DEERE & CO
Form 10-Q
February 25, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2011

Commission file no: 1-4121

DEERE & COMPANY

Delaware		**36-2382580**
(State of incorporation)		(IRS employer identification no.)

One John Deere Place
Moline, Illinois 61265
(Address of principal executive offices)
Telephone Number: **(309) 765-8000**

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

Yes X No

Indicate 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	X	Accelerated Filer	
Non-Accelerated Filer		Smaller Reporting Company	
(Do not check if a 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 X

At January 31, 2011, 421,041,065 shares of common stock, $1 par value, of the registrant were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEERE & COMPANY

STATEMENT OF CONSOLIDATED INCOME

For the Three Months Ended January 31, 2011 and 2010

(In millions of dollars and shares except per share amounts) Unaudited		
	2011	2010
Net Sales and Revenues		
Net sales	$ 5,513.8	$ 4,237.3
Finance and interest income	460.1	467.2
Other income	145.3	130.3
Total	6,119.2	4,834.8
Costs and Expenses		
Cost of sales	4,094.1	3,205.5
Research and development expenses	268.9	235.7
Selling, administrative and general expenses	665.0	642.1
Interest expense	202.5	218.5
Other operating expenses	142.7	168.7
Total	5,373.2	4,470.5
Income of Consolidated Group before Income Taxes	746.0	364.3
Provision for income taxes	232.2	109.9
Income of Consolidated Group	513.8	254.4
Equity in income (loss) of unconsolidated affiliates	.5	(8.8)
Net Income	514.3	245.6
Less: Net income attributable to noncontrolling interests	.6	2.4
Net Income Attributable to Deere & Company	$ 513.7	$ 243.2
Per Share Data		
Basic	$ 1.22	$ .57
Diluted	$ 1.20	$ .57
Average Shares Outstanding		
Basic	421.8	423.6
Diluted	427.5	427.5

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions of dollars) Unaudited

	January 31 2011	October 31 2010	January 31 2010
Assets			
Cash and cash equivalents	$ 3,438.0	$ 3,790.6	$ 5,043.3
Marketable securities	234.2	227.9	206.4
Receivables from unconsolidated affiliates	43.8	38.8	38.4
Trade accounts and notes receivable - net	3,237.1	3,464.2	3,120.5
Financing receivables - net	18,164.1	17,682.2	14,686.7
Restricted financing receivables - net	1,768.2	2,238.3	2,603.9
Other receivables	885.1	925.6	774.5
Equipment on operating leases - net	1,845.4	1,936.2	1,613.1
Inventories	4,178.4	3,063.0	2,752.5
Property and equipment - net	3,781.5	3,790.7	4,424.8
Investments in unconsolidated affiliates	215.3	244.5	220.4
Goodwill	997.3	998.6	1,010.1
Other intangible assets - net	133.1	117.0	130.6
Retirement benefits	176.9	146.7	124.0
Deferred income taxes	2,664.5	2,477.1	2,750.2
Other assets	1,132.9	1,194.0	1,281.3
Assets held for sale		931.4	
Total Assets	$ 42,895.8	$ 43,266.8	$ 40,780.7
Liabilities and Stockholders Equity			
Short-term borrowings	$ 7,458.1	$ 7,534.5	$ 7,679.4
Payables to unconsolidated affiliates	276.9	203.5	77.4
Accounts payable and accrued expenses	5,910.5	6,481.7	4,777.3
Deferred income taxes	149.8	144.3	155.4
Long-term borrowings	16,705.9	16,814.5	17,090.6
Retirement benefits and other liabilities	5,807.9	5,784.9	6,014.6
Total liabilities	36,309.1	36,963.4	35,794.7
Commitments and contingencies (Note 14)			
Common stock, $1 par value (issued shares at January 31, 2011 536,431,204)	3,154.6	3,106.3	3,040.1
Common stock in treasury	(6,003.2)	(5,789.5)	(5,540.8)
Retained earnings	12,719.2	12,353.1	11,105.0
Accumulated other comprehensive income (loss)	(3,292.0)	(3,379.6)	(3,624.7)
Total Deere & Company stockholders equity	6,578.6	6,290.3	4,979.6
Noncontrolling interests	8.1	13.1	6.4
Total stockholders equity	6,586.7	6,303.4	4,986.0
Total Liabilities and Stockholders Equity	$ 42,895.8	$ 43,266.8	$ 40,780.7

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Three Months Ended January 31, 2011 and 2010
(In millions of dollars) Unaudited

	2011	2010
Cash Flows from Operating Activities		
Net income	$ 514.3	$ 245.6
Adjustments to reconcile net income to net cash used for operating activities:		
Provision for doubtful receivables	7.9	25.9
Provision for depreciation and amortization	219.0	241.4
Share-based compensation expense	15.0	40.1
Undistributed earnings of unconsolidated affiliates	8.6	8.7
Provision (credit) for deferred income taxes	(185.1)	39.3
Changes in assets and liabilities:		
Trade, notes and financing receivables related to sales	(110.0)	(205.6)
Inventories	(1,096.1)	(348.2)
Accounts payable and accrued expenses	(447.3)	(416.9)
Accrued income taxes payable/receivable	130.5	4.8
Retirement benefits	94.2	(48.7)
Other	(51.3)	95.3
Net cash used for operating activities	(900.3)	(318.3)
Cash Flows from Investing Activities		
Collections of receivables	3,761.7	3,211.8
Proceeds from maturities and sales of marketable securities	9.4	3.5
Proceeds from sales of equipment on operating leases	196.5	158.9
Proceeds from sales of businesses, net of cash sold	891.6	5.7
Cost of receivables acquired	(3,390.2)	(2,697.7)
Purchases of marketable securities	(20.7)	(18.5)
Purchases of property and equipment	(214.9)	(162.7)
Cost of equipment on operating leases acquired	(92.4)	(54.5)
Acquisitions of businesses, net of cash acquired	(46.6)	(18.7)
Other	(111.6)	(55.3)
Net cash provided by investing activities	982.8	372.5
Cash Flows from Financing Activities		
Increase in short-term borrowings	19.5	571.6
Proceeds from long-term borrowings	328.4	335.1
Payments of long-term borrowings	(453.5)	(461.6)
Proceeds from issuance of common stock	88.9	24.5
Repurchases of common stock	(302.2)	(3.8)
Dividends paid	(127.2)	(118.5)
Excess tax benefits from share-based compensation	32.6	6.8
Other	(11.5)	(8.3)
Net cash provided by (used for) financing activities	(425.0)	345.8
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(10.1)	(8.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(352.6)	391.6
Cash and Cash Equivalents at Beginning of Period	3,790.6	4,651.7
Cash and Cash Equivalents at End of Period	$ 3,438.0	$ 5,043.3

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS EQUITY

For the Three Months Ended January 31, 2010 and 2011

(In millions of dollars) Unaudited

			Deere & Company Stockholders				
	Total Stockholders Equity	Comprehensive Income (Loss)	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests
Balance October 31, 2009	$ 4,822.8		$ 2,996.2	$ (5,564.7)	$ 10,980.5	$ (3,593.3)	$ 4.1
Net income	245.6	$ 243.2			243.2		2.4
Other comprehensive income (loss)							
Retirement benefits adjustment	71.8	71.8				71.8	
Cumulative translation adjustment	(109.9)	(109.8)				(109.8)	(.1)
Unrealized gain on derivatives	6.3	6.3				6.3	
Unrealized gain on investments	.3	.3				.3	
Comprehensive income	214.1	$ 211.8					2.3
Repurchases of common stock	(3.8)			(3.8)			
Treasury shares reissued	27.7			27.7			
Dividends declared	(118.7)				(118.7)		
Stock options and other	43.9		43.9				
Balance January 31, 2010	$ 4,986.0		$ 3,040.1	$ (5,540.8)	$ 11,105.0	$ (3,624.7)	$ 6.4
Balance October 31, 2010	$ 6,303.4		$ 3,106.3	$ (5,789.5)	$ 12,353.1	$ (3,379.6)	$ 13.1
Net income	514.3	$ 513.7			513.7		.6
Other comprehensive income (loss)							
Retirement benefits adjustment	66.2	66.2				66.2	
Cumulative translation adjustment	20.4	20.4				20.4	
Unrealized gain on derivatives	5.1	5.1				5.1	
Unrealized loss on investments	(4.1)	(4.1)				(4.1)	
Comprehensive income	601.9	$ 601.3					.6
Repurchases of common stock	(302.2)			(302.2)			
Treasury shares reissued	88.5			88.5			
Dividends declared	(151.2)				(147.7)		(3.5)
Stock options and other	46.3		48.3		.1		(2.1)
Balance January 31, 2011	$ 6,586.7		$ 3,154.6	$ (6,003.2)	$ 12,719.2	$ (3,292.0)	$ 8.1

See Condensed Notes to Interim Consolidated Financial Statements.

Condensed Notes to Interim Consolidated Financial Statements (Unaudited)

(1) The information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations - Includes the Company s agriculture and turf operations and construction and forestry operations with financial services reflected on the equity basis.

Financial Services - Includes the Company s financial services segment, which consists of the previous credit segment and the Other segment that was combined at the beginning of the first quarter of 2011. The Other segment consisted of an insurance business that did not meet the materiality threshold of reporting. It was previously included as a separate segment in Financial Services (see Note 9).

Consolidated - Represents the consolidation of the equipment operations and financial services operations. References to Deere & Company or the Company refer to the entire enterprise.

Variable Interest Entities

The Company is the primary beneficiary of and consolidates a supplier that is a variable interest entity (VIE). The Company has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE based on a cost sharing supply contract. No additional support beyond what was previously contractually required has been provided during any periods presented. The VIE produces blended fertilizer and other lawn care products for the agriculture and turf segment.

The assets and liabilities of this supplier VIE consisted of the following in millions of dollars:

	January 31 2011	October 31 2010	January 31 2010
Intercompany receivables	$ 9	$ 10	$ 9
Inventory	58	32	63
Property and equipment	4	4	5
Other assets	3	11	6
Total assets	$ 74	$ 57	$ 83
Short-term borrowings	$ 9		$ 15
Accounts payable and accrued expenses	65	$ 55	72
Total liabilities	$ 74	$ 55	$ 87

The VIE is financed through its own accounts payable and short-term borrowings. The assets of the VIE can only be used to settle the obligations of the VIE. The creditors of the VIE do not have recourse to the general credit of the Company.

The Company previously consolidated certain wind energy entities that were VIEs, which invested in wind farms that own and operate turbines to generate electrical energy. In December 2010, the Company sold John Deere Renewables, LLC, which included these VIEs and other wind energy entities. No additional support to these VIEs beyond what was previously contractually required was provided during any periods presented.

The assets and liabilities of these wind energy VIEs consisted of the following in millions of dollars:

	October 31 2010	January 31 2010
Receivables		$ 31
Property and equipment		139
Other assets		1
Assets held for sale *	$ 133	
Total assets	$ 133	$ 171
Intercompany borrowings	$ 50	$ 53
Accounts payable and accrued expenses	5	8
Total liabilities	$ 55	$ 61

* See Note 19.

The VIEs were financed primarily through intercompany borrowings and equity. The VIE s assets were pledged as security interests for the intercompany borrowings. The remaining creditors of the VIEs did not have recourse to the general credit of the Company.

See Note 11 for VIEs related to securitization of financing receivables.

(2) The consolidated financial statements of Deere & Company and consolidated subsidiaries have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted as permitted by such rules and regulations. All adjustments, consisting of normal recurring adjustments, have been included. Management believes that the disclosures are adequate to present fairly the financial position, results of operations and cash flows at the dates and for the periods presented. It is suggested that these interim financial statements be read in conjunction with the financial statements and the notes thereto appearing in the Company s latest annual report on Form 10-K. Results for interim periods are not necessarily indicative of those to be expected for the fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the Statement of Consolidated Cash Flows as these receivables arise from sales to the Company s customers. Cash flows from financing receivables that are related to sales to the Company s customers are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The Company had the following non-cash operating and investing activities that were not included in the Statement of Consolidated Cash Flows. The Company transferred inventory to equipment on operating leases of approximately $51 million and $45 million in the first three months of 2011 and 2010, respectively. The Company also had accounts payable related to purchases of property and equipment of approximately $34 million and $25 million at January 31, 2011 and 2010, respectively.

(3) New accounting standards adopted in the first three months of 2011 were as follows:

In the first quarter of 2011, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-16, Accounting for Transfers of Financial Assets, which amends ASC 860, Transfers and Servicing (FASB Statement No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140). This ASU eliminates the qualifying special purpose entities from the consolidation guidance and clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. It requires additional disclosures about the risks from continuing involvement in transferred financial assets accounted for as sales. The adoption did not have a material effect on the Company s consolidated financial statements.

In the first quarter of 2011, the Company adopted FASB ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which amends Accounting Standards Codification (ASC) 810, Consolidation (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)). This ASU requires a qualitative analysis to determine the primary beneficiary of a VIE. The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The ASU also requires additional disclosures about an enterprise s involvement in a VIE. The adoption did not have a material effect on the Company s consolidated financial statements.

In the first quarter of 2011, the Company adopted FASB ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC 310, Receivables. This ASU requires disclosures related to financing receivables and the allowance for credit losses by portfolio segment. The ASU also requires disclosures of information regarding the credit quality, aging, nonaccrual status and impairments by class of receivable. A portfolio segment is the level at which a creditor develops a systematic methodology for determining its credit allowance. A receivable class is a subdivision of a portfolio segment with similar measurement attributes, risk characteristics and common methods to monitor and assess credit risk. Trade accounts receivable with maturities of one year or less are excluded from the disclosure requirements. The adoption did not have a material effect on the Company s consolidated financial statements.

New accounting standard to be adopted is as follows:

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends ASC 820, Fair Value Measurements and Disclosures. This ASU requires disclosures of transfers into and out of Levels 1 and 2, more detailed roll forward reconciliations of Level 3 recurring fair value measurements on a gross basis, fair value information by class of assets and liabilities, and descriptions of valuation techniques and inputs for Level 2 and 3 measurements. The effective date was the second quarter of fiscal year 2010 except for the roll forward reconciliations, which are required in the first quarter of fiscal year 2012. The adoption in 2010 did not have a material effect and the future adoption will not have a material effect on the Company s consolidated financial statements.

(4) Comprehensive income, which includes all changes in the total stockholders equity during the period except transactions with stockholders, was as follows in millions of dollars:

117,157

Net income attributable to noncontrolling interests
(1,012
)

(1,249
)

(3,141
)

(4,161
)
Comprehensive income attributable to the Trust
$
35,792

$
47,053

$
104,946

$
112,996

Other Recently Adopted Accounting Pronouncements
In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards (“IFRS”). ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. We adopted the standard effective January 1, 2012 and it did not have a significant impact to our consolidated financial statements.
Consolidated Statements of Cash Flows—Supplemental Disclosures
The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows:

Nine Months Ended

	September 30, 2012	2011
	(In thousands)	
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	$93,213	$78,560
Interest capitalized	(7,469)	(5,816)
Interest expense	$85,744	$72,744
Cash paid for interest, net of amounts capitalized	$89,959	$76,520
Cash (refunded) paid for income taxes	$(1,144)	$690
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Mortgage loan assumed with acquisition	$—	$42,938
Deconsolidation of VIE	$—	$18,311
Capital lease obligation	$—	$4,556

NOTE 3—REAL ESTATE

During 2012, we finalized the purchase price allocations for our December 2011 acquisitions of controlling interests in Montrose Crossing and Plaza El Segundo. The purchase price for Montrose Crossing was $141.5 million and our 89.9% ownership interest was $127.2 million which was funded with cash and our pro-rata share of $80.0 million of new mortgage debt. Approximately $2.9 million and $3.8 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The purchase price for Plaza El Segundo was $192.7 million and our 48.2% ownership interest was funded with $8.5 million of cash and the assumption of our pro-rata share of the existing $175.0 million mortgage debt. Approximately $7.5 million and $2.3 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The balance sheet at December 31, 2011, has been adjusted to reflect the final purchase price allocation for both properties.

In July and September 2012, we acquired three residential apartment buildings with 47 units located adjacent to Santana Row for $9.0 million. These properties provide potential future redevelopment opportunities for Santana Row.

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NOTE 4—REAL ESTATE PARTNERSHIPS

Federal/Lion Venture LP

We have a joint venture arrangement (the “Partnership”) with affiliates of a discretionary fund created and advised by ING Clarion Partners (“Clarion”). We own 30% of the equity in the Partnership and Clarion owns 70%. We hold a general partnership interest, however, Clarion also holds a general partnership interest and has substantive participating rights. We cannot make significant decisions without Clarion’s approval. Accordingly, we account for our interest in the Partnership using the equity method. As of September 30, 2012, the Partnership owned seven retail real estate properties. We are the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, management, leasing, and financing. Intercompany profit generated from fees is eliminated in consolidation. We also have the opportunity to receive performance-based earnings through our Partnership interest. Accounting policies for the Partnership are similar to accounting policies followed by the Trust. The Partnership is subject to a buy-sell provision which is customary for real estate joint venture agreements and the industry. Either partner may initiate this provision at any time, which could result in either the sale of our interest or the use of available cash or borrowings to acquire Clarion’s interest.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
OPERATING RESULTS				
Revenue	$4,772	$4,743	$14,070	$14,387
Expenses				
Other operating expenses	1,242	1,276	3,809	4,260
Depreciation and amortization	1,372	1,296	4,123	3,864
Interest expense	844	846	2,533	2,542
Total expenses	3,458	3,418	10,465	10,666
Net income	$1,314	$1,325	$3,605	$3,721
Our share of net income from real estate partnership	$490	$452	$1,286	$1,253

	September 30, 2012	December 31, 2011
	(In thousands)	
BALANCE SHEETS		
Real estate, net	$175,369	$178,693
Cash	4,320	3,035
Other assets	5,391	6,116
Total assets	$185,080	$187,844
Mortgages payable	$57,212	$57,376
Other liabilities	4,303	5,391
Partners’ capital	123,565	125,077
Total liabilities and partners’ capital	$185,080	$187,844
Our share of unconsolidated debt	$17,164	$17,213
Our investment in real estate partnership	$33,871	$34,352

Taurus Newbury Street JV II Limited Partnership

On October 31, 2011, our Newbury Street Partnership sold its entire portfolio of three buildings for $44.0 million. As part of the sale, we received $34.6 million of the net proceeds which included the repayment of our $11.8 million loans. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of $11.9 million in the first quarter 2012.

The deferred gain was included in "other liabilities and deferred credits" on the balance sheet at December 31, 2011.

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NOTE 5—DEBT

On July 16, 2012, we repaid our $175.0 million 6.00% senior notes on the maturity date.

On July 19, 2012, we issued $250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately $244.8 million.

During the three and nine months ended September 30, 2012, the maximum amount of borrowing outstanding under our $400.0 million revolving credit facility was $186.0 million for both periods, the weighted average borrowings outstanding was $6.1 million and $2.0 million, respectively, and the weighted average interest rate before amortization of debt fees was 1.42% for both periods. At September 30, 2012, there was no balance outstanding. 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, 2012, we were in compliance with all loan covenants.

NOTE 6—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, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	$1,030,261	$1,071,901	$1,042,682	$1,099,273
Senior notes and debentures	$1,076,456	$1,204,598	$1,004,635	$1,085,309

As of September 30, 2012, we have two interest rate swap agreements with a notional amount of $275.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the variable portion of our $275.0 million term loan at 1.72% from December 1, 2011 through November 1, 2018, and effectively fix the rate of the term loan at 3.17%. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive income/loss and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Within the next 12 months, we expect to reclassify an estimated $4.2 million as an increase to interest expense. Our 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. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness has not impacted earnings as of September 30, 2012, and we do not anticipate it will have a significant effect in the future.

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, 2012 was a liability of $13.2 million and is included in "accounts payable and accrued expenses" on our consolidated balance sheet. The change in valuation on our interest rate swaps was $2.9 million and $9.3 million (including $1.1 million and $3.1 million , respectively,

reclassified from other comprehensive loss to earnings) for the three and nine months ended September 30, 2012 and is included in "accumulated other comprehensive loss".

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A summary of our financial liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	$—	$13,227	$—	$13,227	$—	$3,940	$—	$3,940

NOTE 7—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.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. A total of 324,140 operating partnership units are outstanding which have a total fair value of $34.1 million, based on our closing stock price on September 30, 2012.

NOTE 8—SHAREHOLDERS' EQUITY

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

	Nine Months Ended September 30,			
	2012		2011	
	Declared	Paid	Declared	Paid
Common shares	$2.110	$2.070	$2.030	$2.010
5.417% Series 1 Cumulative Convertible Preferred shares	$1.016	$1.016	$1.016	$1.016

On May 8, 2012, we replaced our existing at the market ("ATM") equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to $300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended September 30, 2012, we issued 491,094 common shares at a weighted average price per share of $107.43 for net cash proceeds of $52.1 million and paid $0.7 million in commissions related to the sales of these common shares. For the nine months ended September 30, 2012, we issued 873,210 common shares at a weighted average price per share of $103.54 for net cash proceeds of $89.1 million and paid $1.2 million in commissions related to the sales of these common shares.

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NOTE 9—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Minimum rents				
Retail and commercial	$106,344	$98,654	$313,934	$293,622
Residential (1)	7,116	5,746	20,467	16,958
Cost reimbursement	29,171	25,714	82,603	80,083
Percentage rent	1,667	1,673	5,167	4,598
Other	3,217	2,227	7,801	6,191
Total rental income	$147,515	$134,014	$429,972	$401,452

(1) Residential minimum rents consist of the rental amounts for residential units at Rollingwood Apartments, The Crest at Congressional Plaza Apartments, Santana Row and Bethesda Row.

Minimum rents include the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In millions)			
Straight-line rents	$1.8	$1.6	$3.9	$3.9
Amortization of above market leases	$(0.8)	$(0.6)	$(2.6)	$(1.8)
Amortization of below market leases	$1.1	$0.9	$3.4	$2.8

NOTE 10—DISCONTINUED OPERATIONS

Results of properties disposed or held for disposal which meet certain requirements, constitute discontinued operations and as such, the operations of these properties are classified as discontinued operations for all periods presented. A summary of the financial information for the discontinued operations is as follows:

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(in millions)	
Revenue from discontinued operations	$0.2	$2.2
Income from discontinued operations	$—	$0.9

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NOTE 11—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,	
	2012	2011	2012	2011
	(In thousands)			
Share-based compensation incurred				
Grants of common shares	$2,754	$1,847	$7,644	$5,433
Grants of options	77	210	358	672
	2,831	2,057	8,002	6,105
Capitalized share-based compensation	(230)	(167)	(683)	(525)
Share-based compensation expense	$2,601	$1,890	$7,319	$5,580

NOTE 12—EARNINGS PER SHARE

We have calculated earnings per share (“EPS”) under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating securities is calculated according to dividends declared and participation rights in undistributed earnings. For the three and nine months ended September 30, 2012 and 2011, we had 0.3 million weighted average unvested shares outstanding, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares; the portion of earnings allocated to the unvested shares is reflected as “earnings allocated to unvested shares” in the reconciliation below.

In the dilutive EPS calculation, dilutive stock options were calculated using the treasury stock method consistent with prior periods. There were no anti-dilutive stock options for the three and nine months ended September 30, 2012. Stock options of less than 0.1 million and 0.1 million have been excluded for the three and nine months ended September 30, 2011, respectively, as they were anti-dilutive. The conversions of downREIT operating partnership units and 5.417% Series 1 Cumulative Convertible Preferred Shares are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
NUMERATOR				
Income from continuing operations	$39,656	$33,532	$105,514	$99,388
Less: Preferred share dividends	(136)	(136)	(406)	(406)
Less: Income from continuing operations attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(3,941)
Less: Earnings allocated to unvested shares	(221)	(207)	(638)	(509)
Income from continuing operations available for common shareholders	38,287	31,940	101,329	94,532
Results from discontinued operations attributable to the Trust	—	14,770	—	17,549
Gain on sale of real estate in real estate partnership	—	—	11,860	—
Net income available for common shareholders, basic and diluted	$38,287	$46,710	$113,189	$112,081
DENOMINATOR				
Weighted average common shares outstanding—basic	64,014	62,818	63,711	62,172
Effect of dilutive securities:				
Stock options	188	172	180	169
Weighted average common shares outstanding—diluted	64,202	62,990	63,891	62,341
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	$0.60	$0.51	$1.59	$1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	$0.60	$0.74	$1.78	$1.80
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	$0.60	$0.51	$1.58	$1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	$0.60	$0.74	$1.77	$1.80
Income from continuing operations attributable to the Trust	$38,644	$32,283	$102,373	$95,447

NOTE 13—SUBSEQUENT EVENT

On October 22, 2012, we repaid the mortgage loan on Mount Vernon prior to its original maturity date at par for $10.2 million. This loan had an original maturity date of April 15, 2028; however, the loan was prepayable at any time after October 14, 2012.

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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, 2011 filed with the Securities and Exchange Commission (the "SEC") on February 16, 2012.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as "may," "will," "could," "should," "plans," "intends," "expects," "believes," "estimates," "anticipates" and "continues." Forward-looking statements are historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2011 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

We are an equity real estate investment trust ("REIT") specializing in the ownership, management, and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, and California. As of September 30, 2012, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 87 predominantly retail real estate projects comprising approximately 19.1 million square feet (excludes unconsolidated joint venture properties). In total, the real estate projects were 95.1% leased and 94.2% occupied at September 30, 2012. A joint venture in which we own a 30% interest owned seven retail real estate projects totaling approximately 1.0 million square feet as of September 30, 2012. In total, the joint venture properties in which we own a 30% interest were 88.5% leased and 88.3% occupied at September 30, 2012.

2012 Significant Equity and Debt Transactions

On May 8, 2012, we replaced our existing at the market ("ATM") equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to $300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended September 30, 2012, we issued 491,094 common shares at a weighted average price per share of $107.43 for net cash proceeds of $52.1 million and paid $0.7 million in commissions related to the sales of these common shares. For the nine months ended September 30, 2012, we issued 873,210 common shares at a weighted average price per share of $103.54 for net cash proceeds of $89.1 million and paid $1.2 million in commissions related to the sales of these common shares. As of September 30, 2012, we had the capacity to issue up to $230.9 million in common shares under our ATM equity program.

On July 16, 2012, we repaid our $175.0 million 6.00% senior notes on the maturity date.

On July 19, 2012, we issued $250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately $244.8 million.

On October 22, 2012, we repaid the mortgage loan on Mount Vernon prior to its original maturity date at par for $10.2 million. This loan had an original maturity date of April 15, 2028; however, the loan was prepayable at any time after October 14, 2012.

Final Purchase Price Allocation of 2011 Property Acquisitions and 2012 Property Acquisitions

During 2012, we finalized the purchase price allocations for our December 2011 acquisitions of controlling interests in Montrose Crossing and Plaza El Segundo. The purchase price for Montrose Crossing was $141.5 million and our 89.9% ownership interest was $127.2 million which was funded with cash and our pro-rata share of $80.0 million of new mortgage

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debt. Approximately $2.9 million and $3.8 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The purchase price for Plaza El Segundo was $192.7 million and our 48.2% ownership interest was funded with $8.5 million of cash and the assumption of our pro-rata share of the existing $175.0 million mortgage debt. Approximately $7.5 million and $2.3 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The balance sheet at December 31, 2011, has been adjusted to reflect the final purchase price allocation for both properties.

In July and September 2012, we acquired three residential apartment buildings with 47 units located adjacent to Santana Row for $9.0 million. These properties provide potential future redevelopment opportunities for Santana Row.

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 external and internal costs related to both development and redevelopment activities of $93 million and $3 million, respectively, for the nine months ended September 30, 2012 and $60 million and $3 million, respectively, for the nine months ended September 30, 2011. We capitalized external and internal costs related to other property improvements of $33 million and $1 million, respectively, for the nine months ended September 30, 2012 and $30 million and $1 million, respectively, for the nine months ended September 30, 2011. We capitalized external and internal costs related to leasing activities of $5 million and $4 million, respectively, for the nine months ended September 30, 2012 and $6 million and $4 million, respectively, for the nine months ended September 30, 2011. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $3 million, $1 million, and $4 million, respectively, for the nine months ended September 30, 2012 and $2 million, $1 million, and $3 million, respectively, for the nine months ended September 30, 2011.

Chief Financial Officer Transition

On August 15, 2012, James M. Taylor, a senior managing director in the real estate investment banking group of an affiliate of Wells Fargo, succeeded Andrew Blocher as our chief financial officer. We believe that the addition of Mr. Taylor to our executive ranks will enhance our ability to source and evaluate corporate business development and strategic opportunities. For more information about Mr. Taylor's appointment, see our Current Report on Form 8-K filed with the SEC on July 11, 2012.

Outlook

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

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

Our properties are predominately located in densely populated, affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. In 2012, we expect to have redevelopment projects stabilizing with projected costs of approximately $55 million.

Additionally, we continue to invest in the development at Assembly Row which is a long-term development project we expect to be involved in over the coming years. The carrying value of the development portion of this project at September 30, 2012 is approximately $158 million. The project currently has zoning entitlements to build 2.3 million square feet of commercial-use buildings, 2,100 residential units, and a 200 room hotel. In December 2011, we entered into agreements with AvalonBay Communities ("AvalonBay") for a portion of the first phase of residential and retail development at Assembly Row which will include 575 residential units (by AvalonBay) and approximately 323,000 square feet of retail space. The Massachusetts Bay Transit Authority (MBTA) will also construct the new orange line T-Stop at the property. Construction commenced during first quarter 2012 and we expect the first phase to be stabilized in 2015. We are also continuing our infrastructure work during 2012. We expect to invest between $30

million and $35 million in 2012, net of expected public funding.

We continue our predevelopment work related to the long-term redevelopment of Mid-Pike Plaza in Rockville, Maryland, which will be renamed Pike & Rose, a long-term, multi-phased, mixed-use project. The property currently has zoning entitlements to build 1.7 million square feet of commercial-use buildings and 1,583 residential units. Phase I of Pike & Rose involves demolition of roughly 25% of the existing gross leasable area at Mid-Pike Plaza (which was completed during the

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second quarter 2012) and construction of 493 residential units, 151,000 square feet of retail space and 79,000 square of office space. Construction of Phase I commenced in the third quarter 2012 with stabilization expected in 2015/2016. We expect to invest between $45 million and $55 million in 2012.

We continue our ongoing redevelopment efforts at Santana Row and are currently under construction on a 212 unit residential building which we expect to stabilize in 2014. During 2012, we expect to invest between $20 million and $25 million related to this building.

As of September 30, 2012 in connection with our development projects at Assembly Row, Pike & Rose and Santana Row mentioned above, we have contractual obligations of approximately $108 million. The development of future phases of Assembly Row, Pike & Rose and Santana Row will be pursued opportunistically based on, among other things, market conditions, our evaluation of whether those phases will generate an appropriate financial return and our ability to structure the development of those future phases, through entitlement sales, third party capital investment or otherwise, in a way that should mitigate our risk of those future phases.

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, the infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain relatively high occupancy and increase rental rates. We have continued to see signs of improvement for many of our tenants as well as increased interest from prospective tenants for our retail spaces. While there can be no assurance that these positive signs will continue, we remain cautiously optimistic regarding the improved trends we have seen over the past two years. While we have seen improvements over much of our portfolio, we continue to see some tenants being negatively impacted by the economic environment and some filing for bankruptcy, though at a lower rate than in previous years. We believe the locations of our centers and diverse tenant base mitigates the negative impact of the economic environment, however, any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, will adversely affect our financial condition and results of operations. We expect to continue to see small changes in occupancy over the short term and expect increases in occupancy and rental rates to be a driver of our same-center growth over the long term as we are able to re-lease vacant spaces. We seek to maintain a mix of strong national, regional, and local retailers. At September 30, 2012, no single tenant accounted for more than 3.1% of annualized base rent.

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Generally, our acquisitions do not initially contribute significantly to earnings growth; however, they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition. 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. On occasion we also finance our acquisitions through the issuance of common shares, preferred shares, or downREIT units as well as through new or assumed mortgages.

At September 30, 2012, the leasable square feet in our properties was 94.2% occupied and 95.1% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

Lease Rollovers

For the third quarter 2012, we signed leases for a total of 532,000 square feet of retail space including 504,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 11% on a cash basis and 25% on a straight-line basis. New leases for comparable spaces were signed for 271,000 square feet at an average rental increase of 25% on a cash basis and 36% on a straight-line basis. Renewals for comparable spaces were signed for 233,000 square feet at an average rental decrease of 1% on a cash basis and an average rental increase

of 15% on a straight-line basis.

For the nine months ended September 30, 2012, we signed leases for a total of 1,479,000 square feet of retail space including 1,321,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 13% on a cash basis and 24% on a straight-line basis. New leases for comparable spaces were signed for 690,000 square feet at an average rental increase of 24% on a cash basis and 34% on a straight-line basis. Renewals for comparable spaces were signed for 631,000 square feet at an average rental increase of 3% on a cash basis and 14% on a straight-line basis.

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The rental increases associated with comparable spaces generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and in some instances, projections of first lease year percentage rent, to be paid on the new lease. In some instances, management exercises judgment as to how to most effectively reflect the comparability of spaces reported in this 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.

The leases signed in 2012 generally become effective over the following two years though some may not become effective until 2015 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, these increases do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

In 2012, we expect a higher level of leasing activity compared to prior years with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

Same-Center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations. For the three and nine months ended September 30, 2012, all or a portion of 78 and 77 properties, respectively, were considered same-center and for both periods, eight properties were considered redevelopment or expansion. For the nine months ended September 30, 2012, four properties were removed from same-center and one property was added to same-center compared to the designations as of December 31, 2011. For the three months ended September 30, 2012, one additional property was moved from acquisitions to same-center designation. While there is judgment surrounding changes in designations, we typically move redevelopment properties to same-center once they have stabilized, which is typically considered 95% occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from same center when the redevelopment has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to same-center once we have owned the property for the entirety of comparable periods and the property is not under significant development or expansion.

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RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011	Change Dollars	%
	(Dollar amounts in thousands)			
Rental income	$147,515	$134,014	$13,501	10.1%
Other property income	9,008	2,341	6,667	284.8%
Mortgage interest income	1,282	1,309	(27)	(2.1)%
Total property revenue	157,805	137,664	20,141	14.6%
Rental expenses	29,679	26,595	3,084	11.6%
Real estate taxes	17,320	15,047	2,273	15.1%
Total property expenses	46,999	41,642	5,357	12.9%
Property operating income	110,806	96,022	14,784	15.4%
Other interest income	261	136	125	91.9%
Income from real estate partnerships	490	434	56	12.9%
Interest expense	(28,218)	(23,795)	(4,423)	18.6%
General and administrative expense	(8,751)	(7,197)	(1,554)	21.6%
Depreciation and amortization	(34,932)	(32,068)	(2,864)	8.9%
Total other, net	(71,150)	(62,490)	(8,660)	13.9%
Income from continuing operations	39,656	33,532	6,124	18.3%
Discontinued operations - income	—	13	(13)	(100.0)%
Discontinued operations - gain on sale of real estate	—	14,757	(14,757)	(100.0)%
Net income	39,656	48,302	(8,646)	(17.9)%
Net income attributable to noncontrolling interests	(1,012)	(1,249)	237	(19.0)%
Net income attributable to the Trust	$38,644	$47,053	$(8,409)	(17.9)%

Property Revenues

Total property revenue increased $20.1 million, or 14.6%, to $157.8 million in the three months ended September 30, 2012 compared to $137.7 million in the three months ended September 30, 2011. The percentage occupied at our shopping centers increased to 94.2% at September 30, 2012 compared to 92.2% at September 30, 2011. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $13.5 million, or 10.1%, to $147.5 million in the three months ended September 30, 2012 compared to $134.0 million in the three months ended September 30, 2011 due primarily to the following:

- an increase of $7.2 million attributable to properties acquired in 2011 and 2012,
- an increase of $4.6 million at same-center properties due primarily to increased occupancy, higher rental rates on new leases, and an increase in recovery income, and
- an increase of $1.3 million at redevelopment properties due primarily to increased occupancy at certain properties, mainly our new residential building at Santana Row and higher rental rates on new leases partially offset by lower income from Mid-Pike Plaza as the property is prepared for the development of Pike & Rose.

Other Property Income

Other property income increased $6.7 million, or 284.8%, to $9.0 million in the three months ended September 30, 2012 compared to $2.3 million in the three months ended September 30, 2011. Included in other property income are items which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily due to an increase in lease termination fees at same-center properties.

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Property Expenses

Total property expenses increased $5.4 million, or 12.9%, to $47.0 million in the three months ended September 30, 2012 compared to $41.6 million in the three months ended September 30, 2011. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $3.1 million, or 11.6%, to $29.7 million in the three months ended September 30, 2012 compared to $26.6 million in the three months ended September 30, 2011. This increase is primarily due to the following:

- an increase of $1.0 million in repairs and maintenance at same-center and redevelopment properties,
- an increase of $0.9 million related to properties acquired in 2011 and 2012,
- an increase of $0.4 million in bad debt expense at same-center properties, and
- an increase of $0.3 million in marketing expenses at our Assembly Row and Pike & Rose projects.

As a result of the changes in rental income, other property income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased to 19.0% in the three months ended September 30, 2012 from 19.5% in the three months ended September 30, 2011.

Real Estate Taxes

Real estate tax expense increased $2.3 million, or 15.1% to $17.3 million in the three months ended September 30, 2012 compared to $15.0 million in the three months ended September 30, 2011 due primarily to an increase of $1.1 million from properties acquired in 2011 and 2012, and $0.9 million at same-center properties.

Property Operating Income

Property operating income increased $14.8 million, or 15.4%, to $110.8 million in the three months ended September 30, 2012 compared to $96.0 million in the three months ended September 30, 2011. This increase is primarily due to growth in earnings at same-center properties, properties acquired in 2011 and redevelopment properties.

Other

Interest Expense

Interest expense increased $4.4 million, or 18.6%, to $28.2 million in the three months ended September 30, 2012 compared to $23.8 million in the three months ended September 30, 2011. This increase is due primarily to the following:

- an increase of $3.3 million due to mortgage loans secured by Plaza El Segundo and Montrose Crossing both of which were acquired in 2011, and
- an increase of $2.2 million due to higher borrowings,

partially offset by

- a decrease of $0.7 million due to a lower overall weighted average borrowing rate, and
- an increase of $0.3 million in capitalized interest.

Gross interest costs were $30.7 million and $26.0 million in the three months ended September 30, 2012 and 2011, respectively. Capitalized interest was $2.5 million and $2.2 million in the three months ended September 30, 2012 and 2011, respectively.

General and Administrative Expense

General and administrative expense increased $1.6 million, or 21.6%, to $8.8 million in in the three months ended September 30, 2012 from $7.2 million in the three months ended September 30, 2011. This increase is due primarily to personnel costs related to our CFO change.

Depreciation and Amortization

Depreciation and amortization expense increased $2.9 million, or 8.9%, to $34.9 million in the three months ended September 30, 2012 from $32.1 million in the three months ended September 30, 2011. This increase is due primarily to 2011 acquisitions.

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Discontinued Operations— Income
Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. For the three months ended September 30, 2011, the amount primarily represents the operating income for the period during which we owned properties sold/disposed of in 2011.
Discontinued Operations— Gain on Sale of Real Estate
The $14.8 million gain on sale of real estate from discontinued operations for the three months ended September 30, 2011 is due to the sale of Feasterville Shopping Center on July 12, 2011.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011	Change Dollars	%
	(Dollar amounts in thousands)			
Rental income	$429,972	$401,452	$28,520	7.1 %
Other property income	17,848	6,577	11,271	171.4 %
Mortgage interest income	3,834	3,564	270	7.6 %
Total property revenue	451,654	411,593	40,061	9.7 %
Rental expenses	82,695	81,130	1,565	1.9 %
Real estate taxes	49,914	46,001	3,913	8.5 %
Total property expenses	132,609	127,131	5,478	4.3 %
Property operating income	319,045	284,462	34,583	12.2 %
Other interest income	580	171	409	239.2 %
Income from real estate partnerships	1,229	1,201	28	2.3 %
Interest expense	(85,744)	(72,744)	(13,000)	17.9 %
Early extinguishment of debt	—	296	(296)	(100.0)%
General and administrative expense	(22,894)	(19,643)	(3,251)	16.6 %
Depreciation and amortization	(106,702)	(94,355)	(12,347)	13.1 %
Total other, net	(213,531)	(185,074)	(28,457)	15.4 %
Income from continuing operations	105,514	99,388	6,126	6.2 %
Discontinued operations - income	—	943	(943)	(100.0)%
Discontinued operations - gain on deconsolidation of VIE	—	2,026	(2,026)	(100.0)%
Discontinued operations - gain on sale of real estate	—	14,800	(14,800)	(100.0)%
Gain on sale of real estate in real estate partnership	11,860	—	11,860	100.0 %
Net income	117,374	117,157	217	0.2 %
Net income attributable to noncontrolling interests	(3,141)	(4,161)	1,020	(24.5)%
Net income attributable to the Trust	$114,233	$112,996	$1,237	1.1 %

Property Revenues
Total property revenue increased $40.1 million, or 9.7%, to $451.7 million in the nine months ended September 30, 2012 compared to $411.6 million in the nine months ended September 30, 2011. The percentage occupied at our shopping centers increased to 94.2% at September 30, 2012 compared to 92.2% at September 30, 2011. Changes in the components of property revenue are discussed below.
Rental Income
Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased $28.5 million, or 7.1%, to $430.0 million in the nine months ended September 30, 2012 compared to $401.5 million in the nine months ended September 30, 2011 due primarily to the following:

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- an increase of $21.4 million attributable to properties acquired in 2011 and 2012,
- an increase of $3.4 million at same-center properties due primarily to increased occupancy and higher rental rates on new and renewal leases partially offset by lower recovery income as a result of lower recoverable expenses (primarily snow removal costs), and
- an increase of $2.8 million at redevelopment properties due primarily to increased occupancy at certain properties, mainly our new residential building at Santana Row and higher rental rates on new leases partially offset by lower income from Mid-Pike Plaza as the property is prepared for the development of Pike & Rose.

Other Property Income

Other property income increased $11.3 million, or 171.4%, to $17.8 million in the nine months ended September 30, 2012 compared to $6.6 million in the nine months ended September 30, 2011. Included in other property income are items which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily due to an increase in lease termination fees at same-center properties.

Property Expenses

Total property expenses increased $5.5 million, or 4.3%, to $132.6 million in the nine months ended September 30, 2012 compared to $127.1 million in the nine months ended September 30, 2011. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $1.6 million, or 1.9%, to $82.7 million in the nine months ended September 30, 2012 compared to $81.1 million in the nine months ended September 30, 2011. This increase is primarily due to the following:

- an increase of $2.3 million related to properties acquired in 2011 and 2012,
- an increase of $0.8 million in other operating costs due primarily to higher demolition and legal costs, and
- an increase of $0.8 million in marketing expenses at our Assembly Row and Pike & Rose projects,

partially offset by

- a decrease of $2.7 million in repairs and maintenance at same-center and redevelopment properties primarily due to lower snow removal costs.

As a result of the changes in rental income, other property income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased to 18.5% in the nine months ended September 30, 2012 from 19.9% in the nine months ended September 30, 2011.

Real Estate Taxes

Real estate tax expense increased $3.9 million, or 8.5% to $49.9 million in the nine months ended September 30, 2012 compared to $46.0 million in the nine months ended September 30, 2011 due primarily to an increase of $3.0 million at properties acquired in 2011 and 2012, $0.4 million at redevelopment properties, and $0.4 million at same-center properties.

Property Operating Income

Property operating income increased $34.6 million, or 12.2%, to $319.0 million in the nine months ended September 30, 2012 compared to $284.5 million in the nine months ended September 30, 2011. This increase is primarily due to properties acquired in 2011 and growth in earnings at same-center and redevelopment properties.

Other

Interest Expense

Interest expense increased $13.0 million, or 17.9%, to $85.7 million in the nine months ended September 30, 2012 compared to $72.7 million in the nine months ended September 30, 2011. This increase is due primarily to the following:

- an increase of $9.7 million due to mortgage loans secured by Plaza El Segundo and Montrose Crossing both of which were acquired in 2011,
- an increase of $1.9 million due to a higher overall weighted average borrowing rate, and

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- an increase of $3.0 million due to higher borrowings,

partially offset by

- an increase of $1.7 million in capitalized interest.

Gross interest costs were $93.2 million and $78.6 million in the nine months ended September 30, 2012 and 2011, respectively. Capitalized interest was $7.5 million and $5.8 million in the nine months ended September 30, 2012 and 2011, respectively.

Early Extinguishment of Debt

The $0.3 million of income from early extinguishment of debt in the nine months ended September 30, 2011 is due to the write-off of unamortized debt premium net of a 3.0% prepayment premium and unamortized debt fees related to the payoff of our mortgage loan on Tower Shops prior to its contractual prepayment date.

General and Administrative Expense

General and administrative expense increased $3.3 million, or 16.6%, to $22.9 million in the nine months ended September 30, 2012 from $19.6 million in the nine months ended September 30, 2011. This increase is due primarily to costs related to our CFO change and higher personnel related costs partially offset by lower acquisition costs resulting from costs incurred related to our 2011 acquisitions.

Depreciation and Amortization

Depreciation and amortization expense increased $12.3 million, or 13.1%, to $106.7 million in the nine months ended September 30, 2012 from $94.4 million in the nine months ended September 30, 2011. This increase is due primarily to 2011 acquisitions and capital improvements at same-center and redevelopment properties.

Discontinued Operations— Income

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of $0.9 million for the nine months ended September 30, 2011 primarily represents the operating income for the period during which we owned properties sold/disposed of in 2011.

Discontinued Operations— Gain on Deconsolidation of VIE

The $2.0 million gain on deconsolidation of VIE for the nine months ended September 30, 2011 is a result of the refinancing of a mortgage note receivable on a shopping center in Norwalk, Connecticut, resulting in us no longer being the primary beneficiary of the VIE.

Discontinued Operations—Gain on Sale of Real Estate

The $14.8 million gain on sale of real estate from discontinued operations for the nine months ended September 30, 2011 relates to the sale of Feasterville Shopping Center on July 12, 2011.

Gain on Sale of Real Estate in Real Estate Partnership

The $11.9 million gain on sale of real estate in real estate partnership in the nine months ended September 30, 2012 is due to the sale of our Newbury Street Partnership's entire portfolio of three buildings on October 31, 2011. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of $11.9 million in the nine months ended September 30, 2012.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (“ASU”) 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards (“IFRS”). ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. We adopted the standard effective January 1, 2012 and it did not have a significant impact to our consolidated financial statements.

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In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of shareholders' equity and requires the presentation of components of net income and components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB deferred the requirement to present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. We adopted the standards effective January 1, 2012 and modified the presentation in our consolidated financial statements accordingly.

Liquidity and Capital Resources

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

Our short-term liquidity requirements consist primarily of normal recurring operating expenses, obligations under our capital and operating leases, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Our long-term capital requirements consist primarily of maturities under our long-term debt agreements, development and redevelopment costs and potential acquisitions.

We intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, joint venture relationships relating to existing properties or new acquisitions, and property dispositions that are consistent with this conservative structure.

Cash and cash equivalents increased $79.9 million to $147.7 million at September 30, 2012; however, cash and cash equivalents are not the only indicator of our liquidity. We have a $400.0 million unsecured revolving credit facility which matures on July 6, 2015 and had no borrowings outstanding at September 30, 2012. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to $800.0 million. Our $275.0 million unsecured term loan which matures on November 21, 2018 also has an option (subject to bank approval) to increase the term loan through an accordion feature to $350.0 million. As of September 30, 2012, we had the capacity to issue up to $230.9 million in common shares under our ATM equity program.

On July 16, 2012, we repaid our $175.0 million 6.00% senior notes and have $20.2 million of debt maturing for the remainder of 2012. On July 19, 2012, we issued $250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately $244.8 million. We currently believe that cash flows from operations, cash on hand, our ATM equity program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements (including maturities) and capital expenditures.

Our overall capital requirements for the remainder of 2012 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Assembly Row, Pike & Rose and future phases of Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to incur higher amounts in 2012 compared to those incurred in 2011 related to capital investments for development, redevelopment and existing properties as we progress with our active development pipeline. Additionally, over the next three years, we expect to incur approximately $400 million related to the current phases of development at Assembly Row, Pike & Rose and Santana Row. These amounts will be funded on a short-term basis with cash flow from operations, cash on hand and/or our revolving credit facility, and on a long-term basis, with long-term debt or equity including proceeds from shares issued under our ATM equity program. If necessary, we may access the debt or equity capital markets to finance significant acquisitions. Given our past ability to access the capital

markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also 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.
In addition to conditions in the capital markets which could affect our ability to access those markets, the following factors could affect our ability to meet our liquidity requirements:

- restrictions in our debt instruments or preferred shares may limit us from incurring debt or issuing equity at all, or on acceptable terms under then-prevailing market conditions; and

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- we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance.

Summary of Cash Flows

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Cash provided by operating activities	$209,155	$172,951
Cash used in investing activities	(143,435)	(101,313)
Cash provided by (used in) financing activities	14,154	(65,365)
Increase in cash and cash equivalents	79,874	6,273
Cash and cash equivalents, beginning of year	67,806	15,797
Cash and cash equivalents, end of period	$147,680	$22,070

Net cash provided by operating activities increased $36.2 million to $209.2 million during the nine months ended September 30, 2012 from $173.0 million during the nine months ended September 30, 2011. The increase was primarily attributable to the payment in 2011 of the $16.2 million final judgment related to a previously disclosed lawsuit and higher net income before certain non-cash items in 2012.

Net cash used in investing activities increased $42.1 million to $143.4 million during the nine months ended September 30, 2012 from $101.3 million during the nine months ended September 30, 2011. The increase was primarily attributable to:

- $36.7 million increase in capital investments in 2012,
- $20.7 million in proceeds from the sales of real estate in 2011, primarily due to the sale of Feasterville Shopping Center, and
- $8.7 million payment received in June 2011 related to the refinancing of a mortgage loan receivable,

partially offset by

- $17.4 million decrease in acquisitions of real estate due to the January 2011 Tower Shops acquisition, and
- $6.9 million in contributions to the Newbury Street Partnership in 2011.

Net cash provided by financing activities increased $79.5 million to $14.2 million during the nine months ended September 30, 2012 from $65.4 million used during the nine months ended September 30, 2011. The increase was primarily attributable to:

- $244.8 million in net proceeds from the issuance of 3.00% senior notes in July 2012,
- $72.6 million decrease in repayment of mortgages, capital leases and notes payable due to the payoff of three mortgages totaling $78.4 million in 2011 compared to one mortgage of $6.9 million in 2012, and
- $5.4 million issuance of notes payable in June 2012,

partially offset by

- $175.0 million repayment of 6.00% senior notes in July 2012,
- $76.8 million decrease in net borrowings on our revolving credit facility,
- $58.7 million decrease in net proceeds from the issuance of common shares due primarily to the sale of 1.7 million shares under our ATM equity program in the nine months ended September 30, 2011 compared to 0.9 million in the nine months ended September 30, 2012, and
- $7.3 million increase in dividends paid to shareholders due to an increase in the dividend rate and increased number of shares outstanding.

Off-Balance Sheet Arrangements

We have a joint venture arrangement (the “Partnership”) with affiliates of a discretionary fund created and advised by ING Clarion Partners (“Clarion”). We own 30% of the equity in the Partnership and Clarion owns 70%. We hold a general partnership interest, however, Clarion also holds a general partnership interest and has substantive participating rights. We cannot make significant decisions without Clarion’s approval. Accordingly, we account for our

interest in the Partnership using the equity method. As of September 30, 2012, the Partnership owned seven retail real estate properties. We are the manager of

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the Partnership and its properties, earning fees for acquisitions, management, leasing and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. The Partnership is subject to a buy-sell provision which is customary in real estate joint venture agreements and the industry. Either partner may initiate this provision at any time, which could result in either the sale of our interest or the use of available cash or borrowings to acquire Clarion's interest. Accounting policies for the Partnership are similar to accounting policies followed by the Trust. At September 30, 2012, our investment in the Partnership was $33.9 million and the Partnership had approximately $57.2 million of mortgages payable outstanding.

On October 31, 2011, our Newbury Street Partnership sold its entire portfolio of three buildings for $44.0 million. As part of the sale, we received $34.6 million of the net proceeds which included the repayment of our $11.8 million loans. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of $11.9 million in the first quarter 2012.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of September 30, 2012:

Description of Debt	Original Debt Issued	Principal Balance as of September 30, 2012	Stated Interest Rate as of September 30, 2012		Maturity Date
	(Dollars in thousands)				
Mortgages payable (1)					
Secured fixed rate					
Bethesda Row	Acquired	$19,992	5.37	%	January 1, 2013
Bethesda Row	Acquired	3,900	5.05	%	February 1, 2013
White Marsh Plaza (2)	Acquired	9,050	6.04	%	April 1, 2013
Crow Canyon	Acquired	19,605	5.40	%	August 11, 2013
Idylwood Plaza	16,910	16,062	7.50	%	June 5, 2014
Leesburg Plaza	29,423	27,947	7.50	%	June 5, 2014
Loehmann's Plaza	38,047	36,139	7.50	%	June 5, 2014
Pentagon Row	54,619	51,879	7.50	%	June 5, 2014
Melville Mall (3)	Acquired	21,737	5.25	%	September 1, 2014
THE AVENUE at White Marsh	Acquired	55,659	5.46	%	January 1, 2015
Barracks Road	44,300	38,309	7.95	%	November 1, 2015
Hauppauge	16,700	14,441	7.95	%	November 1, 2015
Lawrence Park	31,400	27,153	7.95	%	November 1, 2015
Wildwood	27,600	23,867	7.95	%	November 1, 2015
Wynnewood	32,000	27,672	7.95	%	November 1, 2015
Brick Plaza	33,000	28,219	7.42	%	November 1, 2015
Plaza El Segundo	Acquired	175,000	6.33	%	August 5, 2017
Rollingwood Apartments	24,050	22,980	5.54	%	May 1, 2019
Shoppers' World	Acquired	5,327	5.91	%	January 31, 2021
Montrose Crossing	80,000	79,099	4.20	%	January 10, 2022
Mount Vernon (4)	13,250	10,253	5.66	%	April 15, 2028
Chelsea	Acquired	7,498	5.36	%	January 15, 2031
Subtotal		721,788			
Net unamortized premium		8,855			
Total mortgages payable		730,643			
Notes payable					
Unsecured fixed rate					
Various (5)	18,574	15,218	5.41	%	Various through 2027
Term loan (6)	275,000	275,000	LIBOR + 1.45%		November 21, 2018
Unsecured variable rate					
Revolving credit facility (7)	400,000	—	LIBOR + 1.15%		July 6, 2015
Escondido (municipal bonds) (8)	9,400	9,400	0.19	%	October 1, 2016
Total notes payable		299,618			
Senior notes and debentures					
Unsecured fixed rate					
5.40% notes	135,000	135,000	5.40	%	December 1, 2013

5.95% notes	150,000	150,000	5.95	%	August 15, 2014
5.65% notes	125,000	125,000	5.65	%	June 1, 2016
6.20% notes	200,000	200,000	6.20	%	January 15, 2017
5.90% notes	150,000	150,000	5.90	%	April 1, 2020
3.00% notes	250,000	250,000	3.00	%	August 1, 2022
7.48% debentures	50,000	29,200	7.48	%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.82	%	August 1, 2027
Subtotal		1,079,200			
Net unamortized discount		(2,744	)		
Total senior notes and debentures		1,076,456			
Capital lease obligations					
Various		71,698	Various		Various through 2106
Total debt and capital lease obligations		$2,178,415			

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1) Mortgages payable do not include our 30% share ($17.2 million) of the $57.2 million debt of the partnership with a discretionary fund created and advised by ING Clarion Partners.

2) The interest rate of 6.04% represents the weighted average interest rate for two mortgage loans secured by this property. The loan balance represents an interest only loan of $4.4 million at a stated rate of 6.18% and the remaining balance at a stated rate of 5.96%.

3) We acquired control of Melville Mall through a 20-year master lease and secondary financing. Because we control the activities that most significantly impact this property and retain substantially all of the economic benefit and risk associated with it, this property is consolidated and the mortgage loan is reflected on the balance sheet, though it is not our legal obligation.

4) We repaid the loan at par on October 22, 2012.

5) The interest rate of 5.41% represents the weighted average interest rate for ten unsecured fixed rate notes payable. These notes mature from November 1, 2012 to June 27, 2027.

6) We entered into two interest rate swap agreements that effectively fix the rate on the term loan at 3.17%.

7) The maximum amount drawn under our revolving credit facility during the three and nine months ended September 30, 2012 was $186.0 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 1.42%.

8) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The Escondido Promenade property is not encumbered by a lien.

Our revolving credit facility, term loan and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2012, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt covenants and did not cure the breach within 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, term loan 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, 2012:

	Unsecured		Secured		Capital Lease	Total	
	(In thousands)						
2012	$10,158		$12,958	(1)	$8	$23,124	
2013	135,270		63,372		22	198,664	
2014	150,264		157,838		25	308,127	
2015	292	(2)	204,936		27	205,255	
2016	134,721		2,521		30	137,272	
Thereafter	948,113		280,163		71,586	1,299,862	
	$1,378,818		$721,788		$71,698	$2,172,304	(3)

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1) Includes the repayment of the outstanding mortgage payable balance on Mount Vernon. The lender had the option to call the loan on April 15, 2013 or any time thereafter, however, we could prepay the loan at any time after October 14, 2012 at par. We repaid the loan on October 22, 2012.

2) Our $400.0 million revolving credit facility matures on July 6, 2015, subject to a one-year extension at our option. As of September 30, 2012, there was $0 drawn under this credit facility.

3)

The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium or discount on certain mortgage loans, senior notes and debentures as of September 30, 2012.

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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.

The interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income which is included in accumulated other comprehensive loss on our consolidated balance sheet and our consolidated statement of of shareholders' equity. Our 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. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

In November 2011, we entered into two interest rate swap agreements that effectively fixed the rate on the term loan at 3.17%. Both swaps were designated and qualified as cash flow hedges and were recorded at fair value. Hedge ineffectiveness has not impacted earnings as of September 30, 2012, and we do not anticipate it will have a significant effect in the future.

REIT Qualification

We intend to maintain our 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 the U.S. GAAP, plus real estate related depreciation and amortization and excluding extraordinary items, gains and losses on the sale of real estate, and impairment write-downs of depreciable real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

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

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

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis unless necessary for us to maintain REIT status. However, we must distribute at least 90% of our 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Net income	$39,656	$48,302	$117,374	$117,157
Net income attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(4,161)
Gain on sale of real estate	—	(14,757)	—	(14,800)
Gain on sale of real estate in real estate partnership	—	—	(11,860)	—
Gain on deconsolidation of VIE	—	—	—	(2,026)
Depreciation and amortization of real estate assets	30,556	28,671	94,328	84,723
Amortization of initial direct costs of leases	2,724	2,684	8,330	7,737
Depreciation of joint venture real estate assets	377	446	1,133	1,304
Funds from operations	72,301	64,097	206,164	189,934
Dividends on preferred shares	(136)	(136)	(406)	(406)
Income attributable to operating partnership units	236	249	707	733
Income attributable to unvested shares	(340)	(285)	(970)	(793)
Funds from operations available for common shareholders	$72,061	$63,925	$205,495	$189,468
Weighted average number of common shares, diluted (1)	64,526	63,350	64,227	62,702
Funds from operations available for common shareholders, per diluted share	$1.12	$1.01	$3.20	$3.02

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We 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. As of September 30, 2012, we were party to two interest rate swap agreements that effectively fixed the rate on the term loan at 3.17%.

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.

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Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2031 or, with respect to capital lease obligations, through 2106) 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, 2012, we had $2.2 billion of fixed-rate debt outstanding, including our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements, and $71.7 million of capital lease obligations. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2012 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $82.0 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2012 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $87.3 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At September 30, 2012, we had $9.4 million of variable rate debt outstanding which consisted of municipal bonds. Our revolving credit facility had no outstanding balance as of September 30, 2012. 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 by approximately $0.1 million, and our net income and cash flows for the year would decrease by approximately $0.1 million. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by less than $0.1 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2012 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2011 filed with the SEC on February 16, 2012. These factors include, but are not limited to, the following:

- 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;
- risk that we are investing a significant amount in ground-up development projects that may be dependent on third parties to deliver critical aspects of certain projects, requires spending a substantial

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amount upfront in infrastructure, and assumes receipt of public funding which has been committed but not entirely funded;

- 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,
- new acquisitions may fail to perform as expected,
- competition for acquisitions could result in increased prices for acquisitions,
- environmental issues may develop at our properties and result in unanticipated costs, and
- because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks associated with general economic conditions, including local economic conditions in our geographic markets;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and
- risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. 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.

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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
November 1, 2012	/s/ Donald C. Wood Donald C. Wood, President, Chief Executive Officer and Trustee (Principal Executive Officer)
November 1, 2012	/s/ James M. Taylor James M. Taylor, Executive Vice President - Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2009 (previously filed as Exhibit 3.1 to the Trust’s Registration Statement on Form S-3 (File No. 333-160009) and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004, February 17, 2006 and May 6, 2009 (previously filed as Exhibit 3.2 to the Trust’s Registration Statement on Form S-3 (File No. 333-160009) and incorporated herein by reference)
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) and incorporated herein by reference)
4.2	Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust’s Current Report on Form 8-K filed on March 13, 2007, (File No. 1-07533) and incorporated herein by reference)
4.3	Indenture dated December 1, 1993 related to the Trust’s 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust’s Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.4	Indenture dated September 1, 1998 related to the Trust’s 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; 5.40% Notes due 2013; 5.95% Notes due 2014 and the 5.90% Notes due 2020 (previously filed as Exhibit 4(a) to the Trust’s Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
4.5	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
10.1	Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 (previously filed as Exhibit 10.26 to the Trust’s Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-07533) and incorporated herein by reference)
10.2	Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the “1999 1Q Form 10-Q”) and incorporated herein by reference)
10.3	Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by

	reference)
10.4	Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust’s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the “2004 Form 10-K”) and incorporated herein by reference)
10.5	Split Dollar Life Insurance Agreement dated August 12, 1998 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the Trust’s Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-07533) and incorporated herein by reference)
10.6	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust’s S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.7	Health Coverage Continuation Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.8	Severance Agreement between the Trust and Dawn M. Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust’s 2005 2Q Form 10-Q and incorporated herein by reference)
10.9	Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)

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EXHIBIT INDEX

Exhibit No.	Description
10.10	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.11	Form of Restricted Share Award Agreement for awards made under the Trust's Annual Incentive Bonus Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.29 to the 2004 Form 10-K and incorporated herein by reference)
10.12	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)
10.13	Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 1-07533) and incorporated herein by reference)
10.14	Change in Control Agreement between the Trust and Andrew P. Blocher dated February 12, 2007 (previously filed as Exhibit 10.27 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 1-07533) and incorporated herein by reference)
10.15	Amendment to Severance Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-07533) ("the 2008 Form 10-K") and incorporated herein by reference)
10.16	Second Amendment to Executive Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.27 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.17	Amendment to Health Coverage Continuation Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.28 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.18	Second Amendment to Severance Agreement between the Trust and Dawn M. Becker dated January 1, 2009 (previously filed as Exhibit 10.30 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.19	Amendment to Change in Control Agreement between the Trust and Andrew P. Blocher dated January 1, 2009 (previously filed as Exhibit 10.31 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.20	Amendment to Stock Option Agreements between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.32 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.21	

	Restricted Share Award Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.33 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.22	Combined Incentive and Non-Qualified Stock Option Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.34 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.23	Severance Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.35 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.24	2010 Performance Incentive Plan (previously filed as Appendix A to the Trust's Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.25	Amendment to 2010 Performance Incentive Plan ("the 2010 Plan") (previously filed as Appendix A to the Trust's Proxy Supplement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.26	Restricted Share Award Agreement between the Trust and Donald C. Wood dated October 12, 2010 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 01-07533) and incorporated herein by reference)
10.27	Form of Restricted Share Award Agreement for awards made under the Trust's Long-Term Incentive Award Program and the Trust's Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.34 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-07533) (the "2010 Form 10-K") and incorporated herein by reference)

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EXHIBIT INDEX

Exhibit No.	Description
10.28	Form of Restricted Share Award Agreement for long-term vesting and retention awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.29	Form of Restricted Share Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.36 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.30	Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as Exhibit 10.37 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.31	Form of Option Award Agreement for awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.32	Form of Option Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.39 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.33	Form of Option Award Agreement for basic options awarded out of the 2010 Plan (previously filed as Exhibit 10.40 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.34	Form of Restricted Share Award Agreement, dated as of February 10, 2011, between the Trust and each of Dawn M. Becker and Andrew P. Blocher (previously filed as Exhibit 10.41 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.35	Severance Agreement between the Trust and James M. Taylor dated July 30, 2012 (filed herewith)
10.36	Credit Agreement dated as of July 7, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Wells Fargo Securities, LLC, as a Lead Arranger and Book Manager, and PNC Capital Markets LLC, as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 11, 2011 and incorporated herein by reference)
10.37	Credit Agreement dated as of November 22, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, PNC Bank, National Association, as Administrative Agent, Capital One, N.A., as Syndication Agent, PNC Capital Markets, LLC, as a Lead Arranger and Book Manager, and Capital One, N.A., as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on November 28, 2011 and incorporated herein by reference)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)

32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)
101	The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, 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.