

FEDERAL REALTY INVESTMENT TRUST

Form 10-Q

November 02, 2016

Table of Contents

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, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST

(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland 52-0782497

(State of Organization) (IRS Employer Identification No.)

1626 East Jefferson Street, Rockville, Maryland 20852

(Address of Principal Executive Offices) (Zip Code)

(301) 998-8100

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of Registrant's common shares outstanding on October 28, 2016 was 71,786,500.

Table of Contents

FEDERAL REALTY INVESTMENT TRUST
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED September 30, 2016

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015	<u>4</u>
Consolidated Statements of Comprehensive Income (unaudited) for the three and nine months ended September 30, 2016 and 2015	<u>5</u>
Consolidated Statement of Shareholders' Equity (unaudited) for the nine months ended September 30, 2016	<u>6</u>
Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2016 and 2015	<u>7</u>
Notes to Consolidated Financial Statements (unaudited)	<u>8</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>15</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>31</u>
Item 4. Controls and Procedures	<u>32</u>
PART II. OTHER INFORMATION	<u>32</u>
Item 1. Legal Proceedings	<u>32</u>
Item 1A. Risk Factors	<u>32</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>33</u>
Item 3. Defaults Upon Senior Securities	<u>34</u>
Item 4. Mine Safety Disclosures	<u>34</u>
Item 5. Other Information	<u>34</u>
Item 6. Exhibits	<u>34</u>
SIGNATURES	<u>35</u>

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following balance sheet as of December 31, 2015, which has been derived from audited financial statements, and unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been omitted pursuant to those rules and regulations, although Federal Realty Investment Trust (the "Trust") believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Trust's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full year.

Table of ContentsFederal Realty Investment Trust
Consolidated Balance Sheets

	September 30, 2016	December 31, 2015
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including \$1,219,223 and \$1,192,336 of consolidated variable interest entities, respectively)	\$6,017,414	\$5,630,771
Construction-in-progress	586,918	433,635
	6,604,332	6,064,406
Less accumulated depreciation and amortization (including \$200,877 and \$176,057 of consolidated variable interest entities, respectively)	(1,688,510)	(1,574,041)
Net real estate	4,915,822	4,490,365
Cash and cash equivalents	101,281	21,046
Accounts and notes receivable, net	120,135	110,402
Mortgage notes receivable, net	29,904	41,618
Investment in real estate partnerships	11,129	41,546
Prepaid expenses and other assets	219,066	191,582
TOTAL ASSETS	\$5,397,337	\$4,896,559
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable (including \$441,294 and \$448,315 of consolidated variable interest entities, respectively)	\$473,490	\$481,084
Capital lease obligations	71,597	71,620
Notes payable	288,489	341,961
Senior notes and debentures	1,975,988	1,732,551
Accounts payable and accrued expenses	184,007	146,532
Dividends payable	71,231	66,338
Security deposits payable	16,228	15,439
Other liabilities and deferred credits	119,231	121,787
Total liabilities	3,200,261	2,977,312
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	125,861	137,316
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par: 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 71,782,989 and 69,493,392 shares issued and outstanding, respectively	721	696
Additional paid-in capital	2,704,490	2,381,867
Accumulated dividends in excess of net income	(737,124)	(724,701)
Accumulated other comprehensive loss	(5,394)	(4,110)
Total shareholders' equity of the Trust	1,972,690	1,663,749
Noncontrolling interests	98,525	118,182

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form 10-Q

Total shareholders' equity	2,071,215	1,781,931
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$5,397,337	\$4,896,559

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

4

Table of ContentsFederal Realty Investment Trust
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
REVENUE				
Rental income	\$197,469	\$181,562	\$585,712	\$538,612
Other property income	2,759	2,479	8,559	9,364
Mortgage interest income	929	1,211	3,211	3,529
Total revenue	201,157	185,252	597,482	551,505
EXPENSES				
Rental expenses	38,588	34,439	118,385	108,501
Real estate taxes	24,973	21,804	71,164	62,865
General and administrative	8,232	9,374	25,278	27,526
Depreciation and amortization	48,903	43,718	145,137	128,373
Total operating expenses	120,696	109,335	359,964	327,265
OPERATING INCOME	80,461	75,917	237,518	224,240
Other interest income	105	6		