

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000898432-95-000179**

([HTML Version](#) on [secdatabase.com](#))

FILER

FEDERAL REALTY INVESTMENT TRUST

CIK: **34903** | IRS No.: **520782497** | State of Incorporation: **DC** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-07533** | Film No.: **95535943**
SIC: **6798** Real estate investment trusts

Business Address
4800 HAMPDEN LANE STE
500
BETHESDA MD 20814
3016523360

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the Quarter Ended: March 31, 1995
Commission File No. 1-7533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

District of Columbia

52-0782497

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

4800 Hampden Lane, Suite 500, Bethesda, Maryland 20814

(Address of principal executive offices)

(Zip Code)

(301) 652-3360

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Class	Outstanding at May 4, 1995
----- Common Shares of Beneficial Interest	----- 31,702,844

This report, including exhibits, contains 25 pages.

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

March 31, 1995

I N D E X

PART I. FINANCIAL INFORMATION	PAGE NO.
Accountants' Report	4
Consolidated Balance Sheets March 31, 1995 (unaudited) and December 31, 1994 (audited)	5
Consolidated Statements of Operations (unaudited) Three months ended March 31, 1995 and 1994	6

Consolidated Statements of Shareholders' Equity (unaudited) Three months ended March 31, 1995 and 1994	7
Consolidated Statements of Cash Flows (unaudited) Three months ended March 31, 1995 and 1994	8
Notes to Financial Statements	9-12
Management's Discussion and Analysis of Financial Condition and Results of Operations	13-17
PART II. OTHER INFORMATION	18

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

March 31, 1995

PART I. FINANCIAL INFORMATION

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

The balance sheet as of December 31, 1994 was audited by Grant Thornton LLP, independent public accountants, who expressed an unqualified opinion on it in their report dated February 10, 1995. All other financial information presented is unaudited but has been reviewed as of March 31, 1995 and for each of the three months ended March 31, 1995 and 1994 by Grant Thornton LLP whose report thereon appears on Page 4. All adjustments and disclosures proposed by them have been reflected in the data presented.

Accountants' Review Report

Trustees and Shareholders
Federal Realty Investment Trust

We have reviewed the accompanying consolidated balance sheet of Federal Realty Investment Trust as of March 31, 1995 and the related consolidated statements of operations, shareholders' equity and cash flows for the three month periods ended March 31, 1995 and 1994. These financial statements are the responsibility of the Trust's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1994 and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 10, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1994 is stated fairly, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Grant Thornton LLP

Washington, D.C.
May 5, 1995

<TABLE>
<CAPTION>

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS
(see accountants' review report)

	March 31, 1995	December 31, 1994
	-----	-----
	(unaudited)	
ASSETS	(in thousands)	
<S>	<C>	<C>
Investments		
Real estate, at cost	\$863,916	\$852,722
Less accumulated depreciation and amortization	(168,006)	(160,636)
	-----	-----
	695,910	692,086
Mortgage notes receivable	13,179	13,178
	-----	-----
	709,089	705,264
Other Assets		
Cash	17,959	3,995
Investments	3,567	3,588
Notes receivable - officers	2,988	2,778
Accounts receivable	14,293	16,023
Prepaid expenses and other assets, principally property taxes, insurance, and lease commissions	20,151	19,158
Debt issue costs (net of accumulated amortization of \$3,374,000 and \$3,206,000, respectively)	3,858	2,931
	-----	-----
	\$771,905	\$753,737
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	\$132,661	\$132,924
Mortgages payable	80,032	102,781
Notes payable	7,397	61,883
Accrued expenses	12,852	10,675
Accounts payable	4,394	6,566
Dividends payable	12,508	12,486
Security deposits	2,715	2,687
Prepaid rents	791	1,017
8 7/8% Notes, due 2000	100,000	-
5 1/4% Convertible subordinated debentures, due 2003	75,000	75,000
5 1/4% Convertible subordinated debentures, due 2002	289	289
Investors' interest in consolidated assets	2,245	2,274
Commitments and contingencies	-	-
	-----	-----
Shareholders' equity		
Common shares of beneficial interest, no par or stated value, unlimited authorization, issued 31,727,180 and 31,669,434 shares, respectively	498,116	496,958
Accumulated dividends in excess of Trust net income	(150,438)	(144,553)
Allowance for unrealized loss on marketable securities	(6)	(53)
	-----	-----
	347,672	352,352
Less 60,200 common shares in treasury - at cost, deferred compensation and subscriptions receivable	(6,651)	(7,197)
	-----	-----
	341,021	345,155
	-----	-----
	\$771,905	\$753,737
	=====	=====

</TABLE>

<TABLE>
 <CAPTION>
 Federal Realty Investment Trust
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (see accountants' review report)
 (unaudited)

	Three months ended March 31,	
	1995	1994
	-----	-----
(In thousands, except per share data)		
<S>	<C>	<C>
Revenue		
Rental income	\$34,407	\$31,481
Interest	1,006	869
Other income	1,514	1,342
	-----	-----
	36,927	33,692
Expenses		
Rental	7,955	10,112
Real estate taxes	3,397	2,859
Interest	9,157	8,178
Administrative	1,427	1,381
Depreciation and amortization	8,369	6,897
	-----	-----
	30,305	29,427
Operating income before investors' share of operations	6,622	4,265
Investors' share of operations	1	(182)
	-----	-----
Net Income	\$6,623	\$4,083
	=====	=====

Weighted Average Number of Common Shares	31,658	28,151
	=====	=====
Earnings per share	\$0.21	\$0.15
	=====	=====

The accompanying notes are an integral part of these statements.

</TABLE>

7

<TABLE>

<CAPTION>

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(see accountants' review report)
(unaudited)

Three months ended March 31,

(In thousands, except per share amounts)	1995		1994	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Common Shares of Beneficial Interest				
Balance, beginning of period	31,669,434	\$496,958	28,077,999	\$408,005
Exercise of stock options	7,744	122	17,216	372
Shares issued under dividend reinvestment plan	50,002	1,036	35,103	917
Shares purchased under share purchase plan	--		40,000	1,000
Balance, end of period	31,727,180	\$498,116	28,170,318	\$410,294
Common Shares of Beneficial Interest in Treasury, Deferred Compensation and Subscriptions Receivable				
Balance, beginning of period	(434,700)	(\$7,197)	(422,575)	(\$6,619)
Amortization of deferred compensation	32,875	546	27,875	422
Subscription of shares under share purchase plan	-	-	(40,000)	(1,000)
Balance, end of period	(401,825)	(\$6,651)	(434,700)	(\$7,197)
Allowance for Unrealized Loss on Marketable Securities				
Balance, beginning of period		(\$53)		(\$364)
Unrealized (loss) recovery		47		(50)
Balance, end of period		(\$6)		(\$414)
Accumulated Dividends in Excess of Trust Net Income				
Balance, beginning of period		(\$144,553)		(\$116,823)
Net income		6,623		4,083
Dividends declared to shareholders		(12,508)		(10,963)
Balance, end of period		(\$150,438)		(\$123,703)

The accompanying notes are an integral part of these statements.

</TABLE>

8

<TABLE>
<CAPTION>

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF CASH FLOWS
(see accountants' review report)
(unaudited)

(In thousands)	Three months ended March 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$6,623	\$4,083
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and amortization	8,368	6,897
Rent abatements in lieu of leasehold improvements, net of tenant improvements retired	(454)	147
Imputed interest and amortization of debt cost	171	162
Amortization of deferred compensation and forgiveness of officers' notes	133	140
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	1,730	(257)
Increase in prepaid expenses and other assets before depreciation and amortization	(1,828)	(1,906)
Decrease in operating accounts payable, security deposits and prepaid rent	(1,252)	(64)
Increase in accrued expenses, before accretion of interest	2,616	435
	-----	-----
Net cash provided by operating activities	16,107	9,637
INVESTING ACTIVITIES		
Acquisition of real estate	(2,025)	-
Capital expenditures	(8,627)	(8,690)
Net increase in notes receivable	(218)	(4,614)
Net decrease in temporary investments	69	95
	-----	-----
Net cash used in investing activities	(10,801)	(13,209)
FINANCING ACTIVITIES		
Regular payments on mortgages, capital leases, and notes payable	(540)	(505)
Balloon payments on mortgages and notes payable	(23,601)	-
Proceeds of mortgage financings, net of costs	-	22,500
Repayments of short-term debt, net	(54,745)	(9,013)
Proceeds from senior notes	98,906	-
Dividends paid	(11,804)	(10,272)
Issuance of shares of beneficial interest	471	293
Decrease in minority interest	(29)	(116)
	-----	-----
Net cash provided by financing activities	8,658	2,887
	-----	-----
Increase (decrease) in cash	13,964	(685)
Cash at beginning of period	3,995	9,635
	-----	-----
Cash at end of period	\$17,959	\$8,950
	=====	=====

The accompanying notes are an integral part of these statements.

</TABLE>

Federal Realty Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1995
(see accountants' review report)
(unaudited)

NOTE A - ACCOUNTING POLICIES AND OTHER DATA

Reference should be made to the notes to financial statements included in the Annual Report to shareholders for the year ended December 31, 1994 which contain the Trust's accounting policies and other data.

NOTE B - DIVIDENDS PAYABLE

On March 16, 1995 the Trustees declared a cash dividend of \$.395 per share, payable April 14, 1995 to shareholders of record March 24, 1995.

NOTE C - REAL ESTATE

On February 16, 1995 the Trust purchased a 6,800 square foot retail building in Greenwich, Connecticut for \$2.0 million in cash. On April 5, 1995 the Trust purchased a 125,800 square foot portfolio of retail buildings in the West Hartford, Connecticut area for approximately \$15.2 million in cash. On April 12, 1995 the Trust purchased a 35,500 square foot retail building in Greenwich, Connecticut for cash of approximately \$12.9 million. Brokerage commissions of \$452,000 were paid

in connection with these purchases. The commissions were paid to a company which is fifty percent owned by a brother of the Trust's president. These commissions were paid pursuant to a brokerage contract on terms comparable to terms contained in contracts which the Trust has with brokers in other geographic areas in connection with the acquisition of retail buildings.

On April 27, 1995 the Trust purchased the 302,000 square foot Finley Square Shopping Center in Downers Grove, Illinois for cash of approximately \$18.0 million.

NOTE D - Senior Notes

On January 19, 1995 the Trust issued \$100.0 million of 8 7/8% Notes, due January 15, 2000. The notes, which were issued at a price of 99.815%, pay interest semiannually on January 15 and July 15 and are not redeemable prior to maturity. After deducting the underwriter discount and other costs, the Trust netted approximately \$98.9 million.

In order to protect itself against the risk that the general level of interest rates for such securities would rise before the senior notes were priced, in December 1994, the Trust entered into two interest rate hedge

9

agreements on a total principal amount of \$75.0 million. The cost of the agreements, which terminated on January 20, 1995, was \$21,000, which is being amortized into interest expense over the life of the notes.

In January 1995, the Trust executed a five year interest rate swap on \$25.0 million, whereby the Trust swapped fixed interest payment obligations of 8.136% for a floating rate interest payment of three month LIBOR. The floating rate during the first quarter of 1995 was 6.1875%.

On April 21, 1995 the Trust issued \$25 million of senior notes. The notes, which are due April 21, 2002 and bear interest of 8%, payable semiannually, were issued at a price of 99.683%. The proceeds of \$24.9 million were used to repay amounts which had been borrowed on the revolving credit facilities during April 1995 to fund acquisitions and property renovations.

NOTE E - MORTGAGES PAYABLE

In January, 1995 the Trust repaid the \$22.5 million mortgage on Northeast Plaza in Atlanta, Georgia with proceeds from the senior note offering.

NOTE F - NOTES PAYABLE

The Trust has \$130 million of unsecured medium term revolving credit facilities with four banks. The facilities, which bear interest at LIBOR plus 85 to 100 basis points, require fees and have covenants requiring a minimum shareholders' equity and a maximum ratio of debt to net worth. The maximum drawn under these facilities during the first quarter of 1995 was \$66.8 million which was repaid in January from the proceeds of the senior notes issuance. The weighted average interest rate on borrowings for the quarter ended March 31, 1995 was 7.0%. There was no borrowing under these facilities at March 31, 1995.

In January 1995 the Trust paid a \$1.1 million note that had been issued in connection with the purchase of Queen Anne Plaza in December 1994. In connection with the buyout of a tenant at Queen Anne Plaza in January 1995, the Trust issued a noninterest bearing note payable of \$2.2 million, due in annual installments of \$200,000 for 11 years. Using an interest rate of 8 7/8%, the note has been recorded at its discounted value of \$1.7 million.

NOTE H - SHAREHOLDERS' EQUITY

During the first three months of 1995, 7,744 shares were issued at prices ranging from \$15.00 a share to \$20.50 a share as the result of the exercise of stock options. The Trust accepted a note from one of its officers of \$5,002 in connection with the issuance of certain of these shares.

On February 15, 1995, 719,000 options at \$20.75 were granted to employees of the Trust.

NOTE I - INTEREST EXPENSE

The Trust incurred interest expense totaling \$9.2 million during the first quarter of 1995 and \$8.2 million during the first quarter of 1994, of which \$75,000 and \$107,000, respectively, were capitalized. Interest paid was \$6.7 million in the first quarter of 1995 and \$6.5 million in the first quarter of 1994.

NOTE J - COMMITMENTS AND CONTINGENCIES

The State of New Jersey Division of Taxation has assessed the Trust \$364,000 in taxes, penalty and interest for the years 1985 through 1990, since the State has disallowed the dividends paid deduction in computing New Jersey taxable income. The Trust is protesting this assessment since the Trust believes that it is entitled to the deduction. At this time, the outcome of this matter is unknown; however in a case involving another real estate investment trust, the New Jersey tax court recently ruled that the dividends paid deduction was allowable. However, the State of New Jersey has appealed this ruling.

Included in the Trust's investments is \$3.0 million of Olympia and York Senior First Mortgage Notes. The Olympia & York notes were written down in 1992 to management's best estimate of their net realizable value.

As previously reported, certain of the Trust's shopping centers have some environmental contamination. The North Carolina Department of the Environment, Health and Natural Resources ("DEHNR") issued a Notice of Violation ("NOV") against a former drycleaner tenant at Eastgate Shopping Center in Chapel Hill, North Carolina concerning a spill at the shopping center. As owner of the shopping center, the Trust was named in and received a copy of the NOV. Estimates to remediate the spill range from \$300,000 to \$500,000. The Trust has entered into an agreement with two previous owners of the shopping center to share the costs to assess and remediate. In 1993 the Trust recorded a liability of \$120,000 as its estimated share of the clean up costs.

In 1992 contaminants at levels in excess of New Jersey cleanup standards were identified at a shopping center in New Jersey. The Trust has retained an environmental consultant to investigate the contamination. The Trust is also evaluating whether it has insurance coverage for this

matter. At this time, the Trust is unable to determine what the range of remediation costs might be. The Trust had also identified chlorinated solvent contamination at two other properties. In each case, the contamination appears to be linked to the current and/or previous dry cleaner. One site has been cleared. The Trust intends to look to the

responsible parties for any remediation effort at the other property. Evaluation of the remaining situation is preliminary and it is impossible to estimate the range of remediation costs, if any.

The Trust reserved \$2.25 million at closing in 1993 for environmental issues principally associated with Gaithersburg Square Shopping Center. Pursuant to an indemnity agreement entered into with the seller at closing, the Trust agreed to take certain actions with respect to identified chlorinated solvent contamination. The seller indemnified the Trust for certain third party claims and government requirements related to contamination at adjacent properties.

At March 31, 1995 in connection with certain redevelopment projects and tenant fitouts, the Trust is contractually obligated on contracts of approximately \$2.9 million. At March 31, 1995 the Trust is also contractually obligated under leases with tenants to provide approximately \$7.9 million for improvements.

NOTE K - COMPONENTS OF RENTAL INCOME

The components of rental income for the three months ended March 31 are as follows:

	1995	1994 (in thousands)
Shopping Centers		
Minimum rents	\$26,540	\$23,233
Cost reimbursements	5,650	6,114
Percentage rents	1,604	1,564
Apartments	613	570
	-----	-----
	\$34,407	\$31,481
	=====	=====

FEDERAL REALTY INVESTMENT TRUST
FORM 10-Q
MARCH 31, 1995

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Federal Realty meets its liquidity requirements through net cash provided by operating activities, long term borrowing through debt offerings and mortgages, medium and short term borrowing under revolving credit facilities, and equity offerings. Because all or a significant portion of the Trust's net cash provided by operating activities is distributed to shareholders, capital outlays for property acquisitions, renovation projects and debt repayments require funding from borrowing or equity offerings.

In February 1995 the Trust purchased a main street retail building for \$2.0 million in cash. During the first quarter of 1995 the Trust spent \$8.6 million on tenant work and improvements to its properties; these improvements included: (1) \$2.6 million on Congressional Plaza whose redevelopment is in the final phases; (2) \$1.7 million to buy out a below

market lease at Queen Anne Plaza; and (3) \$900,000 on Gaithersburg Square which is currently being expanded, redeveloped and retenanted.

On January 19, 1995 the Trust issued \$100.0 million of 8 7/8% Notes, due January 15, 2000, netting proceeds of approximately \$98.9 million. The proceeds from this issuance were used to repay a \$22.5 million mortgage, to repay \$66.8 million which was outstanding on its revolving credit facilities and to partially fund the first quarter property acquisitions and improvements.

The Trust has available \$130.0 million of unsecured medium-term revolving credit facilities with four banks. The facilities, which require fees and have covenants requiring a minimum shareholders' equity and a maximum ratio of debt to net worth, are used to fund acquisitions and other cash requirements until conditions are favorable for issuing equity or long term debt. At March 31, 1995 there was no borrowing under these facilities. The maximum amount borrowed under these facilities during the first quarter of 1995 was \$66.8 million. Amounts advanced under these facilities bear interest at LIBOR plus 85 - 100 basis points; the weighted average interest rate on borrowings during the quarter was 7.0%.

The Trust is committed under leases for approximately \$7.9 million in tenant work. In addition the Trust has budgeted approximately \$39 million for the remainder of 1995 for improvements to its properties, including the renovations of Brick Plaza, Gaithersburg Square and the completion of the renovation of Congressional Plaza. Furthermore, the Trust is actively seeking to acquire shopping centers in its core major metropolitan markets and to acquire retail buildings in densely developed

13

urban and suburban areas. The Trust is also continuing to study site acquisitions in its core markets to permit the Trust to develop shopping centers. These expenditures will be funded with the revolving credit facilities pending their permanent financing with either equity or debt.

On April 5, 1995 the Trust purchased a 125,800 square foot portfolio of seven retail buildings in the West Hartford, Connecticut area for \$15.2 million. Then on April 12, 1995 the Trust purchased a 35,500 square foot retail building in Greenwich, Connecticut for \$12.9 million. These expenditures were funded with available cash and the revolving credit facilities until April 21, 1995 when the Trust issued \$25.0 million of 8% senior notes due 2002, the proceeds from which were used to repay the revolving credit facilities.

On April 27, 1995 the Trust purchased the 302,000 square foot Finley Square Shopping Center in Downers Grove, Illinois for cash of approximately \$18.0 million.

The Trust believes that the amounts available under its revolving credit facilities provide it with the liquidity needed for its short term renovation and acquisition plans. The Trust believes that the unencumbered value of its properties and its access to the capital markets, as demonstrated by its past success in raising capital, give it the ability to raise the capital, both debt and equity, needed to fund its long term capital and debt repayment needs.

CONTINGENCIES

The State of New Jersey Division of Taxation has assessed the Trust \$364,000 in taxes, penalty and interest for the years 1985 through 1990, since the State has disallowed the dividends paid deduction in computing New Jersey taxable income. The Trust is protesting this assessment since the Trust believes that it is entitled to the deduction. At this time, the outcome of this matter is unknown; however in a case involving another real estate investment trust, the New Jersey tax court recently ruled that the dividends paid deduction was allowable. However, the State of New Jersey has appealed this ruling.

Included in the Trust's investments is \$3.0 million of Olympia and York Senior First Mortgage Notes. The Olympia and York notes were written down during 1992 to management's best estimate of their net

realizable value. Interest income on these notes is not being recorded as revenue, but is being treated as a reduction of principal.

As previously reported, certain of the Trust's shopping centers have some environmental contamination. The North Carolina Department of the Environment, Health and Natural Resources ("DEHNR") issued a Notice of Violation ("NOV") against a drycleaner tenant at Eastgate Shopping Center in Chapel Hill, North Carolina concerning a spill at the shopping center. As owner of the shopping center, the Trust was named in and received a copy of the NOV. Estimates to remediate the spill range from \$300,000 to \$500,000. The Trust has entered into an agreement with two previous

14

owners of the shopping center to share the costs to assess and remediate. In 1993 the Trust recorded a liability of \$120,000 as its estimated share of the clean up costs.

In 1992 contaminants at levels in excess of New Jersey cleanup standards were identified at a shopping center in New Jersey. The Trust has retained an environmental consultant to investigate the contamination. The Trust is also evaluating whether it has insurance coverage for this matter. At this time, the Trust is unable to determine what the range of remediation costs might be. The Trust had also previously identified chlorinated solvent contamination at two other properties. In each case, the contamination appears to be linked to the current and/or previous dry cleaner. One site has been cleared. The Trust intends to look to the responsible parties for any remediation effort at the other property. Evaluation of the remaining situation is preliminary and it is impossible to estimate the range of remediation costs, if any.

The Trust reserved \$2.25 million at closing in 1993 for environmental issues principally associated with Gaithersburg Square Shopping Center. Pursuant to an indemnity agreement entered into with the seller at closing, the Trust agreed to take certain actions with respect to identified chlorinated solvent contamination. The seller indemnified the Trust of certain third party claims and government requirements related to contamination at adjacent properties.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 1995 AND 1994

The Trust has historically reported its funds from operations in addition to its net income. Funds from operations is a supplemental measure of real estate companies' operating performance which excluded historical cost depreciation, since real estate values have historically risen and fallen with market conditions rather than over time. Funds from operations was defined as income before depreciation and amortization and extraordinary items less gains on sale of real estate. The National Association of Real Estate Investment Trusts ("NAREIT") has recently issued a white paper, which has amended the definition as follows: income before depreciation and amortization of real estate assets and before extraordinary items and significant non-recurring events less gains on sale of real estate. The Trust intends to comply with this new definition and has consequently restated funds from operations for prior periods. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted to provide a consistent measure of operating performance in the industry.

The reconciliation of net income to funds from operations for the three months ended March 31 is as follows:

15

	1995	1994
	(in thousands)	
Net income	\$6,623	\$4,083
Plus: depreciation and amortization of real estate assets	7,392	6,137
amortization of initial direct costs of leases	609	588
	-----	-----
Funds from operations	\$14,624	\$10,808
	=====	=====

Funds from operations increased 35% to \$14.6 million in the first quarter of 1995 from \$10.8 million in the first quarter of 1994.

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 9% from \$31.5 million in the first quarter of 1994 to \$34.4 million in the first quarter of 1995. If rental income is adjusted to remove the effect of properties purchased in 1994 and 1995, it increased 4%. Forty-five percent of the increase is from Congressional Plaza, which was renovated and retented in 1994. Ellisburg Circle, whose redevelopment was completed in 1994, contributed an additional 14% of the increase.

Minimum rent increased 14% from \$23.8 million in the first quarter of 1994 to \$27.2 million in the first quarter of 1995. If properties purchased in 1994 and 1995 are excluded, minimum rent increased \$2.0 million or 8.5%. A major component of this increase is contributions from recently renovated centers and from the retenting of some anchor spaces. Cost recoveries have decreased from \$6.1 million in the first quarter of 1994 to \$5.7 million in the first quarter of 1995, primarily because of a decrease of \$1.6 million in snow removal expense from 1994 to 1995.

Other income which includes items which tend to fluctuate from period to period, such as utility reimbursements, telephone income, merchant association dues, lease termination fees, late fees and temporary tenant income, has increased from \$1.3 million in 1994 to \$1.5 million in 1995 due principally to a commission on telephone services.

Rental expenses have decreased from \$10.1 million in the first quarter of 1994 to \$8.0 million in the first quarter of 1995, despite the acquisition of new properties in 1994 and 1995. The major decrease is in snow removal expense, but there was also a significant decrease in bad debt and related expenses. Real estate tax expense has increased because of the new properties and because of increased assessments at several centers.

Interest expense has increased from \$8.2 million during the first quarter of 1994 to \$9.2 million during the comparable period of 1995. Interest expense on the \$100 million of senior notes issued January 1995 exceeds the interest saved due to the redemption in April 1994 of most of the convertible subordinated debentures due 2002. The ratio of earnings

16

to fixed charges was 1.69x in 1995 and 1.47x in 1994. The ratio of funds from operations to fixed charges was 2.53x in 1995 and 2.26x in 1994.

Depreciation and amortization expense has increased because of the recent acquisitions and because of depreciation on tenant work and recent property improvements.

As a result of the foregoing items, primarily the increases in rental income and the decreases in rental expense, net income rose from \$4.1 million in the first quarter of 1994 to \$6.6 million in the first quarter of 1995.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

(10) Exclusive Brokerage Agreement between Street Retail Inc.
and Westport Advisors Corporation

(27) Financial Data Schedule.....Edgar
filing only

(B) Reports on Form 8-K

A Form 8-K, dated March 31, 1995, was filed in response to Item 7.(c)

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

FEDERAL REALTY INVESTMENT TRUST

(Registrant)

Date: May 9, 1995

/s/ Steven J. Guttman

Steven J. Guttman, President
(Chief Executive Officer)

Date: May 9, 1995

/s/ Cecily A. Ward

Cecily A. Ward
(Principal Accounting Officer)

EXCLUSIVE BROKERAGE AGREEMENT

This Agreement is made and entered into on this 6th day of February, 1995 by and between Street Retail, Inc., a Maryland corporation and wholly-owned subsidiary of Federal Realty Investment Trust ("Client"), and Westport Advisors Corporation ("Broker").

In consideration of the mutual covenants set forth in this Agreement, the parties agree as follows:

1. Client hereby appoints Broker as its exclusive real estate advisor for the purchase of urban retail buildings (i.e. not traditional "strip" shopping centers or shopping malls) located in Connecticut and Westchester County, New York (the "Metro Area"). Broker shall perform the duties of a real estate advisor; specifically, Broker shall conduct searches for properties which fit the criteria established by Client and assist Client with all aspects of the due diligence process in order to enable Client to evaluate the desirability and feasibility of acquiring such properties or any interest therein; such assistance shall include collecting and providing Client with market information such as demographics, information on competing properties, comparable rentals and sales and assistance in the appraisal and underwriting of the properties.

2. Broker represents and warrants that:

- a) Broker will act in accordance with the highest professional standards of the industry and in compliance with all applicable laws, regulations, codes, ordinances and orders.
- b) There are no obligations, commitments, or impediments of any kind that will limit or prevent the Broker's performance of its services and obligations pursuant to this Agreement.
- c) The Broker is duly licensed as a real estate broker in the State of Connecticut and New York.
- d) Broker will perform its services in a professional manner and in the most expeditious and economical manner consistent with the interest of Client.
- e) Advisor is an independent contractor and not an employee of Client.

3. Broker's authority is limited to performing the services in accordance with the terms of this Agreement. Broker does not have any authority to enter into or execute any agreement for or on behalf of

Client. No written proposals, offers or other information concerning Client shall be distributed without Client's prior written consent, which may be withheld in Client's sole and absolute discretion. Client shall have the right to specify Broker's degree of involvement, if any, with

1

respect to any negotiation of any contract of sale ("Contract of Sale"). Broker acknowledges that entering into a Contract of Sale involves negotiation of complex provisions and issues, including business, tax and operational issues and liabilities relating to a property, and that Client, therefore, expressly reserves the right to reject any and all proposals for a Contract of Sale and to approve any and all terms and conditions of any proposed Contract of Sale as Client sees fit, in Client's sole and absolute discretion.

4. The term of this Agreement ("Term") shall commence on January 1, 1995 and end at midnight on December 31, 1995, unless sooner terminated in accordance with the provisions of this Agreement.

5. Client shall pay Broker a commission (the "Commission") equal to 1.50% (one and one-half percent) of the first twenty-five million dollars (\$25,000,000) of the aggregate gross sales price of the properties acquired subject to this Agreement (i.e. each urban retail building, or buildings located in the Metro Area) (hereinafter, the "Properties") and 2.00% (two percent) of the aggregate gross sales price of the Properties acquired subject to this Agreement thereafter. Notwithstanding the foregoing, Commissions on the Udolf Portfolio, People's Bank and Mel Gordon Properties will be paid in accordance with Exhibit A attached hereto and will be specifically excluded from the \$25,000,000 amount referenced above. Notwithstanding the foregoing, in the event a seller of one or more Properties has a broker representing its interest and the seller is paying a commission to such broker, Broker shall negotiate with the seller's broker to receive a portion of the commission paid by seller. Notwithstanding anything to the contrary contained in this Agreement, the following shall be conditions precedent to Client's obligation to pay the Commission:

- a) The execution and delivery by Client and seller of a Contract of Sale for one or more Properties acceptable in form and substance to Client, in Client's sole and absolute discretion; and
- b) The actual closing of the sale, including Client's payment of all monies due at closing, and transfer of

title, or other evidence of ownership, to Client.

Failure of either of these conditions shall preclude any claim for a Commission by Broker.

It is further understood that the Commission shall be paid to Broker if, (i) within One Hundred Eighty (180) days after the expiration or termination of the Term, Client enters into a Contract of Sale for one or more Properties presented by Broker during the Term and named in a written list delivered to Client by Broker within ten (10) days following the expiration of the Term or the termination of this Agreement, (ii) such purchase is ultimately consummated, and (iii) the two conditions precedent to Client's obligation to pay the Commission, as set forth above, have been met. Broker's Commission shall be the sole compensation paid to

2

Broker and Broker shall not be entitled to reimbursement for any expenses or any other sums Broker incurs related to or involving the performance of the services. The Commission shall be paid to Broker at closing and Client hereby authorizes the attorney or title company conducting the closing to disburse the Commission to Broker at such closing. The Commission shall be payable if the transfer or sale is structured as a cash sale, like-kind exchange, partial sale, joint venture, newly formed partnership or transfer of stock.

6. In no event shall Client be responsible to pay any persons or entities, other than Broker, any commissions or other remunerations of any kind in connection with this Agreement or by virtue of their association with Broker. Further, Client shall not be obligated to see to the application of the Commission, if any, due under this Agreement or the payment of any other remuneration for the benefit of any persons or entities other than Broker, and no other persons or entity shall be a third party beneficiary of this Agreement. Broker shall be solely responsible for the direct payment of any commissions or other remuneration of any kind due to other persons or entities claiming entitlement to a share of the Commission or any other remuneration under this Agreement or by virtue of their association with Broker. Broker hereby agrees to indemnify and hold Client harmless from and against any and all claims, demands, obligations, liabilities, losses and damages (including, without limitation, attorney's fees of counsel selected by Client) arising directly or indirectly out of or in connection with any claim for commissions or other remuneration of any kind for any person or entity claiming by, through or under Broker or relating in any way to this Agreement, or Broker's actions or failure to act pursuant to this

Agreement; it being understood and agreed that Client's liability hereunder shall be limited to the payment to Broker of the Commission, if any, owed under the Agreement. This provision shall survive any termination of this Agreement.

7. This Agreement may be terminated by either party upon thirty (30) days' written notice. In the event of termination by either party, Broker shall be entitled to receive only that Commission which it has earned pursuant to and in accordance with Section 5 of this Agreement and Client shall have no further obligations or liabilities hereunder.

8. Broker's failure or refusal to perform or observe any obligation, covenant, or condition of this Agreement shall constitute an Event of Default. Should an Event of Default occur, Client may, at its option, terminate this Agreement without affecting any other remedy which it may have at law or in equity. Such termination shall be effective immediately upon Broker's receipt of written notice from Client. In such event, Broker shall be entitled to receive only that Commission which it has earned pursuant to and in accordance with Section 5 of this Agreement, less any and all damages, losses, claims, costs and expenses incurred or suffered by Client as a result of Broker's failure or refusal to perform and Client shall have no further obligations or liabilities hereunder.

9. The name, "Federal Realty Investment Trust," refers to the Trustees, as trustees, but not individually or personally, under a Third Amended and Restated Declaration of Trust on file in the office of the Recorder of Deeds of the District of Columbia, which Declaration provides that neither the shareholders nor the Trustees, nor any officer, employee, representative or agent of Federal Realty Investment Trust shall be personally liable for the satisfaction of obligations of any nature whatsoever of Federal Realty Investment Trust. Accordingly, and in addition to the other limitations on liability set forth herein, Broker hereby agrees to look solely to Street Retail, Inc.'s property or Federal Realty Investment Trust's trust property for the satisfaction of any claim arising from this Agreement and shall not seek to impose personal liability on any shareholder, Trustee, officer, employee, representative or agent of Federal Realty Investment Trust. A similar limitation on liability shall be inserted in each document executed by Street Retail, Inc. (if any) pursuant to this Agreement.

10. Whenever any demand, request, approval consent or notice

("Notice") shall or may be given by one party to the other, Notice shall be addressed to the parties at their respective addresses as set forth below and delivered by (i) hand, (ii) facsimile, (iii) a nationally recognized overnight express courier, or (iv) registered or certified mail return receipt requested. The date of actual receipt shall be deemed the date of service of Notice. In the event an addressee refuses to accept delivery, however, then Notice shall be deemed to have been served on either (i) the date hand delivery is refused, (ii) the next business day in the case of delivery by overnight courier, or (iii) three (3) business days after mailing the notice in the case of registered or certified mail. Either party may, at any time, change its Notice address by giving the other party Notice, in accordance with the above, stating the change and setting forth the new address.

Client: Charles E. Garner II
Vice President
Street Retail, Inc.
4800 Hampden Lane, Suite 500
Bethesda, Maryland 20814

with a copy to:

Street Retail, Inc.
4800 Hampden Lane, Suite 500
Bethesda, Maryland 20814
Attn: Secretary

Broker: Westport Advisors Corporation
25 Sylvan Road South, Building F
Westport, Connecticut 06880
Attn: Jack Alan Guttman, President

11. This Agreement contains the entire agreement between Client and Broker, supersedes any prior agreements or understandings, and no oral

4

statements or prior written matter not specifically incorporated in this Agreement shall be of any force and effect. No variation, modification, or changes of this Agreement shall be binding on either party to the Agreement unless set forth in a document executed by these parties or a duly authorized agent, officer, or representative hereof.

12. Neither Client nor Broker shall file or record any instrument or document relative to this Agreement in any public records.

13. The heirs, transferees, successors, and assigns of the parties hereof shall be duly bound by the provisions hereof, provided Broker may not assign or otherwise transfer its right or obligation hereunder.

14. The terms of the Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

15. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above stated.

CLIENT:

STREET RETAIL, INC.

By: Charles E. Garner II
Charles E. Garner II
Vice President

BROKER:

WESTPORT ADVISORS CORPORATION

By: Jack Alan Guttman
Jack Alan Guttman
President

EXHIBIT A

1. Udolf Properties - West Hartford and Avon, CT - Two percent (2.00%) commission.
2. Peoples Bank (410 Greenwich Avenue) - Greenwich, CT - Two percent (2.00%) commission.
3. Mel Gordon Properties - Bronxville, NY - Two percent (2.00%) commission.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the Consolidated Balance Sheet of Federal Realty Investment Trust as of March 31, 1995 and the related consolidated statement of operations for the three months ended March 31, 1995 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-END>	MAR-31-1995
<CASH>	\$17,959
<SECURITIES>	3,567
<RECEIVABLES>	17,281
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	0<F1>
<PP&E>	863,916
<DEPRECIATION>	(168,006)
<TOTAL-ASSETS>	771,905
<CURRENT-LIABILITIES>	0
<BONDS>	395,379
<COMMON>	498,116
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	(157,095)
<TOTAL-LIABILITY-AND-EQUITY>	771,905
<SALES>	0
<TOTAL-REVENUES>	35,921
<CGS>	0
<TOTAL-COSTS>	11,352
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	9,157
<INCOME-PRETAX>	6,623
<INCOME-TAX>	0
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	6,623
<EPS-PRIMARY>	.21
<EPS-DILUTED>	0
<FN>	

<F1>Current assets and current liabilities are not listed since Federal Realty does not prepare a classified balance sheet.
</FN>

</TABLE>