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, 2022

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)
Commission file number: 333-262016-01 (Federal Realty OP LP)

FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP

(Exact Name of Registrant as Specified in its Charter)

Maryland (Federal Realty Investment Trust)	**87-3916363**
Delaware (Federal Realty OP LP)	**52-0782497**
(State of Organization)	**(IRS Employer Identification No.)**

909 Rose Avenue, Suite 200, North Bethesda, Maryland 20852
(Address of Principal Executive Offices) (Zip Code)

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

Federal Realty Investment Trust

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

Federal Realty OP LP

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
None	N/A	N/A

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.
Federal Realty Investment Trust ☒ Yes ☐ No Federal Realty OP LP ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Federal Realty Investment Trust ☒ Yes ☐ No Federal Realty OP LP ☒ Yes ☐ No

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

Federal Realty Investment Trust				Federal Realty OP LP			
Large Accelerated Filer	☒	Accelerated filer	☐	Large Accelerated Filer	☒	Accelerated filer	☐
Non-Accelerated Filer	☐	Smaller reporting company	☐	Non-Accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐			Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Federal Realty Investment Trust ☐ Yes ☐ No Federal Realty OP LP ☐ Yes ☐ No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Federal Realty Investment Trust ☐ Yes ☒ No Federal Realty OP LP ☐ Yes ☒ No

The number of registrant's common shares outstanding on October 31, 2022 was 81,209,479.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2022, of Federal Realty Investment Trust and Federal Realty OP, LP. Unless stated otherwise or the context otherwise requires, references to "Federal Realty Investment Trust," the "Parent Company" or the "Trust" mean Federal Realty Investment Trust; and references to "Federal Realty OP LP" or the "Operating Partnership" mean Federal Realty OP LP. The term "the Company," "we," "us," and "our" refer to the Parent Company and its business and operations conducted through its directly and indirectly owned subsidiaries, including the Operating Partnership. References to "shares" and "shareholders" refer to the shares and shareholders of the Parent Company and not the limited partnership interests for limited partners of the Operating Partnership.

The Parent Company is a real estate investment trust ("REIT") that owns 100% of the limited liability company interests of, is the sole member of, and exercises exclusive control over Federal Realty GP LLC (the "General Partner"), which is the sole general partner of the Operating Partnership. As of September 30, 2022, the Parent Company owned 100% of the outstanding partnership units (the "OP Units") in the Operating Partnership.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report provides the following benefits:

- Enhances investors' understanding of the Parent Company and the Operating Partnership by enabling investors to view the businesses as a whole in the same manner as management views and operates the business;
- Eliminates duplicate disclosure and provides a more streamlined and readable presentation; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one business. Since the Operating Partnership is managed by the Parent Company, and the Parent Company conducts substantially all of its operations through the Operating Partnership, the management of the Parent Company consists of the same individuals as the management of the Operating Partnership.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its direct and indirect interest in the Operating Partnership. As a result, the Parent Company does not conduct business itself other than issuing public equity from time to time. The Parent Company is not expected to incur any material indebtedness. The Operating Partnership holds substantially all of our assets and retains the ownership interests in the Company's joint ventures. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for OP Units, the Operating Partnership generates all capital required by the Company’s business. Sources of this capital include the Operating Partnership’s operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

Stockholders' equity, partner capital, and non-controlling interests are the primary areas of difference between the unaudited Condensed Consolidated Financial Statements of the Parent Company and those of the Operating Partnership. The Operating Partnership’s capital currently includes OP Units owned by the Parent, and may in the future include OP Units owned by third parties. OP Units owned by third parties, if any, are accounted for in capital in the Operating Partnership’s financial statements and in non-controlling interests in the Parent Company’s financial statements.

The Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have assets other than its investment in the Operating Partnership. Therefore, while stockholders’ equity and partners' capital differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements (but combined footnotes), separate controls and procedures sections, and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

FEDERAL REALTY INVESTMENT TRUST
FEDERAL REALTY OP LP

QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2022

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Federal Realty Investment Trust
Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including $1,963,129 and $2,207,648 of consolidated variable interest entities, respectively)	$ 9,323,359	$ 8,814,791
Construction-in-progress (including $23,448 and $18,752 of consolidated variable interest entities, respectively)	681,641	607,271
	10,005,000	9,422,062
Less accumulated depreciation and amortization (including $349,553 and $389,950 of consolidated variable interest entities, respectively)	(2,660,799)	(2,531,095)
Net real estate	7,344,201	6,890,967
Cash and cash equivalents	146,214	162,132
Accounts and notes receivable, net	187,149	169,007
Mortgage notes receivable, net	9,475	9,543
Investment in partnerships	122,822	13,027
Operating lease right of use assets, net	95,187	90,743
Finance lease right of use assets, net	45,756	49,832
Prepaid expenses and other assets	266,203	237,069
TOTAL ASSETS	$ 8,217,007	$ 7,622,320
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Mortgages payable, net (including $192,442 and $335,301 of consolidated variable interest entities, respectively)	$ 321,299	$ 339,993
Notes payable, net	568,302	301,466
Senior notes and debentures, net	3,407,298	3,406,088
Accounts payable and accrued expenses	245,610	235,168
Dividends payable	90,121	86,538
Security deposits payable	28,042	25,331
Operating lease liabilities	78,234	72,661
Finance lease liabilities	67,662	72,032
Other liabilities and deferred credits	242,800	206,187
Total liabilities	5,049,368	4,745,464
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	185,759	213,708
Shareholders’ equity		
Preferred shares, authorized 15,000,000 shares, $.01 par:		
5.0% Series C Cumulative Redeemable Preferred Shares, (stated at liquidation preference $25,000 per share), 6,000 shares issued and outstanding	150,000	150,000
5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference $25 per share), 392,878 and 399,896 shares issued and outstanding, respectively	9,822	9,997
Common shares of beneficial interest, $.01 par, 100,000,000 shares authorized, 81,204,286 and 78,603,305 shares issued and outstanding, respectively	817	790
Additional paid-in capital	3,794,247	3,488,794
Accumulated dividends in excess of net income	(1,060,027)	(1,066,932)
Accumulated other comprehensive income (loss)	6,084	(2,047)
Total shareholders’ equity of the Trust	2,900,943	2,580,602
Noncontrolling interests	80,937	82,546
Total shareholders’ equity	2,981,880	2,663,148
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 8,217,007	$ 7,622,320

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

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands, except per share data)			
REVENUE				
Rental income	$ 273,179	$ 247,024	$ 793,516	$ 694,954
Mortgage interest income	272	260	805	2,116
Total revenue	273,451	247,284	794,321	697,070
EXPENSES				
Rental expenses	58,809	49,318	166,189	141,474
Real estate taxes	32,803	29,529	94,628	88,272
General and administrative	13,100	12,253	39,046	35,357
Depreciation and amortization	77,109	70,611	223,244	202,160
Total operating expenses	181,821	161,711	523,107	467,263
Gain on deconsolidation of VIE	70,374	—	70,374	—
Gain on sale of real estate and change in control of interest	29,723	—	29,723	17,428
OPERATING INCOME	191,727	85,573	371,311	247,235
OTHER INCOME/(EXPENSE)				
Other interest income	234	88	487	701
Interest expense	(35,060)	(32,249)	(98,707)	(95,511)
Income (loss) from partnerships	1,873	1,129	4,878	(86)
NET INCOME	158,774	54,541	277,969	152,339
Net income attributable to noncontrolling interests	(2,636)	(2,419)	(8,171)	(5,777)
NET INCOME ATTRIBUTABLE TO THE TRUST	156,138	52,122	269,798	146,562
Dividends on preferred shares	(2,008)	(2,010)	(6,026)	(6,031)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$ 154,130	$ 50,112	$ 263,772	$ 140,531
EARNINGS PER COMMON SHARE, BASIC:				
Net income available for common shareholders	$ 1.90	$ 0.64	$ 3.31	$ 1.81
Weighted average number of common shares	80,765	77,485	79,480	77,269
EARNINGS PER COMMON SHARE, DILUTED:				
Net income available for common shareholders	$ 1.89	$ 0.64	$ 3.31	$ 1.81
Weighted average number of common shares	81,511	77,575	80,137	77,287
COMPREHENSIVE INCOME	$ 161,569	$ 55,095	$ 286,902	$ 155,530
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	$ 158,672	$ 52,634	$ 277,929	$ 149,480

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

Federal Realty Investment Trust
Consolidated Statements of Shareholders' Equity
For the Three and Nine Months Ended September 30, 2022
(Unaudited)

	Shareholders' Equity of the Trust								
	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
	(In thousands, except share data)								
BALANCE AT JUNE 30, 2022	398,878	$ 159,822	80,896,804	$ 813	$ 3,758,161	$ (1,126,463)	$ 3,550	$ 80,544	2,876,427
Net income, excluding $1,774 attributable to redeemable noncontrolling interests	—	—	—	—	—	156,138	—	862	157,000
Other comprehensive income - change in fair value of interest rate swaps, excluding $261 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	2,534	—	2,534
Dividends declared to common shareholders ($1.08 per share)	—	—	—	—	—	(87,694)	—	—	(87,694)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,008)	—	—	(2,008)
Distributions declared to noncontrolling interests, excluding $1,974 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	—	(1,441)	(1,441)
Common shares issued, net	—	—	296,872	3	32,889	—	—	—	32,892
Exercise of stock options	—	—	366	—	35	—	—	—	35
Shares issued under dividend reinvestment plan	—	—	5,832	—	573	—	—	—	573
Share-based compensation expense, net of forfeitures	—	—	6,810	1	3,578	—	—	—	3,579
Shares withheld for employee taxes	—	—	(2,398)		(248)	—	—	—	(248)
Deconsolidation of VIE	—	—	—	—	—	—	—	972	972
Adjustment to redeemable noncontrolling interests	—	—	—	—	(741)	—	—	—	(741)
BALANCE AT SEPTEMBER 30, 2022	398,878	$ 159,822	81,204,286	$ 817	$ 3,794,247	$ (1,060,027)	$ 6,084	$ 80,937	$ 2,981,880
BALANCE AT DECEMBER 31, 2021	405,896	$ 159,997	78,603,305	$ 790	$ 3,488,794	$ (1,066,932)	$ (2,047)	$ 82,546	$ 2,663,148
Net income, excluding $5,301 attributable to redeemable noncontrolling interests	—	—	—	—	—	269,798	—	2,870	272,668
Other comprehensive income - change in fair value of interest rate swaps, excluding $802 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	8,131	—	8,131
Dividends declared to common shareholders ($3.22 per share)	—	—	—	—	—	(256,867)	—	—	(256,867)
Dividends declared to preferred shareholders	—	—	—	—	—	(6,026)	—	—	(6,026)
Distributions declared to noncontrolling interests, excluding $6,112 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	—	(4,066)	(4,066)
Common shares issued, net	—	—	2,500,569	25	292,319	—	—	—	292,344
Exercise of stock options	—	—	366	—	35	—	—	—	35
Shares issued under dividend reinvestment plan	—	—	13,832	—	1,584	—	—	—	1,584
Share-based compensation expense, net of forfeitures	—	—	110,915	2	11,256	—	—	—	11,258
Shares withheld for employee taxes	—	—	(40,974)	—	(4,886)	—	—	—	(4,886)
Conversion of preferred shares	(7,018)	(175)	1,675	—	175	—	—	—	—
Conversion of downREIT OP units	—	—	14,598	—	1,385	—	—	(1,385)	—
Deconsolidation of VIE	—	—	—	—	—	—	—	972	972
Adjustment to redeemable noncontrolling interests	—	—	—	—	3,585	—	—	—	3,585
BALANCE AT SEPTEMBER 30, 2022	398,878	$ 159,822	81,204,286	$ 817	$ 3,794,247	$ (1,060,027)	$ 6,084	$ 80,937	$ 2,981,880

Federal Realty Investment Trust

Consolidated Statements of Shareholders' Equity

For the Three and Nine Months Ended September 30, 2021

(Unaudited)

	Shareholders' Equity of the Trust								
	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
	(In thousands, except share data)								
BALANCE AT JUNE 30, 2021	405,896	$ 159,997	77,760,588	$ 782	$ 3,395,189	$ (1,062,641)	$ (3,238)	$ 85,750	$ 2,575,839
Net income, excluding $1,595 attributable to redeemable noncontrolling interests	—	—	—	—	—	52,122	—	824	52,946
Other comprehensive income - change in fair value of interest rate swaps, excluding $42 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	512	—	512
Dividends declared to common shareholders ($1.07 per share)	—	—	—	—	—	(83,212)	—	—	(83,212)
Dividends declared to preferred shareholders	—	—	—	—	—	(2,010)	—	—	(2,010)
Distributions declared to noncontrolling interests, excluding $1,310 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	—	(1,555)	(1,555)
Common shares issued, net	—	—	19	—	(67)	—	—	—	(67)
Shares issued under dividend reinvestment plan	—	—	4,194	—	488	—	—	—	488
Share-based compensation expense, net of forfeitures	—	—	10,907	—	3,367	—	—	—	3,367
Shares withheld for employee taxes	—	—	(1,063)	—	(126)	—	—	—	(126)
BALANCE AT SEPTEMBER 30, 2021	405,896	$ 159,997	77,774,645	$ 782	$ 3,398,851	$ (1,095,741)	$ (2,726)	$ 85,019	$ 2,546,182
BALANCE AT DECEMBER 31, 2020	405,896	$ 159,997	76,727,394	$ 771	$ 3,297,305	$ (988,272)	$ (5,644)	$ 84,590	$ 2,548,747
Net income, excluding $3,472 attributable to redeemable noncontrolling interests	—	—	—	—	—	146,562	—	2,305	148,867
Other comprehensive income - change in fair value of interest rate swaps, excluding $273 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	2,918	—	2,918
Dividends declared to common shareholders ($3.19 per share)	—	—	—	—	—	(248,000)	—	—	(248,000)
Dividends declared to preferred shareholders	—	—	—	—	—	(6,031)	—	—	(6,031)
Distributions declared to noncontrolling interests, excluding $3,045 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	—	(3,282)	(3,282)
Common shares issued, net	—	—	847,528	9	87,057	—	—	—	87,066
Shares issued under dividend reinvestment plan	—	—	15,710	—	1,507	—	—	—	1,507
Share-based compensation expense, net of forfeitures	—	—	163,092	2	10,872	—	—	—	10,874
Shares withheld for employee taxes	—	—	(28,563)	—	(2,939)	—	—	—	(2,939)
Conversion and redemption of downREIT OP units	—	—	49,484	—	5,049	—	—	(5,148)	(99)
Contributions from noncontrolling interests, excluding $74,530 attributable to redeemable noncontrolling interests	—	—	—	—	—	—	—	6,554	6,554
BALANCE AT SEPTEMBER 30, 2021	405,896	$ 159,997	77,774,645	$ 782	$ 3,398,851	$ (1,095,741)	$ (2,726)	$ 85,019	$ 2,546,182

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

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 277,969	$ 152,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	223,244	202,160
Gain on deconsolidation of VIE	(70,374)	—
Gain on sale of real estate and change in control of interest	(29,723)	(17,428)
(Income) loss from partnerships	(4,878)	86
Straight-line rent	(14,414)	(4,114)
Share-based compensation expense	10,255	9,780
Other, net	(3,509)	(2,206)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable, net	(5,519)	4,857
Decrease (increase) in prepaid expenses and other assets	1,361	(6,004)
Increase in accounts payable and accrued expenses	13,948	15,505
Increase in security deposits and other liabilities	10,933	11,061
Net cash provided by operating activities	409,293	366,036
INVESTING ACTIVITIES		
Acquisition of real estate	(429,990)	(366,466)
Capital expenditures - development and redevelopment	(213,881)	(282,833)
Capital expenditures - other	(70,004)	(48,693)
Costs associated with property sold under threat of condemnation	(2,915)	—
Proceeds from sale of real estate	66,682	19,896
Change in cash from deconsolidation of VIE	(4,192)	—
Investment in partnerships	(417)	(2,657)
Distribution from partnerships in excess of earnings	5,076	1,868
Leasing costs	(17,039)	(14,079)
(Issuance) repayment of mortgage and other notes receivable, net	(3,471)	31,122
Net cash used in investing activities	(670,151)	(661,842)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility	267,000	—
Repayment of mortgages, finance leases and notes payable	(18,644)	(160,307)
Issuance of common shares, net of costs	292,671	87,279
Dividends paid to common and preferred shareholders	(258,009)	(250,849)
Shares withheld for employee taxes	(4,886)	(2,939)
Contributions from noncontrolling interests	—	104
Distributions to and redemptions of redeemable noncontrolling interests	(33,801)	(6,473)
Net cash provided by (used in) financing activities	244,331	(333,185)
Decrease in cash, cash equivalents and restricted cash	(16,527)	(628,991)
Cash, cash equivalents, and restricted cash at beginning of year	175,163	816,896
Cash, cash equivalents, and restricted cash at end of period	$ 158,636	$ 187,905

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

Federal Realty OP LP
Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
	(In thousands, except unit data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including $1,963,129 and $2,207,648 of consolidated variable interest entities, respectively)	$ 9,323,359	$ 8,814,791
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Finance lease right of use assets, net	45,756	49,832
Prepaid expenses and other assets	266,203	237,069
TOTAL ASSETS	$ 8,217,007	$ 7,622,320
LIABILITIES AND CAPITAL		
Liabilities		
Mortgages payable, net (including $192,442 and $335,301 of consolidated variable interest entities, respectively)	$ 321,299	$ 339,993
Notes payable, net	568,302	301,466
Senior notes and debentures, net	3,407,298	3,406,088
Accounts payable and accrued expenses	245,610	235,168
Dividends payable	90,121	86,538
Security deposits payable	28,042	25,331
Operating lease liabilities	78,234	72,661
Finance lease liabilities	67,662	72,032
Other liabilities and deferred credits	242,800	206,187
Total liabilities	5,049,368	4,745,464
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	185,759	213,708
Partner capital		
Preferred units, 398,878 and 405,896 units issued and outstanding, respectively	154,788	154,963
Common units, 81,204,286 and 78,603,305 units issued and outstanding, respectively	2,740,071	2,427,686
Accumulated other comprehensive income (loss)	6,084	(2,047)
Total partner capital	2,900,943	2,580,602
Noncontrolling interests in consolidated partnerships	80,937	82,546
Total capital	2,981,880	2,663,148
TOTAL LIABILITIES AND CAPITAL	$ 8,217,007	$ 7,622,320

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

Federal Realty OP LP
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands, except per unit data)			
REVENUE				
Rental income	$ 273,179	$ 247,024	$ 793,516	$ 694,954
Mortgage interest income	272	260	805	2,116
Total revenue	273,451	247,284	794,321	697,070
EXPENSES				
Rental expenses	58,809	49,318	166,189	141,474
Real estate taxes	32,803	29,529	94,628	88,272
General and administrative	13,100	12,253	39,046	35,357
Depreciation and amortization	77,109	70,611	223,244	202,160
Total operating expenses	181,821	161,711	523,107	467,263
Gain on deconsolidation of VIE	70,374	—	70,374	—
Gain on sale of real estate and change in control of interest	29,723	—	29,723	17,428
OPERATING INCOME	191,727	85,573	371,311	247,235
OTHER INCOME/(EXPENSE)				
Other interest income	234	88	487	701
Interest expense	(35,060)	(32,249)	(98,707)	(95,511)
Income (loss) from partnerships	1,873	1,129	4,878	(86)
NET INCOME	158,774	54,541	277,969	152,339
Net income attributable to noncontrolling interests	(2,636)	(2,419)	(8,171)	(5,777)
NET INCOME ATTRIBUTABLE TO THE PARTNERSHIP	156,138	52,122	269,798	146,562
Distributions on preferred units	(2,008)	(2,010)	(6,026)	(6,031)
NET INCOME AVAILABLE FOR COMMON UNIT HOLDERS	$ 154,130	$ 50,112	$ 263,772	$ 140,531
EARNINGS PER COMMON UNIT, BASIC:				
Net income available for common unit holders	$ 1.90	$ 0.64	$ 3.31	$ 1.81
Weighted average number of common units	80,765	77,485	79,480	77,269
EARNINGS PER COMMON UNIT, DILUTED:				
Net income available for common unit holders	$ 1.89	$ 0.64	$ 3.31	$ 1.81
Weighted average number of common units	81,511	77,575	80,137	77,287
COMPREHENSIVE INCOME	$ 161,569	$ 55,095	$ 286,902	$ 155,530
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARTNERSHIP	$ 158,672	$ 52,634	$ 277,929	$ 149,480

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

Federal Realty OP LP
Consolidated Statements of Capital
For the Three and Nine Months Ended September 30, 2022
(Unaudited)

	Preferred Units	Common Units	Accumulated Other Comprehensive Income (Loss)	Total Partner Capital	Noncontrolling Interests in Consolidated Partnerships	Total Capital
BALANCE AT JUNE 30, 2022	$ 154,788	$ 2,637,545	$ 3,550	$ 2,795,883	$ 80,544	$ 2,876,427
Net income, excluding $1,774 attributable to redeemable noncontrolling interests	2,008	154,130	—	156,138	862	157,000
Other comprehensive income - change in fair value of interest rate swaps, excluding $261 attributable to redeemable noncontrolling interests	—	—	2,534	2,534	—	2,534
Distributions declared to common unit holders	—	(87,694)	—	(87,694)	—	(87,694)
Distributions declared to preferred unit holders	(2,008)	—	—	(2,008)	—	(2,008)
Distributions declared to noncontrolling interests in consolidated partnerships, excluding $1,974 attributable to redeemable noncontrolling interests	—	—	—	—	(1,441)	(1,441)
Common units issued as a result of common stock issued by Parent Company, net of issuance costs	—	32,892	—	32,892	—	32,892
Exercise of stock options	—	35	—	35	—	35
Common units issued under dividend reinvestment plan	—	573	—	573	—	573
Share-based compensation expense, net of forfeitures	—	3,579	—	3,579	—	3,579
Common units withheld for employee taxes	—	(248)	—	(248)	—	(248)
Deconsolidation of VIE	—	—	—	—	972	972
Adjustment to redeemable noncontrolling interests	—	(741)	—	(741)	—	(741)
BALANCE AT SEPTEMBER 30, 2022	154,788	2,740,071	6,084	2,900,943	80,937	2,981,880
BALANCE AT DECEMBER 31, 2021	$ 154,963	$ 2,427,686	$ (2,047)	$ 2,580,602	$ 82,546	$ 2,663,148
Net income, excluding $5,301 attributable to redeemable noncontrolling interests	6,026	263,772	—	269,798	2,870	272,668
Other comprehensive income - change in fair value of interest rate swaps, excluding $802 attributable to redeemable noncontrolling interest	—	—	8,131	8,131	—	8,131
Distributions declared to common unit holders	—	(256,867)	—	(256,867)	—	(256,867)
Distributions declared to preferred unit holders	(6,026)	—	—	(6,026)	—	(6,026)
Distributions declared to noncontrolling interests in consolidated partnerships, excluding $6,112 attributable to redeemable noncontrolling interests	—	—	—	—	(4,066)	(4,066)
Common units issued as a result of common stock issued by Parent Company, net of issuance costs	—	292,344	—	292,344	—	292,344
Exercise of stock options	—	35	—	35	—	35
Common units issued under dividend reinvestment plan	—	1,584	—	1,584	—	1,584
Share-based compensation expense, net of forfeitures	—	11,258	—	11,258	—	11,258
Common units withheld for employee taxes	—	(4,886)	—	(4,886)	—	(4,886)
Conversion of preferred units	(175)	175	—	—	—	—
Conversion of downREIT OP units	—	1,385	—	1,385	(1,385)	—
Deconsolidation of VIE	—	—	—	—	972	972
Adjustment to redeemable noncontrolling interests	—	3,585	—	3,585	—	3,585
BALANCE AT SEPTEMBER 30, 2022	$ 154,788	$ 2,740,071	$ 6,084	$ 2,900,943	$ 80,937	$ 2,981,880

Federal Realty OP LP

Consolidated Statements of Capital

For the Three and Nine Months Ended September 30, 2021

(Unaudited)

	Preferred Units	Common Units	Accumulated Other Comprehensive Income (Loss)	Total Partner Capital	Noncontrolling Interests in Consolidated Partnerships	Total Capital
BALANCE AT JUNE 30, 2021	$ 154,963	$ 2,338,364	$ (3,238)	$ 2,490,089	$ 85,750	$ 2,575,839
Net income, excluding $1,595 attributable to redeemable noncontrolling interests	2,010	50,112	—	52,122	824	52,946
Other comprehensive income - change in fair value of interest rate swaps, excluding $42 attributable to redeemable noncontrolling interests	—	—	512	512	—	512
Distributions declared to common unit holders	—	(83,212)	—	(83,212)	—	(83,212)
Distributions declared to preferred unit holders	(2,010)	—	—	(2,010)	—	(2,010)
Distributions declared to noncontrolling interests in consolidated partnerships, excluding $1,310 attributable to redeemable noncontrolling interests	—	—	—	—	(1,555)	(1,555)
Common units issued as a result of common stock issued by Parent Company, net of issuance costs	—	(67)	—	(67)	—	(67)
Common units issued under dividend reinvestment plan	—	488	—	488	—	488
Share-based compensation expense, net of forfeitures	—	3,367	—	3,367	—	3,367
Common units withheld for employee taxes	—	(126)	—	(126)	—	(126)
BALANCE AT SEPTEMBER 30, 2021	$ 154,963	$ 2,308,926	$ (2,726)	$ 2,461,163	$ 85,019	$ 2,546,182
BALANCE AT DECEMBER 31, 2020	$ 154,963	$ 2,314,838	$ (5,644)	$ 2,464,157	$ 84,590	$ 2,548,747
Net income, excluding $3,472 attributable to redeemable noncontrolling interests	6,031	140,531	—	146,562	2,305	148,867
Other comprehensive income - change in fair value of interest rate swaps, excluding $273 attributable to redeemable noncontrolling interests	—	—	2,918	2,918	—	2,918
Distributions declared to common unit holders	—	(248,000)	—	(248,000)	—	(248,000)
Distributions declared to preferred unit holders	(6,031)	—	—	(6,031)	—	(6,031)
Distributions declared to noncontrolling interests in consolidated partnerships, excluding $3,045 attributable to redeemable noncontrolling interests	—	—	—	—	(3,282)	(3,282)
Common units issued as a result of common stock issued by Parent Company, net of issuance costs	—	87,066	—	87,066	—	87,066
Common units issued under dividend reinvestment plan	—	1,507	—	1,507	—	1,507
Share-based compensation expense, net of forfeitures	—	10,874	—	10,874	—	10,874
Common units withheld for employee taxes	—	(2,939)	—	(2,939)	—	(2,939)
Conversion and redemption of downREIT OP units	—	5,049	—	5,049	(5,148)	(99)
Contributions from noncontrolling interests, excluding $74,530 attributable to redeemable noncontrolling interests	—		—	—	6,554	$ 6,554
BALANCE AT SEPTEMBER 30, 2021	$ 154,963	$ 2,308,926	$ (2,726)	$ 2,461,163	$ 85,019	$ 2,546,182

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

Federal Realty OP LP
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 277,969	$ 152,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	223,244	202,160
Gain on deconsolidation of VIE	(70,374)	—
Gain on sale of real estate and change in control of interest	(29,723)	(17,428)
(Income) loss from partnerships	(4,878)	86
Straight-line rent	(14,414)	(4,114)
Share-based compensation expense	10,255	9,780
Other, net	(3,509)	(2,206)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable, net	(5,519)	4,857
Decrease (increase) in prepaid expenses and other assets	1,361	(6,004)
Increase in accounts payable and accrued expenses	13,948	15,505
Increase in security deposits and other liabilities	10,933	11,061
Net cash provided by operating activities	409,293	366,036
INVESTING ACTIVITIES		
Acquisition of real estate	(429,990)	(366,466)
Capital expenditures - development and redevelopment	(213,881)	(282,833)
Capital expenditures - other	(70,004)	(48,693)
Costs associated with property sold under threat of condemnation	(2,915)	—
Proceeds from sale of real estate	66,682	19,896
Change in cash from deconsolidation of VIE	(4,192)	—
Investment in partnerships	(417)	(2,657)
Distribution from partnerships in excess of earnings	5,076	1,868
Leasing costs	(17,039)	(14,079)
(Issuance) repayment of mortgage and other notes receivable, net	(3,471)	31,122
Net cash used in investing activities	(670,151)	(661,842)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility	267,000	—
Repayment of mortgages, finance leases and notes payable	(18,644)	(160,307)
Issuance of common units, net of costs	292,671	87,279
Distributions to common and preferred unit holders	(258,009)	(250,849)
Shares withheld for employee taxes	(4,886)	(2,939)
Contributions from noncontrolling interests	—	104
Distributions to and redemptions of redeemable noncontrolling interests	(33,801)	(6,473)
Net cash provided by (used in) financing activities	244,331	(333,185)
Decrease in cash, cash equivalents and restricted cash	(16,527)	(628,991)
Cash, cash equivalents, and restricted cash at beginning of year	175,163	816,896
Cash, cash equivalents, and restricted cash at end of period	$ 158,636	$ 187,905

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

Federal Realty Investment Trust
Federal Realty OP LP
Notes to Consolidated Financial Statements
September 30, 2022
(Unaudited)

NOTE 1—BUSINESS AND ORGANIZATION

Federal Realty Investment Trust (the "Parent Company" and the “Trust”) is an equity real estate investment trust (“REIT”). Federal Realty OP LP (the "Operating Partnership") is the entity through which the Parent Company conducts substantially all of its operations and owns all of its assets. The Parent Company owns 100% of the limited liability company interests of, is sole member of and exercises exclusive control over Federal Realty GP LLC ("the General Partner"), which in turn, is the sole general partner of the Operating Partnership. The Parent Company specializes in the ownership, management, and redevelopment of retail and mixed-use properties through the Operating Partnership, and has no other substantial assets or liabilities other than through its investment in the Operating Partnership. Our properties are located primarily in communities where we believe retail demand exceeds supply, in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, California, and South Florida. As of September 30, 2022, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In January 2022, we completed a reorganization into an umbrella partnership real estate investment trust, or "UPREIT." For additional information on our UPREIT reorganization, please see our Current Reports on Form 8-K filed with the SEC on January 3, 2022 and January 5, 2022, as well our latest Annual Report on Form 10-K filed on February 10, 2022. Immediately following the reorganization, the Parent Company had the same consolidated assets and liabilities as Federal Realty Investment Trust immediately before the reorganization. The Parent Company exercises exclusive control over the General Partner and does not have assets or liabilities other than its investment in the Operating Partnership. As a result, the UPREIT reorganization represented a merger of entities under common control in accordance with accounting principles generally accepted in the United States ("GAAP"). Accordingly, the accompanying consolidated financial statements including the notes thereto, are presented as if the UPREIT reorganization had occurred at the earliest period presented.

The accompanying unaudited interim consolidated financial statements of the Parent Company and Operating Partnership 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 GAAP have been omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in our 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, 2022 are not necessarily indicative of the results that may be expected for the full year. Certain 2021 amounts have been reclassified to conform to our current period presentation.

Principles of Consolidation

As discussed in the Explanatory Note, we have combined the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report. As a result, we present two sets of consolidated financial statements. Both sets of consolidated financial statements include the accounts of the entity, its corporate subsidiaries, and all entities in which it has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity (“VIE”). The Parent Company's consolidated financial statements include the accounts of the Operating Partnership and its subsidiaries as the Parent Company, through its ownership and control over the General Partner, exercises exclusive control over the Operating Partnership. The equity interests of other investors are reflected as noncontrolling interests or redeemable noncontrolling interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures which we do not control using the equity method of accounting.

Use of Estimates

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

Impacts of COVID-19 Pandemic and General Economic Conditions

Given ongoing workforce shortages, global supply chain bottlenecks and shortages, higher levels of inflation, and rising interest rates, we continue to monitor and address risks related to the global COVID-19 pandemic and the state of the economy. The extent of the future effects of COVID-19 and potentially worsening economic conditions on our business, results of operations, cash flows, and growth prospects is highly uncertain and will ultimately depend on future developments, none of which can be predicted with any certainty.

Our collection of rents has continued to improve including collecting rents related to prior periods. As a result, our collectibility related adjustments resulted in an increase to rental income of $0.9 million and $2.9 million, respectively, during the three and nine months ended September 30, 2022, as compared to a decrease to rental income during the three and nine months ended September 30, 2021 of $0.6 million and $21.8 million, respectively, which reflected lower levels of cash collections and elevated levels of rent abatements and disputes directly related to COVID-19. As of September 30, 2022, the revenue from approximately 31% of our tenants (based on total commercial leases) is being recognized on a cash basis.

As of September 30, 2022, we executed rent deferral agreements related to the COVID-19 pandemic representing approximately $47 million of rent. We have subsequently collected approximately $33 million of those amounts previously deferred.

For more information, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook.

Recently Issued Accounting Pronouncements

Standard	Description	Effect on the financial statements or significant matters
ASU 2020-04, March 2020, *Reference Rate Reform (Topic 848)*	This ASU provides companies with optional practical expedients to ease the accounting burden for contract modifications associated with transitioning away from LIBOR and other interbank offered rates that are expected to be discontinued as part of reference rate reform. For hedges, the guidance generally allows changes to the reference rate and other critical terms without having to de-designate the hedging relationship, as well as allows the shortcut method to continue to be applied. For contract modifications, changes in the reference rate or other critical terms will be treated as a continuation of the prior contract. This guidance can be applied immediately, however, is generally only available through December 31, 2022.	We expect to apply some of the practical expedients, as we are in the process of transitioning the $55.4 million mortgage loan at Hoboken and the $39.2 million mortgage loan related to the unconsolidated Assembly Row hotel (of which our share is $19.6 million) from LIBOR to alternative interest rates. We do not expect a significant impact to our financial results, financial position, or cash flows from this transition.
ASU 2022-03, June 2022, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (Topic 820)*	This ASU clarifies that contractual sale restrictions are not considered in measuring the fair value of equity securities, and requires specific disclosures for all entities with equity securities subject to a contractual sale restriction including (1) the fair value of such equity securities reflected in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions. In addition, the ASU prohibits an entity from recognizing a contractual sale as a separate unit of account. This guidance is effective in fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted.	We are assessing the impact of this ASU on OP units issued as consideration in future acquisitions.

Consolidated Statements of Cash Flows—Supplemental Disclosures

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

	Nine Months Ended September 30,	
	2022	2021
	(In thousands)	
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	$ 112,596	$ 113,691
Interest capitalized	(13,889)	(18,180)
Interest expense	$ 98,707	$ 95,511
Cash paid for interest, net of amounts capitalized	$ 94,712	$ 91,887
Cash paid for income taxes	$ 616	$ 326
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
DownREIT operating partnership units redeemed for common shares	$ 1,385	$ 5,121
Shares issued under dividend reinvestment plan	$ 1,292	$ 1,294
5.417% Series 1 Cumulative Convertible Preferred Shares redeemed for common shares	$ 175	$ —

	September 30, 2022	December 31, 2021
	(In thousands)	
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	$ 146,214	$ 162,132
Restricted cash (1)	12,422	13,031
Total cash, cash equivalents, and restricted cash	$ 158,636	$ 175,163

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

NOTE 3—REAL ESTATE

Property Acquisitions

During the nine months ended September 30, 2022, we acquired the following properties:

Date Acquired	Property	City/State	Gross Leasable Area (GLA)	Gross Value	
			(in square feet)	(in millions)	
April 20, 2022 & July 27, 2022	Kingstowne Towne Center	Kingstowne, Virginia	410,000	$ 200.0	(1)
July 18, 2022	Hilton Village (office building)	Scottsdale, Arizona	214,000	$ 53.6	(2)
July 27, 2022	The Shops at Pembroke Gardens	Pembroke Pines, Florida	392,000	$ 180.5	(3)

(1) Approximately $11.3 million and $0.3 million of net assets acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively, and $20.2 million of net assets acquired were allocated to other liabilities for "below market leases."

(2) This building is adjacent to, and will be operated as part of our Hilton Village property. The land is controlled under a long-term ground lease that expires on September 30, 2075, for which we have recorded a $6.5 million "operating lease right of use asset" (net of a $0.8 million above market liability) and a $7.3 million "operating lease liability." Approximately $8.9 million of net assets acquired were allocated to other assets for "acquired lease costs" and $0.1 million of net assets acquired were allocated to other liabilities for "below market leases."

(3) Approximately $16.3 million and $1.6 million of net assets acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively, and $18.4 million of net assets acquired were allocated to other liabilities for "below market leases."

Property Dispositions

During the three and nine months ended September 30, 2022, we sold one residential property (including an adjacent retail pad) and one retail property for sales prices totaling $66.8 million, resulting in net gains totaling approximately $20.4 million.

Other Transaction

On August 25, 2022, we entered into a tenancy in common ("TIC") agreement with our partner in the partnership that owned Escondido Promenade. As a result, the Company owns a 77.7% TIC interest, and our former partner owns the remaining 22.3% interest. While the Company controlled and consolidated Escondido Promenade under the previous partnership arrangement, control is shared under the TIC agreement. The transaction is considered a transfer of our previous controlling partner interest in exchange for a non-controlling TIC interest. Accordingly, we deconsolidated the entity and recorded our TIC interest at fair value as an equity method investment. We recognized a $70.4 million "gain on deconsolidation of VIE" on our consolidated statements of operations, which is the difference between the net carrying value of the deconsolidated entity and the fair value of our TIC interest. As of August 25, 2022, the fair value of our investment in the entity was $110.0 million, and is included in "investment in partnerships" on our consolidated balance sheet as of September 30, 2022. As a part of this transaction, we made a $3.5 million loan to our co-owner, which is included in "accounts and notes receivable, net" on our consolidated balance sheet at September 30, 2022. In addition, we entered into a purchase option agreement to acquire the TIC interest from our co-owner, which was secured through an option payment of $1.5 million, and allows us to exercise our option at any time between February 1, 2023 and March 15, 2023.

NOTE 4—DEBT

On June 29, 2022, we repaid the $16.1 million mortgage loan on one of the buildings at our Hoboken property, at par.

During both the three and nine months ended September 30, 2022, the maximum amount of borrowings outstanding under our $1.0 billion revolving credit facility was $330.0 million. The weighted average amount of borrowings outstanding was $229.5 million and $97.8 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 3.4% and 3.1%, respectively, for the three and nine months ended September 30, 2022. At September 30, 2022, our revolving credit facility had $267.0 million outstanding.

Effective April 1, 2022, as a result of the change in our credit rating, the spread over LIBOR on our revolving credit facility increased from 77.5 basis points to 82.5 basis, and the spread over LIBOR on our unsecured term loan increased from 80 basis points to 85 basis points.

Our revolving credit facility, term loan, and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholders' equity and debt coverage ratios and a maximum ratio of debt to net worth. As of September 30, 2022, we were in compliance with all default related debt covenants.

NOTE 5—FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable, net	$ 889,601	$ 867,018	$ 641,459	$ 655,864
Senior notes and debentures, net	$ 3,407,298	$ 3,043,034	$ 3,406,088	$ 3,649,776

As of September 30, 2022, we have two interest rate swap agreements with notional amounts of $55.4 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the interest rate on $55.4 million of mortgage payables at 3.67% through December 15, 2029. The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at September 30, 2022 was an asset of $6.5 million and is included in "prepaid expenses and other assets" on our consolidated balance sheets. For the three and nine months ended September 30, 2022, the value of our interest rate swaps increased $2.6 million and $8.0 million, respectively (including less than $0.1 million reclassified from other comprehensive income as a decrease to interest expense for the three months ended and $0.3 million for the nine months ended reclassified from other comprehensive income as an increase to interest expense, respectively). A summary of our financial assets (liabilities) that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	September 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	$ —	$ 6,508	$ —	$ 6,508	$ —	$ (1,511)	$ —	$ (1,511)

One of our equity method investees has two interest rate swaps which qualify for cash flow hedge accounting. For the three and nine months ended September 30, 2022, our share of the change in fair value of the related swaps included in "accumulated other comprehensive income" was an increase of $0.2 million and $0.9 million, respectively.

NOTE 6—COMMITMENTS AND CONTINGENCIES

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

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

On July 13, 2022, we acquired the 21.8% redeemable noncontrolling interest in the partnership that owns our Plaza El Segundo shopping center for $23.6 million, bringing our ownership interest to 100%.

On December 11, 2019, we received proceeds related to the sale under the threat of condemnation at San Antonio Center as discussed in our Annual Report on Form 10-K for the year ended December 31, 2019. We indemnified the condemning authority for all costs incurred related to the condemnation proceedings including any payments required to tenants at the property and recorded a corresponding liability for our estimate of these costs. During September 2022, we recorded a net reduction to our liability for condemnation and transaction costs to reflect the impact of a recent tenant settlement agreement and our current estimate of remaining costs, and accordingly, for the three and nine months ended September 30, 2022, we have recognized a gain of $9.3 million, which is included in our consolidated statements of operations. Additionally, during the nine months ended September 30, 2022, we incurred $2.9 million of payments to tenants, and consequently, at September 30, 2022, we have a liability of $20.1 million to reflect our estimate of the remaining consideration.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or common shares, at our option. A total of 652,233 downREIT operating partnership units are outstanding which have a total fair value of approximately $58.8 million, which is calculated by multiplying the outstanding number of downREIT partnership units by our closing stock price on September 30, 2022.

NOTE 7—SHAREHOLDERS' EQUITY

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

	Nine Months Ended September 30,			
	2022		2021	
	Declared	Paid	Declared	Paid
Common shares	$ 3.220	$ 3.210	$ 3.190	$ 3.180
5.417% Series 1 Cumulative Convertible Preferred shares	$ 1.016	$ 1.016	$ 1.016	$ 1.016
5.0% Series C Cumulative Redeemable Preferred shares (1)	$ 0.938	$ 0.938	$ 0.938	$ 0.938

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

On February 14, 2022, we replaced our existing ATM equity program with a new ATM equity program under which we may from time to time offer and sell common shares having an aggregate offering price of up to $500.0 million. The ATM equity program also allows shares to be sold through forward sales contracts. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay indebtedness and/or for general corporate purposes.

For the three and nine months ended September 30, 2022, we issued 296,843 common shares at a weighted average price per share of $112.11 for net cash proceeds of $32.9 million including paying $0.3 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. We have the remaining capacity to issue up to $466.7 million in common shares under our ATM equity program as of September 30, 2022.

For the nine months ended September 30, 2022, we settled forward sales agreements by issuing 2,203,655 common shares for net proceeds of $259.4 million. We have no outstanding forward sales agreements as of September 30, 2022.

On June 15, 2022, one of our 5.417% Series 1 Cumulative Convertible Preferred shareholders converted 7,018 preferred shares to 1,675 common shares.

NOTE 8—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,	
	2022	2021	2022	2021
	(In thousands)			
Grants of common shares, restricted stock units, and options	$ 3,579	$ 3,367	$ 11,258	$ 10,874
Capitalized share-based compensation	(344)	(336)	(1,003)	(1,094)
Share-based compensation expense	$ 3,235	$ 3,031	$ 10,255	$ 9,780

NOTE 9—EARNINGS PER SHARE AND UNIT

We have calculated earnings per share (“EPS”) and earnings per unit ("EPU") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS and EPU for each class of common stock and partnership units, respectively, and participating securities is calculated according to dividends or distributions declared and participation rights in undistributed earnings. For both the three and nine months ended September 30, 2022 and 2021, we had 0.3 million weighted average unvested shares and units outstanding, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS and EPU between common shares and units and unvested shares and units; the portion of earnings allocated to the unvested shares and units is reflected as “earnings allocated to unvested shares” or "earnings allocated to unvested units" in the reconciliations below.

The following potentially issuable shares were excluded from the diluted EPS and EPU calculations because their impact is anti-dilutive:

- exercise of 682 stock options for the three and nine months ended September 30, 2021,
- conversions of downREIT operating partnership units for the three and nine months ended September 30, 2021,
- conversions of 5.417% Series 1 Cumulative Convertible Preferred Shares and units for the nine months ended September 30, 2022, and the three and nine months ended September 30, 2021, and
- the issuance of 1.8 million shares and units issuable under common share forward sales agreements for the nine months ended September 30, 2022, and 0.9 million and 1.7 million, respectively, for the three and nine months ended September 30, 2021.

Additionally, 10,441 unvested restricted stock units are excluded from the diluted EPS and EPU calculations as the market based performance criteria in the awards has not yet been achieved.

Federal Realty Investment Trust Earnings per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands, except per share data)			
NUMERATOR				
Net income	$ 158,774	$ 54,541	$ 277,969	152,339
Less: Preferred share dividends	(2,008)	(2,010)	(6,026)	(6,031)
Less: Income from operations attributable to noncontrolling interests	(2,636)	(2,419)	(8,171)	(5,777)
Less: Earnings allocated to unvested shares	(535)	(309)	(935)	(901)
Net income available for common shareholders, basic and diluted	$ 153,595	$ 49,803	$ 262,837	$ 139,630
DENOMINATOR				
Weighted average common shares outstanding, basic	80,765	77,485	79,480	77,269
Effect of dilutive securities:				
Open forward contracts for share issuances	—	90	1	18
DownREIT operating partnership units	652	—	656	—
5.417% Series 1 Cumulative Convertible Preferred Shares	94	—	—	—
Weighted average common shares outstanding, diluted	81,511	77,575	80,137	77,287
EARNINGS PER COMMON SHARE, BASIC:				
Net income available for common shareholders	$ 1.90	$ 0.64	$ 3.31	$ 1.81
EARNINGS PER COMMON SHARE, DILUTED:				
Net income available for common shareholders	$ 1.89	$ 0.64	$ 3.31	$ 1.81

Federal Realty OP LP Earnings per Unit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands, except per unit data)			
NUMERATOR				
Net income	$ 158,774	$ 54,541	$ 277,969	152,339
Less: Preferred unit distributions	(2,008)	(2,010)	(6,026)	(6,031)
Less: Income from operations attributable to noncontrolling interests	(2,636)	(2,419)	(8,171)	(5,777)
Less: Earnings allocated to unvested units	(535)	(309)	(935)	(901)
Net income available for common unit holders, basic and diluted	$ 153,595	$ 49,803	$ 262,837	$ 139,630
DENOMINATOR				
Weighted average common units outstanding, basic	80,765	77,485	79,480	77,269
Effect of dilutive securities:				
Common unit issuances relating to open common share forward contracts	—	90	1	18
DownREIT operating partnership units	652	—	656	—
5.417% Series 1 Cumulative Convertible Preferred Units	94	—	—	—
Weighted average common units outstanding, diluted	81,511	77,575	80,137	77,287
EARNINGS PER COMMON UNIT, BASIC:				
Net income available for common unit holders	$ 1.90	$ 0.64	$ 3.31	$ 1.81
EARNINGS PER COMMON UNIT, DILUTED:				
Net income available for common unit holders	$ 1.89	$ 0.64	$ 3.31	$ 1.81

NOTE 10—SUBSEQUENT EVENTS

On October 5, 2022, we amended our revolving credit facility, increasing the borrowing capacity from $1.0 billion to $1.25 billion, extending the maturity date to April 5, 2027, plus two six-month extension options, transitioning the interest rate provisions from LIBOR to the secured overnight financing rate ("SOFR"), and adjusting the spread for SOFR based loans. Our SOFR based loans bear interest at Daily Simple SOFR or Term SOFR as defined in the credit agreement plus 0.10% plus a spread, based on our credit rating. The current spread is 77.5 basis points. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.75 billion. On October 5, 2022, we also amended our unsecured term loan and borrowed an additional $300.0 million, bringing the total outstanding to $600.0 million. The term loan amendment also transitioned the interest rate provisions from LIBOR to SOFR, with the basis point spread over SOFR remaining at 85 basis points, based on our current credit rating. The net proceeds from the term loan were used to repay the $267.0 million outstanding balance on the revolving credit facility and for general corporate purposes.

On October 6, 2022, we acquired a 47.5% interest in an unconsolidated joint venture that owns two shopping centers totaling 617,000 square feet in Chandler, Arizona for $58.9 million. The properties have combined mortgage debt of $76.1 million, of which our share is approximately $36.2 million.

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, 2021 filed with the Securities and Exchange Commission (the “SEC”) on February 10, 2022.

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of the Company and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” “should” or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- risks that our tenants will not pay rent, may vacate early or may file for bankruptcy or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that completion of anticipated or ongoing property redevelopment or renovation projects that we do pursue may cost more, take more time to complete or fail to perform as expected;
- 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, that new acquisitions may fail to perform as expected, that competition for acquisitions could result in increased prices for acquisitions, that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase, that environmental issues may develop at our properties and result in unanticipated costs, and, because real estate is illiquid, that 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 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;
- risks related to the Trust's 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 the Trust's 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;
- risks related to natural disasters, climate change and public health crises (such as the outbreak and worldwide spread of COVID-19), and the measures that international, federal, state and local governments, agencies, law enforcement and/or

health authorities implement to address them, may precipitate or materially exacerbate one or more of the above-mentioned risks, and may significantly disrupt or prevent us from operating our business in the ordinary course for an extended period.

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. 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, 2021 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

Federal Realty Investment Trust (the "Parent Company" or the “Trust”) is an equity real estate investment trust (“REIT”). Federal Realty OP LP (the "Operating Partnership") is the entity through which the Trust conducts substantially all of its operations and owns substantially all of its assets. The Trust owns 100% of the limited liability company interests of, and is sole member of and exercises exclusive control over Federal Realty GP LLC ("the General Partner"), which in turn, is the sole general partner of the Operating Partnership. Unless stated otherwise or the context otherwise requires, "we," "our," and "us" means the Trust and its business and operations conducted through its directly and indirectly owned subsidiaries, including the Operating Partnership. We specialize in the ownership, management, and redevelopment of high quality retail and mixed-use properties. As of September 30, 2022, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 25.6 million square feet. In total, the real estate projects were 94.3% leased and 92.1% occupied at September 30, 2022.

Impacts of COVID-19 Pandemic and General Economic Conditions

Given the ongoing workforce shortages, global supply chain bottlenecks and shortages, and high inflation, we continue to monitor and address risks related to the COVID-19 pandemic and the general state of the economy. While improving, our cash flow and results of operations in the nine months ended September 30, 2022 continued to be negatively impacted largely due to vacancy levels remaining above historical levels. Although virtually all of our leases required the tenants to pay rent even while they were not operating, we entered into numerous agreements to abate, defer, and/or restructure tenant rent payments for varying periods of time, all with the objective of collecting as much cash as reasonably possible and maintaining occupancy to the maximum extent. We believe those actions positioned many of our tenants to be able to return to payment of contractual rent as soon as possible after the initial impacts from the pandemic have started to subside.

Our collection of rents has continued to improve including collecting rents related to prior periods. As a result, our collectibility related adjustments resulted in an increase to rental income of $0.9 million and $2.9 million, respectively, during the three and nine months ended September 30, 2022, as compared to a decrease to rental income during the three and nine months ended September 30, 2021 of $0.6 million and $21.8 million, respectively, which reflected lower levels of cash collections and elevated levels of rent abatements and disputes directly related to COVID-19. As of September 30, 2022, the revenue from approximately 31% of our tenants (based on total commercial leases) is being recognized on a cash basis.

As of September 30, 2022, we executed rent deferral agreements related to the COVID-19 pandemic representing approximately $47 million of rent. We have subsequently collected approximately $33 million of those amounts previously deferred.

We believe that the actions we have taken to improve our financial position and maximize our liquidity, as described further in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Annual Report on Form 10-K, will continue to mitigate the impact to our cash flow caused by tenants not timely paying contractual rent.

See further discussion of the impact of COVID-19 on our business throughout Item 2.

Critical Accounting Policies

There have been no significant changes to the critical accounting policies disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Annual Report on Form 10-K.

2022 Acquisitions, Dispositions, and Other Transactions

Property Acquisitions

During the nine months ended September 30, 2022, we acquired the following properties:

Date Acquired	Property	City/State	Gross Leasable Area (GLA)		Gross Value	
			(in square feet)		(in millions)	
April 20, 2022 & July 27, 2022	Kingstowne Towne Center	Kingstowne, Virginia	410,000	$	200.0	(1)
July 18, 2022	Hilton Village (office building)	Scottsdale, Arizona	214,000	$	53.6	(2)
July 27, 2022	The Shops at Pembroke Gardens	Pembroke Pines, Florida	392,000	$	180.5	(3)

(1) Approximately $11.3 million and $0.3 million of net assets acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively, and $20.2 million of net assets acquired were allocated to other liabilities for "below market leases."

(2) This building is adjacent to, and will be operated as part of our Hilton Village property. The land is controlled under a long-term ground lease that expires on September 30, 2075, for which we have recorded a $6.5 million "operating lease right of use asset" (net of a $0.8 million above market liability) and a $7.3 million "operating lease liability." Approximately $8.9 million of net assets acquired were allocated to other assets for "acquired lease costs" and $0.1 million of net assets acquired were allocated to other liabilities for "below market leases."

(3) Approximately $16.3 million and $1.6 million of net assets acquired were allocated to other assets for "acquired lease costs" and "above market leases," respectively, and $18.4 million of net assets acquired were allocated to other liabilities for "below market leases."

On October 6, 2022, we acquired a 47.5% interest in an unconsolidated joint venture that owns two shopping centers totaling 617,000 square feet in Chandler, Arizona for $58.9 million. The properties have combined mortgage debt of $76.1 million, of which our share is approximately $36.2 million.

Property Dispositions

During the three and nine months ended September 30, 2022, we sold one residential property (including an adjacent retail pad) and one retail property for sales prices totaling $66.8 million, resulting in net gains totaling approximately $20.4 million.

Other Transactions

On July 13, 2022, we acquired the 21.8% redeemable noncontrolling interest in the partnership that owns our Plaza El Segundo shopping center for $23.6 million, bringing our ownership interest to 100%.

On August 25, 2022, we entered into a tenancy in common ("TIC") agreement with our partner in the partnership that owned Escondido Promenade. As a result, the Company owns a 77.7% TIC interest, and our former partner owns the remaining 22.3% interest. While the Company controlled and consolidated Escondido Promenade under the previous partnership arrangement, control is shared under the TIC agreement. The transaction is considered a transfer of our previous controlling partner interest in exchange for a non-controlling TIC interest. Accordingly, we deconsolidated the entity and recorded our TIC interest at fair value as an equity method investment. We recognized a $70.4 million "gain on deconsolidation of VIE" on our consolidated statements of operations, which is the difference between the net carrying value of the deconsolidated entity and the fair value of our TIC interest. As of August 25, 2022, the fair value of our investment in the entity was $110.0 million, and is included in "investment in partnerships" on our consolidated balance sheet as of September 30, 2022. As a part of this transaction, we made a $3.5 million loan to our co-owner, which is included in "accounts and notes receivable, net" on our consolidated balance sheet at September 30, 2022. In addition, we entered into a purchase option agreement to acquire the TIC interest from our co-owner, which was secured through an option payment of $1.5 million, and allows us to exercise our option at any time between February 1, 2023 and March 15, 2023.

2022 Debt and Equity Transactions

On June 29, 2022, we repaid the $16.1 million mortgage loan on one of the buildings at our Hoboken property, at par.

On October 5, 2022, we amended our revolving credit facility, increasing the borrowing capacity from $1.0 billion to $1.25 billion, extending the maturity date to April 5, 2027, plus two six-month extension options, transitioning the interest rate provisions from LIBOR to the secured overnight financing rate ("SOFR"), and adjusting the spread for SOFR based loans. Our SOFR based loans bear interest at Daily Simple SOFR or Term SOFR as defined in the credit agreement plus 0.10% plus a spread, based on our credit rating. The current spread is 77.5 basis points. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.75 billion. On October 5, 2022, we also amended our unsecured term loan and borrowed an additional $300.0 million, bringing the total outstanding to $600.0 million. The term loan amendment also transitioned the interest rate provisions from LIBOR to SOFR, with the basis point spread over SOFR remaining at 85 basis points, based on our current credit rating. The net proceeds from the term loan were used to repay the $267.0 million outstanding balance on the revolving credit facility and for general corporate purposes.

On February 14, 2022, we replaced our existing ATM equity program with a new ATM equity program under which we may from time to time offer and sell common shares having an aggregate offering price of up to $500.0 million. The ATM equity program also allows shares to be sold through forward sales contracts. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay indebtedness and/or for general corporate purposes.

For the three and nine months ended September 30, 2022, we issued 296,843 common shares at a weighted average price per share of $112.11 for net cash proceeds of $32.9 million including paying $0.3 million in commissions and $0.1 million in additional offering expenses related to the sales of these common shares. We have the remaining capacity to issue up to $466.7 million in common shares under our ATM equity program as of September 30, 2022.

For the nine months ended September 30, 2022, we settled forward sales agreements by issuing 2,203,655 common shares for net proceeds of $259.4 million. We have no outstanding forward sales agreements as of September 30, 2022.

Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

Capitalized Costs

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalized certain external and internal costs related to both development and redevelopment activities of $208 million and $8 million, respectively, for the nine months ended September 30, 2022, and $276 million and $7 million for the nine months ended September 30, 2021. We capitalized external and internal costs related to other property improvements of $76 million and $3 million, respectively, for the nine months ended September 30, 2022, and $44 million and $3 million for the nine months ended September 30, 2021. We capitalized external and internal costs related to leasing activities of $14 million and $3 million, respectively, for the nine months ended September 30, 2022, and $11 million and $2 million, respectively, for the nine months ended September 30, 2021. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $8 million, $2 million, and $3 million, respectively for the nine months ended September 30, 2022, and $7 million, $2 million, and $2 million, respectively, for the nine months ended September 30, 2021. Total capitalized costs were $312 million and $343 million for the nine months ended September 30, 2022 and 2021, respectively.

Outlook

Our long-term growth strategy is focused on growth in earnings, funds from operations, and cash flows primarily through a combination of the following:

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

While the general economic effects of the COVID-19 pandemic, elevated levels of inflation, and rising interest rates are impacting us in the short-term, our long-term focus has not changed. See our 10-K filed on February 10, 2022, for discussion of our long-term strategies.

The COVID-19 global pandemic continues to negatively impact our business with the largest current impacts being lower occupancy, the timing and level of rent collections, and supply chain disruptions. At September 30, 2022, our commercial space is 92.1% occupied, which is below historical levels largely due to tenant failures as a result of the pandemic. This lower occupancy will adversely impact our results until we can release the space and the tenant commences paying rent, as well as limit future vacancies. We are, however, experiencing strong demand for our commercial space as evidenced by the 2.2 million square feet of comparable space leasing we've completed in the last twelve months, and the 2.2% spread between our leased rate of 94.3% and our occupied rate of 92.1%. Our percentage of contractual rents actually collected continued to increase since the low point in April 2020, including some tenants paying past due amounts. We continue to see impacts of overall supply chain disruptions affecting the broader economy, including significantly longer lead times, limited availability, and increased costs for certain construction and other materials that support our development and redevelopment activities. If disruptions continue to worsen, they could result in extended timeframes and/or increased costs for completion of our projects and tenant build-outs, which could delay the commencement of rent payments under new leases. Similarly, if our tenants experience significant disruptions in supply chains supporting their own products, or staffing issues due to labor shortages, their ability to pay rent may be adversely affected. We continue to monitor these macroeconomic developments and are working with our tenants and our vendors to limit the overall impact to our business.

The duration and severity of the economic impact from COVID-19 and the current economic environment will depend on future developments, which are highly uncertain and cannot be fully predicted, however, we seek to position the Company to continue to participate in the resulting economic recovery.

We continue to have several development projects in process being delivered as follows:

- Phase III of Assembly Row includes 277,000 square feet of office space, 56,000 square feet of retail space, and 500 residential units. The expected costs for Phase III are between $475 million and $485 million, with spaces being delivered beginning in the second quarter of 2021. At September 30, 2022, 257,000 square feet of office space has been delivered, all of the units in the residential building have been delivered, and 33,000 square feet of retail space has opened.
- Phase III at Pike & Rose includes a 212,000 square foot office building (which includes 7,000 square feet of ground floor retail space). The building is expected to cost between $130 million and $135 million. At September 30, 2022, approximately 203,000 square feet of office and retail has been delivered, of which approximately 45,000 square feet is our new corporate headquarters.
- Phase IV at Pike & Rose is a 276,000 square foot office building (which includes 10,000 square feet of ground floor retail space). Approximately 105,000 square feet of the office space is pre-leased to a single tenant. The building is expected to cost between $185 million and $200 million, and begin delivering in late 2023.
- The first phase of construction on Santana West includes an eight story 376,000 square foot office building, which is expected to cost between $300 million and $315 million.
- Throughout the portfolio, we currently have redevelopment projects underway with a projected total cost of approximately $231 million that we expect to stabilize over the next several years.

The above includes our best estimates based on information currently known, however, the completion of construction, final costs, and the timing of leasing and openings may be further impacted by the current environment including the duration and severity of the economic impacts of COVID-19, supply chain disruptions, broader economic conditions, and inflation.

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

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

At September 30, 2022, the leasable square feet in our properties was 94.3% leased and 92.1% occupied. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant closings and bankruptcies.

Lease Rollovers

For the third quarter of 2022, we signed leases for a total of 585,000 square feet of retail space including 563,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 3% on a cash basis. New leases for comparable spaces were signed for 215,000 square feet, with no average rental increase on a cash basis. Renewals for comparable spaces were signed for 348,000 square feet at a 5% average rental increase on a cash basis. Tenant improvements and incentives for comparable spaces were $25.88 per square foot, of which, $62.30 per square foot was for new leases and $3.31 per square foot was for renewals for the three months ended September 30, 2022.

For the nine months ended September 30, 2022, we signed leases for a total of 1,622,000 square feet of retail space including 1,569,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 5% on a cash basis. New leases for comparable spaces were signed for 610,000 square feet at an average rental increase of 6% on a cash basis. Renewals for comparable spaces were signed for 959,000 square feet at a 3% average rental increase on a cash basis. Tenant improvements and incentives for comparable spaces were $31.75 per square foot, of which, $75.29 per square foot was for new leases and $4.04 per square foot was for renewals for the nine months ended September 30, 2022.

The rental increases associated with comparable spaces generally include all leases signed for retail space in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between the rent for expiring leases and new leases is determined by including contractual rent on the expiring lease, including percentage rent, and the comparable annual rent and in some instances, projections of percentage rent, to be paid on the new lease. In atypical circumstances, management may exercise judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. As a result of accommodations made to certain tenants to help them to stay open during and after the COVID-19 pandemic, we have found it necessary to exercise more judgement since the pandemic started than in prior years in order to appropriately reflect the comparability of rents in the calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure. Rent abatement and short term rent restructuring agreements that are a result of COVID-19 impacts are not included in this calculation. Tenant improvements and incentives include the total dollars committed for the improvement (fit out) of a space as it relates to a specific lease. Incentives include amounts paid to tenants as an inducement to sign a lease that do not represent building improvements. Costs related to tenant improvements require judgement by management in determining what are costs specific to the tenant and not deferred maintenance on the space.

Historically, we have executed comparable space leases for 1.4 to 2.0 million square feet of retail space each year. We expect the volume in 2022 will be in line with, or potentially exceed, our historical averages given a larger amount of vacancy as a result of COVID-19. We expect some rental rates to continue to be negatively impacted by the COVID-19 pandemic, which we started experiencing in the second quarter of 2020. Although we expect overall positive increases in annual rent for comparable spaces, changes in annual rent for any individual lease or combinations of individual leases reported in any particular period may be positive or negative and we can provide no assurance that the annual rents on comparable space leases will continue to increase at historical levels, if at all.

The leases signed in 2022 generally become effective over the following two years though some may not become effective until 2025 and beyond. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, our historical increases in rental rates do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

Comparable Properties

Throughout this section, we have provided certain information on a “comparable property” basis. Information provided on a comparable property basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties that are currently under development or are being repositioned for significant redevelopment and investment. For the three and nine months ended September 30, 2022, all or a portion of 96 and 92 properties, respectively, were considered comparable properties and seven properties were considered non-comparable properties. For the three months ended September 30, 2022, one property was moved from comparable properties to non-comparable properties, one property was moved from non-comparable properties to comparable properties, three properties and one portion of a property were moved from acquisitions to comparable properties, two properties were removed from comparable properties, as they were sold, and one property was removed from comparable properties, as it was deconsolidated; all compared to the designations as of December 31, 2021. For the nine months ended September 30, 2022, one property was moved from comparable properties to non-comparable properties, one property was moved from non-comparable properties to comparable properties, two properties were removed from comparable properties, as they were sold, and one property was removed from comparable properties, as it was deconsolidated, compared to the designations as of December 31, 2021. While there is judgment surrounding changes in designations, we typically move non-comparable properties to comparable properties once they have stabilized, which is typically considered 90% physical occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from comparable properties when the repositioning of the asset has commenced and has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to comparable properties once we have owned the property for the entirety of comparable periods and the property is not under development or being repositioned for significant redevelopment and investment.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

			Change	
	2022	**2021**	**Dollars**	**%**
	(Dollar amounts in thousands)			
Rental income	$ 273,179	$ 247,024	$ 26,155	10.6 %
Mortgage interest income	272	260	12	4.6 %
Total property revenue	273,451	247,284	26,167	10.6 %
Rental expenses	58,809	49,318	9,491	19.2 %
Real estate taxes	32,803	29,529	3,274	11.1 %
Total property expenses	91,612	78,847	12,765	16.2 %
Property operating income (1)	181,839	168,437	13,402	8.0 %
General and administrative expense	(13,100)	(12,253)	(847)	6.9 %
Depreciation and amortization	(77,109)	(70,611)	(6,498)	9.2 %
Gain on deconsolidation of VIE	70,374	—	70,374	100.0 %
Gain on sale of real estate and change in control of interest	29,723	—	29,723	100.0 %
Operating income	191,727	85,573	106,154	124.1 %
Other interest income	234	88	146	165.9 %
Interest expense	(35,060)	(32,249)	(2,811)	8.7 %
Income from partnerships	1,873	1,129	744	65.9 %
Total other, net	(32,953)	(31,032)	(1,921)	6.2 %
Net income	158,774	54,541	104,233	191.1 %
Net income attributable to noncontrolling interests	(2,636)	(2,419)	(217)	9.0 %
Net income attributable to the Trust	$ 156,138	$ 52,122	$ 104,016	199.6 %

(1) Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of operating income to property operating income for the three months ended September 30, 2022 and 2021 is as follows:

	2022	**2021**
	(in thousands)	
Operating income	$ 191,727	$ 85,573
General and administrative	13,100	12,253
Depreciation and amortization	77,109	70,611
Gain on deconsolidation of VIE	(70,374)	—
Gain on sale of real estate and change in control of interest	(29,723)	—
Property operating income	$ 181,839	$ 168,437

Property Revenues

Total property revenue increased $26.2 million, or 10.6%, to $273.5 million in the three months ended September 30, 2022 compared to $247.3 million in the three months ended September 30, 2021. The percentage occupied at our shopping centers was 92.1% and 90.2% at September 30, 2022 and 2021, respectively. The most significant driver of the increase in property revenues is the ongoing recovery from the initial impacts of COVID-19 during the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, which had higher COVID-19 related rent abatements. 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, and is net of collectibility related adjustments. Rental income increased $26.2 million, or 10.6%, to $273.2 million in the three months ended September 30, 2022 compared to $247.0 million in the three months ended September 30, 2021 due primarily to the following:

- an increase of $11.9 million from comparable properties primarily related to a $5.0 million increase in CAM, real estate tax and other recoveries on higher costs, higher rental rates of $3.7 million, higher average occupancy of approximately $2.2 million, and a $1.9 million increase in percentage rent primarily the result of higher tenant sales,
- an increase of $8.3 million from non-comparable properties primarily driven by the opening of Phase III at Assembly Row in 2021, redevelopment related occupancy increases at CocoWalk, and the 2021 openings at the Phase III office building at Pike & Rose,
- an increase of $7.6 million from 2022 acquisitions (see Note 3 to the consolidated financial statements for additional information), and
- a $1.6 million decrease in collectibility related impacts across all properties primarily due to lower rent abatements in the third quarter of 2022 as tenants continue to recover from the initial impacts of COVID-19,

partially offset by

- a decrease of $2.9 million from 2021 property sales.

Property Expenses

Total property expenses increased $12.8 million, or 16.2%, to $91.6 million in the three months ended September 30, 2022 compared to $78.8 million in the three months ended September 30, 2021. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $9.5 million, or 19.2%, to $58.8 million in the three months ended September 30, 2022 compared to $49.3 million in the three months ended September 30, 2021. This increase is primarily due to the following:

- an increase of $5.0 million from comparable properties due primarily to higher repairs and maintenance costs and utilities, as 2021 had lower costs as a result of COVID-19 impacts as well as inflationary impacts in 2022,
- an increase of $2.4 million from non-comparable properties driven by the opening of Phase III at Assembly Row in 2021, and increased costs associated with the redevelopment of Huntington Shopping Center,
- an increase of $1.3 million from higher operating costs at our Pike & Rose hotel, and
- an increase of $1.2 million from 2022 acquisitions.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income increased to 21.5% in the three months ended September 30, 2022 from 20.0% in the three months ended September 30, 2021.

Real Estate Taxes

Real estate tax expense increased $3.3 million, or 11.1%, to $32.8 million in the three months ended September 30, 2022 compared to $29.5 million in the three months ended September 30, 2021. This increase is primarily due to the following:

- an increase of $1.8 million from comparable properties due primarily to a true-up recorded in 2021 for prior year supplemental taxes at one of our properties and higher assessments,
- an increase of $0.9 million from 2022 acquisitions, and
- an increase of $0.9 million from non-comparable properties due primarily to the 2021 opening of Phase III at Assembly Row,

partially offset by

- a decrease of $0.3 million from 2021 property sales.

Property Operating Income

Property operating income increased $13.4 million, or 8.0%, to $181.8 million in the three months ended September 30, 2022 compared to $168.4 million in the three months ended September 30, 2021. This increase is primarily driven by higher occupancy and rental rates at comparable properties, property acquisitions, the opening of Phase III at Assembly Row in 2021, higher percentage rent, and lower collectibility related adjustments, partially offset by 2021 property sales.

Other Operating

General and Administrative

General and administrative expense increased $0.8 million, or 6.9%, to $13.1 million in the three months ended September 30, 2022 from $12.3 million in the three months ended September 30, 2021. This increase is due primarily to higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased $6.5 million, or 9.2%, to $77.1 million in the three months ended September 30, 2022 from $70.6 million in the three months ended September 30, 2021. This increase is due primarily to property acquisitions and the opening of Phase III at Assembly Row, partially offset by 2021 property sales.

Gain on Deconsolidation of VIE

The $70.4 million gain on deconsolidation of VIE for the three months ended September 30, 2022 is the result of the deconsolidation of Escondido Promenade in connection with the execution of the related August 25, 2022 TIC agreement (see Note 3 for additional information).

Gain on Sale of Real Estate and Change in Control of Interest

The $29.7 million gain on sale of real estate for the three months ended September 30, 2022 is due primarily to a net gain of $20.4 million related to the sales of one residential property (including an adjacent retail pad) and one retail property (see Note 3 for additional information), and a $9.3 million gain related to the reduction of our liability for estimated condemnation and transaction costs associated with the sale under threat of condemnation in December 2019 at San Antonio Center (see Note 6 for additional information).

Operating Income

Operating income increased $106.2 million, or 124.1%, to $191.7 million in the three months ended September 30, 2022 compared to $85.6 million in the three months ended September 30, 2021. This increase is primarily due to the gain on the deconsolidation of a VIE, gain on the sale of real estate, higher occupancy and rental rates at comparable properties, property acquisitions, the opening of Phase III at Assembly Row in 2021, higher percentage rent, and lower collectibility related adjustments, partially offset by 2021 property sales and higher personnel related costs.

Other

Interest Expense

Interest expense increased $2.8 million, or 8.7%, to $35.1 million in the three months ended September 30, 2022 compared to $32.2 million in the three months ended September 30, 2021. This increase is due primarily to the followings:

- an increase of $1.6 million due to a higher overall weighted average borrowing rate,
- an increase of $0.8 million due to higher weighted average borrowings, and
- a decrease of $0.4 million in capitalized interest.

Gross interest costs were $39.8 million and $37.4 million in the three months ended September 30, 2022 and 2021, respectively. Capitalized interest was $4.7 million and $5.2 million for the three months ended September 30, 2022 and 2021, respectively.

Income from Partnerships

Income from partnerships increased $0.7 million, or 65.9%, to $1.9 million in the three months ended September 30, 2022 compared to $1.1 million in the three months ended September 30, 2021. This increase is due primarily to improved operations and the forgiveness of certain loans at our restaurant joint ventures.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021	Change Dollars	Change %
	(Dollar amounts in thousands)			
Rental income	$ 793,516	$ 694,954	$ 98,562	14.2 %
Mortgage interest income	805	2,116	(1,311)	(62.0)%
Total property revenue	794,321	697,070	97,251	14.0 %
Rental expenses	166,189	141,474	24,715	17.5 %
Real estate taxes	94,628	88,272	6,356	7.2 %
Total property expenses	260,817	229,746	31,071	13.5 %
Property operating income (1)	533,504	467,324	66,180	14.2 %
General and administrative expense	(39,046)	(35,357)	(3,689)	10.4 %
Depreciation and amortization	(223,244)	(202,160)	(21,084)	10.4 %
Gain on deconsolidation of VIE	70,374	—	70,374	100.0 %
Gain on sale of real estate and change in control of interest	29,723	17,428	12,295	70.5 %
Operating income	371,311	247,235	124,076	50.2 %
Other interest income	487	701	(214)	(30.5)%
Interest expense	(98,707)	(95,511)	(3,196)	3.3 %
Income (loss) from partnerships	4,878	(86)	4,964	5,772.1 %
Total other, net	(93,342)	(94,896)	1,554	(1.6)%
Net income	277,969	152,339	125,630	82.5 %
Net income attributable to noncontrolling interests	(8,171)	(5,777)	(2,394)	41.4 %
Net income attributable to the Trust	$ 269,798	$ 146,562	$ 123,236	84.1 %

(1) Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. The reconciliation of operating income to property operating income for the nine months ended September 30, 2022 and 2021 is as follows:

	2022	2021
	(in thousands)	
Operating income	$ 371,311	$ 247,235
General and administrative	39,046	35,357
Depreciation and amortization	223,244	202,160
Gain on deconsolidation of VIE	(70,374)	—
Gain on sale of real estate and change in control of interest	(29,723)	(17,428)
Property operating income	$ 533,504	$ 467,324

Property Revenues

Total property revenue increased $97.3 million, or 14.0%, to $794.3 million in the nine months ended September 30, 2022 compared to $697.1 million in the nine months ended September 30, 2021. The percentage occupied at our shopping centers was 92.1% and 90.2% at September 30, 2022 and 2021, respectively. The most significant driver of the increase in property revenues is the ongoing recovery from the initial impacts of COVID-19 during the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, when COVID-19 related restrictions were still in effect for a portion of the period. 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, and is net of collectibility related adjustments. Rental income increased $98.6 million, or 14.2%, to $793.5 million in the nine months ended September 30, 2022 compared to $695.0 million in the nine months ended September 30, 2021 due primarily to the following:

- an increase of $29.5 million from 2021 and 2022 acquisitions,
- an increase of $26.1 million from comparable properties primarily related to higher percentage rent, specialty leasing, and parking income of $8.4 million primarily the result of the gradual lifting of COVID-19 closures and restrictions during the nine months ended September 30, 2021, higher rental rates of $6.9 million, higher average occupancy of approximately $5.9 million, a $3.9 million increase in CAM recoveries on higher CAM costs, and a $2.6 million increase in tenant recoveries, partially offset by lower net termination fees and legal fee income of $1.8 million,
- a $24.7 million decrease in collectibility related impacts across all properties primarily due to higher collection rates and lower rent abatements in the nine months ended September 30, 2022 as tenants continue to recover from the initial impacts of COVID-19,
- an increase of $23.1 million from non-comparable properties driven by the opening of Phase III at Assembly Row in 2021, redevelopment related occupancy increases at CocoWalk, and the 2021 openings at the Phase III office building at Pike & Rose, partially offset by redevelopment related occupancy decreases at Huntington Shopping Center, and
- an increase of $3.3 million from improved operating results at our Pike & Rose hotel,

partially offset by

- a decrease of $7.6 million from 2021 property sales.

Mortgage Interest Income

Mortgage interest income decreased $1.3 million, or 62.0%, to $0.8 million in the nine months ended September 30, 2022 compared to $2.1 million in the nine months ended September 30, 2021 primarily due to the repayment of $31.1 million of mortgage notes receivable in May 2021.

Property Expenses

Total property expenses increased $31.1 million, or 13.5%, to $260.8 million in the nine months ended September 30, 2022 compared to $229.7 million in the nine months ended September 30, 2021. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $24.7 million, or 17.5%, to $166.2 million in the nine months ended September 30, 2022 compared to $141.5 million in the nine months ended September 30, 2021 due primarily to the following:

- an increase of $9.2 million from comparable properties due primarily to higher repairs and maintenance costs, utilities, and management fees, as 2021 had lower costs as a result of COVID-19 impacts as well as inflationary impacts in 2022, and higher insurance costs, partially offset by lower snow removal costs,
- an increase of $5.8 million from non-comparable properties due primarily to the 2021 openings of Phase III at Assembly Row, the Phase III office building at Pike & Rose, and CocoWalk, as well as increased costs associated with the redevelopment of Huntington Shopping Center,
- an increase of $5.2 million from 2021 and 2022 acquisitions, and
- an increase of $4.3 million from higher operating costs at our Pike & Rose hotel largely due to lifting of COVID-19 restrictions,

partially offset by,

- a decrease of $0.5 million from our 2021 property sales.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income increased to 20.9% in the nine months ended September 30, 2022 from 20.4% in the nine months ended September 30, 2021.

Real Estate Taxes

Real estate tax expense increased $6.4 million, or 7.2%, to $94.6 million in the nine months ended September 30, 2022 compared to $88.3 million in the nine months ended September 30, 2021. This increase is primarily due to the following:

- an increase of $3.2 million from 2021 and 2022 acquisitions,
- an increase of $2.3 million from non-comparable properties due primarily to the opening of Phase III at Assembly Row, and
- an increase of $1.4 million from comparable properties due primarily to a true-up in 2021 of prior year supplemental taxes at one of our properties and higher assessments

partially offset by,

- a decrease of $0.5 million from 2021 property sales.

Property Operating Income

Property operating income increased $66.2 million, or 14.2%, to $533.5 million in the nine months ended September 30, 2022 compared to $467.3 million in the nine months ended September 30, 2021. This increase is primarily driven by the ongoing recovery from the initial impacts of COVID-19, which resulted in lower collectibility related adjustments and higher percentage rent, specialty leasing, and parking income, compared to the nine months ended September 30, 2021 during which COVID-19 related restrictions were gradually being lifted. Also contributing to the increase were property acquisitions, higher occupancy and rental rates at comparable properties, the opening of Phase III at Assembly Row in 2021, partially offset by our 2021 property sales.

Other Operating

General and Administrative

General and administrative expense increased $3.7 million, or 10.4%, to $39.0 million in the nine months ended September 30, 2022 from $35.4 million in the nine months ended September 30, 2021. This increase is due primarily to higher personnel related costs.

Depreciation and Amortization

Depreciation and amortization expense increased $21.1 million, or 10.4%, to $223.2 million in the nine months ended September 30, 2022 from $202.2 million in the nine months ended September 30, 2021. This increase is due primarily to property acquisitions, the opening of Phase III at Assembly Row, the opening of the Phase III office building at Pike & Rose, accelerated depreciation as a result of redevelopment activities at Huntington Shopping Center, partially offset by the lower write-off of lease related assets for vacating tenants and 2021 property sales.

Gain on Deconsolidation of VIE

The $70.4 million gain on deconsolidation of VIE for the nine months ended September 30, 2022 is the result of the deconsolidation of Escondido Promenade in connection with the execution of the related August 25, 2022 TIC agreement (see Note 3 for additional information).

Gain on Sale of Real Estate and Change in Control of Interest

The $29.7 million gain on sale of real estate for the nine months ended September 30, 2022 is due primarily to a net gain of $20.4 million related to the sales of one residential property (including an adjacent retail pad) and one retail property (see Note 3 for additional information), and a $9.3 million gain related to the reduction of our liability for estimated condemnation and transaction costs associated with the sale under threat of condemnation in December 2019 at San Antonio Center (see Note 6 for additional information).

The $17.4 million gain on sale of real estate for the nine months ended September 30, 2021 is due primarily to a $15.6 million gain related to the sale of a portion of Graham Park Plaza in Falls Church, Virginia, a $2.1 million gain relating to the acquisition of the previously unconsolidated Pike & Rose hotel joint venture.

Operating Income

Operating income increased $124.1 million, or 50.2%, to $371.3 million in the nine months ended September 30, 2022 compared to $247.2 million in the nine months ended September 30, 2021. This increase is primarily due to the gain on the deconsolidation of a VIE, and the ongoing recovery from the initial impacts of COVID-19 restrictions, which resulted in lower collectibility related adjustments and higher percentage rent, specialty leasing, and parking income compared to the nine months ended September 30, 2021 during which COVID-19 related restrictions were gradually being lifted. Also contributing to the increase were property acquisitions, higher occupancy and rental rates at comparable properties, a higher net gain on the sale of real estate, and the opening of Phase III at Assembly Row in 2021, partially offset by our 2021 property sales and higher personnel related costs.

Interest Expense

Interest expense increased $3.2 million, or 3.3%, to $98.7 million in the nine months ended September 30, 2022 compared to $95.5 million in the nine months ended September 30, 2021. This increase is due primarily to the following:

- a decrease of $4.3 million in capitalized interest, and
- an increase of $0.9 million due to a higher overall weighted average borrowing rate,

partially offset by,

- a decrease of $2.0 million due to lower weighted average borrowings.

Gross interest costs were $112.6 million and $113.7 million in the nine months ended September 30, 2022 and 2021, respectively. Capitalized interest was $13.9 million and $18.2 million for the nine months ended September 30, 2022 and 2021, respectively.

Income (Loss) from Partnerships

Income from partnerships increased $5.0 million, to $4.9 million in the nine months ended September 30, 2022 compared to a loss of $0.1 million in the nine months ended September 30, 2021. This increase is due primarily to improved operating results at our restaurant joint ventures and at our Assembly Row hotel joint venture, largely the result of the easing of COVID-19 closures and restrictions and the forgiveness of certain loans for some of our restaurants joint ventures and at our Assembly Row hotel joint venture.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased $2.4 million, or 41.4%, to $8.2 million in the nine months ended September 30, 2022 compared to $5.8 million in the nine months ended September 30, 2021. The increase is primarily due to 2021 acquisitions and higher income at our properties with third party partners.

Liquidity and Capital Resources

Due to the nature of our business and strategy, we typically generate significant amounts of cash from operations which is largely paid to our common and preferred shareholders in the form of dividends because as a REIT, the Trust is generally required to make annual distributions to shareholders of at least 90% of our taxable income (cash dividends paid in the nine months ended September 30, 2022 were approximately $259.3 million). Remaining cash flow from operations after dividend payments is used to fund recurring and non-recurring capital projects (such as tenant improvements and redevelopments), and regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities). We maintain a $1.0 billion revolving credit facility, which was increased to $1.25 billion effective October 5, 2022 as discussed below, to fund short term cash flow needs and also look to the public and private debt and equity markets, joint venture relationships, and property dispositions to fund capital expenditures on a long-term basis.

During the first nine months of 2022, we have continued to see improvements in overall cash collections from tenants with collection rates nearing pre-pandemic levels. We have also taken multiple steps over the past two years to strengthen our financial position, maximize liquidity, and to provide maximum flexibility during these uncertain times, including maintaining levels of cash in excess of the cash balances we have historically maintained. On October 5, 2022, we amended our revolving credit facility increasing the borrowing capacity from $1.0 billion to $1.25 billion and extending the maturity date to April 5, 2027, plus two six-month extensions at our option. Additionally, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $1.75 billion. We also amended our unsecured term loan borrowing an additional $300.0 million.

As of September 30, 2022, we had cash and cash equivalents of $146.2 million and $267.0 million outstanding on our $1.0 billion unsecured revolving credit facility. For the nine months ended September 30, 2022, the weighted average amount of borrowings outstanding on our revolving credit facility was $97.8 million, and the weighted average interest rate, before amortization of debt fees, was 3.1%. We also have the capacity to issue up to $466.7 million in common shares under our ATM equity program, and we have no debt maturing until the second quarter of 2023.

Our overall capital requirements for the remainder of 2022 will be impacted by the ongoing recovery from COVID related impacts, and overall economic impacts that might occur including supply chain issues and inflation. Cash requirements will also be impacted by acquisition opportunities and the level and general timing of our redevelopment and development activities. While the amount of future expenditures will depend on numerous factors, we expect to continue to see elevated levels of investment as we continue to invest in our overall portfolio to better position our properties for a post-COVID environment, costs to prepare vacant space for new tenants, and investments to complete the current phase and start the next phase of our larger mixed-use development projects although at a slightly reduced level from 2021, largely due to deliveries in 2021 of our third phase of Assembly Row.

We believe cash flow from operations, the cash on our balance sheet, and our amended $1.25 billion revolving credit facility will allow us to continue to operate our business in the short-term. Given our ability to access the capital markets, we also expect debt or equity to be available to us, although newly issued debt would likely be at higher interest rates than we currently have outstanding. We also have the ability to delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy. While we have seen significant improvements from the initial negative impacts of the COVID-19 pandemic, it along with the overall state of the economy continues to affect our overall business, and we expect it will continue to negatively impact our business in the short term. However, we intend to operate with and to maintain our long term commitment to 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.

Summary of Cash Flows

	Nine Months Ended September 30,	
	2022	2021
	(In thousands)	
Net cash provided by operating activities	$ 409,293	$ 366,036
Net cash used in investing activities	(670,151)	(661,842)
Net cash provided by (used in) financing activities	244,331	(333,185)
Decrease in cash, cash equivalents and restricted cash	(16,527)	(628,991)
Cash, cash equivalents, and restricted cash at beginning of year	175,163	816,896
Cash, cash equivalents, and restricted cash at end of period	$ 158,636	$ 187,905

Net cash provided by operating activities increased $43.3 million to $409.3 million during the nine months ended September 30, 2022 from $366.0 million during the nine months ended September 30, 2021. The increase was primarily attributable to higher net income before adjusting for non-cash items and gains on sales of real estate, partially offset by collections of real estate tax reconciliation billings during the nine months ended September 30, 2021 and the timing of payments.

Net cash used in investing activities increased $8.3 million to $670.2 million during the nine months ended September 30, 2022 from $661.8 million during the nine months ended September 30, 2021. The increase was primarily attributable to:

- a $63.5 million increase in acquisitions of real estate primarily due to 2022 acquisitions (see Note 3 to the consolidated financial statements for additional information), as compared to 2021 property acquisitions, and
- the $31.1 million payoff of two mortgage notes receivable in May 2021,

partially offset by,

- a $47.6 million decrease in capital expenditures, and
- a $46.8 million increase from net proceeds from the sale of real estate primarily due to $66.7 million of net proceeds from the sale of one residential property (including an adjacent retail pad) and one retail property, as compared to $19.9 million of net proceeds from the sale of a portion of a retail property in March 2021.

Net cash used in financing activities decreased $577.5 million to $244.3 million provided during the nine months ended September 30, 2022 from $333.2 million used in the nine months ended September 30, 2021. The decrease was primarily attributable to:

- $267.0 million of borrowings on our revolving credit facility,
- a $205.4 million increase in net proceeds from the issuance of common shares under our ATM equity program for net proceeds of $292.3 million and $87.1 million, respectively, during the nine months ended September 30, 2022 and 2021, and
- a $141.7 million decrease in repayment of mortgages, finance leases, and notes payable primarily due to the $16.1 million mortgage loan repayment on one of the buildings at our Hoboken property in June 2022, as compared to the $100.0 million partial repayment of our $400.0 term loan which was amended in April 2021, the $31.5 million repayment of the mortgage loan related to the Pike & Rose hotel in January 2021, the $16.2 million repayment of the mortgage loan on Sylmar Towne Center in February 2021, and the $7.9 million repayment of the mortgage loan on Plaza Del Sol in September 2021,

partially offset by

- a $27.3 million increase in distributions to and redemptions of noncontrolling interests primarily related to our acquisition of the redeemable noncontrolling interest in the partnership that owns the Plaza El Segundo shopping center for $23.6 million, and
- a $7.2 million increase in dividends paid to common and preferred shareholders due to an increase in the number of outstanding shares, as well as an increase to the common share dividend rate.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of September 30, 2022:

Description of Debt	Original Debt Issued	Principal Balance as of September 30, 2022	Stated Interest Rate as of September 30, 2022	Maturity Date
	(Dollars in thousands)			
Mortgages payable				
Secured fixed rate				
Azalea	Acquired	$ 40,000	3.73 %	November 1, 2025
Bell Gardens	Acquired	11,910	4.06 %	August 1, 2026
Plaza El Segundo	125,000	125,000	3.83 %	June 5, 2027
The Grove at Shrewsbury (East)	43,600	43,600	3.77 %	September 1, 2027
Brook 35	11,500	11,500	4.65 %	July 1, 2029
Hoboken (24 Buildings) (1)	56,450	55,407	LIBOR + 1.95%	December 15, 2029
Various Hoboken (14 Buildings) (2)	Acquired	31,119	Various	Various through 2029
Chelsea	Acquired	4,549	5.36 %	January 15, 2031
Subtotal		323,085		
Net unamortized debt issuance costs and premium		(1,786)		
Total mortgages payable, net		321,299		
Notes payable				
Revolving credit facility (3) (4) (5)	1,000,000	267,000	LIBOR + 0.825%	January 19, 2024
Term loan (5) (6)	400,000	300,000	LIBOR + 0.85%	April 16, 2024
Various	7,239	2,097	11.31%	Various through 2028
Subtotal		569,097		
Net unamortized debt issuance costs		(795)		
Total notes payable, net		568,302		
Senior notes and debentures (5)				
Unsecured fixed rate				
2.75% notes	275,000	275,000	2.75 %	June 1, 2023
3.95% notes	600,000	600,000	3.95 %	January 15, 2024
1.25% notes	400,000	400,000	1.25 %	February 15, 2026
7.48% debentures	50,000	29,200	7.48 %	August 15, 2026
3.25% notes	475,000	475,000	3.25 %	July 15, 2027
6.82% medium term notes	40,000	40,000	6.82 %	August 1, 2027
3.20% notes	400,000	400,000	3.20 %	June 15, 2029
3.50% notes	400,000	400,000	3.50 %	June 1, 2030
4.50% notes	550,000	550,000	4.50 %	December 1, 2044
3.625% notes	250,000	250,000	3.625 %	August 1, 2046
Subtotal		3,419,200		
Net unamortized debt issuance costs and premium		(11,902)		
Total senior notes and debentures, net		3,407,298		
Total debt, net		$ 4,296,899		

(1) On November 26, 2019, we entered into two interest rate swap agreements that fix the interest rate on this mortgage loan at 3.67%.

(2) The interest rates on these mortgages range from 3.91% to 5.00%.

(3) The maximum amount drawn under our revolving credit facility during the nine months ended September 30, 2022 was $330.0 million and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 3.1%.

(4) On October 5, 2022, we amended our revolving credit facility increasing the borrowing capacity to $1.25 billion and extending the maturity date to April 5, 2027. Additionally, we transitioned the interest rate provisions from LIBOR to SOFR.

(5) The Operating Partnership is the obligor under our revolving credit facility, term loan, and senior notes and debentures.

(6) On October 5, 2022, we amended our unsecured term loan and borrowed an additional $300.0 million. We also transitioned the interest rate provisions from LIBOR to SOFR.

Our revolving credit facility, unsecured term loan, and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2022, we were in compliance with all financial and other covenants related to our revolving credit facility, term loan, and senior notes. Additionally, we were in compliance with all of the financial and other covenants that could trigger a loan default on our mortgage loans. If we were to breach any of these financial and other covenants and did not cure the breach within an applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our revolving credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a default under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares. Our organizational documents do not limit the level or amount of debt that we may incur.

The following is a summary of our scheduled principal repayments as of September 30, 2022:

	Unsecured		Secured	Total	
			(In thousands)		
2022	$ 206		$ 735	$ 941	
2023	275,758		3,171	278,929	
2024	1,167,659	(1)(2)	3,299	1,170,958	
2025	383		47,630	48,013	
2026	429,254		26,240	455,494	
Thereafter	2,115,037		242,010	2,357,047	
	$ 3,988,297		$ 323,085	$ 4,311,382	(3)

(1) Our $300.0 million term loan matures on April 16, 2024, plus two one-year extensions at our option. On October 5, 2022, we borrowed an additional $300.0 million increasing our term loan to $600.0 million.

(2) Our $1.0 billion revolving credit facility matures on January 19, 2024, plus two six-month extensions at our option. As of September 30, 2022, there was $267.0 million outstanding under this credit facility. On October 5, 2022, we amended our revolving credit facility increasing the borrowing capacity to $1.25 billion and extending the maturity date to April 5, 2027, plus two six-month extensions at our option.

(3) The total debt maturities differ from the total reported on the consolidated balance sheets due to the unamortized net debt issuance costs and premium/discount on mortgage loans, notes payable, and senior notes as of September 30, 2022.

Interest Rate Hedging

We may use derivative instruments to manage exposure to variable interest rate risk. We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We enter into derivative instruments that qualify as cash flow hedges and do not enter into derivative instruments for speculative purposes.

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

As of September 30, 2022, we have two interest rate swap agreements that effectively fix the rate on a mortgage payable associated with our Hoboken portfolio at 3.67%. Our Assembly Row hotel joint venture is also a party to two interest rate swap agreements that effectively fix their debt at 5.206%. All swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted earnings as of September 30, 2022.

REIT Qualification

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

Funds From Operations

Funds from operations (“FFO”) is a supplemental non-GAAP financial measure of real estate companies’ operating performance. The National Association of Real Estate Investment Trusts (“NAREIT”) defines FFO as follows: net income, computed in accordance with U.S. GAAP, plus real estate related depreciation and amortization and excluding gains and losses on the sale of real estate or changes in control, net of tax, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. 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. However, we must distribute at least 90% of our annual taxable income to remain qualified as a REIT. Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders although not necessarily on a proportionate basis.

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands, except per share data)			
Net income	$ 158,774	$ 54,541	$ 277,969	$ 152,339
Net income attributable to noncontrolling interests	(2,636)	(2,419)	(8,171)	(5,777)
Gain on deconsolidation of VIE	(70,374)	—	(70,374)	—
Gain on sale of real estate and change in control of interest	(29,723)	—	(29,723)	(17,428)
Depreciation and amortization of real estate assets	67,455	61,236	196,159	174,770
Amortization of initial direct costs of leases	7,454	6,202	19,129	20,127
Funds from operations	130,950	119,560	384,989	324,031
Dividends on preferred shares (1)	(1,875)	(1,875)	(5,625)	(6,031)
Income attributable to downREIT operating partnership units	704	742	2,111	2,267
Income attributable to unvested shares	(449)	(438)	(1,353)	(1,156)
Funds from operations available for common shareholders	$ 129,330	$ 117,989	$ 380,122	$ 319,111
Weighted average number of common shares, diluted (1)(2)	81,511	78,365	80,232	77,997
Funds from operations available for common shareholders, per diluted share (2)	$ 1.59	$ 1.51	$ 4.74	$ 4.09

(1) For the three and nine months ended September 30, 2022 and the three months ended September 30, 2021, dividends on our Series 1 preferred stock were not deducted in the calculation of FFO available to common shareholders, as the related shares were dilutive and included in "weighted average common shares, diluted."

(2) The weighted average common shares used to compute FFO per diluted common share for all periods presented includes downREIT operating partnership units that were excluded from the computation of diluted EPS for three and nine months ended September 30, 2021. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted share for all periods presented but is anti-dilutive for the computation of dilutive EPS for the three and nine months ended September 30, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes.

Interest Rate Risk

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

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2046) 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, 2022, we had $3.7 billion of fixed-rate debt outstanding, including $55.4 million of mortgage payables for which the rate is effectively fixed by two interest rate swap agreements. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2022 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $169.9 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2022 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $190.2 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our outstanding variable rate debt. At September 30, 2022, we had $567.0 million of variable rate debt outstanding (the principal balance on our unsecured term loan). Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase approximately $5.7 million with a corresponding decrease in our net income and cash flows for the year. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by approximately $5.7 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (Federal Realty Investment Trust)

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 the Trust's disclosure controls and procedures as of September 30, 2022. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Trust's disclosure controls and procedures were effective as of September 30, 2022 to provide reasonable assurance that information required to be disclosed in the Trust's reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to the Trust’s management including its principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

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

Controls and Procedures (Federal Realty OP LP)

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 the Operating Partnership's disclosure controls and procedures as of September 30, 2022. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Operating Partnership's disclosure controls and procedures were effective as of September 30, 2022 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to the Operating Partnership’s management including its principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments in any of our legal proceedings since the disclosure contained in our Annual Report to Form 10-K for the fiscal year ended December 31, 2021.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report to our Form 10-K for the year ended December 31, 2021 filed with the SEC on February 10, 2022.

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

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or common shares, at our option.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Chief Executive Officer - Federal Realty Investment Trust (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer - Federal Realty Investment Trust (filed herewith)
31.3	Rule 13a-14(a) Certification of Chief Executive Officer - Federal Realty OP LP (filed herewith)
31.4	Rule 13a-14(a) Certification of Chief Financial Officer - Federal Realty OP LP (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer - Federal Realty Investment Trust (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer - Federal Realty Investment Trust (filed herewith)
32.3	Section 1350 Certification of Chief Executive Officer - Federal Realty OP LP (filed herewith)
32.4	Section 1350 Certification of Chief Financial Officer - Federal Realty OP LP (filed herewith)
101	The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Income, (3) the Consolidated Statement of Shareholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements that have been detail tagged.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

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 **FEDERAL REALTY OP LP**
November 3, 2022	/s/ Donald C. Wood
	Donald C. Wood, **Chief Executive Officer and Trustee** **(Principal Executive Officer)**
	FEDERAL REALTY INVESTMENT TRUST **FEDERAL REALTY OP LP**
November 3, 2022	/s/ Daniel Guglielmone
	Daniel Guglielmone, **Executive Vice President** **Chief Financial Officer and Treasurer** **(Principal Financial and Accounting Officer)**

Exhibit 31.1

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

November 3, 2022

/s/ Donald C. Wood

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

Exhibit 31.2

CERTIFICATION

I, *Daniel Guglielmone*, certify that:

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

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

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

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

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

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

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

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

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

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

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

November 3, 2022

/s/ Daniel Guglielmone

Daniel Guglielmone
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 31.3

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

November 3, 2022

/S/ Donald C. Wood

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

Exhibit 31.4

CERTIFICATION

I, *Daniel Guglielmone*, certify that:

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

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

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

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

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

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

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

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

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

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

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

November 3, 2022

/S/ Daniel Guglielmone

Daniel Guglielmone,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

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

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2022 (the “Report”). The undersigned hereby certifies, to the best of his knowledge, that:

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

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

November 3, 2022

/s/ Donald C. Wood

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

Exhibit 32.2

CERTIFICATION

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

The undersigned, Daniel Guglielmone, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty Investment Trust (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2022 (the “Report”). The undersigned hereby certifies, to the best of his knowledge, that:

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

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

November 3, 2022

/s/ Daniel Guglielmone

Daniel Guglielmone
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.3

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 OP LP (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, 2022 (the “Report”). The undersigned hereby certifies, to the best of his knowledge, that:

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

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

November 3, 2022

/S/ Donald C. Wood

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

Exhibit 32.4

CERTIFICATION

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

The undersigned, Daniel Guglielmone, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty OP LP (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, 2022 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, that:

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

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

November 3, 2022

/S/ Daniel Guglielmone

Daniel Guglielmone,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)