Unless Employee and Employer mutually agree on appropriate language for such purposes, in the event that Employee's employment is terminated following a Change in Control, 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.

(b) 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.

4. Tax Withholding. Employer may withhold from any benefits payable under this Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes (other than any excise tax imposed under Section 4999 of the Code or any similar tax) as shall be required pursuant to any law or governmental regulation or ruling.

5. Arbitration.

(a) Any controversy, claim or dispute arising out of or relating to this 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 Agreement may be inadequate, and that, in the event of a breach by Employee of Section 3(b), 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 Employee 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.

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

7. Mitigation. Employee shall not be required to mitigate the amount of any payment, benefit or other Employer obligation provided for in this 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.

8. No Assignment. Neither this 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; provided, however, that this provision shall not preclude Employee from designating one or more beneficiaries to receive any amount that may be payable after Employee's death and shall not preclude Employee's executor or administrator from assigning any right hereunder to the person or persons entitled thereto; provided, further, that in connection with a voluntary transfer, the Employer may assign this Agreement (and its rights, remedies, obligations, and liabilities) to an affiliate of the Employer without the consent of the Employee in connection with a spin off of such affiliate (whether by a transfer of shares of beneficial ownership, assets, or other substantially similar transaction) to all or substantially all of the shareholders of the Employer (a "Spin-off") and, upon such assignment, the affiliate shall be deemed the Employer for all purposes of this Agreement. This Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of Employer, or by any merger or consolidation wherein Employer is not the surviving entity, or by any transfer of all or substantially all of Employer's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving entity or to the entity to which such assets shall be transferred.

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

10. Waiver. Either party hereto may by written notice to the other: (a) extend the time for performance of any of the obligations or other actions of the other party under this Agreement; (b) waive compliance with any of the conditions or covenants of the other party contained in this Agreement; or (c) waive or modify performance of any of the obligations of the other party under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this 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 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.

11. Severability. In case any one or more of the provisions of this Agreement shall, for any reason, be held or found by determination of the arbitrator(s) pursuant to an arbitration held in accordance with Section 5 above to be invalid, illegal or unenforceable in any respect: (a) such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement; (b) this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein; and (c) if the effect of a holding or finding that any such provision is either invalid, illegal or unenforceable is to modify to Employee's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Employee intended by Employer and Employee in entering into this Agreement, Employer shall promptly negotiate and enter into an agreement with Employee containing alternative provisions (reasonably acceptable to Employee), that will restore to Employee (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Employee would have enjoyed had any such provision of this Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or of any other provision of this Agreement.

12. Governing Law. This 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 5 hereof shall be conducted in accordance with the Federal Arbitration Act as then in force.

13. No Attachment. Except as required by law, no right to receive payments under this 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.

14. Source of Payments. All payments provided under this 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.

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

16. Notices. Any notice required or permitted to be given under this 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.

17. Counterparts. This 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.

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

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

/s/ Andrew P. Blocher
Employee's Signature

Employee's Permanent Address:

2319 Gerken Avenue
Vienna, VA 22181

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Donald C. Wood
Donald C. Wood
President and Chief Executive Officer

Address: 1626 East Jefferson Street
Rockville, Maryland 20852

Exhibit 31.1

CERTIFICATION

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

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

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

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

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

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

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

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

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

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

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

October 29, 2008

/s/ DONALD C. WOOD

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

Exhibit 31.2

CERTIFICATION

I, *Andrew P. Blocher*, certify that:

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

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

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

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

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

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

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

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

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

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

October 29, 2008

/s/ ANDREW P. BLOCHER

Andrew P. Blocher,
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

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

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008 (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.

October 29, 2008

/s/ DONALD C. WOOD

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

Exhibit 32.2

CERTIFICATION

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

The undersigned, Andrew P. Blocher, 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 ended September 30, 2008 (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.

October 29, 2008

/s/ ANDREW P. BLOCHER

Andrew P. Blocher,
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)